

**Berklee Limited**  
**ABN: 80 004 661 205**

**Half-Year Financial Report**  
**For The Period Ended**  
**31 December 2012**

**Berklee Limited**

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**Half-Year Financial Report  
For The Period Ended  
31 December 2012**

**Directors' Report**  
**Half-Year Ended 31 December 2012**

Your directors present their report on the consolidated entity consisting of Berklee Limited and the entities it controlled at the end of the half-year ended 31 December 2012.

**DIRECTORS**

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

Alan Ian Beckett – Chairman  
Grantly Martin Anderson – Deputy Chairman  
Brett Jones - Managing Director and Company Secretary  
Rick van Berkel

**REVIEW AND RESULTS OF OPERATIONS**

The Directors are extremely disappointed with the results for the half to 31 December 2012. The automotive aftermarket sector in which the company operates is in significant decline and attempting to compete with an Australian manufactured cost base is difficult. Competitors continue to benefit from the high Australian dollar and as a consequence sales to Berklee's distributors have suffered significantly.

As a result the restructuring of the distribution network has not yielded the benefits that were expected. Whilst the losses attributable to distribution have reduced significantly they have not been offset by increased performance in the manufacturing business.

The company has attempted to expand its product range through the introduction of a range of industrial products however a key customer's capital spending has been put on hold following a takeover of their operations by private equity.

Consequently the Company has seen a dramatic decline in revenue and whilst the company has begun to shift production to China sourced product the benefits of lower costs has not yet feed through into improved sales.

During the period the company incurred costs in appointing an independent expert following the receipt of a non-binding takeover offer. As announced on 1 February 2013 that offer has been withdrawn due to the inability to obtain financing and a perceived material decline in the business since the offer was made. Subsequent to the withdrawal of that offer the Company has now received several other offers for various parts of the Company. The non-conflicted Directors are now working through these offers to determine the most appropriate course of action. The outcome of any of these offers will result in significant change to the business. As noted in Note 1(b) of the financial statements this may affect the future value of the assets and liabilities.

Due to the continuing losses and the withdrawal of the Bid Groups non-binding offer the Directors have concluded that an impairment trigger had occurred and they have reviewed the carrying value of non current assets. As a result an impairment charge of \$856.6k has been made against plant and equipment.

The Directors have also considered the net realisable value of inventory and considered it appropriate to increase the provisioning against inventory given the cost pressures being applied by competitors with imported product. A charge of \$219k has been taken to the profit and loss.

**Directors' Report (cont.)**  
**Half-Year Ended 31 December 2012**

As discussed in the June 2012 results the distribution network has been discontinued and the results for the period reflect that the branches in South Australia and Tasmania were closed.

<b>Continuing operations</b>	<b>2012 \$'000</b>	<b>2011 \$'000</b>
Revenue from sales	2,271	3,086
Other revenue	9	57
Cost of materials	(1,213)	(1,622)
Other expenses	(1,579)	(1,877)
EBITDA	(512)	(356)
Depreciation	(184)	(317)
EBIT	(696)	(673)
Interest	21	38
Impairment charges	(857)	58
Operating (Loss) before tax for statutory purposes from continuing operations	(1,532)	(577)

As a consequence of the above Berklee's (loss) from continuing operations before income tax expense for the half year ended 31 December 2012 was \$(1.532) million, an increase of \$0.955 million (or 165%) by comparison with the previous half year period (loss) to 31 December 2011 of \$(0.577) million. The current period (loss) was significantly impacted by impairment charges \$857k. The discontinued operations (loss) was impacted by a \$218k charge to adjust the net realisable value of inventory.

As a result of the continuing losses no income tax expense or benefit was incurred as the Board could not support the recognition of a deferred tax asset in respect of the tax losses. Income tax expense for the comparative half year period was nil.

**Dividend**

Directors have resolved not to pay an interim dividend consistent with the prior half year period.

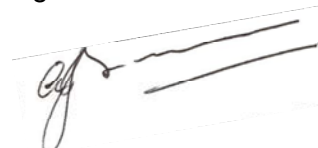
**AUDITOR'S INDEPENDENCE DECLARATION**

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 4.

**ROUNDING**

The amounts contained in the half-year financial report have been rounded to the nearest \$1,000 (where rounding is applicable) under the option available to the company under ASIC Class Order 98/100. The company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.



A. I. Beckett  
Director  
Melbourne, 26 February 2013

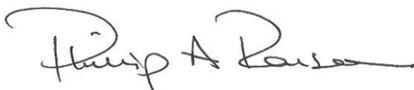
## AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of the financial report of Berklee Limited for the half year ended 31 December 2012, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.



**RSM BIRD CAMERON PARTNERS**



**P A RANSOM**  
Partner

Melbourne, Victoria  
Dated: 26 February 2013

**Statement of Comprehensive Income**  
**Half-Year Ended 31 December 2012**

		<b>Consolidated</b>	
		<b>2012</b>	<b>2011</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Note</b>			
<b>CONTINUING OPERATIONS</b>			
<b>Revenues</b>			
	Revenue from sale of goods	2,271	3,086
	Other income	30	57
	<b>Revenue from ordinary activities</b>	<b>2,301</b>	<b>3,143</b>
<b>Expenses</b>			
	Changes in inventories of finished goods and work in progress	76	(127)
	Raw materials and consumables used	1,137	1,749
	Depreciation, amortisation and impairments	1,040	317
	Finance costs	-	3
	Employee benefits expense	1,013	1,239
	Freight and cartage	166	149
	Lease payments on operating leases	42	29
	Restructuring provision and impairment charges	-	(58)
	Sales and marketing expense	44	20
	Insurance expense	55	48
	Other expenses from ordinary activities	260	351
	<b>Total expenses</b>	<b>3,833</b>	<b>3,720</b>
	<b>(Loss) before tax from continuing operations</b>	<b>(1,532)</b>	<b>(577)</b>
	Income tax expense	-	-
	<b>(Loss) after tax from continuing operations</b>	<b>(1,532)</b>	<b>(577)</b>
	<b>(Loss) after tax from discontinuing operations</b>	<b>(330)</b>	<b>(356)</b>
	<b>(Loss) for the period</b>	<b>(1,862)</b>	<b>(933)</b>
	<b>Other comprehensive income:</b>	<b>-</b>	<b>-</b>
	<b>Other comprehensive income for the period</b>	<b>-</b>	<b>-</b>
	<b>Total comprehensive income for the period</b>	<b>(1,862)</b>	<b>(933)</b>
	<b>(Loss) for the period attributable to:</b>		
	Members of the parent entity	(1,862)	(933)
		<b>(1,862)</b>	<b>(933)</b>
	<b>Total comprehensive income for the period attributable to:</b>		
	Members of the parent entity	(1,862)	(933)
		<b>(1,862)</b>	<b>(933)</b>
	<b>Earnings per share (cents per share)</b>		
	(Loss) after tax from continuing operations		
	Basic earnings per share	(15.3)	(5.8)
	Diluted earnings per share	(15.3)	(5.8)
	(Loss) for the period		
	Basic earnings per share	(18.6)	(9.3)
	Diluted earnings per share	(18.6)	(9.3)

*The above consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.*

**Statement of Financial Position**  
**As at Half-Year Ended 31 December 2012**

		<b>Consolidated</b>	
		<b>As at</b>	<b>As at</b>
		<b>31 Dec</b>	<b>30 June</b>
		<b>2012</b>	<b>2012</b>
	<b>Notes</b>	<b>\$'000</b>	<b>\$'000</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents		1,453	2,156
Trade and other receivables		1,209	1,632
Inventories		1,260	1,984
<b>Total current assets</b>		<u>3,922</u>	<u>5,772</u>
<b>Non-current assets</b>			
Property, plant and equipment	1(c)/7	4,695	5,668
<b>Total non-current assets</b>		<u>4,695</u>	<u>5,668</u>
<b>Total assets</b>		<u>8,617</u>	<u>11,440</u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables		529	1,072
Borrowings		-	44
Provisions	2	421	756
<b>Total current liabilities</b>		<u>950</u>	<u>1,872</u>
<b>Non-current liabilities</b>			
Provisions		-	39
<b>Total non-current liabilities</b>		<u>-</u>	<u>39</u>
<b>Total liabilities</b>		<u>950</u>	<u>1,911</u>
<b>Net assets</b>		<u>7,667</u>	<u>9,529</u>
<b>Equity</b>			
Issued Capital		8,700	8,700
Reserves		2,214	2,214
Retained earnings		(3,247)	(1,385)
<b>Total equity</b>		<u>7,667</u>	<u>9,529</u>
Equity attributable to owners of Berklee Limited		7,667	9,529

*The above consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.*

Statement of Changes In Equity  
 Half-Year Ended 31 December 2012

<b>Consolidated</b>					
	Issued Capital	Asset Revaluation Reserve	Retained Earnings	Attributabl e to owners of the parent	Total equity
Note	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Balance at 1 July 2011</b>	8,700	2,214	964	11,878	11,878
Profit/(loss) for the period	-	-	(933)	(933)	(933)
<b>Total comprehensive income for the period</b>	-	-	(933)	(933)	(933)
Payment of dividends	-	-	(200)	(200)	(200)
<b>Balance at 31 December 2011</b>	8,700	2,214	(169)	10,745	10,745
<b>Balance at 1 July 2012</b>	8,700	2,214	(1,385)	9,529	9,529
Profit/(loss) for the period	-	-	(1,862)	(1,862)	(1,862)
<b>Total comprehensive income for the period</b>	-	-	(1,862)	(1,862)	(1,862)
<b>Balance at 31 December 2012</b>	8,700	2,214	(3,247)	7,667	7,667

*The above consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.*

**Statement of Cash Flows**  
**Half-Year Ended 31 December 2012**

		<b>Consolidated</b>	
		<b>2012</b>	<b>2011</b>
		<b>\$'000</b>	<b>\$'000</b>
	<b>Note</b>		
<b>Cash flows from operating activities</b>			
Receipts from customers (Inclusive of GST)		3,757	5,484
Payments to suppliers and employees (Inclusive of GST)		(4,446)	(6,366)
Interest received		21	38
Finance costs		-	(3)
<b>Net cash (outflow) from operating activities</b>		<b>(668)</b>	<b>(847)</b>
<b>Cash flows from investing activities</b>			
Payment for property, plant and equipment		(11)	(20)
Proceeds from sale of property, plant and equipment		20	-
<b>Net cash (outflow) inflow from investing activities</b>		<b>9</b>	<b>(20)</b>
<b>Cash flows from financing activities</b>			
Dividends paid	3	-	(200)
Proceeds from borrowings		-	117
Repayment of borrowings		(44)	(29)
<b>Net cash (outflow) inflow from financing activities</b>		<b>(44)</b>	<b>(112)</b>
<b>Net (decrease) increase in cash and cash equivalents</b>		<b>(703)</b>	<b>(979)</b>
Cash and cash equivalents at the beginning of the financial period		2,156	2,298
<b>Cash and cash equivalents at the end of the financial period</b>		<b>1,453</b>	<b>1,319</b>

*The above consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes.*

**Notes to the Half-Year Financial Statements**

**Half-Year Ended 31 December 2012**

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**1. Summary of significant accounting policies**

- (a) This condensed consolidated interim financial report for the half year reporting period ended 31 December 2012 has been prepared in accordance with Accounting Standard *AASB 134 Interim Financial Reporting* and the *Corporations Act 2001*.

This condensed consolidated interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2012 and any public announcements made by Berklee Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

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

- (b) Basis of preparation

The financial statements have been prepared on a going concern basis, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. For the half year ended 31 December 2012 the Consolidated entity reported an operating loss of \$1.862 million and cash outflows from operations of \$0.668 million. The Consolidated entity has a surplus of current assets over current liabilities of \$2.972 million and a positive net asset position of \$7.667 million.

The Directors have advised they have received a several offers for various parts of the business. The terms of these offers are subject to negotiation. At the date of this report, these proposals are still subject to consideration. Depending on the outcome of these considerations, the Directors will determine the necessary course of action with respect to the operations of the Consolidated entity.

In the event that the Directors are unable to successfully negotiate the sale of the business, the Directors would consider the option of the orderly sale of assets of the Consolidated entity. The Directors have undertaken an assessment of the carrying value of the Consolidated entity's assets and are confident that, in such circumstances, realisation of the Consolidated entity's assets would enable it to extinguish its liabilities as and when they become due and payable. The Directors have tested the assets of the Consolidated entity for impairment as a result of the offers which have been received, and have taken consideration of the possible option of an orderly sale of assets of the Consolidated entity. The Directors have accordingly assessed the carrying value of the Consolidated entity's assets and, where considered appropriate, reduced asset values to reflect their recoverable amount given these circumstances.

In the event that the Consolidated entity is unsuccessful in either of these courses of action, there is material uncertainty whether the Consolidated entity could continue as a going concern. If the Consolidated entity is unable to continue as a going concern it may be required to realise its assets and discharge its liabilities other than in the normal course of business.

**Notes to the Half-Year Financial Statements (cont.)**

**Half-Year Ended 31 December 2012**

Note 1 (b) Basis of preparation (cont.)

The financial statements do not include any adjustment relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary if the Consolidated Entity does not continue as a going concern and has to realise its assets other than in an orderly manner.

Note 1 (c) Impairment charges and depreciation

At 31 December 2012 the Directors have determined that the withdrawal of the Bid Group's offer, the continued poor trading performance and the terms of the new offers for the business constitute an impairment trigger. As noted in note 1(a) above, the Directors having regard to the potential scenarios for the business have made an impairment charge against Plant and Equipment of \$856.6k. Depreciation rates have been adjusted to reflect the ongoing anticipated useful life and residual value of the equipment following the impairment charge.

<b>2. PROVISIONS</b>		<b>As at 31 Dec 2012 \$'000</b>	<b>Consolidated As at 30 June 2012 \$'000</b>		
- Restructuring – refer note 2 (a) below		258	531		
- Employee entitlements for long service leave		163	225		
		421	756		
2(a)	At 30 June 2012 the consolidated entity recognised certain restructuring charges relating predominantly to the discontinued operation. In FY13 those provisions have been utilised as follows: Provisions for restructuring	Opening balance \$'000  531	Utilised \$'000  (273)	Charged (credited) to income statement \$'000 -**	Closing balance \$'000  258
**Amounts charged to the income statement from continuing operations \$nil k (FY12 charged a net \$57k in this period).					

<b>3. DIVIDENDS PAID ON ORDINARY SHARES</b>	<b>Half-Year Consolidated</b>	
	<b>2012 \$'000</b>	<b>2011 \$'000</b>
<b>Dividends paid during the half-year</b>		
No dividend was paid during the period. (Prior year fully franked final dividend - 2.00 cents per share)	-	200

**Notes to the Half-Year Financial Statements (cont.)**

**Half-Year Ended 31 December 2012**

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<b>4. EARNINGS PER SHARE</b>	<b>Half-Year Consolidated</b>	
	<b>2012 \$'000</b>	<b>2011 \$'000</b>
<b>Basic earnings per share</b>		
(Loss) after tax from continuing operations	(1,532)	(577)
(Loss) after tax attributable to ordinary shareholders	(1,862)	(933)
Weighted average number of ordinary shares	10,000,443	10,000,443

**Diluted earnings per share**

There are no instruments on issue that are dilutive in nature

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**5. EVENTS OCCURRING AFTER THE BALANCE SHEET DATE**

No matters or circumstances have arisen since the half-year ended 31 December 2012 that have significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the consolidated entity in future financial years other than the receipt of several offers for the business the impact of which is discussed in Note 1.

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**6. CONTINGENT ASSETS AND LIABILITIES**

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

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**7. LAND AND BUILDINGS**

Land and buildings solely comprise the Wendouree property (manufacturing plant and head office). At 30 June 2011 the property was formally valued and the amount of \$4.39 million recognised in the financial statements. There has been no material movement in the land and buildings value since that date other than for accumulated depreciation of \$64k (June 2012:\$43k).

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Notes to the Half-Year Financial Statements (cont.)

Half-Year Ended 31 December 2012

**8. FINANCIAL REPORTING BY SEGMENTS**

The consolidated entity operates in one industry and one geographic segment, being the Australian specialist engineering industry.

Additional supplementary segment information:

Customers

The continuing operations of the consolidated entity have two customers whose individual revenue exceeds 10% of consolidated revenue. The totals of their revenue is for Customer A \$1.170 m (FY12 \$0.172 m) and Customer B \$0.425 m (FY12 revenue \$0.846 m). The consolidated entity has supply agreements with both parties.

**9. DISCONTINUED OPERATIONS**

**(a) Description**

As reported at 30 June 2011 the consolidated entity has undertaken a restructuring program and consequently it has designated its distribution arm Undacar Parts as a discontinued operation. As at 31 December 2012 five of the six state branches have been closed and distribution taken over by third party. It is the consolidated entity's expectation that the remaining branch will be transitioned to third party arrangements by 30 June 2013. As a consequence an additional charge of \$219k was made to reflect the net realisable value of the discontinued operations inventory holdings at 31 December 2012.

Berklee Limited (the continuing operation) has replaced sales to the branches in WA, Queensland and NSW with sales to Mercury Mufflers the new distributor in those states. Berklee Limited currently sells product to the remaining Undacar Parts branches in Victoria, and has replaced the South Australia and Tasmania branches with direct sales to the third party distributors in those states. Revenue from continuing operations reflects sales revenue as it would have been had the discontinued operations been exited at the commencement of the year. Revenue from discontinued operations reflects the portion of consolidated sales revenue which will not continue after the closure of both the exited and remaining branches.

**(b) Financial performance and cash flow information**

	<b>2012</b>	<b>2011</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue from discontinued operations – refer note 9(a)	901	3,264
Expenses	(1,231)	(3,620)
Profit (Loss) before income tax	(330)	(356)
Income tax expense (benefit)	-	-
<b>Profit (loss) after income tax for discontinued operation</b>	<b>(330)</b>	<b>(356)</b>
Net cash inflow (outflow) from operating activities	657	243
Net cash inflow (outflow) from investing activities	20	-
Net cash inflow (outflow) from financing activities	-	-
<b>Net cash increase (decrease) generated by the division</b>	<b>677</b>	<b>243</b>

**Berklee Limited**  
**ABN: 80 004 661 205**

**Directors' Declaration**

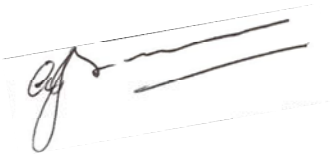
**Half-Year Ended 31 December 2012**

The directors of the company declare that, in the opinion of the directors:

- (a) the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
  - (ii) complying with Accounting Standard AASB 134: *Interim Financial Reporting*; 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.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in black ink, appearing to be 'A. I. Beckett', written over a horizontal line. The signature is cursive and somewhat stylized.

A. I. Beckett  
Director

Melbourne, 26 February 2013

**RSM Bird Cameron Partners**

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**INDEPENDENT AUDITOR'S REVIEW REPORT****TO THE MEMBERS OF****BERKLEE LIMITED**

We have reviewed the accompanying half-year financial report of Berklee Limited which comprises the condensed statement of financial position as at 31 December 2012, the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

*Directors' responsibility for the half-year financial report*

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

*Auditor's responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 31 December 2012 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Berklee Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### *Independence*

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

### *Conclusion*

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

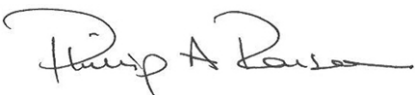
- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

### *Emphasis of matter*

Without qualifying our conclusion expressed above, we draw attention to Note 1(b) in the half-year financial report which indicates that the consolidated entity reported an operating loss after tax of \$1,862k for the six month period to 31 December 2012 (prior half year - loss of \$933k) and cash outflows from operations of \$668k (prior half year - loss of \$847k). The consolidated entity has a surplus of current assets over current liabilities of \$2,972k (year ended 30 June 2012 - \$3,900k) and a positive net asset position of \$7,667k (year ended 30 June 2012 - \$9,529k). The directors are currently in negotiations for the sale of various parts of the business. Depending on the outcome of these negotiations, the directors will consider other options such as the orderly sale of the consolidated entity's assets. Whilst the consolidated entity currently has positive working capital and equity, these conditions, along with other matters as set forth in Note 1(b), indicate the existence of a material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and, therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.



**RSM BIRD CAMERON PARTNERS**



**P A RANSOM**

Partner

Melbourne, Victoria

Dated: 26 February 2013