
Berklee Limited

ABN 80 004 661 205

Annual Financial Report
for the year ended 30 June 2008

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Corporate Directory

DIRECTORS

Andrew Osborne Hay B.A. OBE (Chairman)
Edward John van Berkel B. Bus. CA (Managing Director)
Colin Stubbs
Egon Wolfgang Vetter

COMPANY SECRETARY

Wayne Andrew Lawes B.Bus. CPA. FCIS. Dip All. GAICD

REGISTERED OFFICE

Sunraysia Highway
Wendouree (Ballarat),
Victoria, Australia
Telephone: (03) 5338 1110
Facsimile: (03) 5338 1111
Email: headoffice@berklee.com.au

SHARE REGISTER

Computershare Investor Services Pty Limited
452 Johnston Street,
Abbotsford, Victoria
Telephone: (03) 9415 5000

AUDITOR

RSM Bird Cameron Partners
Level 8, 525 Collins Street
Melbourne, Victoria

SOLICITOR

Madgwicks
Level 33, 140 William Street
Melbourne, Victoria

BANKERS

Australia & New Zealand Banking Group Limited

STOCK EXCHANGE LISTING

Berklee shares are listed on the Australian Stock Exchange

DOMICILE

Publicly listed company incorporated in Australia

Company Profile

The company, previously trading as Berklee Products Pty Ltd, was formed in 1966 to assume the manufacturing activities of Berklee, which up until then had operated as an unincorporated business. Berklee Limited has since 1966 manufactured automotive mufflers and exhaust systems, primarily under the "Berklee" brand name.

In the 1970's, the company expanded into nation-wide distribution of its manufactured products and other ancillary parts by establishing 5 distribution companies. These distribution companies, which in 1987 became wholly-owned subsidiaries of Berklee Limited, together with the Tasmanian distribution company established in 1992, form the Undacar Parts Division.

Berklee Limited became a publicly listed company in March 1989 and its shares are traded under the Australian Stock Exchange (code BER).

The company is a leading manufacturer and distributor of automotive mufflers and exhaust systems in Australia with approximately 89 employees, assets of \$14.6 million and sales of \$13.0 million for 2007/2008. Berklee has a strong core business and the company's aim is to build on this stable base so as to increase earnings per share and thereby maximise shareholders' wealth.

Statistical Summary

Consolidated

	2007/08	2006/07	2005/06	2004/05	2003/04	2002/03
		\$000	\$000	\$000	\$000	\$000
BALANCE SHEETS						
Share Capital	8,700	8,700	8,700	8,700	8,700	8,700
Share Capital and Reserves	11,197	11,443	11,619	11,506	11,231	10,560
Non-Current Liabilities	1,138	1,358	1,545	2,081	645	953
Current Liabilities	2,229	2,383	2,544	2,817	3,572	2,800
Total Liabilities	3,367	3,741	4,089	4,898	4,217	3,753
Non-Current Assets	7,663	7,586	7,968	8,362	7,167	7,418
Current Assets	6,901	7,598	7,740	8,042	8,281	6,895
Total Assets	14,564	15,184	15,708	16,404	15,448	14,313

INCOME STATEMENTS						
Revenue	13,178	14,297	13,327	13,570	13,697	11,557
Operating Profit (Loss) Before Income Tax	45	354	304	773	1,508	1,045
Income Tax Expense (Benefit)	10	109	94	233	275	330
Operating Profit (Loss) After Income Tax	35	245	210	540	1,233	715

Please note the financial years ended 30 June 2002 to 30 June 2004 have been prepared under previous GAAP and not under AIFRS. As such, the years are not directly comparable due to changes in classifications under AIFRS.

Statistical Summary (Continued)

Consolidated

	2007/08	2006/07	2005/06	2004/05	2003/04	2002/03
		\$000	\$000	\$000	\$000	\$000
SUMMARY OF CASH FLOW STATEMENTS						
Cash Flows from Operating Activities	514	1,503	1,177	538	1,032	93
FINANCIAL STATISTICS						
Earnings per Ordinary Share (Basic)	0.2c	1.7c	1.5c	3.8c	8.8c	5.1c
Dividends per Ordinary Share	2.0c	3.0c	3.0c	0.0c	4.0c	4.0c
Return on Total Shareholders' Equity	0.3%	2.1%	1.8%	4.6%	11.0%	6.8%
Dividend Times Covered	0.12	0.58	0.50	0.00	2.19	1.27
Dividend Payout Ratio	801%	172%	200%	0%	46%	79%
Net Tangible Assets per Ordinary Share	76.7c*	78.6c*	80.0c*	82.2c*	79.9c*	75.1c*
Current Ratio	3.1*	3.2*	3.0*	2.9*	2.3*	2.5*
Total Shareholders' Equity to Total Assets	77%*	75%*	74%*	70%*	73%*	74%*
Total Shareholders' Equity to Total Liabilities	334%*	302%*	284%*	238%*	266%*	281%*
Number of Employees (as at 30 June)	89	101	100	100	88	84

Please note the financial years ended 30 June 2002 to 30 June 2004 have been prepared under previous GAAP and not under AIFRS. As such, the years are not directly comparable due to changes in classifications under AIFRS.

*As from 1 July 2003 the company adopted AASB 137 (formerly AASB 1044) whereby dividends are only recognised at reporting date if declared by the Board of Directors prior to year end.

Directors' Report

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Berklee Limited and the entities it controlled at the end of, or during, the year ended 30 June 2008.

DIRECTORS

The following persons were directors of Berklee Limited during the whole of the financial year and up to the date of this report:

A.O. Hay
E.J. van Berkel
C. Stubbs
E.W. Vetter

There have been no changes to the Board of Directors during the year ended 30 June 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the year included the manufacture and distribution of automotive mufflers and exhaust products.

REVIEW OF OPERATIONS

Berklee's profit from ordinary activities before income tax expense for the financial year ended 30 June 2008 was \$44,979, a decrease of 87 per cent by comparison with the previous year. After charging income tax of \$9,911, net profit was \$35,068 compared with \$245,011 for last year, a decrease of 86 per cent.

The consolidated entity recorded revenue from ordinary activities of \$13.2 million for the financial year ended 30 June 2008 compared with \$14.3 million for the previous year, a decrease of 8 per cent.

Consolidated sales revenue was \$13.0 million, a 7 per cent decrease on the \$14.0 million recorded for the financial year ended 30 June 2007. Contributions to group sales for the current year and previous corresponding year by the Manufacturing Division remain unchanged at \$2.3 million for both periods and for the Undacar Division \$10.7 million and \$11.7 million respectively.

Given the current challenges faced by the automotive industry, the strategy of broadening the manufacturing customer base has been successful with the Manufacturing Division recording no loss in sales for the year.

The \$1.0 million reduction in sales for the Undacar Distribution Division is market related with demand remaining weak and the imposition of pressure on the supply side from competition, particularly imports fuelled by the high Australian Dollar. Automotive aftermarket products to a large extent are discretionary expenditure subject to fluctuations in household disposable incomes which are heavily affected by mortgage repayments and the price of petrol.

The share price finished the financial year at 27 cents per share, a decrease of 23 cents on the 30 June 2007 closing price.

Directors' Report (Continued)

DIVIDENDS – BERKLEE LIMITED

Dividends paid to members during the financial year were as follows:

	2008 \$000	2007 \$000
Interim ordinary dividend for the year ended 30 June 2008 of 1 cent per fully paid share paid on 30 April 2008	140	140
Final ordinary dividend for the year ended 30 June 2007 of 1 cent per fully paid share paid on 31 October 2007	140	281

Having particular regard to cost pressures associated with manufacturing inputs such as steel, and to on-going wage pressures, the Board has given weight to the need for conservation of liquidity and has determined to omit payment of a final dividend.

The payout ratio for the year is 801 per cent compared with 172 per cent for the previous year. Group franking credits available for future distribution total \$5.2 million.

FINANCIAL

During the year Berklee repaid \$207,000 in hire purchase borrowings and as at 30 June 2008 \$1.68 million of Berklee's \$3.0 million trade finance / hire purchase facility remains unused.

CAPITAL EXPENDITURE

Capital expenditure for the 2008 year was \$681,000 with \$573,000 expended by the manufacturing plant and \$108,000 by the Undacar Division.

The major item included in plant expenditure was the purchase of a new electric bender for \$390,000. This acquisition increases bending capacity enabling Berklee to satisfy current and future customer product requirements.

THE BOARD

The Board has continued to focus on governance issues in order to ensure compliance with the ever-changing and complex statutory framework imposed on business by the authorities at all levels. It has also given increased time to the strategic direction best suited to generating value for shareholders in an industry dealing with on-going significant competition from domestic and foreign sources.

Directors' Report (Continued)

THE WORKFORCE

The size of Berklee's workforce decreased 12% from 101 to 89 employees at 30 June 2008 reflecting the transition to an employment setting consistent with the anticipated continuing weak demand for the company's products.

YEAR IN REVIEW

Notwithstanding a further year of productivity improvement, consequent on capital expenditure and advances in production processes, the company's competitive profile remains under serious question. Cost pressures from adverse raw material and transport price movements have proved difficult to absorb, particularly in the face of exchange rate aided import competition and contraction in domestic vehicle production. Remedial action has continued to be blunted by ongoing rigidity in labour market regulation. The company has sought to employ every possible means of achieving efficiencies, and hence the lowest possible unit cost base in a small domestic market with limited options for adequate scale economies.

This ongoing drive towards greater production efficiency has been matched by a renewed effort in the sale and marketing of exhaust products and systems, particularly in the original equipment sector. The push to expand market opportunities for the company's products has not been fully rewarded in spite of the application of world-leading technologies pursuant to the technical agreement entered into with Eberspaecher of Germany in early 2007.

Thus progress on many fronts was not translated into stronger financial outcomes during the reporting period and the company has had to accept that its best endeavors have not been sufficient of themselves to allow it to operate satisfactorily in the prevailing market conditions. Notwithstanding these circumstances, the company has been able, through prudent management, to maintain balance sheet strength and to keep its reputation high, and to do so during a period when the viability of the component sector has been substantially compromised.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

It is probable that the fierce competition in the aftermarket sector will continue into the foreseeable future and volumes for Australian manufactured cars will remain under pressure from smaller imported vehicles.

Given the subdued outlook, a significant recovery in earnings is not expected to occur in the 2008/2009 year. It should be noted that Berklee's competitors face the same industry challenges. Berklee, with its mix of customers in both the aftermarket and original equipment sectors, is well placed to benefit from higher volumes should the market improve.

During the latter part of the year Berklee achieved further success with its original equipment strategy by being nominated as the first tier supplier for two low volume niche vehicle programs. In addition Berklee was recently accredited to the highest automotive standard for quality management system ISO/TS 16949.

A trial program for sourcing lower cost product for the Undacar Division was undertaken during the year with encouraging results and the potential for a larger application is currently under consideration.

It remains to be seen whether or not a balance can be achieved between imported and Ballarat – manufactured product which will permit adequate production volumes to be maintained at factory level. Present and foreseeable economic and financial circumstances dictate that certain product lines must be produced off-shore to meet competition in the Australian market.

Notwithstanding all of these operational issues the Board has reviewed the strategic options for the company's future development, and, as outlined in the company announcement made on 28 August 2008 the directors have entered into a Heads of Agreement to sell the Berklee business. This process is continuing and is expected to be finalised as soon as possible.

Directors' Report (Continued)

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year there was no significant change in the state of affairs of the economic entity.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to the 30 June 2008 reporting date, Berklee has signed a Heads of Agreement concerning the sale of the entire Berklee business.

ENVIRONMENTAL REGULATION

The Group's operations are subject to various environmental regulations under both Commonwealth and State legislation, which set the minimum requirements the Group must meet.

The Group has a process to monitor compliance with environmental regulations. The directors are not aware of any significant breaches during the period covered by this report.

Victorian Government legislation now requires all non-residential users of more than 10 million litres of water per year to submit a water management action plan (waterMAP). Berklee's manufacturing plant uses less than 10 million litres of water per year.

Conservation of water resources is a high priority and Berklee has targeted the major use of water in its plant, cooling of equipment by replacing water coolers with air coolers.

Information on directors

Andrew Hay, B.A., OBE. Chairman - Non-Executive Director. Age 63.

Experience and expertise

Andrew Hay OBE, was appointed Chairman of Berklee Limited in September 1987. Mr Hay was formally Chairman of Adroyal Limited, Lease Plan Australia Limited and Moorland Limited. He commenced his business career with ICI Australia Limited in 1978. Between 1972 and 1979 Mr Hay held a series of senior positions with the Australian Government, including senior adviser to the Treasurer. He is a graduate of the Australian National University and has also studied at New York University.

Other current directorships

None.

Directorships of listed companies held during the period 1 July 2005 – 30 June 2008

None.

Special responsibilities

Chairman of the Board.
Member of the audit committee.
Chair of the remuneration committee.

Interests in shares and options

None.

Directors' Report (Continued)

Information on directors (cont.)

Edward van Berkel, B.Bus, CA. Managing Director. Age 49.

Experience and expertise

Mr van Berkel commenced his career in 1981 with an international chartered accounting firm. He joined the company as a senior executive in 1984 and in November of that year became a director. Mr van Berkel was appointed company secretary on 30 September 1987 and served in that position until 1 January 2003 when Mr Wayne Lawes, Berklee Group accountant, assumed the role. Mr van Berkel holds a Bachelor of Business Degree from the University of Ballarat and is an associate of the Institute of Chartered Accountants of Australia. On 1 July 2001, Mr van Berkel was appointed Managing Director.

Other current directorships

Mr van Berkel is currently a director of Ausned Pty Ltd.

Directorships of listed companies held during the period 1 July 2005 – 30 June 2008

None.

Special responsibilities

Managing Director.

Interests in shares and options

458,635 ordinary shares held in Berklee Limited.

Directors' Report (Continued)

Colin Stubbs. Non-Executive Director. Age 74.

Experience and expertise

Mr Stubbs joined the Berklee Board on 12 December 1995 and is the Chair of the audit and corporate governance committees. He is also Chairman of Chalmers Ltd and JM Financial Group Ltd.

Other current directorships

Mr Stubbs is currently a non-executive director of Chalmers Ltd and JM Financial Group Ltd.

Directorships of listed companies held during the period 1 July 2005 – 30 June 2008

Non-executive director of Chalmers Limited.

Special responsibilities

Chair of audit committee.

Chair of corporate governance committee.

Interests in shares and options

300,000 ordinary shares held in Berklee Limited.

Egon Vetter. Non-Executive Director. Age 58.

Experience and expertise

Mr Vetter was appointed to the Berklee Board as a non-executive director on 1 September 2003. Mr Vetter holds a master degree in electronic engineering, is a former managing director of VDO Australia and Hella Australia and a past president of the Federation of Automotive Products Manufacturers (FAPM) Southern Region. Mr Vetter was formerly the chief executive officer of Ceramet Technologies Australia Pty Ltd, an engineering company that produces components in metal injection moulding technology.

Other current directorships

Mr Vetter was appointed as a non-executive director of MHE Technologies (Aus) Limited on 12 September 2007.

Directorships of listed companies held during the period 1 July 2005 – 30 June 2008

None.

Special responsibilities

Development of original equipment strategy.

Interests in shares and options

None.

Directors' Report (Continued)

Company Secretary

Wayne Andrew Lawes B.Bus. CPA. FCIS. Dip All. GAICD

Mr Wayne Lawes was appointed Company Secretary of Berklee Limited on 1 January 2003. Mr Lawes joined Berklee Limited in 1990 as a financial accountant and in July 2001 was appointed to the senior position of Group Accountant. Mr Lawes is a Certified Practising Accountant and holds a Bachelor of Business Degree from the University of Ballarat, a CSA Graduate Diploma in Company Secretarial Practice, a Diploma of the Australian Insurance Institute and an Australian Institute of Company Directors Course Diploma. Mr Lawes was appointed as a member of the corporate governance committee and remuneration committee on 30 March 2006. During the financial year, Mr Lawes attended the one corporate governance committee meeting held and the one remuneration committee meeting held.

Meetings of directors

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2008, and the number of meetings attended by each director were:

	Full meetings of directors		Meetings of committees					
			Audit		Corporate Governance		Remuneration	
	A	B	A	B	A	B	A	B
A.O. Hay	8	8	2	2	**	**	1	1
E.J. van Berkel	7	8	**	**	**	**	**	**
C. Stubbs	7	8	1	2	1	1	**	**
E.W. Vetter	8	8	**	**	**	**	**	**

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

** = Not a member of the relevant committee

Retirement, election and continuation in office of directors

Mr Egon Vetter retires by rotation in accordance with the Constitution of the company and, being eligible, offers himself for re-election.

Remuneration report

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

- A. Principles used to determine the nature and amount of remuneration
- B. Details of remuneration
- C. Service agreements

The information provided in this remuneration report has been audited as required by Section 308(3C) of the Corporations Act 2001.

Directors' Report (Continued)

Remuneration Report (continued)

A. Principles used to determine the nature and amount of remuneration

The objective of the company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward. The board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation;
- transparency;
- capital management.

The company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:

- has economic profit as a core component of plan design;
- focuses on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant return on assets as well as focusing the executive on key non-financial drivers of value;
- attracts and retains high calibre executives.

Alignment to program participants' interests:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth;
- provides a clear structure for earning rewards;
- provides recognition for contribution.

The overall level of executive reward takes into account the performance of the consolidated entity over a number of years, with greater emphasis given to the current and prior year. However the directors' remuneration is not directly linked to the group's performance.

Non-executive directors

The remuneration committee sets remuneration for non-executive directors annually in such a manner to attract and retain directors of the highest calibre, whilst incurring a cost which is acceptable to shareholders. The constitution and the ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The latest determination was adopted by a special resolution passed at the Annual General Meeting held on 24 November 2006 when shareholders approved an aggregate remuneration of up to a maximum of \$500,000 per year. The aggregate remuneration is reviewed annually. The emoluments for non-executive directors are comprised of cash and superannuation contributions.

Retirement allowances for non-executive directors

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive directors.

Directors' Report (Continued)

Remuneration Report (continued)

Executive director remuneration

The company aims to reward the Managing Director with a level and mix of remuneration commensurate with his position and responsibilities within the company and so as to:

- align the interests of the Managing Director with those of the shareholders; and
- ensure total remuneration is competitive by market standards

The remuneration committee assesses the appropriateness of the nature and amount of remuneration of the Managing Director on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Managing Director.

It is the remuneration committee's policy that no employment contracts are entered into with the Managing Director and other executives.

Fixed remuneration

The level of fixed remuneration for the Managing Director is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. The Managing Director receives his fixed remuneration by way of cash, provision of a motor vehicle and company superannuation payments.

Performance based remuneration

The company executives' remuneration packages do not contain any element that is dependent on a performance condition.

Specified executives' remuneration

The company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the company and so as to:

- align the interests of executives with those of the shareholders; and
- ensure total remuneration is competitive by market standards

The Managing Director assesses the nature and amount of emoluments of the executives on a periodic basis to ensure they are appropriate and realistic having regard to the persons' responsibilities and relevant market conditions.

Fixed remuneration

Executives receive their fixed remuneration by way of cash, provision of a motor vehicle and company superannuation payments.

Retirement benefits

No executives have entered into employment agreements that provide additional termination benefits.

B. Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors and key management personnel (as defined in AASB 124 *Related Party Disclosures*) of Berklee Limited and the Berklee Limited Group are set out in the following tables.

Directors' Report (Continued)

Remuneration Report (continued)

B. Details of Remuneration (continued)

The key management personnel of Berklee Limited and the Berklee Limited Group are the directors (as per pages 10 to 12 above) and those executives that report directly to the Managing Director. This includes the 6 group executives who received the highest remuneration for the year ended 30 June 2008.

The executives are:

J. A. van Berkel - Marketing Operations Manager
 H. L. Costello - Information Technology Manager
 W. A. Lawes - Group Accountant and Company Secretary
 J. Anderson - Manufacturing Accountant
 T. K. Roberts - Engineering Manager
 D. A. Martin – Manufacturing Manager

No cash bonuses are paid to executives.

Key Management Personnel Remuneration

Name	Short-term benefits			Post-employment benefits		Total
	Cash salary and fees \$	Other \$	Non-monetary benefits \$	Super-annuation \$	Other \$	Total \$
Non-Executive Directors						
A.O. Hay	-	-	-	54,789	-	54,789
C. Stubbs	32,782	-	-	2,950	-	35,732
E.W. Vetter	-	-	-	35,732	-	35,732
Executive Director						
E.J. van Berkel	170,000	-	21,641	21,000	-	212,641
Other key management personnel						
J.A. van Berkel	94,500	-	17,596	8,505	-	120,601
H.L. Costello	94,000	-	7,786	8,460	-	110,246
W.A. Lawes	82,800	-	14,330	7,452	-	104,582
J. Anderson	83,400	-	18,224	7,506	-	109,130
T.K. Roberts	89,233	-	6,368	8,031	-	103,632
D.A. Martin	64,480	30,480	5,314	10,040	-	110,314
Total	711,195	30,480	91,259	164,465	-	997,399

Directors' Report (Continued)

Key Management Personnel Remuneration (Period: 01/07/2006 – 30/06/2007)

Name	Short-term benefits			Post-employment benefits		Total
	Cash salary and fees \$	Other \$	Non-monetary benefits \$	Super-annuation \$	Other \$	Total \$
Non-Executive Directors						
A.O. Hay	36,000	-	-	17,183	-	53,183
C. Stubbs	31,827	-	-	2,864	-	34,691
E.W. Vetter*	-	-	-	34,691	-	34,691
Executive Director						
E.J. van Berkel	170,000	-	15,607	21,000	-	206,607
Other key management personnel						
J.A. van Berkel	94,500	-	16,725	8,505	-	119,730
H.L. Costello	94,000	-	11,736	8,460	-	114,196
W.A. Lawes	82,800	-	13,000	7,452	-	103,252
J. Anderson	83,400	-	18,435	7,506	-	109,341
T.K. Roberts	71,350	-	9,252	6,422	-	87,024
D.A. Martin**	31,855	-	327	7,510	-	39,692
Total	695,732	-	85,082	121,593	-	902,407

*In addition to Mr E.W. Vetter's remuneration disclosed in the table above, he received additional amounts of \$14,000, which represented consulting fees.

**Mr D.A. Martin commenced employment with the company on 29 January 2007.

Remuneration Report (continued)

C. Service agreements

There are no service agreements in place between the company and non-executive directors, executive directors and key management personnel.

All remuneration paid or payable is disclosed in the table above.

Superannuation contributions are made in accordance with Superannuation Guarantee Charge requirements or as salary sacrifice arrangements authorised by the company.

Long service leave and annual leave are accrued for executive directors and key management personnel in accordance with statutory obligations.

Insurance of officers

During the financial year, Berklee Limited paid a premium of \$11,020 plus GST to insure the directors and officers of the company.

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 consolidated entity, and any other payments arising from liabilities incurred by the officers in connection with such proceedings, other than where such liabilities arise out of 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 for 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.

Non-audit services

The company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the company and/or the consolidated entity are important.

Details of the amounts paid or payable to the auditor (RSM Bird Cameron Partners) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with the advice received from the audit committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Directors' Report (Continued)

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

Assurance services

1. Audit services

	2008	2007
	\$	\$
RSM Bird Cameron Australian firm:		
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	55,970	54,250
<hr/>		
Total remuneration for audit services	55,970	54,250

2. Other assurance services

RSM Bird Cameron Australian firm:

Preparation of AIFRS Impact Report	-	-
<hr/>		
Total remuneration for other assurance services	-	-

3. Other services

Other:

<hr/>		
Total remuneration for other services	-	-

4. Taxation services

RSM Bird Cameron Australian firm:

Preparation of tax funding agreement	-	-
<hr/>		
Total remuneration for taxation services	-	-

<hr/>		
Total remuneration for assurance, taxation and other services	55,970	54,250
<hr/>		

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 22.

Rounding of amounts

The company is of a kind referred to in class order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with the class order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

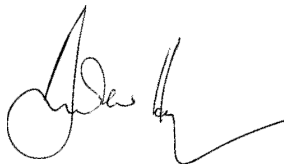
Directors' Report (Continued)

Auditor

RSM Bird Cameron was appointed company auditor on 4 November 2005 and will continue in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of the directors.

We wish to thank our shareholders, customers and employees for their continued support during the year.



ANDREW O. HAY (Chairman)



EDWARD J. VAN BERKEL (Managing Director)

Ballarat, 30 September 2008

Directors' Declaration

In accordance with a resolution of the directors of Berklee Limited, I state that:

(1) In the opinion of the directors:

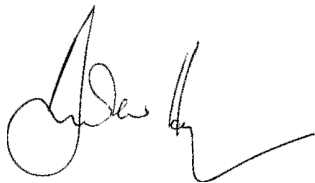
(a) the financial statements and notes of the company and of the consolidated entity are in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
- (ii) complying with Accounting Standards and Corporations Regulations 2001; and

(b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

(2) This declaration has been made after receiving the declarations required to be made to the directors in accordance with section 295 A of the Corporations Act 2001 for the financial period ending 30 June 2008.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'A.O. Hay', with a long horizontal flourish extending to the right.

A.O. HAY, Director

Ballarat, 30 September 2008

RSM Bird Cameron Partners

Chartered Accountants

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525 Collins Street Melbourne VIC 3000
PO Box 248 Collins Street West VIC 8007
T +61 3 9286 1800 F +61 3 9286 1999
www.rsmi.com.au

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the audit of the financial report of Berklee Limited for the year ended 30 June 2008, 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 audit;
and
- (ii) any applicable code of professional conduct in relation to the audit.



RSM BIRD CAMERON PARTNERS
Chartered Accountants



R B MIANO
Partner

30 September 2008
Melbourne

Corporate Governance Statement

Berklee Limited (the company) and the board are committed to achieving and demonstrating the highest standards of corporate governance. An extensive review of the company's corporate governance framework was completed in June 2004 in light of the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003. The board continues to review the framework and practices to ensure they meet the interests of shareholders. The company and its controlled entities together are referred to as the Group in this statement.

The relationship between the board and senior management is critical to the Group's long-term success. The directors are responsible to the shareholders for the performance of the company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

The responsibility for the operation and administration of the company is delegated, by the board, to the Managing Director and the executive management team. The board ensures that this team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Managing Director and the executive management team on an ongoing basis.

A description of the company's main corporate governance practices is set out below. All these practices, unless otherwise stated, were in place for the entire year.

The board of directors

The board operates in accordance with the broad principles set out in its charter which is available from the 'board' information section of the company website at www.berklee.com.au. The charter details the board's composition and responsibilities.

Board composition

Selection and appointment of directors

Due to the size of the company, all directors are involved in the selection of candidates for the position of director.

The composition of the board is consistently monitored to ensure the appropriate mix of expertise, experience and competence.

When a vacancy exists, or where it is considered that the board would benefit from the services of a new director with particular skills, the board selects a potential director with the appropriate expertise and experience.

Potential directors are approached by the board and their interest in joining the board, together with the responsibilities such an appointment entail, are discussed. Terms and conditions of the appointment, including the level of remuneration, are also communicated to the nominees.

If accepted the board will appoint the new director(s) during the year, and that person(s) will then stand for election by shareholders at the next Annual General Meeting. Shareholders are provided with relevant information on the candidates for election.

When appointed to the board, all new directors receive an induction appropriate to their experience to familiarise them with matters relating to the company's business, its strategy and current issues.

Corporate Governance Statement

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Term in Office

The term in office held by each director in office at the date of this report is as follows:

Name	Term in office
A.O. Hay	21 years
C. Stubbs	12 years
E.W. Vetter	5 years
E.J. van Berkel	23 years

Responsibilities

The responsibilities of the board include:

- guiding and monitoring the company on behalf of the shareholders by whom they are elected and to whom they are accountable
- seeking to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations
- identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks
- ensuring that management's objectives and activities are aligned with the expectations and risk identified by the board
- ensuring the strategic plan is designed to meet stakeholders' needs and manage business risk
- ensuring the ongoing development of the strategic plan and approving initiatives and strategies are designed to ensure the continued growth and success of the entity
- implementation of budgets by management and monitoring progress against budget via the establishment and reporting of both financial and non-financial key performance indicators
- ensuring that the executive management team is appropriately qualified and experienced to discharge their responsibilities and has in place procedures to assess the performance of the Managing Director and the executive management team
- discharging its stewardship by making use of sub-committees, including an audit committee, remuneration committee and a corporate governance committee

Other functions reserved to the board include:

- approval of the annual and half-yearly financial reports
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestures
- ensuring that any significant risks that arise are identified, assessed, appropriately managed and monitored
- reporting to shareholders

Corporate Governance Statement

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Board members

Details of the members of the board, their experience, expertise, qualifications and term of office are set out in the Directors' Report under the heading "Information on directors".

The board seeks to ensure that:

- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors with an external or fresh perspective
- the size of the board is conducive to effective discussion and efficient decision-making

Directors' independence

The board has adopted specific principles in relation to directors' independence. These state that to be deemed independent, a director must be a non-executive and:

- independent of management;
- free from any business or other relationship that could, or could reasonably be perceived to, materially interfere with the exercise of independent judgement;
- not hold / have recently held an executive management position at Berklee;
- not be a substantial shareholder of Berklee, directly or indirectly;
- not be / have been in the last two years, a senior executive of, or the direct provider of consulting / audit services to; a supplier to; or a customer of, Berklee, in a substantial manner;
- not have an interest or a business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of Berklee.

Materiality is assessed on a case-by-case basis by reference to each director's individual circumstances.

It is the board's view that its non-executive directors are independent.

Term of office

The company's Constitution governs the appointment, continuation and removal of directors from office as follows:

- subject to the provisions of Listing Rule 3L (1), at each annual general meeting one-third of the directors or, if their number is not a multiple of 3, then the number nearest to but not exceeding one-third of the directors must retire from office;
- the directors to retire by rotation at an Annual General Meeting are those directors who have been longest in office since their last election;
- directors elected on the same day may agree among themselves or determine by lot which of them must retire;
- a director must retire from office at the conclusion of the third Annual General Meeting after the director was last elected, even if his or her retirement results in more than one-third of all directors retiring from office;

Corporate Governance Statement

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

- a retiring director will be eligible for re-election; and
- a Managing Director will not, while continuing to hold that office, be subject to retirement as provided in these Articles in respect of other directors, but will be subject to the same provisions as to resignation and removal as the other directors.

Chairman and Managing Director

The Chairman is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the company's senior executives.

The Managing Director is responsible for implementing Group strategies and policies.

Commitment

The board held nine board meetings during the year.

Non-executive directors are expected to spend at least 12 days a year preparing for and attending board and committee meetings and associated activities.

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2008, and the number of meetings attended by each director is disclosed on page 13 of the Directors' Report.

Performance of non-executive directors is reviewable by the Chairman on an ongoing basis. Any director whose performance is considered unsatisfactory may be asked to resign.

Conflict of interests

There were no conflict of interests between the consolidated entity and its directors during the current period.

Independent professional advice

Directors and board committees have the right, in connection with their duties and responsibilities, to seek independent professional advice at the company's expense. Prior written approval of the Chairman is required, but this will not be unreasonably withheld.

Performance assessment

In order to ensure that the board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is reviewed annually by the chairperson. The performance of the executives is reviewed annually by the non-executive director members of the board. The last performance evaluation took place in June 2008.

Corporate Governance Statement

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Corporate reporting

The Managing Director has made the following certifications to the board:

- that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects

Board committees

The board has established a number of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. Current committees of the board are the corporate governance, remuneration and audit committees. Each committee is comprised of either:

(a) At least two non-executive directors, or

(b) At least one non-executive director and one key management person with experience and expertise in the subject area of the committee.

The committee structure and membership is reviewed on an annual basis.

Each committee has its own written charter setting out its role and responsibilities, composition, structure, membership requirements and the manner in which the committee is to operate. All of these charters are reviewed on an annual basis and are available on the company website. All matters determined by committees are submitted to the full board as recommendations for board decisions.

Minutes of committee meetings are tabled at the subsequent board meeting. Additional requirements for specific reporting by the committees to the board are addressed in the charter of the individual committees.

Nomination committee

Berklee Limited does not currently have a separate nomination committee, which is a departure from ASX Corporate Governance Council best practice recommendation 2.4.

The board does not recommend the establishment of a separate nomination committee as due to the size of the company all directors are involved in the selection of candidates for the position of director and the establishment of a separate nomination committee would not add any additional value to the company.

Remuneration committee

The remuneration committee consists of the following non-executive directors and key personnel:

A. O. Hay – Non-executive director (Chairman)
W. A. Lawes – Company Secretary

Details of these directors' and key personnel's attendance at remuneration committee meetings are set out in the Directors' Report on page 13.

Corporate Governance Statement

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The remuneration committee operates in accordance with its charter which is available on the company website. The remuneration committee is responsible for determining and reviewing compensation arrangements for the directors and the Managing Director. The remuneration committee assesses the nature and amount of emoluments of the directors and the Managing Director on a periodic basis to ensure they are appropriate and realistic having regard to the person's responsibilities and relevant employment market conditions.

Further information on directors' and executives' remuneration is set out in the Directors' Report under the heading "Remuneration report".

The remuneration committee's terms of reference include responsibility for reviewing any transactions between the organisation and the directors, or any interest associated with the directors, to ensure the structure and the terms of the transaction are in compliance with the *Corporations Act 2001* and are appropriately disclosed.

Audit committee

The audit committee consists of the following non-executive directors:

C. Stubbs (Chairman)
A.O. Hay

Details of these directors' qualifications and attendance at audit committee meetings are set out in the Directors' Report on pages 10 to 13.

The audit committee has appropriate financial expertise and all members are financially literate and have an appropriate understanding of the industries in which the Group operates.

The audit committee operates in accordance with a charter which is available on the company website.

The main responsibilities of the committee are to:

- provide assistance to the board of directors in fulfilling its corporate governance and oversight responsibilities in relation to the company's financial reporting, internal control structure, risk management systems, and the external audit function. In doing so, it is the responsibility of the committee to maintain free and open communication between the committee, external auditors and management of the company
- investigate any matter brought to its attention with full access to all books, records, facilities, and personnel of the company and the authority to engage independent counsel and other advisers as it determines necessary to carry out its duties
- understand the company's structure, controls, and types of transactions in order to adequately assess the significant risks faced by the company in the current environment
- oversee the company's financial reporting process on behalf of the board and report the results of its activities to the board
- ensure the appropriateness of the accounting policies and principles that are used by the company
- ensure its policies and procedures remain flexible, in order to best react to changing conditions and circumstances. The committee will take appropriate actions to set the overall corporate 'tone' for quality financial reporting, sound business risk practices, and ethical behaviour

Corporate Governance Statement

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

- discuss with management and the external auditors, the adequacy and effectiveness of the accounting and financial controls, including the company's policies and procedures to assess, monitor, and manage business risk, and legal and ethical compliance programs
- meet separately periodically with management, and the external auditors to discuss issues and concerns warranting committee attention, including but not limited to their assessments of the effectiveness of internal controls and the process for improvement. The committee shall provide sufficient opportunity for the external auditors to meet privately with the members of the committee. The committee shall review with the external auditor any audit problems or difficulties and management's response

In fulfilling its responsibilities, the audit committee shall:

- receive regular reports from the external auditor on the critical policies and practices of the company, and all alternative treatments of financial information within generally accepted accounting principles that have been discussed with management
- be directly responsible for making recommendations to the board of directors on the appointment, reappointment or replacement (subject to shareholder ratification), remuneration, monitoring of the effectiveness, and independence of the external auditors, including resolution of disagreements between management and the auditor regarding financial reporting. The committee shall pre-approve all audit and non-audit services provided by the external auditors and shall not engage the external auditors to perform any non-audit / assurance services that may impair or appear to impair the external auditor's judgement or independence in respect of the company
- obtain and review a report by the external auditors describing:
 - the audit firm's internal quality control procedures;
 - any material issues raised by the most recent internal quality control review, or peer review, of the audit firm;
 - all relationships between the external auditor and the company (to assess the auditor's independence)
- review and assess the independence of the external auditor, including but not limited to any relationships with the company or any other entity that may impair the external auditor's judgement or independence in respect of the company. Furthermore, the committee shall draft an annual statement for inclusion in the company's annual report of whether the committee is satisfied the provision of non-audit services is compatible with external auditor independence
- discuss with the external auditors the overall scope of the external audit, including identified risk areas and any additional agreed-upon procedures. In addition, the committee shall also review the external auditor's compensation to ensure that an effective, comprehensive and complete audit can be conducted for the agreed compensation level
- review and discuss ASX press releases, as well as financial information prior to their release
- review the half-year financial report and Appendix 4D prior to the filing of these with the ASX. The committee shall also discuss the results of the half-year review and any other matters required to be communicated to the committee by the external auditors under generally accepted auditing standards

Corporate Governance Statement

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

- review all representation letters signed by management to ensure that the information provided is complete and appropriate. The committee shall also discuss the results of the annual audit and any other matters required to be communicated to the committee by the external auditors under generally accepted auditing standards
- establish procedures for the receipt, retention, and treatment of complaints received by the company regarding accounting, internal accounting controls, or auditing matters, and the confidential, anonymous submission by employees of the company of concerns regarding questionable accounting or auditing matters. The committee shall receive corporate legal reports of evidence of a material violation of the Corporations Act, the ASX Listing Rules or breaches of fiduciary duty
- evaluate its performance at least annually to determine whether it is functioning effectively by reference to current best practice
- The audit committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party

Corporate Governance

The corporate governance committee consists of the following non-executive directors and key personnel:

C. Stubbs – Non-executive director (Chairman)
W.A. Lawes – Company Secretary

Details of these directors' and key personnel's attendance at corporate governance committee meetings are set out in the Directors' Report on pages 10 to 13.

The board has established a corporate governance committee to assist it in identifying governance and ethical issues and monitoring compliance with the standards established by the board.

External auditors

The company and audit committee policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. RSM Bird Cameron was appointed as the external auditor on 4 November 2005. It is RSM Bird Cameron's policy to rotate audit engagement partners on listed companies at least every five years. As this is the third year of the audit engagement, no rotation is required.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Directors' Report and in note 23 to the financial statements. It is the policy of the external auditors to provide an annual declaration of their independence to the audit committee.

The external auditor is requested to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

Corporate Governance Statement

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

Risk assessment and management

The board, through the audit committee, is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. These policies are available on the company website. In summary, the company policies are designed to ensure that strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the Code of Conduct (see page 32) is required at all times and the board actively promotes a culture of quality and integrity.

The board assesses the company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control. The company's process of risk management and internal compliance and control includes:

- establishing the company's goals and objectives, and implementing and monitoring strategies and policies to achieve these goals and objectives;
- continuously identifying and measuring risks that might impact upon the achievement of the company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and continuously improving the effectiveness of, risk management systems and internal compliance and controls, including an annual assessment of the effectiveness of risk management and internal compliance and control.

At each board meeting, there is a standing agenda and matters included are:

Document register;
Accounting;
Finance;
Capital expenditure;
Share registry;
Directors' declarations;
Risk management; and
Any other matters which may be raised.

The standing agenda is reviewed from time to time to ensure it is still appropriate for the company's risk profile.

Given their specific skill and roles, the CEO and CFO are responsible for raising awareness of all operational risks to the board members. Their roles include providing intelligent recommendations to the board members to make an informed decision in relation to these risks.

In addition, it is a requirement that each major proposal is submitted and discussed at board level initially. The board will then determine what additional information is required in order to arrive at a final decision and, where required, management's proposed mitigation strategies.

Corporate Governance Statement

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

The environment, health and safety management system (EHSMS)

The company recognises the importance of environmental and occupational health and safety (OH&S) issues and is committed to the highest levels of performance. To help meet this objective the EHSMS was established to facilitate the systematic identification of environmental and OH&S issues and to ensure they are managed in a structured manner. This system has been operating for a number of years and allows the company to:

- monitor its compliance with all relevant legislation;
- continually assess and improve the impact of its operations on the environment;
- encourage employees to actively participate in the management of environmental and OH&S issues;
- work with trade associations representing the Group's businesses to raise standards;
- use energy and other resources efficiently; and
- encourage the adoption of similar standards by the Group's principal suppliers, contractors and distributors.

Information on compliance with significant environmental regulations is set out in the Directors' Report.

Code of Conduct

The Berklee Group has a formal code of conduct to guide directors, managers and employees. In pursuing high standards of corporate governance, all directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the economic entity.

The board has a policy that directors and employees of Berklee Limited and its subsidiaries may not buy or sell Berklee Limited shares except within a period of one month following the annual and half-yearly results announcements to Australian Stock Exchange Limited.

The policy supplements the Corporations Act provisions that preclude directors and employees from trading in securities when they are in possession of "insider information".

Continuous disclosure and shareholder communication

The Company Secretary has been nominated as the person responsible for communications with the Australian Stock Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

The board of directors aims to ensure that the shareholders are informed of all major developments affecting the company's state of affairs. Information is communicated to shareholders through:

- the full annual report (hard copy);
- the full annual report (accessible on the company's website);
- the interim report (hard copy);
- disclosures made electronically to the Australian Stock Exchange; and
- the Annual General Meeting and other meetings so called to obtain approval for board action as appropriate.

It is both company policy and the policy of the auditor for the lead engagement partner to be present at the Annual General Meeting and to answer questions about the conduct of the audit and the preparation and content of the auditor's report.

Income Statements for the Financial Year Ended 30 June 2008

	Note	Consolidated		Parent Entity	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Revenue from continuing operations	3	13,178	14,277	9,413	9,134
Other income	4	-	14	-	12
Changes in inventories of finished goods and work in progress		261	(716)	24	41
Raw materials and consumables used	5	(4,863)	(4,836)	(4,076)	(3,857)
Employee benefits expense		(5,051)	(4,774)	(3,303)	(3,048)
Depreciation and amortisation expense	5	(614)	(596)	(566)	(558)
Freight expense		(947)	(950)	(551)	(513)
Investment impairment provision		-	-	(1,200)	-
Operating lease rental expense		(565)	(585)	(146)	(129)
Sales and marketing expense		(250)	(291)	(96)	(125)
Insurance expense		(141)	(142)	(89)	(89)
Other expenses		(843)	(889)	(304)	(434)
Finance costs	5	(120)	(158)	(120)	(158)
Profit / (loss) before income tax expense		45	354	(1,014)	276
Income tax expense / (benefit)	6	(10)	(109)	304	(83)
Profit / (loss) from continuing operations		35	245	(710)	193
Profit / (loss) attributable to the members of Berklee Limited	20	35	245	(710)	193
Earnings per share for profit from continuing operations attributable to the ordinary equity holders of the company:					
		Cents	Cents		
Basic earnings per share	32	0.2	1.7		
Diluted earnings per share	32	0.2	1.7		

The above income statements should be read in conjunction with the accompanying notes.

Balance Sheets as at 30 June 2008

	Note	Consolidated		Parent Entity	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
ASSETS					
Current Assets					
Cash and cash equivalents		142	797	-	627
Trade and other receivables	7	2,022	2,451	598	707
Inventories	8	4,630	4,188	1,266	1,108
Current tax assets		14	-	48	-
Other current assets	9	93	162	51	129
Total Current Assets		6,901	7,598	1,963	2,571
Non-Current Assets					
Trade and other receivables	10	-	-	3,655	3,501
Other financial assets	11	-	-	634	1,834
Property, plant and equipment	12	7,250	7,183	6,989	6,981
Deferred tax assets	13	413	403	678	293
Total Non-Current Assets		7,663	7,586	11,956	12,609
Total Assets		14,564	15,184	13,919	15,180
LIABILITIES					
Current Liabilities					
Trade and other payables	14	1,525	1,681	954	1,066
Short term borrowings	15	223	207	262	207
Current tax liabilities		-	43	-	16
Provisions	16	481	452	394	365
Total Current Liabilities		2,229	2,383	1,610	1,654
Non-Current Liabilities					
Long term borrowings	17	1,098	1,321	1,098	1,321
Provisions	18	40	37	16	19
Total Non-Current Liabilities		1,138	1,358	1,114	1,340
Total Liabilities		3,367	3,741	2,724	2,994
Net Assets		11,197	11,443	11,195	12,186
EQUITY					
Contributed equity	19	8,700	8,700	8,700	8,700
Reserves	20	698	698	698	698
Retained earnings	20	1,799	2,045	1,797	2,788
Total Equity		11,197	11,443	11,195	12,186

The above balance sheets should be read in conjunction with the accompanying notes.

Statements of Changes in Equity for the Financial Year Ended 30 June 2008

	Note	Consolidated		Parent Entity	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Total equity at the beginning of the financial year		11,443	11,619	12,186	12,414
Profit for the year		35	245	(710)	193
Total recognised income and expense for the year		35	245	(710)	193
Transactions with equity holders in their capacity as equity holders:					
Dividends provided for or paid	21	(281)	(421)	(281)	(421)
		(281)	(421)	(281)	(421)
Total equity at the end of the financial year		11,197	11,443	11,195	12,186

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

Cash Flow Statements for the Financial Year Ended 30 June 2008

	Note	Consolidated		Parent Entity	
		2008 \$000	2007 \$000	2008 \$000	2007 \$000
Cash flows from operating activities					
Receipts from customers (inclusive of GST)		14,825	15,360	9,767	8,236
Payments to suppliers and employees (inclusive of GST)		(14,137)	(13,662)	(9,334)	(8,276)
Interest received		24	29	14	21
Finance costs		(120)	(158)	(120)	(158)
Income taxes paid		(78)	(66)	(146)	(80)
Net cash flows from operating activities	30	514	1,503	181	(257)
Cash flows from investing activities					
Payments for property, plant and equipment		(681)	(200)	(573)	(134)
Proceeds from sale of property, plant and equipment		-	20	-	16
Repayment of loans by controlled entities		-	-	214	1,726
Net cash flows from investing activities		(681)	(180)	(359)	1,608
Cash flows from financing activities					
Repayment of borrowings		(207)	(493)	(207)	(493)
Dividends paid to company's shareholders		(281)	(421)	(281)	(421)
Net cash flows from financing activities		(488)	(914)	(488)	(914)
Net increase/(decrease) in cash and cash equivalents		(655)	409	(666)	437
Cash and cash equivalents at the beginning of the financial year		797	388	627	190
Cash and cash equivalents at the end of the financial year		142	797	(39)	627

The above cash flow statements should be read in conjunction with the accompanying notes.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial report includes separate financial statements for Berklee Limited as an individual entity and the consolidated entity consisting of all entities that Berklee Limited controlled from time to time during the year and at balance date.

(a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Accounting Interpretations and the *Corporations Act 2001*.

Compliance with IFRSs

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRSs ensures that the consolidated financial statements and notes of Berklee Limited comply with International Financial Reporting Standards (IFRSs). The parent entity financial statements and notes also comply with IFRSs.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. There were no areas involving a higher degree of judgement, complexity or areas where assumptions and estimates were significant to the financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Berklee Limited ("Group" or "parent entity") as at 30 June 2008 and the results of all subsidiaries for the year then ended. Berklee Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Investments in subsidiaries are accounted for at cost in the individual financial statements of Berklee Limited.

(c) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Berklee Limited's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency 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 year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss. Translation differences on non-monetary items, such as equities classified as available-for-sale financial assets, are included in the fair value reserve in equity.

(d) Revenue recognition

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

(i) Sale of goods

Control of the goods has passed to the buyer upon delivery of the goods to the customer.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Interest income

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

(iii) Dividends

Control of a right to receive consideration for the investment in assets attained, usually evidenced by approval of the dividend at a meeting of shareholders.

All revenue is stated net of the amount of goods and services tax (GST).

(e) Income Tax

The income tax expense or revenue for the period is the tax payable / refundable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability.

An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax Consolidation Legislation

Berklee Limited and its wholly-owned Australian controlled entities have implemented the tax consolidation legislation as of 1 January 2004.

The head entity, Berklee Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Berklee Limited 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.

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Income Tax (Continued)

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.

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.

(f) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less provision for any uncollectible debts. An estimate for impaired debtors is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(g) Inventories

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

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- Raw materials - purchase cost on a first-in-first-out basis
- Finished goods and work in progress – cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

(h) Property, plant and equipment

All property, plant and equipment is valued at cost.

Depreciation is provided on property, plant and equipment, including freehold buildings but excluding land. Depreciation is calculated on a straight line or diminishing value basis, as deemed most appropriate, so as to write off the net cost of each asset during its expected economic life.

Leasehold improvements are amortised over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method.

Major depreciation periods are as follows:

	2008	2007
Buildings	40 years	40 years
Computer equipment	2.5 to 4 years	2.5 to 4 years
Staff amenities	8 years	8 years
Dies and jigs	2.5 years	2.5 years
Office furniture	8 years	8 years
Office equipment	4 to 8 years	4 to 8 years
Motor vehicles	3 to 8 years	3 to 8 years
Plant and equipment	5 to 15 years	5 to 15 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Impairment of assets

Assets that are subject to amortisation are reviewed 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. The 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 flows (cash generating units).

(j) Leases

The minimum lease payments of operating leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item, are recognised as an expense on a straight line basis.

Operating lease payments are charged as an expense in the period in which they are incurred.

(k) Trade and other payables

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the consolidated entity.

(l) Interest bearing liabilities

Loans are carried at their principal amount. Interest is charged as an expense as it accrues.

Bills of exchange are carried at the principal amount plus the deferred interest.

(m) Maintenance and Repairs

Maintenance, repair costs and minor renewals are charged as expenses as incurred.

(n) Provisions

Provisions for legal claims are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

(o) Employee Entitlements

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(p) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(q) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

(r) Contributed equity

Ordinary shares are classified as equity and recognised at the fair value of the consideration received by the company.

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. Incremental costs directly attributable to the issue of new shares or options, or for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, eg as the result of a share buy-back, then those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the income statement and the consideration paid, including any direct attributable incremental cost (net of income taxes) is recognised directly in equity.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(u) Rounding of amounts

The company is of a kind referred to in class order 98/100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the Financial Report. Amounts in the Financial Report have been rounded off in accordance with the class order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(v) New accounting standards and interpretations

At the date of this financial report, revised AASB 123, AASB 2007-3, AASB 2007-6, AASB 2007-8, AASB 2008-2, AASB 8, revised AASB101, AASB 127, AASB 2008-3, AASB 2008-4, Interpretation 4, Interpretation 14, Interpretation 129 and Interpretation 12 which may impact the entity in the period of initial application, have been issued but are not yet effective. These new standards and interpretations have not been applied in the preparation of this financial report. Other than changes to disclosure formats, it is not expected that the initial application of these new standards and interpretations in the future will have any material impact.

(w) Borrowing costs

Borrowing costs are expensed as incurred.

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Declaration of final dividend

By resolution subsequent to year end the directors have resolved to not declare the payment of a final dividend (previous final: 1.00¢). Dividends are accounted for in accordance with AASB 137.

2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a range of financial risks; market risk (including currency risk, fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The Group seeks to minimise potential adverse effects on the financial performance by using derivative financial instruments such as forward exchange contracts to hedge certain risk exposures.

Risk management is carried out by the board of directors under policies approved by them. The board identifies, evaluates and hedges financial risks where appropriate. The board then determines what course of action is required in order to mitigate foreign exchange risks, interest rate risks and credit risks, by using derivative instruments and investing excess liquidity.

Forward exchange contracts

The company enters into forward exchange contracts from time to time where it agrees to buy specified amounts of foreign currencies in the future at a predetermined rate. The objective is to protect the company against the possibility of loss from future exchange rate fluctuations in respect of the importation of equipment. The forward exchange contracts are usually no longer than 12 months. There were no forward exchange contracts open as at 30 June 2008.

Foreign Currencies

Transactions in foreign currencies of entities within the consolidated entity are converted to local currency at the rate of exchange ruling at the date of transaction.

Amounts payable to and by entities within the consolidated entity that are outstanding at the reporting date and are denominated in foreign currencies have been converted to local currency using the rates of exchange at the end of the financial year.

The Company holds the following financial instruments:

	2008	2007
	\$000	\$000
Financial Assets		
Cash and cash equivalents	142	797
Trade and other receivables	2,022	2,451
Financial Liabilities		
Trade and other payables	1,525	1,681
Borrowings	1,321	1,528
Financial Liability	682	(39)

(a) Credit risk

Credit risk arises from cash and cash equivalents and outstanding trade and other receivables. The cash balances are held in financial institutions with high ratings and the trade and other receivables relates to goods sold and delivered to customers. The company has assessed that there is minimal risk that the cash and trade and other receivables balances are impaired.

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

Ageing profile	Total	Current	30 days	60 days	90 days and over
Trade receivables	1,990	1,046	765	140	39
Other receivables	78	78	-	-	-
Total	2,068	1,124	765	140	39

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable. Bad debts are written off as incurred.

The company closely monitors trade receivables on an ongoing basis and has set policies and procedures in relation to collections, credit limits and review of trade debtors.

Credit limits are allocated to each debtor. Theoretically, these limits should not be exceeded. However, the system does not prevent this and on occasion credit limits are exceeded.

Trade receivables considered uncollectible are provided for on a debtor specific basis.

The company recorded a provision for doubtful debts totaling \$46,800 as at 30 June 2008.

(b) Market risk

(i) Foreign exchange risk

The company is exposed to Chinese Yuan foreign exchange risk arising from the importation of product from China. The company has an amount of CNY 273,700 (\$41,659 AUD) at year end which is denominated in a currency that is not the entity's functional currency. Due to the minimal foreign currency transactions and the short term nature of the transactions the company does not have a policy in place to manage the foreign exchange risk. There is market indicators put out by the finance industry that the Australian dollar may move by 10% against the Chinese Yuan. Therefore the company's post-tax profit would have been \$2,651 higher/ \$3,240 lower had the Australian dollar strengthened/weakened by 10% against the Chinese Yuan. There were no such balances held last year.

(ii) Interest rate risk

In both financial years, the company's main interest rate risk is the risk that the hire purchase liabilities at fixed rates expose the company to fair value interest rate risk. The company has attempted to minimise the risk by taking out the hire purchase facility over short periods and thus not exposing the company to rate movements.

The hire purchase facility is repayable over five years with a 50 percent (\$1,000,000) balloon at an effective interest rate of 7.20%. The balloon payment will expose the company to fair value interest rate risk upon the expiration of the hire purchase facility as at 1 November 2009.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to ensure the ability to meet financial obligations as they fall due. The company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

Maturities of financial liabilities

The table below analyses the company's financial liabilities, and sets out the relevant maturity dates.

At 30 June 2008	Less than 6 months	6 -12 months	Between 1 and 2 years	Total contractual cash flows	Carrying Amount liabilities
	\$000	\$000	\$000	\$000	\$000
Non-derivatives					
Non-interest bearing	1,525	-	-	1,525	1,525
Interest bearing	110	113	1,098	1,321	1,321
At 30 June 2007	Less than 6 months	6 -12 months	Between 1 and 2 years	Total contractual cash flows	Carrying Amount liabilities
	\$000	\$000	\$000	\$000	\$000
Non-derivatives					
Non-interest bearing	1,681	-	-	1,681	1,681
Interest bearing	102	105	1,321	1,528	1,528

(d) Fair value estimation

The carrying value of the financial assets and liabilities is assumed to approximate their fair values due to their short-term nature.

(e) Terms, conditions and accounting policies

The company's accounting policies, including the terms and conditions of each class of financial asset and financial liability, both recognised and unrecognised at the balance date, are as follows:

Recognised Financial Instruments	Accounting Policies	Terms and Conditions
Financial Assets		
Cash and cash equivalents	Cash on hand and at bank are valued at face value. Interest revenue is recognised as it accrues.	On call deposits returned a floating interest rate.

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

Trade and other receivables	<p>Receivables are carried at nominal amounts due, less any provision for impairment.</p> <p>A provision for impairment is recognised when collection of the full nominal amount is no longer probable.</p> <p>Collectability of overdue accounts is assessed on an ongoing basis.</p>	<p>Volume and overhead billing fees are invoiced quarterly.</p> <p>General debtors are unsecured.</p>
Prepayments	Prepayments are carried at the lower of cost or net realisable value.	
Financial Liabilities		
Trade and Other Payables	Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the company.	General creditors are unsecured, not subject to interest charge and are normally settled within 30 days, on receipt of invoice.
Interest bearing loans and borrowings	<p>Loans are carried at their principal amounts, which represent the present value of future cash flows associated with servicing the debt. Interest is accrued over the period it becomes due and recognised as part of payables.</p> <p>Finance leases are accounted for at their principal amount with the lease payments discounted to present value using the interest rate implicit in the lease.</p>	<p>Borrowings are unsecured.</p> <p>As at balance date the company had finance leases with an average lease term of 2 years.</p>

(f) Interest Rate Risk Exposures

Exposures arise predominantly from assets and liabilities bearing variable interest rates as the company intends to hold fixed rate assets and liabilities to maturity.

(g) Credit Risk Exposures

The credit risk on financial assets of the company which has been recognised on the statement of financial position is the carrying amount, net of any provisions for doubtful debts.

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

2. FINANCIAL RISK MANAGEMENT (CONTINUED)

(h) Net Fair Value

The carrying amounts and net fair values of financial assets and liabilities at balance date are:

	2008		2007	
	Carrying amount \$000	Fair value amount \$000	Carrying amount \$000	Fair Value amount \$000
Recognised financial instruments				
Financial assets				
Cash Assets	142	142	797	797
Deposits	-	-	-	-
Receivables	2,022	2,022	2,451	2,451
	2,164	2,164	3,248	3,248
Financial liabilities				
Payables	1,525	1,525	1,681	1,681
Borrowings	1,321	1,321	1,528	1,528
	2,846	2,846	3,209	3,209

None of the classes of financial assets and liabilities are readily traded on organised markets in standardised form.

Net fair value is exclusive of costs which would be incurred on realisation of an asset, and inclusive of costs which would be incurred on settlement of a liability.

(i) Risks and mitigation

Credit Risk

The possibility that a debtor will not repay all or a portion of an amount outstanding will not repay in a timely manner and therefore will cause a loss to the company.

Debtors are actively monitored and follow-up actions taken as required.

Liquidity Risk

The risk that it may not have, or may not be able to raise cash funds when needed and therefore encounter difficulties in meeting obligations associated with financial liabilities.

The company maintains a cash reserve and actively monitors its cash flow position to ensure its ability to meet its debts as and when they fall due.

(j) Sensitivity Analysis

The company's borrowings and finance leases are on fixed interest rates and therefore not exposed to changes in interest rates. The main interest rate risk arises from cash and cash equivalents, and the interest income they derive.

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

3. REVENUE

	Consolidated		Parent Entity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
From continuing operations				
Sales revenue:				
Sale of goods	13,003	13,976	8,562	7,900
Other revenue:				
Interest received	24	29	14	21
Other revenue from related parties within the wholly owned group	-	-	732	958
Other	151	272	105	255
Total Revenue	13,178	14,277	9,413	9,134

4. OTHER INCOME

Net gain on disposal of property, plant and equipment	-	14	-	12
Total Other Income	-	14	-	12

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

5. EXPENSES

Profit before income tax included the following specific expenses:

	Consolidated		Parent Entity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Raw materials and consumables used:				
Movement in raw materials	(121)	132	(121)	132
Consumables used	4,984	4,704	4,197	3,725
Total raw materials and consumables used	4,863	4,836	4,076	3,857
Depreciation of non-current assets:				
Plant and equipment	528	510	480	472
Buildings	86	86	86	86
Total depreciation of non-current assets	614	596	566	558
Finance costs:				
Interest expense	104	129	104	129
Borrowing costs	16	29	16	29
Total finance costs	120	158	120	158
Bad and doubtful debts:				
Trade debtors	32	18	-	-
Provisions for employee benefits:				
Long service leave	45	38	40	44
Annual leave	236	268	244	224
Total provisions for employee benefits	281	306	284	268

6. INCOME TAX

(a) Income tax expense				
Current tax	20	130	81	100
Deferred tax	(10)	(21)	(385)	(17)
	10	109	(304)	83
Income tax is attributable to:				
Profit / (loss) from continuing operations	10	109	(304)	83
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit / (loss) from continuing operations before income tax expense	45	354	(1,014)	276
Tax at the Australian tax rate of 30%	14	106	(304)	83
Tax effect amounts which are not deductible (taxable) in calculating taxable income:				
Sundry Items	(4)	3	-	-
Total Income Tax Expense / (Benefit)	10	109	(304)	83

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

7. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

	Consolidated		Parent Entity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Trade receivables	1,990	2,428	573	686
Less provision for impairment	(47)	(32)	-	-
	<u>1,943</u>	<u>2,396</u>	<u>573</u>	<u>686</u>
Other receivables	79	55	25	21
Total Current Receivables	<u>2,022</u>	<u>2,451</u>	<u>598</u>	<u>707</u>

Terms and conditions relating to the above financial instruments:

- (i) Credit sales are normally made on 30 day terms; and
- (ii) For related party receivable terms and conditions refer to note 26.

8. CURRENT ASSETS - INVENTORIES

Raw materials and stores – at cost	632	511	632	511
Work in progress - at cost	125	128	125	128
	<u>757</u>	<u>639</u>	<u>757</u>	<u>639</u>
Finished goods:				
at cost	3,866	3,644	448	469
less provision for diminution	(54)	(95)	-	-
Total finished goods	<u>3,812</u>	<u>3,549</u>	<u>448</u>	<u>469</u>
Stock - consumables	61	-	61	-
Total Inventories	<u>4,630</u>	<u>4,188</u>	<u>1,266</u>	<u>1,108</u>

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

9. CURRENT ASSETS - OTHER

Other receivables	93	162	51	129
Total Other Current Assets	<u>93</u>	<u>162</u>	<u>51</u>	<u>129</u>

10. NON-CURRENT ASSETS – TRADE AND OTHER RECEIVABLES

Loans to controlled entities	-	-	3,655	3,501
Total Non-Current Trade and Other Receivables	<u>-</u>	<u>-</u>	<u>3,655</u>	<u>3,501</u>

Interest on average intercompany loans to the wholly-owned subsidiary companies is charged at the rate of 5.50% by the parent entity.

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

11. NON-CURRENT ASSETS – OTHER FINANCIAL ASSETS

	Consolidated		Parent Entity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Non-quoted investments at cost:				
Shares in controlled entities	-	-	1,834	1,834
Provision for investment impairment			(1,200)	-
Total Other Financial Assets	-	-	634	1,834

The value of the impairment of investments is based on the net assets of the subsidiaries.

12. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT

Consolidated	Freehold Land \$000	Freehold Buildings \$000	Plant and Equipment \$000	Leasehold Improvements \$000	Hire Purchase \$000	Total \$000
At 1 July 2006						
Cost or fair value	1,228	3,426	6,595	25	2,000	13,274
Accumulated depreciation	-	(570)	(4,760)	(25)	(334)	(5,689)
Net book amount	1,228	2,856	1,835	-	1,666	7,585
Year ended 30 June 2007						
Opening net book amount	1,228	2,856	1,835	-	1,666	7,585
Additions	-	10	190	-	-	200
Disposals	-	-	(6)	-	-	(6)
Depreciation Charge	-	(86)	(310)	-	(200)	(596)
Closing net book amount	1,228	2,780	1,709	-	1,466	7,183
At 30 June 2007						
Cost or fair value	1,228	3,435	6,553	25	2,000	13,241
Accumulated depreciation	-	(655)	(4,844)	(25)	(534)	(6,058)
Net book amount	1,228	2,780	1,709	-	1,466	7,183

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

12. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Consolidated	Freehold Land \$000	Freehold Buildings \$000	Plant and Equipment \$000	Leasehold Improvements \$000	Hire Purchase \$000	Total \$000
Year ended 30 June 2008						
Opening net book amount	1,228	2,780	1,709	-	1,466	7,183
Additions	-	-	681	-	-	681
Disposals	-	-	-	-	-	-
Depreciation charge	-	(86)	(328)	-	(200)	(614)
Closing net book amount	1,228	2,694	2,062	-	1,266	7,250
At 30 June 2008						
Cost or fair value	1,228	3,435	7,234	-	2,000	13,897
Accumulated depreciation	-	(741)	(5,172)	-	(734)	(6,647)
Net book amount	1,228	2,694	2,062	-	1,266	7,250

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

12. NON-CURRENT ASSETS – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Parent	Freehold Land \$000	Freehold Buildings \$000	Plant and Equipment \$000	Hire Purchase \$000	Total
At 1 July 2006					
Cost or fair value	1,228	3,426	5,478	2,000	12,132
Accumulated depreciation	-	(570)	(3,818)	(334)	(4,722)
Net book amount	1,228	2,856	1,660	1,666	7,410
Year ended 30 June 2007					
Opening net book amount	1,228	2,856	1,660	1,666	7,410
Additions	-	10	123	-	133
Disposals	-	-	(4)	-	(4)
Depreciation Charge	-	(86)	(272)	(200)	(558)
Closing net book amount	1,228	2,780	1,507	1,466	6,981
At 30 June 2007					
Cost or fair value	1,228	3,435	5,440	2,000	12,103
Accumulated depreciation	-	(655)	(3,933)	(534)	(5,122)
Net book amount	1,228	2,780	1,507	1,466	6,981
Year ended 30 June 2008					
Opening net book amount	1,228	2,780	1,507	1,466	6,981
Additions	-	-	574	-	574
Disposals	-	-	-	-	-
Depreciation charge	-	(86)	(280)	(200)	(566)
Closing net book amount	1,228	2,694	1,801	1,266	6,989
At 30 June 2008					
Cost or fair value	1,228	3,435	6,013	2,000	12,676
Accumulated depreciation	-	(741)	(4,212)	(734)	(5,687)
Net book amount	1,228	2,694	1,801	1,266	6,989

(a) Valuation of land and buildings

Land and buildings are valued at cost in the financial accounts.

(b) Non-current assets pledged as security

Refer to note 15 and 17 for information on assets pledged as security by the parent entity and its controlled entities.

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

13. NON-CURRENT ASSETS – DEFERRED TAX ASSETS

The balance comprises temporary differences attributable to:

Amounts recognised in profit or loss

Provision for doubtful debts	14	10	-	-
Provision for annual leave	130	146	76	90
Provision for long service leave	156	147	122	115
Provision for diminution inventory	16	29	-	-
Provision for investment impairment	-	-	360	-
Superannuation accrual	10	16	6	13
Audit fee accrual	9	8	9	8
Operating lease settlement	(14)	(10)	-	-
Excess property WDV (tax) over WDV (book)	120	106	120	106
	<u>441</u>	<u>452</u>	<u>693</u>	<u>332</u>
Set-off of deferred tax liabilities of parent entity pursuant to set-off provisions				
Prepayments - other	(9)	(24)	(3)	(23)
Prepayments - insurance	(18)	(20)	(11)	(11)
Prepayments - advertising	(1)	(5)	(1)	(5)
	<u>(28)</u>	<u>(49)</u>	<u>(15)</u>	<u>(39)</u>
Net deferred tax assets	<u>413</u>	<u>403</u>	<u>678</u>	<u>293</u>

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

13. NON-CURRENT ASSETS – DEFERRED TAX ASSETS (Continued)

Movements:	Consolidated		Parent Entity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Opening balance at 1 July	452	427	332	310
Credited / (charged) to the income statement	(11)	25	361	22
Closing balance at 30 June	441	452	693	332
Deferred tax assets to be recovered after more than 12 months	132	117	484	112
Deferred tax assets to be recovered within 12 months	309	335	209	220
	441	452	693	332

14. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

Trade creditors	1,092	1,196	701	768
Annual leave	433	485	253	298
Total Trade And Other Payables	1,525	1,681	954	1,066

Terms and conditions relating to the above financial instruments

(i) Credit sales are normally made on 30 day terms

15. CURRENT LIABILITIES - BORROWINGS

Secured:				
Hire purchase	223	207	223	207
Total secured current borrowings	223	207	223	207
Unsecured:				
Bills of exchange (plant & equipment)	-	-	-	-
Bank overdraft	-	-	39	-
Total unsecured current borrowings	-	-	39	-
Total Current Borrowings	223	207	262	207

Terms and conditions relating to the above financial instruments

(i) Bank overdraft has an effective interest rate of 12.50%.

(ii) Hire purchase facility has an effective interest rate of 7.20%. Title in the plant and equipment funded by the hire purchase facility is vested in the ANZ Bank.

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

16. CURRENT LIABILITIES - PROVISIONS

	Consolidated		Parent Entity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Employee benefits:				
Long service leave	481	452	394	365
Total Current Provisions	481	452	394	365

17. NON-CURRENT LIABILITIES - BORROWINGS

Secured				
Hire purchase	1,098	1,321	1,098	1,321
Total secured non-current borrowings	1,098	1,321	1,098	1,321
Unsecured				
Bills of exchange (plant and equipment)	-	-	-	-
Total unsecured non-current borrowings	-	-	-	-
Total Non-Current Borrowings	1,098	1,321	1,098	1,321

Terms and conditions relating to the above financial instruments

(i) Hire purchase facility has an effective interest rate of 7.20%. Title in the plant and equipment funded by the hire purchase facility is vested in the ANZ Bank.

18. NON-CURRENT LIABILITIES - PROVISIONS

Employee benefits:				
Long service leave	40	37	16	19
Total Non-Current Provisions	40	37	16	19

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

19. CONTRIBUTED EQUITY

(a) Share capital:

	Parent Entity		Parent Entity	
	2008 No.	2007 No.	2008 \$000	2007 \$000
Ordinary shares:				
Fully paid	14,052,910	14,052,910	8,700	8,700
	14,052,910	14,052,910	8,700	8,700

(i) Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid on shares held. Ordinary shares have no par value.

(ii) Ordinary shares entitle their holder to one vote, either in person or by proxy, at a general meeting of the company.

(b) Movements in ordinary share capital:

There have been no movements in ordinary share capital since 30 October 1998.

20. RESERVES AND RETAINED PROFITS

(a) Reserves

	Consolidated		Parent Entity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Asset revaluation reserve	698	698	698	698
Total Reserves	698	698	698	698

Movements:

Asset revaluation reserve				
Balance 1 July	698	698	698	698
Balance 30 June	698	698	698	698

(b) Retained profits

Movements in retained profits were as follows:

Balance 1 July	2,045	2,221	2,788	3,016
Net profit for the year	35	245	(710)	193
Dividends	(281)	(421)	(281)	(421)
Balance 30 June	1,799	2,045	1,797	2,788

Nature and purpose of reserves

(i) Asset revaluation reserve

The asset reserve is used to record increments and decrements on the revaluation of non-current assets. The balance standing to the credit of the reserve may be used to satisfy the distribution of bonus shares to shareholders and is only available for the payment of cash dividends in limited circumstances permitted by law.

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

21. DIVIDENDS

By resolution subsequent to year end the directors have resolved to not declare the payment of a final dividend.

(a) Ordinary shares

	Parent Entity	
	2008 \$000	2007 \$000
Dividends paid for ordinary shares during the financial year	281	421

(b) Franked dividends

	Consolidated		Parent Entity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Franking credits available for subsequent financial years based on a tax rate of 30% (2007:30%)	5,234	5,193	3,443	3,402

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

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

The consolidated amounts include franking credits that would be available to the parent entity if distributable profits of subsidiaries were paid as dividends.

22. KEY MANAGEMENT PERSONNEL DISCLOSURES

(a) Directors

The following persons were directors of Berkle Limited during the financial year:

- (i) Chairman – non-executive
A. O. Hay
- (ii) Executive director
E. J. van Berkel – Managing Director
- (iii) Non-executive directors
C. Stubbs
E. W. Vetter

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

Name	Position	Employer
J.A. van Berkel	(Marketing Operations Manager)	Berklee Limited
H.L. Costello	(Information Technology Manager)	Berklee Limited
W.A. Lawes	(Group Accountant and Company Secretary)	Berklee Limited
J. Anderson	(Manufacturing Accountant)	Berklee Limited
T.K. Roberts	(Engineering Manager)	Berklee Limited
D.A. Martin	(Manufacturing Manager)	Berklee Limited

(c) Key management personnel compensation summary

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$000	\$000	\$000	\$000
Short-term employee benefits	578	527	578	527
Post-employment benefits	50	46	50	46
	<u>628</u>	<u>573</u>	<u>628</u>	<u>573</u>

The company has taken advantage of the relief provided by Corporation Regulation 2M.6.04 and has transferred the detailed remuneration disclosures to the directors report. The relevant information can be found on pages 13 to 18 of the remuneration report.

(d) Equity instrument disclosures relating to key management personnel

Share Holdings

The numbers of shares in the company held during the financial year by each director of Berklee Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

2008	Balance at the	Other changes	Balance at the
Name	start of the year	during the year	end of the year
Directors of Berklee Limited			
Ordinary Shares			
A.O. Hay	-	-	-
E.J. van Berkel	458,635	-	458,635
C. Stubbs	300,000	-	300,000
E.W. Vetter	-	-	-
Other key management personnel			
of the Group:			
Ordinary Shares			
J.A. van Berkel	590,000	(190,000)	400,000
H.L. Costello	49,100	-	49,100
W.A. Lawes	-	-	-
J. Andersen	-	-	-
T.K. Roberts	-	-	-
D.A. Martin	-	-	-

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

22. KEY MANAGEMENT PERSONNEL DISCLOSURES (CONTINUED)

2007 Name	Balance at the start of the year	Other changes during the year	Balance at the end of the year
Directors of Berklee Limited			
Ordinary Shares			
A.O. Hay	-	-	-
E.J. van Berkel	458,635	-	458,635
C. Stubbs	300,000	-	300,000
E.W. Vetter	-	-	-
Other key management personnel of the Group			
Ordinary Shares			
J.A. van Berkel	652,380	(62,380)	590,000
H.L. Costello	509,185	(460,085)	49,100
W.A. Lawes	-	-	-
J. Anderson	-	-	-
T.K. Roberts	-	-	-
D.A. Martin	-	-	-

(e) Loans to key management personnel

There were no loans between Berklee Limited and its key management personnel during the current and prior period.

(f) Other transactions with key management personnel

There were no other transactions between Berklee Limited and its key management personnel during the current period.

During the year ended 30 June 2007 a business operated by Mr. Egon Vetter received payments totalling \$14,000 from Berklee Limited for the provision of consulting services. These services were provided under normal commercial terms and conditions.

Aggregate amounts of each of the above types of other transactions with key management personnel of Berklee Limited:

	2008 \$	2007 \$
Amounts recognised as an expense		
- Consulting services	-	14,000

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

23. REMUNERATION OF AUDITORS

During the year, the following fees were paid or payable for services provided by the auditor:

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
RSM Bird Cameron Partners				
- Audit of the financial report	55,970	54,250	55,970	54,250
- Taxation advice	-	-	-	-
- Other services	-	-	-	-
Total Remuneration Of Auditors	55,970	54,250	55,970	54,250

24. CONTINGENCIES

The parent entity and Group had no contingent liabilities as at 30 June 2008.

25. COMMITMENTS

(a) Lease commitments: Group company as lessee

The Group leases three properties under non-cancellable operating leases expiring within two to three years. The leases have varying terms and renewal rights. On renewal, the terms of the leases are renegotiated.

Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities:

Payable within one year	582	544	176	137
Payable later than one year but not later than five years	347	621	136	150
Payable later than 5 years				
Total Lease Commitments	929	1,165	312	287

(i) Assets which are the subject of operating leases include motor vehicles, computer hardware and rental property. Motor vehicles have an average lease term of 2.5 years and an average implicit interest rate of 8%. Computer hardware has an average lease term of 3 years and an average implicit interest rate of 6.7%. Rental property has an average lease term of 2 years with no implicit interest rate. All operating leases above are non-cancellable.

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

26. RELATED PARTY TRANSACTIONS

(a) Parent entities

The ultimate parent entity within the Group is Berklee Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 28.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 22.

(d) Transactions with related parties

The following transactions occurred with related parties:

	Consolidated		Parent Entity	
	2008	2007	2008	2007
	\$	\$	\$	\$
Sales of goods	-	-	6,285,439	5,631,578
Sales of management services	-	-	368,844	700,800
Rent	-	-	363,240	257,496

(e) Outstanding balances arising from sales/purchases of goods and services.

There were no balances outstanding at the reporting date in relation to transactions with related parties.

(f) Loans to/from related parties

Loans to other related parties				
Beginning of the year	-	-	3,500,544	4,525,560
Loans advanced	-	-	368,844	700,800
Loan repayments received	-	-	(214,717)	(1,725,816)
End Of The Year	-	-	3,654,671	3,500,544

(g) Terms and Conditions

All transactions were made on normal commercial terms and at market rates, except that there are no fixed terms for the repayment of loans between the parties.

Outstanding balances are unsecured and are repayable in cash.

27. FINANCIAL REPORTING BY SEGMENTS

(a) Business Segments

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

(b) Business Segments

The economic entity operates exclusively in Australia.

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

28. SUBSIDIARIES

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounts policy described in note 1:

Name of entity	Country of incorporation	Class of shares	Entity Holding	
			2008 %	2007 %
Berklee Retail Pty Ltd	Australia	Ordinary	100	100
Undacar Parts (VIC) Pty Ltd	Australia	Ordinary	100	100
Undacar Parts (NSW) Pty Ltd	Australia	Ordinary	100	100
Undacar Parts (QLD) Pty Ltd	Australia	Ordinary	100	100
Undacar Parts (SA) Pty Ltd	Australia	Ordinary	100	100
Undacar Parts (WA) Pty Ltd	Australia	Ordinary	100	100
Undacar Parts (TAS) Pty Ltd	Australia	Ordinary	100	100
Undacar Parts Pty Ltd	Australia	Ordinary	100	100

There are significant restrictions on the ability of the Undacar Parts subsidiaries to transfer funds to the parent entity (Berklee Limited) in the form of repayment of loans amounting to \$3.7 million.

29. EVENTS OCCURRING AFTER BALANCE SHEET DATE

Subsequent to the 30 June 2008 reporting date, Berklee has signed a Heads of Agreement concerning the sale of the entire Berklee business.

30. RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Consolidated		Parent Entity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Profit for the year after tax	35	245	(710)	194
Non-cash items:				
(Profit)/loss on disposal of non-current assets	-	(14)	-	(12)
Depreciation and amortisation of property, plant and equipment	614	596	566	558
Investment impairment provision	-	-	1,200	-
Non-cash intercompany transactions:				
Management services revenue	-	-	(370)	(701)
Change in operating assets and liabilities:				
(Increase)/Decrease in receivables	429	(282)	109	(405)
(Increase)/Decrease in inventories	(443)	848	(158)	91
(Increase)/Decrease in other assets	70	(14)	78	(14)
Increase/(Decrease) in GST clearing account	(14)	(36)	-	(25)
Increase/(Decrease) in trade creditors	(88)	53	(66)	24
Increase/(Decrease) in provision for employee benefits	(21)	65	(19)	20
Increase/(Decrease) in income tax payable	(58)	63	(65)	30
(Increase)/Decrease in deferred tax asset	11	(25)	(361)	(21)
Increase/(Decrease) in deferred tax liability	(21)	4	(23)	4
Net cash inflow / (outflow) from operating activities	514	1,503	181	(257)

Notes to the Financial Statements for the Financial Year Ended 30 June 2008 (Continued)

31. NON-CASH INVESTING AND FINANCING ACTIVITIES

	Consolidated		Parent Entity	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Acquisition of plant and equipment by means of trade finance/hire purchase facility	-	-	-	-

32. EARNINGS PER SHARE

(a) Basic earnings per share

	Consolidated	
	2008 Cents	2007 Cents
Profit attributable to the ordinary equity holders of the company	0.2	1.7

(b) Diluted earnings per share

Profit attributable to the ordinary equity holders of the company	0.2	1.7
---	-----	-----

(c) Reconciliation of earnings used in calculating earnings per share

Basic earnings per share

Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	35	245
--	----	-----

Diluted earnings per share

Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	35	245
--	----	-----

(d) Weighted average number of shares used as the denominator

	Consolidated	
	2008 Number	2007 Number
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share	14,052,910	14,052,910

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF BERKLEE LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Berklee Limited ("the company"), which comprises the balance sheet as at 30 June 2008 and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies 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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 entity's preparation and fair presentation of the financial report 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 entity'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 opinions.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

- (a) the financial report of Berklee limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; [and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 18 of the directors' report for the financial year ended 30 June 2008. 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.

Auditor's Opinion

In our opinion the remuneration disclosures that are contained in pages 13 to 18 of the directors' report comply with Accounting Standard AASB 124.



RSM BIRD CAMERON PARTNERS
Chartered Accountants



R B MIANO
Partner

30 September 2008
Melbourne

Stock Exchange Requirements

	2008	2007
Statement of security holders as at 31 August 2008		
(a) Number of holders of fully paid ordinary shares	316	328
% of total holding by or on behalf of twenty largest shareholders	78.29%	77.97%
Distribution schedule of holdings:	No of Holders	No of Holders
1 - 1,000	54	54
1,001 - 5,000	115	123
5,001 - 10,000	74	74
10,001 - 100,000	50	55
100,001 and over	23	22
Holdings less than a marketable parcel	67	26

Voting rights:

Ordinary shareholders upon a poll being taken are entitled to one vote for every fully paid share held.

(b) Substantial Shareholders

Name	No. of ordinary shares	% ordinary shares
Ausned Pty Ltd	3,000,000	21.35
Charmof Nominees Pty Ltd	1,251,834	8.91
W.M. van Berkel	1,000,000	7.12

(c) Twenty Largest Shareholders

Name	No. of ordinary shares	% ordinary shares
Ausned Pty Ltd	3,000,000	21.35
Charmof Nominees Pty Ltd	1,251,834	8.91
W.M. van Berkel	1,000,000	7.12
Angueline Investments Pty Limited	650,000	4.63
Riniki Pty Ltd	550,000	3.91
E.J. van Berkel	458,635	3.26
Modvet Pty Ltd (Weigall Super Fund Account)	445,000	3.17
Dorran Pty Ltd	400,000	2.85
D. Tennant	400,000	2.85
J.A. van Berkel	400,000	2.85
Maldew Holdings Pty Ltd	349,478	2.49
Maelstrom Pty Ltd	349,000	2.48
Riniki Pty Ltd (Super Fund Account)	309,475	2.20
C. Stubbs Grouping	300,000	2.13
Ago Pty Ltd	280,000	1.99
C.A. van Berkel	228,750	1.63
J.H. and B.W. Ward	175,000	1.25
BP Sido Pty Ltd	173,453	1.23
Top Pocket Pty Ltd	150,000	1.07
G.F. Pauley	129,477	0.92
	11,000,102	78.29

Notice of Annual General Meeting – Berklee Limited A.B.N. 80 004 661 205

Notice is hereby given that the Annual General Meeting of the members of Berklee Limited will be held on Friday, 14 November 2008 at noon at the Belltower Inn, 1845 Sturt Street, Ballarat.

Business

- 1.** To receive, consider and adopt the Directors' Report and Financial Report for the year ended 30 June 2008 and the Auditor's Report on the financial report and consolidated financial report.
- 2.** Re-appointment of Director: Mr E.W. Vetter
Mr Egon Vetter retires by rotation in accordance with the Constitution of the company and, being eligible, offers himself for re-election.
- 3.** To receive, consider and adopt the Remuneration Report for the year ended 30 June 2008 (Non-binding resolution).

By Order of the Board

W.A. Lawes
Company Secretary
30 September 2008

Proxies

A member entitled to attend and vote at the meeting is entitled to appoint a proxy. A member entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. A proxy need not be a member of the company. Proxies must be lodged at the registered office of the company not less than 48 hours before the time of the meeting. A form of proxy is provided with this notice.

Proxy Form – Berklee Limited A.B.N. 80 004 661 205

I/We.....of.....
 being a member of Berklee Limited hereby appoint

Name of
 Proxy.....

Address of
 Proxy.....

or failing him/her or if I/we have not inserted the name of proxy, the Chairman of the meeting, as my Proxy to vote for me and on my behalf at the Annual General Meeting of the company to be held on the 14th day of November 2008 and at any adjournment thereof.

If two proxies are being appointed, specify the proportion (%) or the number () of votes that this proxy is appointed to exercise.

If you wish to instruct your proxy how to vote, insert a tick in the appropriate box (if no instruction is given the proxy may vote as he/she thinks fit).

	For	Against
1 Receive the financial report and reports	<input type="checkbox"/>	<input type="checkbox"/>
2 Election of Director: Mr E.W. Vetter	<input type="checkbox"/>	<input type="checkbox"/>
3 Adopt the remuneration report	<input type="checkbox"/>	<input type="checkbox"/>

If the member is a company

If the member is an individual or joint shareholder

.....
 Director

.....
 Signature

.....
 Secretary

.....
 Signature

.....
 Date

.....
 Date

Proxy Form – Berklee Limited A.B.N. 80 004 661 205

Appointment of Proxies

A member entitled to attend and vote at the meeting is entitled to appoint a proxy. A member entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. A proxy need not be a member of the company.

If a member appoints one proxy only, that proxy shall be entitled to vote on a show of hands. If a member appoints two proxies, neither proxy shall be entitled to vote on a show of hands. Where a member appoints two proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes.

The proxy and any power of attorney or other authority under which it is signed must be lodged at the registered office of the company not less than 48 hours before the time of the meeting. Lodgement may be made:

By hand to: Sunraysia Highway, Wendouree, Victoria 3355

By post to: PO Box 83, Wendouree, Victoria 3355

By facsimile to: (03) 5338 1111