Berklee Limited

ABN: 80 004 661 205

Financial Statements

For the Year Ended 30 June 2013

Berklee Limited

ABN: 80 004 661 205

For the Year Ended 30 June 2013

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Berklee Limited

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Corporate Directory

DIRECTORS
Alan Ian Beckett (Chairman)
Brett Andrew Jones (Managing Director)
Grantly Martin Anderson

COMPANY SECRETARY
Brett Jones (Managing Director)

REGISTERED OFFICE
265-285 Learmonth Road
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
St. George Bank Limited

STOCK EXCHANGE LISTING
Berklee shares are listed on the Australian Stock Exchange

DOMICILE
Publicly listed company incorporated in Australia

Berklee Limited

ABN: 80 004 661 205

Company Profile

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

The shareholders of the company voted on 17 June 2013 to sell the business operations of the business and commence an orderly wind up of residual assets. From 1 July 2013 the company has ceased operation and commenced the process of monetising remaining assets and paying liabilities. Refer the Directors Report for additional information.

Berklee Limited

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Statistical Summary

	2012/13 $000	2011/12 $000	2010/11 $000	2009/10 $000	2008/09 $000
BALANCE SHEETS					
Share Capital	8,700	8,700	8,700	8,700	8,700
Share Capital and Reserves	6,081	9,529	11,878	12,371	13,030
Non-Current Liabilities	-	39	53	44	52
Current Liabilities	691	1,872	2,374	1,548	1,778
Total Liabilities	691	1,911	2,427	1,592	1,830
Non-Current Assets	-	5,668	6,443	4,091	6,223
Current Assets	6,772	5,772	7,862	9,062	8,637
Total Assets	6,772	11,440	14,305	13,963	14,860

INCOME STATEMENTS					
Revenue from discontinued operations	5,076	9,267	9,348	9,969	11,055
Operating Profit (Loss) Before Income Tax from discontinued operations	(2,943)	(2,151)	(2,405)	675	1,461
Income Tax Expense (Benefit) discontinued operations	-	-	(177)	134	(372)
Operating Profit (Loss) After Income Tax	(2,943)	(2,151)	(2,228)	541	1,833
CASH FLOW STATEMENTS					
Cash Flows From Operating Activities	(946)	123	(920)	(12)	84

FINANCIAL STATISTICS					
Earnings per Ordinary Share (Basic)	(29.5c)	(21.5c)	(22.3c)	4.7c	13.0c
Dividends per Ordinary Share (2009/10: Special)	0.0c	2.0c	2.0c	12.0c	0.0c
Return on Total Shareholders' Equity	(48.4%)	(22.6%)	(18.8%)	4.4%	14.1%
Dividend Times Covered	0.00	0.00	0.00	0.39	0.00
Dividend Payout Ratio	0%	0%	0%	255%	0%
Net Tangible Assets per Ordinary Share	60.8c	95.3c	118.8c	118.5c	89.0c
Current Ratio	9.8	3.1	3.3	5.9	4.9
Total Shareholders' Equity to Total Assets	90%	83%	83%	89%	88%
Total Shareholders' Equity to Total Liabilities	880%	498%	489%	777%	712%
Number of Employees (as at 30 June)	29	32	65	69	78

Berklee Limited

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Directors' Report

30 June 2013

Your directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of company and the entities it controlled at the end of, or during, the year ended 30 June 2013.

Information on directors

The names and details of the Company's directors in office during the financial year and until the date of this report are presented below. Directors were in office for this entire period unless otherwise stated.

Alan Ian Beckett
(Non Executive Chairman)

Qualifications	BEcon FCA GAICD
Experience	Mr Beckett was appointed to the Board of Berklee Limited as a non-executive director on 1 August 2010, and on 12 November 2010 was appointed Chairman of the Board. He commenced his career with Ernst & Young in 1970 and focused on audit and corporate services in the larger listed public companies sector. He held many senior management positions including Deputy Chairman of Ernst & Young Oceania from 2001 until his retirement from the firm in 2008. He was Managing Partner of the Melbourne office from 1998 to 2001, Managing Partner of the Australian Audit & Corporate Services practice from 1986 to 1989 and again from 1995 to 1998.
Interest in shares and options	Ordinary shares held: 16,661
Special responsibilities	Chairman of the Board and of the Remuneration and Nomination Committee
Other current directorships	Mr Beckett currently serves as: Non-Executive Director and Chairman of the Risk, Compliance & Audit Committee, Defence Health Ltd; Non-Executive Director of Westbourne Capital Pty. Ltd. and Westbourne Credit Management Ltd; Member of the Department of Defence Audit & Risk Committee; Member of the Board Audit Committee of Note Printing Australia Ltd; and Is a member of the Very Special Kids Foundation.

Information on directors continued

Brett Jones (Managing Director and Company Secretary)	
Qualifications	BEng (Hons) MBA GAICD MIEAust
Experience	Mr Jones leads all aspects of Berklee Limited's business activities and is committed to developing new products and markets that focus on providing innovative and value-added solutions to the end user. He has held various leadership and senior executive roles within multinational organisations across the automotive components and building product manufacturing industries. Mr Jones received his Bachelor of Engineering degree with first class honours and a Master of Business Administration from the University of Ballarat. He is a member of Engineers Australia, The International Golden Key Honour Society and is a Graduate of the Australian Institute of Company Directors.
Interest in shares and options	Nil
Special responsibilities	Managing Director and Company Secretary
Grantly Martin Anderson (Non Executive Director)	
Qualifications	FAICD
Experience	Mr Anderson was appointed to the Board of Berklee Limited as a non-executive director on 1 August 2010. He is a Fellow of the Australian Institute of Company Directors with over 25 years experience as a director of both public and private companies. Mr Anderson has held executive positions at the most senior level in both public and private international companies including President of PBR International and Regional Managing Director of Britax International Pty Ltd. Currently he is the Chief Executive Officer of ANCA Pty Ltd an international machine tool company headquartered in Melbourne, Australia. Mr Anderson was a Director of the Federation of the Automotive Products Manufacturers for 14 years and was President for 4 years.
Interest in shares and options	Nil
Special responsibilities	Deputy Chairman, Chairman of the Audit Committee and member of the Remuneration and Nominations Committee
Other current directorships	Mr Anderson currently serves as: Director and CEO of ANCA Pty Ltd; Director and President of ANCA Motion Taiwan Non Executive Director and Chairman of Techni Waterjet Pty Ltd; and Director and Chairman AGSN Group Limited

Information on directors continued

Rick John van Berkel (Non Executive Director; resigned 27 March 2013)	
Qualifications	Bachelor of Applied Management
Experience	Mr van Berkel commenced employment with Berklee Limited as an apprentice fitter and turner, and has held various positions in the business including Manufacturing Director and Deputy Managing Director, before leaving the company in 1999 to take up other business opportunities. He currently owns and operates several private businesses in the retail environment.
Interest in shares and options	Ordinary shares held: 2,659,501
Special responsibilities	Member of the Audit Committee
Other current directorships	Mr van Berkel currently serves as: Director and Secretary of Ausned Pty Ltd; Director and Secretary of RBP Investments Pty Ltd; Director of Tilbal Pty Ltd; and Director and Secretary of Riniki Pty Ltd

Principal Activities

The principal activities of the Group during the year comprised the manufacture and distribution of specialist industrial products including automotive mufflers and exhaust products, trolleys and other speciality equipment. Those activities ceased 30 June 2013 with the sale of the business as outlined below.

Business Review

Review of Operations

As outlined in the Explanatory Memorandum to the Extraordinary General Meeting which was held on 17 June 2013 the business declined significantly over the 2013 financial year. As a consequence the Directors recommended the sale of the business to Tilbal Pty Limited (Tilbal). The sale was approved and the business was transferred to Tilbal effective 1 July 2013.

Since the Extraordinary General Meeting the Directors have:

- Sought to finalise the company's regulatory obligations for 2013;
- Appointed an agent to market and sell the land and buildings at Ballarat by 30 June 2014;
- Exited all property leases and confirmed no further obligations arise under those leases;
- Transferred the business to Tilbal; and
- Commenced the supply of inventories to Tilbal on a consignment basis.

Results from discontinued operations

The results presented below summarise the performance of the consolidated entity over the last year restated to reflect the divestment of the Company's primary undertaking and consequent classification of the whole of the financial results as discontinued.

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Directors' Report

30 June 2013

Business Review continued

Review of Operations continued

	2013	2012
Revenue from sales	5,019,568	9,126,482
Other revenue	19,463	71,670
Cost of materials	(2,697,312)	(4,878,434)
Other expenses	(3,986,650)	(5,809,417)
Earnings before interest, tax, depreciation and amortisation (EBITDA)	(1,644,931)	(1,489,699)
Depreciation	(347,387)	(669,125)
Earnings before interest and tax (EBIT)	(1,992,318)	(2,158,824)
Impairment and restructuring charges	(1,011,574)	(71,000)
Interest	37,036	68,404
Gain on sale of plant and equipment	23,598	10,731
Operating (Loss) before tax for statutory purposes from continuing operations	(2,943,258)	(2,150,689)

Dividends Paid or Recommended

The Directors have resolved to pay a 5 cent per share unfranked final dividend at this time given the wind up of the company’s affairs.

Group franking credits available for future distribution, subject to meeting the various ATO requirements on dividend franking, total $1,543,000.

Other items

Significant Changes in State of Affairs

Other than as discussed in the 'Review of Operations' no significant changes in the Group's state of affairs occurred during the financial year.

Post Balance Date Events

Subsequent to the 30 June 2013 reporting date, the Company transferred the business and plant and equipment to Tilbal in return for Tilbal assuming responsibility for the employee entitlements of the transferring employees. The net impact on the profit and loss will be $nil as the plant and equipment has been written down to its effective realisable value at 30 June 2013. In addition the Directors have appointed an Agent to commence the marketing and sale of the property.

The Directors have resolved to pay a 5 cent per share unfranked dividend.

Apart from these matters there have been no events that have significantly affected, or are likely to affect, the operations or financial position of the consolidated entity.

Likely Developments

The Company's cessation of its operations with effect from 30 June 2013 has turned the Directors' focus to the realisation of remaining assets and settlement of its liabilities.

Environmental matters

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.

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Directors' Report

30 June 2013

Other items continued

Environmental matters continued

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.

Meetings of directors

During the financial year, 21 meetings of directors were held. Attendances by each director during the year at meetings of directors and committees of directors were as follows:

	Directors' Meetings		Audit Committee Meetings		Remuneration and Nomination Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Alan Ian Beckett	21	20	4*	4*	2	2
Brett Andrew Jones	21	19^	4*	4*	-	-
Grantly Martin Anderson	21	21	4	4	2	2
Rick John van Berkel (Resigned 27 March 2013)	13	10^	4	4	-	-

^ Excused themselves from meetings due to potential conflicts arising from sale of business discussions

* By invitation of the Audit Committee.

Committee membership

Members acting on the Committees as of the year end were as follows. Additional information relating to membership is contained in the Corporate Governance Statement:

Audit Committee: G.M. Anderson (Committee Chairman) and R.J. van Berkel
Remuneration and Nomination Committee: A.I. Beckett (Committee Chairman) and G.M. Anderson

Directors' Interests

At the date of this report the relevant interest of those directors who held shares in the Company was:

A.I. Beckett - 16,661 shares.

Indemnification and insurance of officers and auditors

During the financial year, Berklee Limited paid a premium of $8,500 plus GST to insure the directors and officers of the Company.

Indemnification and insurance of officers and auditors continued

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.

Proceedings on behalf of the company

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

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

The Company may decide to engage the auditor on assignments additional to their statutory audit duties where the auditor’s expertise and experience with the Group are important.

No fees were paid or payable to the external auditors for non-audit services provided during the year ended 30 June 2013.

Auditor's independence declaration

The auditor's independence declaration in accordance with section 307C of the *Corporations Act 2001*, for the year ended 30 June 2013 has been received and can be found on page 14 of the financial report.

Remuneration Report

This report is set out to provide information on:

- A Remuneration policy - the approach used by the Company to determine the nature and amount of remuneration;
- B Remuneration details - the nature and amount of remuneration for each director of Berklee Limited, and for the executives receiving the highest remuneration; and
- C Service agreements.

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

A - Remuneration policy

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; and
- capital management.

A - Remuneration policy continued

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

Aligning to shareholders' interests, the framework:

- 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; and
- attracts and retains high calibre executives who receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.

Aligning to program participants' interests, the framework:

- rewards capability and experience;
- reflects competitive reward for contribution to growth in shareholder wealth;
- provides a clear structure for earning rewards; and
- 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. In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive directors

The Remuneration and Nomination 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 remuneration for non-executive directors is 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.

Executive director remuneration

The Company entered into an employment contract with the Managing Director, with effect from 8 November 2011 for a minimum period of 2 years. The remuneration aspects of the contract aim to reward him 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.

A - Remuneration policy continued

The Remuneration and Nomination 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.

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 and company superannuation payments.

Performance based remuneration

The Managing Director’s remuneration package contains an element that is dependent on a performance condition, which awards a cash bonus subject to the attainment of clearly defined Group and individual measures. On an annual basis, after consideration of the Managing Director’s performance, the Remuneration and Nomination Committee determines the amount, if any, of the short-term incentive to be paid.

Other employee’s remuneration

The Company aims to reward employees with a level of remuneration commensurate with their position and responsibilities within the Company and so as to ensure total remuneration is competitive by market standards.

The Managing Director assesses the nature and amount of employees’ remuneration on a periodic basis to ensure appropriate and realistic having regard to employees’ responsibilities and relevant market conditions.

Retirement benefits

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

B - Remuneration details for the year ended 30 June 2013

The Key Management Personnel are those persons having authority and responsibility for planning, directing and controlling the major activities of Berklee Limited and the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company. The restructuring of the Group’s business has resulted in the rationalisation of various executive roles. The executive positions included in the prior year’s key management disclosures have been discontinued or redirected, such that the key management personnel currently comprise only the members of the Board of Directors, including the Managing Director.

The following table of benefits and payment details, in respect to the financial year, the components of remuneration for each member of the key management personnel of the Group:

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Directors' Report

30 June 2013

B - Remuneration details for the year continued ended 30 June 2013

2013	Short term benefits Cash salary & fees $	 Leave entitlements paid $	 Other $	 Non-cash $	 $	Post employment benefits Superannuation $	 $
Directors							
A.I. Beckett*	**99,500**	**-**	**-**	**-**	**99,500**	**8,955**	**108,455**
B.A. Jones	**175,968**	**-**	**-**	**32,262**	**208,230**	**19,619**	**227,849**
G.M. Anderson*	**49,850**	**-**	**-**	**-**	**49,850**	**3,506**	**53,356**
R.J. van Berkel	**13,084**	**-**	**-**	**-**	**13,084**	**16,129**	**29,213**
	338,402	**-**	**-**	**32,262**	**370,664**	**48,209**	**418,873**

*fees include additional payments of $40k for A I Beckett and $10k plus super for G M Anderson to cover time spent on the Bid Assessment process which ran for 9 months.

2012	Short term benefits Cash salary & fees $	 Leave entitlements paid $	 Other $	 Non-cash $	 $	Post employment benefits Superannuation $	 $
Directors							
A.I. Beckett	57,200	-	-	-	57,200	5,148	62,348
B.A. Jones	183,099	-	10,100	20,102	213,301	15,775	229,076
E.J. van Berkel*	62,334	113,055	17,000	-	192,389	7,479	199,868
G.M. Anderson	37,440	-	-	-	37,440	3,370	40,810
E.W. Vetter	15,600	-	-	-	15,600	1,404	17,004
R.J. van Berkel	-	-	-	-	-	23,806	23,806
	355,673	113,055	27,100	20,102	515,930	56,982	572,912

* The other amount paid to Mr E. van Berkel was a termination benefit

C - Service agreements

Apart from an agreement with the Managing Director, there are no service agreements in place with Key Management Personnel.

Mr Brett Jones, the Managing Director, is employed under a contract which can be terminated with notice by either party. The terms of the contract provide for:

- fixed remuneration of $226,000 per annum inclusive of a salary sacrificed vehicle;
- other benefits of $nil;
- a bonus to be determined by the remuneration committee in accordance with an agreed formula;
- termination terms as follows: should his employment be terminated within the minimum two year term (which commenced 8 November 2011) he may be paid a lump sum that is equivalent to an amount he would otherwise have been entitled to had he remained employed from that date to the expiry of the minimum term. He is also entitled to redundancy pay based on years of service in lieu of notice if his employment is terminated at the Company's initiative because the Company no longer requires the job to be done.

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

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Directors' Report

30 June 2013

C - Service agreements continued

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 Key Management Personnel in accordance with statutory obligations.

This report is signed in accordance with a resolution of the Board of Directors.

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

Director:	Director: ....
Alan Beckett	Brett Jones

Dated this 30th day of September 2013

RSM Bird Cameron Partners
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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 2013, 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

RSM BIRD CAMERON PARTNERS

P A RANSOM
Partner

Melbourne, Victoria
Dated: 30 September 2013

Berklee Limited (the Company) and the Board of Directors are committed to achieving and demonstrating the highest standards of corporate governance. This statement covers the Group, which comprises the Company and its controlled entities, in relation to the Australian Stock Exchange Corporate Governance Council (CGC) – Corporate Governance Principles and Recommendations – 2nd Edition with 2010 amendments. The Board continually reviews the Group's policies and practices to ensure they meet the interests of shareholders.

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 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 management team on an ongoing basis.

A description of the Company's main corporate governance practices is set out below. Unless otherwise stated, all the good practice recommendations of the ASX Corporate Governance Council have been applied for the entire financial year ended 30 June 2013.

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 constantly 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 interests 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 the 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.

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 Group;
- 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; and
- discharging its stewardship by making use of sub-committees, including an audit committee and a remuneration 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; and
- reporting to shareholders.

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; and
- the size of the Board is conducive to effective discussion and efficient decision-making.

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;
- 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.

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

Director	Term in office
A. I. Beckett	Appointed 1 August 2010
B.A. Jones	Appointed 7 November 2011
G. M. Anderson	Appointed 1 August 2010
R.J. van Berkel	Appointed 1 December 2011, Resigned 27 March 2013

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; and
- 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 Chairman, A.I. Beckett and non-executive director G.M. Anderson are independent.

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 21 Board meetings during the year. In addition A I Beckett and G M Anderson invested significant time as part of the Bid Assessment process as a consequence of the offers received for the Company.

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 2013, and the number of meetings attended by each director is disclosed on page 11 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

Due to the business being put up for sale both the Managing Director and Mr R van Berkel had conflicts of interest. These were managed by excluding them from relevant parts of Board meetings and the formation of a Bid Assessment Committee which did not include them.

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 Chairman. The performance of the executives is reviewed annually by the non-executive director members of the Board.

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; and

- 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 Remuneration and Nomination Commitee and the Audit Committee.

Each committee is comprised of either:

- at least two non-executive directors, or

- 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.

Remuneration and Nomination committee

The Committee has consisted of the following non-executive directors during the year:

A.I. Beckett (Committee chairman)

G.M. Anderson

Due to the size of the Company and of the Board of Directors, the Committee comprises only two members, each non-executive.

Details of these members' attendance at Committee meetings are set out in the Directors' Report on page 8.

The Committee operates in accordance with its charter which is available on the Company website. The Committee is responsible for the selection and nomination of candidates for the position of Director and determining and reviewing compensation arrangements for the directors and the Managing Director. The 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 Committee's terms of reference include responsibility for reviewing any transactions between the Group and the directors, or any interest associated with the directors, to ensure the structure and the terms are in compliance with the Corporations Act 2001 and are appropriately disclosed.

Audit committee

The Audit Committee has consisted of the following non-executive directors during the year:

G.M. Anderson (Committee chairman)

R.J. van Berkel – until 27 March 2013

Due to the size of the Company and of the Board of Directors, the Committee comprises only two members, each non-executive. Though Mr van Berkel's resignation reduced the Committee's membership to one, each other Director attended the current meetings of the Committee by invitation.

Details of these members' attendance at Audit Committee meetings are set out in the Directors' Report on page 8.

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 Audit Committee are to:

- provide assistance to the Board 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;

- 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 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;

- 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; and

- 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.

Diversification

The Company has consistently maintained a policy of attracting and retaining talented individuals irrespective of background or gender. The current operational circumstances of the Company have not enabled priority to be given to further development of the policy, with a concentration on introducing greater gender diversity.

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 Partners were appointed as the external auditor on 4 November 2005. It is RSM Bird Cameron Partners' policy to rotate audit engagement partners on listed companies at least every five years. The audit partner was rotated in 2011.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in note 19 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.

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 24) 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 remains appropriate for the Company's risk profile.

Mr B. Jones in his role of Managing Director is responsible for raising awareness of all operational risks to the Board members. This role includes providing 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.

In regard to Financial Reporting Mr Jones has provided assurance in writing to the Board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.

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 on page 7.

Code of Conduct

The 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 Group.

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 28 days following the annual and half-yearly results announcements to Australian Stock Exchange Limited and the conclusion of the Annual General Meeting.

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 ASX; 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.

Berklee Limited

ABN: 80 004 661 205

Statement of Comprehensive Income

For the Year Ended 30 June 2013

	Note	2013 $	2012 $
Discontinued Operations			
Revenue	5	**5,076,067**	9,266,556
Gain on sale of property, plant and equipment		**23,598**	10,731
Changes in inventories of finished goods and work in progress	6	**(835,000)**	(2,393,000)
Raw materials and consumables used	6	**(1,862,312)**	(2,485,434)
Employee benefits expense		**(2,218,092)**	(3,461,851)
Restructuring provision	6	**158,722**	(70,984)
Depreciation, amortisation and impairments	6	**(1,206,177)**	(676,125)
Freight and cartage		**(342,841)**	(457,096)
Lease payments on operating leases		**(175,228)**	(659,429)
Sales and marketing		**(79,309)**	(81,847)
Insurance		**(101,931)**	(135,007)
Inventory impairment	9	**(311,506)**	(173,000)
Other operating expenses		**(1,069,249)**	(827,907)
Finance costs		**-**	(6,296)
Loss before income tax		**(2,943,258)**	(2,150,689)
Taxation	7	**-**	-
Loss for the year		**(2,943,258)**	(2,150,689)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Income (loss) from Revaluation of land and buildings	15	**(504,000)**	-
Other comprehensive income for the year, net of tax		**(504,000)**	-
Total comprehensive income for the year		**(3,447,258)**	(2,150,689)
Result attributable to:			
Members of the parent entity		**(2,943,258)**	(2,150,689)
		(2,943,258)	(2,150,689)
Total comprehensive income attributable to:			
Members of the parent entity		**(3,447,258)**	(2,150,689)
		(3,447,258)	(2,150,689)

	Note	2013	2012
Earnings per share (cents per share)			
(Loss) after tax from discontinued operations			
Basic earnings per share (cents)	27	**(29.50)**	(21.50)
Diluted earnings per share (cents)	27	**(29.50)**	(21.50)
(Loss) for the year			
Basic earnings per share (cents)	27	**(29.50)**	(21.50)
Diluted earnings per share (cents)	27	**(29.50)**	(21.50)

The accompanying notes form part of these financial statements.

Berklee Limited

ABN: 80 004 661 205

Statement of Financial Position

As at 30 June 2013

	Note	2013 $	2012 $
ASSETS			
Current assets			
Cash and cash equivalents	26	**1,383,253**	2,156,155
Trade and other receivables	8	**711,235**	1,631,331
Inventories	9	**712,577**	1,983,703
Assets held for sale	11	**3,964,598**	-
Total current assets		**6,771,663**	5,771,189
Non-current assets			
Property, plant and equipment	10	**-**	5,667,872
Total non-current assets		**-**	5,667,872
TOTAL ASSETS		**6,771,663**	11,439,061
LIABILITIES			
Current liabilities			
Trade and other payables	12	**458,531**	1,071,770
Borrowings		**-**	43,933
Provisions	13	**232,300**	756,005
Total current liabilities		**690,831**	1,871,708
Non-current liabilities			
Provisions	13	**-**	39,263
Total non-current liabilities		**-**	39,263
TOTAL LIABILITIES		**690,831**	1,910,971
NET ASSETS		**6,080,832**	9,528,090
EQUITY			
Issued capital	14	**8,700,000**	8,700,000
Asset revaluation reserve	15	**1,709,607**	2,213,607
Accumulated losses	15	**(4,328,775)**	(1,385,517)
TOTAL EQUITY		**6,080,832**	9,528,090

The accompanying notes form part of these financial statements.

Berklee Limited

ABN: 80 004 661 205

Statement of Changes in Equity

For the Year Ended 30 June 2013

2013

	Note	Issued capital $	Accumulated losses $	Asset Revaluation Reserve $	Total $
Balance at 1 July 2012		**8,700,000**	**(1,385,517)**	**2,213,607**	**9,528,090**
Loss for the year	15	-	(2,943,258)	-	(2,943,258
Other comprehensive income	15	-	-	(504,000)	(504,000
Total comprehensive income		**-**	**(2,943,258)**	**(504,000)**	**(3,447,258)**
Balance at 30 June 2013		**8,700,000**	**(4,328,775)**	**1,709,607**	**6,080,832**

2012

	Note	Issued capital $	Accumulated losses $	Asset Revaluation Reserve $	Total $
Balance at 1 July 2011		8,700,000	965,181	2,213,607	11,878,788
Loss for the year	15	-	(2,150,689)	-	(2,150,689)
Total comprehensive income		-	(2,150,689)	-	(2,150,689
Dividends paid or provided for	16	-	(200,009)	-	(200,009
Balance at 30 June 2012		8,700,000	(1,385,517)	2,213,607	9,528,090

The accompanying notes form part of these financial statements.

Berklee Limited

ABN: 80 004 661 205

Statement of Cash Flows

For the Year Ended 30 June 2013

	Note	2013 $	2012 $
Cash from operating activities:			
Receipts from customers (inclusive of GST)		**6,235,087**	10,316,000
Payments to suppliers and employees (inclusive of GST)		**(7,218,190)**	(10,255,000)
Interest received		**37,036**	68,404
Interest paid		**-**	(6,296)
Net cash (used in) / provided by operating activities	26	**(946,067)**	123,108
Cash flows from investing activities:			
Proceeds from sale of plant and equipment		**35,000**	25,000
Purchase of plant and equipment		**(6,902)**	(105,280)
Proceeds from return of security deposits		**189,000**	-
Net cash provided by / (used in) investing activities		**217,098**	(80,280)
Cash flows from financing activities:			
Proceeds from borrowings		**-**	117,000
Repayment of borrowings		**(43,933)**	(101,819)
Dividends paid by parent entity		**-**	(200,009)
Net cash used in financing activities		**(43,933)**	(184,828)
Net decrease in cash and cash equivalents		**(772,902)**	(142,000)
Cash and cash equivalents at beginning of year		**2,156,155**	2,298,155
Cash and cash equivalents at end of year	26	**1,383,253**	2,156,155

The accompanying notes form part of these financial statements.

1 Corporate information

The financial report of Berklee Limited (the Company) for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the directors on 30 September 2013. The directors have the power to amend and revise the financial report.

The financial report includes the consolidated financial statements of the Company and its controlled entities (the Group).

Berklee Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Stock Exchange.

The nature of the operations and principal activities of the Group are described in the directors' report, neither of which are part of these financial statements.

The accounting policies set out below have been applied within this context.

2 Summary of Significant Accounting Policies

(a) Basis of preparation

On 17 June 2013, an Extraordinary General Meeting was held where the shareholders agreed to:

i. sell the Berklee business to Tilbal Pty Limited (Tilbal); and
ii. sell the headquarters of Berklee, being the land and buildings located at Learmonth Road, Wendouree.

Further details of these matters are set out in Note 3. As at the date of this financial report, the company has divested its primary undertaking, and the company will cease trading once the remaining assets of the company have been realised and liabilities have been settled. The directors have therefore determined that the going concern basis of preparation is no longer appropriate.

The financial report has not been prepared on a going concern basis and assets have been written down to the lower of their carrying amounts and their net realisable values. Net realisable value is the estimated selling price the company expects to obtain under the circumstances, less the estimated costs necessary to make the sale. Additional liabilities have been recognised as a result of decisions mentioned above to the extent that the company had a present obligation as at the reporting date. Non-current assets and non-current liabilities have been reclassified to current with property, plant and equipment classified as assets held for sale. The statement of comprehensive income reflects discontinued operations of the organisation as a whole.

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*. Berklee Limited is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

2 Summary of Significant Accounting Policies continued

(a) Basis of preparation continued

The financial report has been prepared on an accruals basis and is based on historical costs modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities to reflect the basis of preparation of the financial report.

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(b) Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of the Company and all subsidiaries as at 30 June 2013, and the results of all subsidiaries for the year then ended.

Subsidiaries are all those 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 the Parent, less any impairment charges.

(c) Foreign Currency Transactions and Balances

(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) Transaction 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.

2 Summary of Significant Accounting Policies continued

(d) Revenue

Revenue is recognised to the extent that it is probable that 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.

(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) Discontinued Operations

A discontinued operation is a component of the Group that has been disposed of, or is classified as held for sale, and that represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of such a line of business or area of operations. As discussed in, and for the reasons set out in Note 2(a) the statement of comprehensive income reflects discontinued operations of the organisation as a whole.

(f) Income Tax

The income tax expense or benefit 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.

2 Summary of Significant Accounting Policies continued

(f) Income Tax continued

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 standalone 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.

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.

2 Summary of Significant Accounting Policies continued

(g) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method less provision for impairment. Trade receivables are generally due for settlement within 30 days. They are presented as current assets unless collection is not expected for more than 12 months after the reporting date.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the impairment loss is recognised in the statement of comprehensive income. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited in the statement of comprehensive income.

(h) Financial instruments

Recognition and initial measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instruments. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed is recognised in profit or loss.

Classification and subsequent measurement

(i) Financial liabilities

Due to their short term nature trade and other payables are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(ii) Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement as incurred.

2 Summary of Significant Accounting Policies continued

(h) Financial instruments continued

Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes. Unless otherwise disclosed in the notes to the financial statements, the carrying amount of the Group’s financial instruments approximates their fair value.

(i) Inventories

Inventories have been valued at net realisable value. The asset sale agreement with Tilbal requires inventory to be sold to Tilbal on a consignment basis at 70% of original cost. The carrying value of inventory has been adjusted to reflect this contractual arrangement and also to reflect management’s assessment of inventory holdings in light of expected future sales.

(j) Non-current assets held for sale - property plant and equipment

Non-current assets are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use, and a sale is highly probable. They are measured at the lower of cost and fair value less costs to sell.

An impairment loss is recognised for any initial or subsequent write down of the asset to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell.

Non-current assets are not depreciated while they are classified as held for sale. Non-current assets are presented separately from the other assets in the Statement of Financial Position.

Land and buildings have been shown at fair value less costs to sell and disclosed in the financial report as an asset held for sale. The directors have obtained independent advice from several Estate Agents as to the likely sale outcome for the property and the estimated selling costs. On the basis of that advice the Directors have made an assessment of the fair value of the property less estimated costs to sell. An agent has been appointed to market and sell the property with a targeted completion date of 30 June 2014. Accordingly this property is classified as an asset held for sale. The carrying value of plant and equipment included within assets held for sale reflects the terms of the asset sale agreement with Tilbal.

(k) Property, plant and equipment

Land, buildings, plant and equipment have been shown at fair value less costs to sell and disclosed in the financial report as assets held for sale (refer Note 2(j)).

Depreciation

Prior to the reclassification of these assets to held for sale, their depreciable amount (excluding freehold land) was depreciated on a straight line basis over the asset's useful life to the Group commencing from the time the asset was held ready for use.

The estimated useful lives used for each class of depreciable assets are:

2 Summary of Significant Accounting Policies continued

(k) Property, plant and equipment continued

Class of Fixed Asset	Useful Life
Buildings	40 years
Plant and Equipment	2.5 to 15 years
Motor Vehicles	3 to 8 years

(l) Impairment of assets

In light of the basis of preparation as set out in note 2(a) above, the carrying value of all assets have been assessed for impairment as at 30 June 2013 and their carrying values determined in accordance with the policies set out this Note 2.

(m) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

The company has recognised a restructuring provision in respect of the costs associated with exiting the distribution and manufacturing operations. This provision primarily reflects residual redundancy, lease and motor vehicle costs which must be met as a result of the decision to exit these operations.

(n) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. All employee benefits have been classified as current liabilities as all employees will either be transferring employment to Tilbal on 1 July 2013 or ceasing employment with the company within twelve months of the end of the financial year.

(o) Contributed equity

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

(p) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the result attributable to equity holders of the company by the weighted average number of ordinary shares outstanding during the financial 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.

2 Summary of Significant Accounting Policies continued

(q) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the statement of financial position.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(r) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(s) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases are charged to the statement of comprehensive income on a straight-line basis over the lease term.

(t) Operating segments

An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

Operating segments have been identified based on the information provided to the chief operating decision makers – being the Board of Directors.

(u) Parent entity financial information

The financial information for the parent entity, Berklee Limited, disclosed in note 25 has been prepared on the same basis as the consolidated financial statements, except that investments in subsidiaries are accounted for at cost net of impairment in the parent financial statements.

2 Summary of Significant Accounting Policies continued

(v) Critical accounting estimates and judgments

The Directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current data available to the Group. Those matters of current significance are outlined in Note 3.

(w) New and revised accounting standards and interpretations

(i) Changes in accounting policy and disclosures

The accounting policies adopted reflect the change in basis of preparation of the financial report and set out in note 2(a) above.

There are a number of new and amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB), which are applicable for reporting periods beginning on or after 1 July 2012. The Group has adopted all of the mandatory new and amended pronouncements issued that are relevant to its operations and that are effective for the current reporting period. There was no material impact on the consolidated financial statements for the year as a result of adoption of those new and amended pronouncements.

(ii) Early adoption of standards

The Group has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

(iii) New accounting standards for application in future periods

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below:

i. AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)

AASB 9 *Financial Instruments* addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed. The Group has not yet decided when to adopt AASB 9.

2 Summary of Significant Accounting Policies continued

ii. *AASB 10 Consolidated Financial Statements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards and AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments (effective 1 January 2013)*

In August 2011, the AASB issued a suite of new and amended standards which address consolidated financial statements and associated disclosures. AASB 10 replaces all of the guidance on control and consolidation in AASB 127 *Consolidated and Separate Financial Statements*, and Interpretation 12 *Consolidation – Special Purpose Entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. Control exists when the investor can use its power to affect the amount of its returns. There is also new guidance on participating and protective rights and on agent/principal relationships. The Group does not expect the new standard to have a significant impact upon the financial statements.

AASB 12 sets out the required disclosures for entities reporting under AASB 10 and replaces the disclosure requirements currently found in AASB 127. Application of this standard by the Group will not affect any of the amounts recognised in the financial statements.

iii. *AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)*

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. In light of the Group's operating status at 1 July 2013, this standard will not have a significant impact upon the current disclosures within the financial statements.

3 Risks associated with asset realisation strategy

As outlined in Note 2(a) the company has divested its primary undertaking and will cease trading once the remaining assets of the company have been realised and liabilities have been settled. The Directors in preparing the financial statements have made a number of assumptions about the asset realisation program and the likely outcomes of that process including the values at which assets will be realised. In particular the carrying values relating to inventory and land and buildings. The Directors have sought independent advice and where appropriate completed detailed analysis. As assumptions and estimates have been necessary about the outcomes of future events it is likely that the actual events may differ and as a consequence the outcomes of the asset realisation and liability extinguishment program may result in differences to the carrying values presented in the financial statements. Accordingly whilst the Directors are satisfied with the carrying values of assets and liabilities there is uncertainty regarding the values at which assets may be realised and liabilities extinguished.

4 Financial risk management

The Group's principal financial instruments comprise cash and cash equivalents, receivables and payables.

Through the current and past financial years the Group's activities exposed it to a range of financial risks: credit risk, market risk (foreign currency risk) and liquidity risk. With the changed circumstances outlined in Notes 2(a) and 3 the Group will cease trading once its remaining assets have been realised and liabilities have been settled.

Throughout the year the Group used different methods to measure and manage different types of risks to which it was exposed. Risk management was and remains carried out by the board of directors under policies approved by them, against the objective of supporting the delivery of the Group's financial targets whilst continuing to protect its financial security. The financial risks noted below are those of ongoing focus to the board of directors.

Risk exposures and responses

(a) Credit risk

Credit risk arises from cash and cash equivalents and outstanding trade and other receivables. The Group has assessed that there is minimal risk that the cash and trade and other receivables balances are impaired.

Receivables balances are monitored on an ongoing basis with the result that the Group's experience of bad debts has not been significant. Any uncollectible amounts are provided for on a debtor specific basis. The Group has recorded a provision for doubtful debts totalling $3,200 as at 30 June 2013 ($10,000 as at 30 June 2012). All receivables are expected to be collected within six months of the end of the financial year.

(b) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash to ensure the ability to meet financial obligations as they fall due. The Group manages liquidity risk by maintaining a cash reserve and monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. All trade and other payables are expected to be settled within six months of the end of the financial year.

(c) Financial instrument maturities and fair value estimation

Given current circumstances it is anticipated that financial liabilities will mature within six months of the reporting date, and that receivables will mature within the same timeframe. Due to their short term nature, the carrying amount of financial instruments is assumed to approximate their fair value.

5 Revenue

	2013 $	2012 $
Sales revenue		
- Sale of goods	**5,019,568**	9,126,482
- Interest income	**37,036**	68,404
- Other income	**19,463**	71,670
Total Revenue	**5,076,067**	9,266,556

		2013 $	2012 $
6 Expenses			
Cost of sales			
Changes in inventories of finished goods and work in progress		**835,000**	2,393,000
Raw materials and consumables used		**1,862,312**	2,485,434
Total cost of sales		**2,697,312**	4,878,434
Depreciation and impairment of non-current assets			
Plant and machinery depreciation		**304,387**	626,125
Plant and machinery impairment		**858,790**	7,000
Buildings depreciation		**43,000**	43,000
Total depreciation and impairment of non-current assets		**1,206,177**	676,125
Finance Costs: Borrowing costs		**-**	6,296
Bad debts		**2,349**	3,800
Provision for employee benefits			
Total amount charged to employee leave provisions		**147,744**	117,578
Restructuring charges:	(a)		
Restructuring provision release		**(158,722)**	(62,000)
Additional impairment		**-**	132,984
Total restructuring charges (releases)		**(158,722)**	70,984

(a) Restructuring provision and impairment charges

As at 30 June 2011, a provision for restructuring was raised (refer Note 13), and certain assets were adjusted to reflect impairments assessed as being necessary in light of the implications of restructuring decisions.

The current result contains a credit of $158,722 released to the income statement for excess restructuring provisions no longer required (2012: $62,000 credit). The prior year charge of $132,984 related to further surplus lease and make-good provisioning.

7 Income tax

(a) The prima facie tax on loss from ordinary activities before income tax is reconciled to the income tax as follows:

	2013 $	2012 $
Prima facie tax payable on loss from ordinary activities before income tax at 30% (2012: 30%)	**(882,977)**	(645,207)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- other items	**(38,023)**	1,207
- non-recognition of current year tax losses	**769,000**	679,000
- adjustment of temporary differences	**152,000**	(35,000)
Income tax expense (benefit)	**-**	-

	2013 $	2012 $

7 Income tax continued

(b) Unrecognised deferred tax assets

	2013 $	2012 $
Deferred tax assets have not been recognised in respect of the following:		
Current tax losses recognised in the Statement of Financial Position	**-**	188,000
Tax losses not recognised in the Statement of Financial Position	**2,069,977**	1,187,000

These tax losses will be available to the consolidated entity should sufficient taxable income be earned in future periods and statutory conditions for deductibility remain.

8 Trade and other receivables

	2013 $	2012 $
Trade receivables	**675,959**	1,356,641
Provision for impairment of receivables	**(3,200)**	(10,000)
	672,759	1,346,641
Prepayments	**16,915**	58,755
Security deposits	**-**	189,000
Other receivables	**21,561**	36,935
	711,235	1,631,331

(a) Allowance for impairment loss

Trade receivables are non-interest bearing and are generally on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired.

At 30 June the ageing analysis of trade receivables is as follows:

	2013 $	2012 $
Current	**271,192**	717,104
30 days	**347,647**	413,988
60 days	**27,286**	137,404
90+ days	**29,834**	88,145
	675,959	1,356,641

A provision for doubtful debts of $3,200 has been made as at 30 June 2013 (30 June 2012: $10,000) resulting in a credit to the Statement of Comprehensive Income for the period of $6,800 (30 June 2012: $4,000).

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received when due.

8 Trade and other receivables continued

(b) Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security. In light of the transaction set out in Notes 2(a) and 3, the directors have undertaken an assessment of trade receivables and are confident amounts recorded will be received in full.

9 Inventories

Raw materials and stores at net realisable value (2012: Cost)	**481,424**	850,409
Work in progress at net realisable value (2012: cost)	**34,432**	75,513
Finished goods at net realisable value	**196,721**	996,507
Stock - consumables at cost	**-**	61,274
	712,577	1,983,703

(a) Writedowns

Write downs of inventories to net realisable value during the year were $311,506 (2012: $173,000).

10 Property, plant and equipment

LAND AND BUILDINGS		
Freehold land at valuation	**-**	2,670,000
Buildings at valuation	**-**	1,720,000
Less accumulated depreciation	**-**	(43,000)
Total buildings	**-**	1,677,000
Total land and buildings	**-**	4,347,000
PLANT AND EQUIPMENT		
Plant and equipment at cost	**-**	8,926,303
Less accumulated depreciation	**-**	(7,605,431)
Total plant and equipment	**-**	1,320,872
Total plant and equipment	**-**	1,320,872
Total property, plant and equipment	**-**	5,667,872

10 Property, plant and equipment continued

(a) Movements in Carrying Amounts

Movement in the carrying amount for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Land $	Buildings $	Plant and Equipment $	Total $
Current Year				
Carrying amount at the beginning of the year	**2,670,000**	**1,677,000**	**1,320,872**	**5,667,872**
Additions	**-**	**-**	**6,902**	**6,902**
Depreciation expense	**-**	**(43,000)**	**(304,387)**	**(347,387)**
Revaluation increment / (decrement)	**(683,000)**	**179,000**	**-**	**(504,000)**
Impairment	**-**	**-**	**(858,790)**	**(858,790)**
Transfers to held for sale	**(1,987,000)**	**(1,813,000)**	**(164,597)**	**(3,964,597)**
Carrying amount at the end of year	**-**	**-**	**-**	**-**
Prior Year				
Written down value	2,670,000	1,720,000	1,863,717	6,253,717
Additions	-	-	105,280	105,280
Disposals	-	-	(15,000)	(15,000)
Depreciation expense	-	(43,000)	(626,125)	(669,125)
Impairment	-	-	(7,000)	(7,000)
Carrying amount at the end of year	2,670,000	1,677,000	1,320,872	5,667,872

(b) Asset Revaluation and Impairment

At 30 June 2013 the Directors took advice from several Estate Agents as to the likely sale outcome for the property and consequently assessed the fair value of the property less estimated costs to sell at $3,800,000. That amount has been recognised in the financial statements. This reflects a reduction of the previous valuation by $504,000, taken to the Asset Revaluation Reserve. Prior to transferring plant and equipment to assets held for sale, the class was impaired by $881,790, which has been reflected in operating loss.

	2013 $	2012 $
11 Assets held for sale		
Property, plant and equipment	**3,964,598**	-

Assets held for sale comprise the Wendouree property including the manufacturing plant and equipment housed therein. As outlined in Note 2(j) it is the intention of the Directors to sell this property by 30 June 2014 and an Agent has been appointed to commence the marketing process. The carrying value of the manufacturing plant and equipment reflects the terms of the asset sale agreement with Tilbal Pty Ltd

		2013 $	2012 $
12 Trade and other payables			
Trade and other payables		**355,776**	894,759
Employee annual leave entitlements		**102,755**	177,011
		458,531	1,071,770

(a) Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

13 Provisions

		2013 $	2012 $
CURRENT			
Employee long service leave entitlements		**172,517**	224,809
Provision for restructure	(a)	**59,783**	531,196
		232,300	756,005
NON-CURRENT			
Employee long service leave entitlements		**-**	39,263
		-	39,263

(a) Provision for restructure

In prior periods a restructure provision was recognised in respect of the business restructure at that time. During the current period management have closed remaining leased distribution sites, relinquished surplus motor vehicles and made futher redundancies.

Movement in restructuring provision

	2013 $	2012 $
Current		
Opening balance at 1 July	**531,196**	720,000
Additional provisions	**-**	70,984
Utilised during the year	**(312,691)**	(259,788)
Transfer of amounts no longer required to the income statement	**(158,722)**	-
Balance at 30 June	**59,783**	531,196

	2013 $	2012 $

14 Contributed Equity

(a) Share capital

	2013 $	2012 $
10,000,443 (2012: 10,000,443) Ordinary shares, fully paid	**8,700,000**	8,700,000
Total	**8,700,000**	8,700,000

(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 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) Movement in ordinary share capital

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

(c) Capital Management

When managing capital, which management consider to be all components of equity, management's objective has been to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. The decision to sell the business was made based on an analysis of what would preserve shareholders funds. It is the directors' intention to wind up the business and return capital to shareholders in the most effective manner, having regard to the ability or otherwise to frank dividends.

No dividends were declared or paid during the financial year (2012: $200,009). A dividend of 5c per share was declared subsequent to year-end. Management gives particular regard to conservation of liquidity in its recommendations as to the declaration of dividends.

15 Reserves and Accumulated Losses

	2013 $	2012 $
Asset revaluation reserve		
Opening balance	**2,213,607**	2,213,607
Revaluation of land and buildings	**(504,000)**	-
Total	**1,709,607**	2,213,607
Accumulated losses		
Opening balance	**(1,385,517)**	965,181
Net loss for the period	**(2,943,258)**	(2,150,689)
Dividends paid for ordinary shares during the financial year	**-**	(200,009)
Total	**(4,328,775)**	(1,385,517)

	2013	2012
	$	$

15 Reserves and Accumulated Losses continued

Nature and purpose of reserves

(a) Asset revaluation reserve

The asset revaluation 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.

16 Dividends

(a) Ordinary shares

	2013 $	2012 $
No dividends was paid or declared during the financial year (2012: $0.02) A dividend of 5c per share was declared subsequent to year-end.	**-**	200,009
Total	**-**	200,009

(b) Franking credits

	2013 $	2012 $
Franking credits available for subsequent financial years based on a tax rate of 30% (2012: 30%)	**1,543,000**	1,543,000

The ability to pay franked dividends will depend on the Company meeting the requirements as to franking stipulated by the taxation legislation.

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.

17 Key Management Personnel

(a) Key Management Personnel

Names and positions held of key management personnel in office at any time during the financial year are:

Key Management Person	Position
A.I. Beckett	Non-executive Director & Chairman
B.A. Jones	Managing Director and Company Secretary (from 8 November 2011, previously General Manager Business Development)
G.M. Anderson	Non-executive Director
R.J. van Berkel	Non-executive Director (from 1 December 2011 to 27 March 2013)

Key management personnel had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year.

(b) Key management personnel compensation summary

	Short-term benefits	Post employment benefit	Termination benefits	Non-cash	Total
	$	$	$	$	$
2013					
Total compensation	338,402	48,209	-	32,262	418,873
2012					
Total compensation	478,828	56,982	17,000	20,102	572,912

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 page 12 of the remuneration report.

17 Key Management Personnel continued

(c) Equity instrument disclosures relating to key management personnel

Shareholdings

The number 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 personal related parties, are set out below. There were no shares granted during the reporting period as compensation.

Number of Shares held by Key Management Personnel

2013

	Balance 1/07/2012	Commencement / cessation of role	Net change other	Balance 30/06/2013
Directors of Berklee Ltd				
A.I. Beckett	16,661	-	-	16,661
R.J. van Berkel	2,659,501	(2,659,501)	-	-
	2,676,162	(2,659,501)	-	16,661

2012

	Balance 01/07/2011	Commencement / cessation of role	Net change other*	Balance 30/06/2012
Directors of Berklee Ltd				
A.I. Beckett	-	-	16,661	16,661
E.J. van Berkel	844,959	(844,959)	-	-
R.J. van Berkel	-	2,659,501	-	2,659,501
Other key management personnel of the Group:				
H.L. Costello	34,941	(34,941)	-	-
	879,900	1,779,601	16,661	2,676,162

* Net change other refers to shares purchased or sold during the financial year.

(d) Loans to key management personnel

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

18 Related party transactions

(a) Parent entities

The ultimate parent entity within the Group is Berklee Limited

	2013 $	2012 $

18 Related party transactions continued

(b) Subsidiaries

Interests in subsidiaries are set out in note 23.

(c) Key management personnel

Disclosures relating to key management personnel are set out in note 17.

(d) 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 parties.

Outstanding balances are unsecured and are repayable in cash.

19 Auditors' Remuneration

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

	2013 $	2012 $
RSM Bird Cameron Partners		
- Audit of the financial report	**62,000**	63,000
- Other services	**-**	-
Total Remuneration Of Auditors	**62,000**	63,000

20 Contingencies

The parent entity and Group had no contingent liabilities as at 30 June 2013.

21 Capital and Leasing Commitments

Operating Lease Commitments

	2013 $	2012 $
Payable - minimum lease payments		
- not later than 12 months	**-**	379,000
- between 12 months and 5 years	**-**	100,000
	-	479,000

All leases expired or were terminated during the financial year.

22 Financial Reporting By Segments

The company operates primarily within one industry segment, being the specialist industrial products industry, and also operates only within one geographical segment, being Australia.

Additional supplementary segment information:

Customers

The discontinued operations of the consolidated entity reflect two customers whose individual revenue exceeds 10% of consolidated revenue. The totals of their revenue is for Customer A $2.131m (2012 $1.446m) and Customer B $0.658m (2012 $1.476m).

23 Controlled Entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in note 2:

Name	Country of incorporation	Percentage Owned	Percentage Owned
Berklee Retail Pty Ltd	Australia	**100%**	100%
Undacar Parts (VIC) Pty Ltd	Australia	**100%**	100%
Undacar Parts (NSW) Pty Ltd	Australia	**100%**	100%
Undacar Parts (QLD) Pty Ltd	Australia	**100%**	100%
Undacar Parts (SA) Pty Ltd	Australia	**100%**	100%
Undacar Parts (WA) Pty Ltd	Australia	**100%**	100%
Undacar Parts (TAS) Pty Ltd	Australia	**100%**	100%
Undacar Parts Pty Ltd	Australia	**100%**	100%

During the year, Berklee Limited increased impairment provisions against subsidiary loans by $381,000 to $2,173,000, reflecting its assessment of the recoverable amount of the loans based on the net assets of the Undacar Parts subsidiaries. The impact on the parent entity is shown in Note 25.

24 Events after the end of the reporting period

Subsequent to the 30 June 2013 reporting date, the Company transferred the business and plant and equipment to Tilbal Pty Ltd in return for it assuming responsibility for the employee entitlements of the transferring employees. The net impact on the profit and loss will be $nil. In addition the Directors have appointed an Agent to commence the marketing and sale of the property.

Subsequent to the reporting date the Directors resolved to pay a 5 cent per share unfranked dividend.

There have been no other events that have significantly affected, or are likely to affect, the operations or financial position of the consolidated entity.

25 Parent entity

The following supplementary information is provided in respect of the parent entity Berklee Limited:

	2013 $	2012 $
Statement of Financial Position		
Assets		
Current assets	**6,640,154**	5,425,333
Non-current assets	**-**	5,667,872
Total Assets	**6,640,154**	11,093,205
Liabilities		
Current liabilities	**625,565**	1,349,771
Non-current liabilities	**-**	39,263
Total Liabilities	**625,565**	1,389,034
Equity		
Issued capital	**8,700,000**	8,700,000
Accumulated losses	**(4,394,738)**	(1,209,436)
Asset realisation reserve	**1,709,607**	2,213,607
Total Equity	**6,014,869**	9,704,171
Statement of Comprehensive Income		
Total profit or loss for the year	**(3,185,302)**	(1,379,792)
Other comprehensive income	**(504,000)**	-
Total comprehensive income	**(3,689,302)**	(1,379,792)

(a) Contingent liabilities

The parent entity did not have any contingent liabilities as at 30 June 2013 or 30 June 2012.

(b) Contractual commitments

The parent entity did not have any commitments as at 30 June 2013 or 30 June 2012.

26 Cash Flow Information

Reconciliation of Cash Flow from Operations with Profit after Income Tax

	2013 $	2012 $
Net loss for the period	**(2,943,258)**	(2,150,689)
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit		
Depreciation	**347,387**	669,125
Impairment resulting from restructure	**858,790**	8,564
(Profit) / loss on disposal of non-current assets	**(23,598)**	(9,000)
Changes in assets and liabilities:		
(Increase)/decrease in trade and other receivables	**731,096**	201,000
(Increase)/decrease in inventories	**1,271,126**	1,937,108
Increase/(decrease) in trade payables and accruals	**(624,642)**	(129,000)
Increase/(decrease) in provisions	**(562,968)**	(404,000)
	(946,067)	123,108

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	2013 $	2012 $
Cash and cash equivalents	**1,383,253**	2,156,155

27 Earnings per share

	2013	2012
Basic earnings per share	**$ (29.50)**	$ (21.50)
Diluted earnings per share	**$ (29.50)**	$ (21.50)

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

	Number	Number
Weighted average number of shares used as the denominator in calculating basic earnings per share	**10,000,443**	10,000,443
Adjustments for calculation of diluted earnings per share	**-**	-
Weighted average number of ordinary shares	**10,000,443**	10,000,443

Directors' Declaration

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 financial position and performance of the consolidated entity; and

  (ii) complying with Australian Accounting Standards as they apply on a non-going concern basis, including the Interpretations, and the *Corporations Regulations 2001*;

(b) the financial statements and notes thereto also comply with International Financial Reporting Standards, as disclosed in Note 2;

(c) the directors have been given the declarations required by s.295A of the *Corporations Act 2001*; and

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

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the Directors

Director:	Director: ....
Alan Beckett	Brett Jones

Dated this 30th day of September 2013

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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, which comprises the consolidated statement of financial position as at 30 June 2013, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, as they apply on a non-going concern basis, and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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*. 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.

Opinion

In our opinion:

(a) the financial report of Berklee is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Notes 2(a) and 3 in the financial report which indicate that the company has divested its primary undertaking and will cease trading once remaining assets have been realised and liabilities have been settled. The financial report has therefore not been prepared on a going concern basis and there is uncertainty regarding the values at which assets may be realised and liabilities may be extinguished.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 13 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Berklee Limited for the year ended 30 June 2013 complies with section 300A of the *Corporations Act 2001*.

RSM Bird Cameron Partners

RSM BIRD CAMERON PARTNERS

Philip A Ransom

P A RANSOM
Partner

Melbourne, Victoria
Dated: 30 September 2013

Berklee Limited

Additional Information for Listed Public Companies

30 June 2013

ASX Additional Information

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below. This information is effective as at 31 August 2013.

(a) Distribution schedule of holdings:	**2013 No. of Holders**	**2012 No. of Holders**
1 - 1,000	63	67
1,001 - 5,000	107	119
5,001 - 10,000	42	46
10,001 - 100,000	41	47
100,001 and over	22	23
Number of holders of fully paid ordinary shares	275	302
% of total holding by or on behalf of twenty largest shareholders	77.71%	73.95%
Holdings less than a marketable parcel	95	67

Voting rights – Ordinary Shares

On a show of hands, every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

(b) Substantial shareholders	**Number held**	**% of issued shares**
R.J. van Berkel ***α*** – common shareholding group	2,659,501	26.59
Ausned Pty Ltd	1,779,031	17.79
E.J. van Berkel Group # - common shareholding group	844,959	8.45
P.J. Hayman	800,000	8.00
Dr D.G.M. Welsh	638,587	6.39
W.M. van Berkel	602,362	6.02

(c) Twenty largest shareholders	**Number held**	**% of issued shares**
Ausned Pty Ltd ***α***	1,779,031	17.79
P. J. Hayman	800,000	8.00
Dr D.G.M. Welsh	638,587	6.39
W.M. van Berkel	602,362	6.02
Riniki Pty Ltd (Super Fund Account) ***α***	414,023	4.14
Maelstrom Pty Ltd (Falkiner Super Fund Account)	398,353	3.98
E.& C. van Berkel Family Trust **#**	355,806	3.56
E.J. van Berkel **#**	326,371	3.26
Ago Pty Ltd (Super Fund Account)	306,627	3.07
Riniki Pty Ltd (RJ & NC van Berkel Account) ***α***	286,282	2.86
C. Stubbs & C. Stubbs (CE-ES Super Fund Account)	250,000	2.50
Maldew Holdings Pty Ltd (Super Fund Account)	248,693	2.49
M. Yannis	243,300	2.43
BP Sido Pty Ltd (Super Fund Account)	193,812	1.94
R.G. Yannis	189,705	1.90
C.A. van Berkel **#**	162,782	1.63
MRG Investments Pty Ltd (PTH Family Account)	150,000	1.50
Marko Nominees Pty Ltd (No 1 Account)	147,343	1.47
R. van Berkel ***α***	143,177	1.43
G.F. Pauley	134,980	1.35
	7,771,234	77.71