

BROADWAY INDUSTRIES LIMITED

ANNUAL REPORT **2008**

2008 »

Contents

Directors' Report

The Directors of Broadway Industries Limited have pleasure in presenting the 2008 annual report to our shareholders. The report includes all information required to be disclosed under the Companies Act 1993 and NZX Listing Rules. In addition to our statutory obligations, we have included additional information to assist you in understanding the activities of the Broadway Industries Group.

Principal Activities

The principal activities of the Broadway Industries Group are:

- The manufacture and supply of kitchen, bathroom and laundry products in New Zealand and Australia by Mercer Products;
- Stainless steel fabrication by Mercer Stainless workshops in Christchurch and New Plymouth;
- The manufacture and supply of materials handling equipment by Inmotion Engineering Pty and Mercer Technologies;
- The manufacture and supply of specialist equipment and related products and services for sterilization, washing and disinfection by Mercer Medical and Mercer Middle East;
- The development of new innovative technologies and products;
- The importation and distribution of photographic equipment and related products by H E Perry.

Performance overview

Financial performance

The Directors of Broadway Industries Limited report a loss for the year ended 30 June 2008 of $1,861,000 (2007 Profit $1,175,000). Sales revenue was $51.7 million compared to $46.7 million for the comparable year.

The financial statements have been prepared for the first time in accordance with New Zealand Equivalents to the International Reporting Standards and comparative figures have been restated where required.

Set out below is an analysis of the trading performance of the businesses:

	Sales $'000		Earnings before interest and tax (EBIT) $'000	
	2008	2007	**2008**	2007
H E Perry	**14,494**	16,190	**436**	863
Mercer	**37,251**	30,528	**(918)**	2,576

H E Perry sales of photographic equipment decreased 10.5% in dollar terms reflecting the difficult trading environment.

Sales for the Mercer businesses based in New Zealand at $29.667 million were up 7% on last year's $27.780 million. Sales for the overseas based businesses increased from $2.748 million to $7.584 million attributable to the acquisition in June 2007 of Inmotion Engineering.

EBIT for the Mercer businesses in New Zealand was $1.517 million compared to $2.007 million last year after excluding the gain on sale of a property last year. The overall EBIT loss for Mercer is due to adverse trading performance by the overseas subsidiaries. In particular:

- Trading results for Inmotion Engineering fell short of what was expected due to cost overruns and low margins. Necessary personnel changes have been implemented. Inmotion Engineering is now wholly owned by Broadway Industries following the minority interest buyout subsequent to balance date.
- Mercer Middle East experienced difficulties with its major contract in Dubai which resulted in a margin loss and payment delays. This gavc rise to higher than expected funding costs. The contract has now been completed and the payments under letters of credit are being issued.
- Continuing slow capital equipment sales of materials handling equipment to the meat industry in New Zealand and Australia. Mercer Technologies has been restructured during the year by the closure of its Hamilton Office.

The Company completed its $3.35 million purchase of Duratech Wholesale Limited on 2nd April 2008. This business is performing acceptably in difficult market conditions. Duratech is an importer and distributor of kitchen sinks, laminate and solid surface material. The business has been successfully merged into the Mercer Products sink distribution business with effect from 1 July 2008.

Net asset backing per share is $0.82 ($0.92 at 30 June 2007).

The ratio of shareholders' funds to total assets is 39.8% (47.4% at 30 June 2007).

A conditional agreement has been signed to acquire Lacklands Limited for $5.5 million. Lacklands has numerous agencies including Ricoh, Leica and Sandisk and will be an excellent fit with H E Perry, the Broadway subsidiary that holds the distribution rights for Olympus cameras in New Zealand. This acquisition will reduce business risk, add critical mass and provide opportunities to grow the business.

The Mercer Stainless industrial fabrication activities in Christchurch and New Plymouth are expected to trade strongly again this year as a result of high levels of dairy industry spending in New Zealand and overseas.

The directors are confident that the Group will return to acceptable profitability in the 2009 financial year.

Earnings per share

The loss for the year amounted to 9.52 cents per share (2007: Surplus 6.01 cents) based on 19,553,843 ordinary shares on issue during the year (2007: 19,553,843).

Dividend

The Directors have determined that it is not appropriate to pay a final dividend in October 2008 as has been the practice in past years. It is anticipated that dividends will recommence after the rights issue has been completed and when the Group has returned to acceptable levels of profitability.

Rights Issue

On 28th August the Company announced its plans for a 1:1 renounceable rights issue at 40 cents per share. The Investment Statememt and Entitlement & Acceptance Form are expected to be mailed out to shareholders on 28th October 2008.

NZX Waivers

Subsequent to balance date the Company borrowed $2 million from South Canterbury Finance Limited to provide additional working capital until the rights issue is completed. An NZX waiver was sought and given because the lender is connected with Mr A J Hubbard, a substantial security holder of the Company. The $2 million loan will be repaid out of rights issue proceeds.

Because the Company was a first time adopter of the New Zealand equivalents to International Financial Reporting Standards, it relied on the NZ IFRS Class Waiver issued by NZX Regulation on 3 November 2005 to announce its preliminary announcement and issue this report outside the time periods specified in the Listing Rules.

Corporate governance

Board of Directors

The Board is the governing body of Broadway Industries Limited and currently has four members. The directors are elected by the shareholders to oversee the management of the Company and are responsible for all corporate governance matters.

Directors holding office during the period were:

I F Farrant

H J D Rolleston

P Hewitson

S B Heal

In accordance with the Company's Constitution, Mr Farrant is required to retire by virtue of rotation and, being eligible, offers himself for re-election.

Independent Directors

In accordance with NZX Listing Rules 3.3.1A and 10.5.3(j), the directors have determined that the following directors were independent directors as at 30 June 2008:

P Hewitson

S B Heal

Messrs I F Farrant and HJD Rolleston are not independent directors.

Committees of the Board

The Board has an Audit Committee and a Remuneration Committee. The Audit Committee comprises Messrs P Hewitson, S B Heal and H J D Rolleston. The Remuneration Committee comprises Messrs I F Farrant and H J D Rolleston.

Directors' Report

The function of the Audit Committee is to assist the Board in carrying out its responsibilities under the Companies Act 1993 and the Financial Reporting Act 1993. In particular, to ensure that management maintain sound accounting practices, policies and controls and to review and make appropriate inquiry into the audits of the Group's financial statements by the external auditors.

The function of the Remuneration Committee is to make recommendations to the Board concerning Executive Directors' and Executive Officers' remuneration.

Corporate Governance

Pursuant to NZX Listing Rule 10.5.3(i), the Company is required to disclose in this annual report the extent to which its corporate governance processes materially differ from the principles set out in the NZX Corporate Governance Best Practice Code.

The code of ethics and code of business principles govern how each of the companies which make up the Broadway Industries Limited Group must conduct their affairs. The codes cover the requirement to avoid conflicts of interest and demand high standards of honesty, integrity and fairness.

The Audit Committee operates under an approved charter, the majority of the members of that committee are independent directors and the committee meets at least two times per year.

The following principles/processes recommended in the code are not complied with at the date of this report:

- Directors appointments – a nomination committee is not considered appropriate due to the size of the board;
- Director remuneration – a remuneration committee to consider directors fees is not considered appropriate due to the size of the board;
- Board performance – formal procedures to assess individual and board performance have not been developed;

Interests Register

Each company in the Group is required to maintain an interests register in which the particulars of certain transactions and matters involving the directors must be recorded. The interests registers for Broadway Industries Limited and its subsidiaries are available for inspection at the registered offices.

Details of all matters that have been entered in the interests register by individual directors are outlined in the director profiles following. Where a director has declared an interest in a particular entity, as a shareholder and/or director, the declaration serves as notice that the director may benefit from any transaction between the Parent or Group and the identified entities.

Information used by directors

No member of the Board of Broadway Industries Limited, or any subsidiary, issued a notice requesting to use information received in their capacity as directors which would not otherwise have been available to them.

Insurance of officers and directors

Broadway Industries Limited has arranged a policy of directors' liability insurance that ensures that officers and directors will not generally incur monetary loss as a result of actions undertaken by them as directors. Certain actions are specifically excluded, for example the incurring of penalties and fines which may be imposed in respect of breaches of the law. The total cost of this insurance during the financial year was $8,240.

Board of Directors

Director profiles

Ian Farrant (Chairman)

Mr Farrant is a non-executive director and has been a member of the Board since 13 November 1986.

Matters entered in the interests register

Mr Farrant has declared directorships in the following companies that may trade on a commercial basis with companies in the Broadway Group:

NZ Refining Co Limited, Parvenu Holdings Limited, Skeggs Group Limited and PPCS Limited.

At 30 June 2008 Mr Farrant held 538,240 shares in his own name. Associated Persons of Mr Farrant held 910,994 shares at that date.

Humphry Rolleston

Mr Rolleston is a non-executive director and has been a member of the Board since 6 August 1986.

Matters entered in the interests register

Mr Rolleston has declared directorships in the following companies that may trade on a commercial basis with companies in the Broadway Group:

Asset Management Limited, Craigpine Timber Limited, Infratil Limited, Matrix Security Group Limited, McRaes Engineering Limited, Property for Industry Limited and Sky Network Television Limited.

At 30 June 2008 Mr Rolleston held 2,471,822 shares beneficially. Associated Persons of Mr Rolleston held 349,995 shares at 30 June 2008.

Paul Hewitson

Mr Hewitson is a non-executive director and has been a member of the Board since 29 February 2000.

Matters entered in the interests register

At 30 June 2008 Mr Hewitson held 180,000 shares as a trustee..

Stuart Heal

Mr Heal is a non-executive director and was appointed to the Board on 1 July 2004.

Matters entered in the interests register

Mr Heal has declared directorships in the following companies that may trade on a commercial basis with companies in the Broadway Group:

Natural Dairy Products 2007 Limited.

Remuneration of Directors

Directors' remuneration received, or due and receivable during the year is as follows:

	2008	2007
	$	$
I F Farrant	43,000	38,000
H J D Rolleston	38,000	33,000
P Hewitson	38,000	33,000
S B Heal	41,000	33,000

Employees

The number of employees within the Group receiving remuneration and benefits above $100,000 are indicated in the following table:

	2008	2007
$100,000 – 109,999	-	1
$110,000 – 119,999	2	1
$120,000 – 129,999	2	1
$130,000 – 139,999	1	1
$140,000 – 149,999	1	1
$150,000 – 159,999	1	-
$160,000 – 169,999	1	1
$170,000 – 179,999	2	1
$180,000 – 189,999	-	1
$190,000 – 199,999	1	-
$210,000 – 219,999	-	1
$230,000 – 239,999	1	-

Shareholders

Shareholder information

The ordinary shares of Broadway Industries Limited are listed on the New Zealand Stock Exchange. The information in the disclosures below have been taken from the Company's registers at 26 September 2008.

Directors' Report

Twenty largest shareholders:-

Holder	Number held	% of Shares on Issue
AJ & MJ Hubbard	6,387,963	31.806
J I Urquhart	3,100,000	15.435
HJD Rolleston & GW Riley	2,469,795	12.297
Parvenu Holdings Ltd	910,994	4.536
Jones Mackay Ltd	672,858	3.350
I F Farrant	538,240	2.680
Oldime Pty Ltd	530,000	2.639
Rangitata Plains Farm Ltd	507,211	2.525
B D Lobb	380,000	1.892
Asset Management Ltd	341,009	1.698
T J Hopkins & B H Hopkins	244,386	1.217
Pendene Farm Ltd	174,186	.867
R J Clark	164,396	.819
JB Mortimore & RA Hadfield	132,666	.661
P Hewitson & C J Stark	126,766	.631
J Hubbard	116,317	.579
LM Limbe	116,317	.579
CA Linton	116,317	.579
GM Reid	116,317	.579
EJ Denton	110,852	.552
	17,256,590	85.923

Distribution of security holders:-

Range of shareholdings	Number of holders	%	Number of shares held	%
1 to 1,000	117	28.8	62,168	0.3
1,001 to 5,000	143	35.2	354,832	1.8
5,001 to 10,000	57	14.0	418,385	2.1
10,001 to 100,000	66	16.3	1,991,868	9.9
100,001 and over	23	5.7	17,256,590	85.9
	406	100	20,083,843	100

Domicile of security holders

Domicile of security holders	Number of holders	%	Number of shares held	%
New Zealand	394	97.1	19,290,810	96.1
Australia	9	2.2	627,255	3.1
Other	3	0.7	165,778	0.8
	406	100	20,083,843	100

Substantial security holders

The following information is given in accordance with Section 26 of the Securities Amendment Act 1988. According to notices received, the following persons were substantial security holders in the Company as at 26 September 2008.

	Relevant Interest Voting Securities	% of Shares
A J Hubbard	7,568,032*	37.682
H J D Rolleston	2,821,817*	14.050
J I Urquhart	3,100,000*	15.435
I F Farrant	1,449,234*	7.216

* The total number of voting securities of the Company on issue at 26 September 2008 was 20,083,843.

Auditors

The auditor for the Group is PricewaterhouseCoopers.

The remuneration for services provided by PricewaterhouseCoopers for the current financial year was:

	2008 $000	2007 $000
Auditing the financial statements	**108**	79
Other services	**20**	5
	128	84

For and on behalf of the Board on 9th October 2008

IF Farrant

DIRECTOR

H J D Rolleston

DIRECTOR

H.E. PERRY
»business profile

H. E. Perry imports and distributes cameras, digital imaging equipment, digital memory cards, binoculars, photographic lenses, rechargeable batteries, photo mounting material and instant imaging products throughout New Zealand.

Principal Brands

Olympus, Tamron, Cokin, Broncolor, Leaf and Uniross

Head Office

Christchurch

Locations

Auckland and Christchurch

Employees

15 (including part time)

The H E Perry business continues to be impacted as digital cameras and related products replace old film based products. Olympus has continued to perform well in a very competitive market with an impressive range of cameras. During the year there was the launch by Olympus of the world's first compact waterproof camera (the Mju-10300) that is waterproof to 10 metres, shockproof from 2 metres, and can operate in temperatures down to –10C. Olympus is the only manufacturer to produce a consistent range of waterproof cameras.

Olympus refreshes its range of models every 6 months, from entry level models retailing at $249 to highly specified D-SLR models retailing at $3,999, a model line up of 14 models, including the worlds first compact camera with a 20x zoom range, the SP-570UZ.

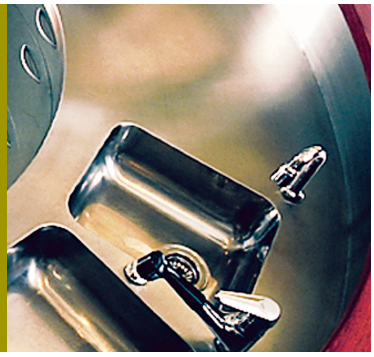
Coming in October 2008 is a refreshed line up of models for the all important summer season. In keeping with earlier product changes the new models have increased specifications at the same, or in some instances, lower prices than the models they replace.

In a highly competitive market with 10 major brands in the market place, Olympus has been able to maintain an acceptable market share.

The company has announced that it has conditionally agreed to buy Lacklands Limited, an Auckland based distributor of cameras and related products. The businesses are of similar size and based on the 2008 year will have a combined turnover of $25 million. Subject to the purchase proceeding as intended, the two businesses will be merged as soon as this can be accomplished under one management team.

Lacklands brings a wide product range and agency list including Ricoh and Leica cameras, Sandisk, Silicon Power, bags, digital frames, batteries, optical equipment and much more. Both businesses supply the same customer base so there are opportunities to achieve synergies.

MERCER PRODUCTS
»business profile



Mercer Products supplies kitchen, bathroom and laundry products throughout Australasia.

Principal Markets

New Zealand, Australia

Locations

Factories: Christchurch

Warehouses: Christchurch, Hamilton and Sydney

Employees

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2008 has been an exciting year for Mercer Products with the acquisition in April 2008 of Duratech Wholesale Limited. Duratech represent in New Zealand the strong European "Reginox" sink range which is a welcome addition to the "Mercer" branded product range. Mercer Products is now the single largest supplier of sinks, basins and laundry tubs in New Zealand with an estimated 30-40% market share. Mercer Products is one of only two New Zealand manufacturers of these products.

The acquisition of Duratech also adds "Bisonne" benching laminate and "Borelli Choices", "Advante" and "Askilan" solid surface bench materials to the business.

In April all North Island distribution and customer services activities were consolidated into Duratech's Hamilton facility. From 1 July 2008, all business is being transacted under the Mercer Products name.

The outlook for 2008/09 is mixed. The current downturn in the building sector in New Zealand will have an impact but the business is now well placed to take advantage of the upturn when it comes. New products will be added to the business as opportunities arise.

The Australian subsidiary has achieved modest progress. We continue to participate in home shows and related exhibitions to promote the "Mercer" brand and have got the attention of the Australian mass merchants. There will increased focus on this business this year to grow sales to a profitable level.

MERCER STAINLESS
»business profile

Mercer Stainless has workshops in Christchurch and New Plymouth engaged in stainless steel fabrication and equipment manufacture.

Principal Markets

New Zealand and Pacific Basin

Locations

Factories: Christchurch and New Plymouth

Employees

84

It has been another very good year for the Mercer Stainless fabrication activities, especially at the Christchurch workshop. Workloads have been consistently high, the highlight being large export orders for the supply of cheese equipment to Brazil, silos, powder bins and a bag filter for Synlait and Dairy Trust, silos for Fonterra Culverden and DAF tanks for Silver Fern Farms.

The 2008-09 year is expected to also be busy. Good orders have been secured for cheese equipment for India and Australia, and silos and powder bins for Fonterra Edendale. Indications are that these activity levels will continue into next year as well.

MERCER INMOTION
»business profile

Mercer Inmotion manufactures and supplies conveyors and processing machinery.

Principal Brands

Inmotion, Mercer, AiCO and National Bulk Equipment

Head office

Sumner Park, Brisbane

Employees

26

The Inmotion Engineering business was acquired by the Group on 15th June 2007 and now operates under the Mercer Inmotion name.

Mercer Inmotion design, manufacture, supply and install a comprehensive range of conveyors to transport meat, pharmaceuticals, vegetables, chemicals, confectionary, beverages, canned and baked goods and cereals.

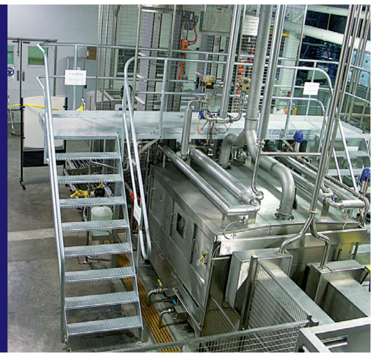
Effective from 1 January 2008, Inmotion took responsibility for the AiCO materials handling equipment product previously managed by Mercer Technologies. This gives the business the opportunity to supply a total solution.

The 2007/08 year has been a difficult one. Changes have been made to better manage the business which is now 100% owned by Mercer Stainless. The business will relocate into a new purpose built facility in September 2008.

There are growth opportunities in New Zealand and South America which are being pursued.

Mercer Inmotion has developed innovative equipment for testing the seal adequacy of sealed pillow packages. Pillow packages are used to wrap a multitude of different items; commonly in snack food, fresh food and medical products and it is important that these pillow packages are airtight when sealed. The seal tester automates current methods. The product is expected to be completed for commercial sale by early 2009.

MERCER TECHNOLOGIES & MERCER MIDDLE EAST
»business profile



Mercer Technologies is the technology products arm of Mercer and supplies a range of specialist equipment. Mercer Middle East supplies specialist medical equipment into the Middle East.

Principal Brands

Betavac, Mercer, Matachana, Belimed, Steelco, Warwick Sasco, Interster, Pereg and Dr Weigert

Head office

Auckland

Branch offices

Dubai (Medical only)

Employees

23

2007/08 was a difficult year, especially for the AiCO business which supplies equipment for the meat industry. The drought in Australia and lack of industry profitability in New Zealand meant that equipment orders were low. As a result the office in Hamilton was closed and responsibility for the business transferred to Mercer Inmotion.

The Mercer Medical business in New Zealand achieved sales of $3.5 million including 9 Belimed washer disinfectors, 2 Mercer steam sterilisers, 2 Matachana sterilisers and 36 Steelco DS500 washers to Capital Coast Health. Service Department sales and consumable sales were acceptable.

Sales of Betavac cheese block vacuum packing equipment were slow this year but picked up late in the year.

Mercer Technologies has continued the development of equipment for on farm evaporation of milk and for the sterilization of hospital instruments. The milk evaporator is expected to go to market by the end of this calendar year. The prototype steriliser is under construction and is expected to be completed for factory trials also before the end of this calendar year.

Mercer Middle East was established October 2005. It has had a strong start securing a large order to supply, install and commission equipment for the new Canadian Specialist Hospital in Dubai. Delays in the construction of the hospital caused significant issues; in particular Mercer Middle East was unable to complete the supply and installation until July 2008 which gave rise to delays in securing payment under the contract.

Group Directory

Broadway Industries

Registered Office

7 Corban Ave, Henderson, Auckland

Chief Executive Officer: Howard Milliner

Bankers

Westpac New Zealand Limited

Solicitors:

Buddle Findlay

Share Registry:

Link Market Services, PO Box 384,

Ashburton

Auditors:

PricewaterhouseCoopers

Mercer Stainless

Registered Office

7 Corban Ave, Henderson

Auckland

Ph: (09) 837 7540

Mercer Products division

45 Lunns Road,

Christchurch

Ph: (03) 348 8002

Divisional Manager: David Mayell

20 Norman Hayward Place, Te Rapa,

Hamilton

Ph (07) 850 5601

Stainless Steel fabrication

53 Lunns Road,

Christchurch

Ph: (03) 348 7039

Branch Manager: Ross Coppard

Corbett Road, Bell Block,

New Plymouth

Ph: (06) 755 1276

Branch Manager: Terry Moratti

Mercer Medical

7 Corban Ave, Henderson,

Auckland

Ph: (09) 837 5002

Sales & Service Manager: Alan Wilkinson

Mercer Middle East

7th Floor, Al Thuraya Tower,

Dubai Internet City, Dubai, UAE

Ph: 00971 4 3681963

Manager: Azad Saadalla

Inmotion Engineering

Queensland,

Australia

Ph 0061 7 3279 2020

General Manager: Neil O'Hare

H.E. Perry

Head office

97 Nazareth Avenue,

Christchurch

Ph: (03) 339 0028

Chief Executive: David Withers

General Manager – Sales & Marketing: Simon Millidge

Other offices

10 Minnie Street,

Auckland

Ph: (09) 303 1479

Financial Statements

For the year ended 30 June 2008

Directors' Report

The Directors have pleasure in presenting the Annual Financial Statements of Broadway Industries Limited, for the year ended 30 June 2008.

The annual Financial Statements presented are signed for and on behalf of the Board, and were authorised for issue on 12th September 2008.

H J D Rolleston	P Hewitson
DIRECTOR	DIRECTOR

Income Statements

For the year ended 30 June 2008

		Group		Company	
		30 JUNE 2008	30 JUNE 2007	30 JUNE 2008	30 JUNE 2007
	Notes	**$000**	$000	**$000**	$000
Revenue					
Sale of goods and contract revenue	*7*	**51,745**	46,718	**-**	-
Other income	*8*	**112**	1,192	**2,327**	2,480
Total income		**51,857**	47,910	**2,327**	2,480
Expenses					
Cost of inventory sold		**30,186**	27,071	**-**	-
Salaries and wages		**12,834**	9,728	**-**	-
Rental and operating leases		**1,141**	644	**-**	-
Depreciation and amortisation		**1,026**	980	**1**	1
Other expenses		**7,635**	6,456	**2,218**	647
Profit /(Loss) before finance costs	*9*	**(965)**	3,031	**108**	1,832
Finance costs/(Income) – net	*10*	**1,090**	660	**55**	(84)
Profit/(Loss) before income tax		**(2,055)**	2,371	**53**	1,916
Income tax expense / (credit)	*11*	**(194)**	1,196	**(158)**	50
Profit/(Loss) for the period attributable to shareholders of the company		**(1,861)**	1,175	**211**	1,866
Earnings/(deficit) per share for profit attributable to the equity holders of the Company during the year					
– Basic (cents)	*27*	**(9.52)**	6.01		
– Diluted (cents)	*27*	**(9.52)**	6.01		

The above Income Statements should be read in conjunction with the accompanying notes.

Balance Sheets

As at 30 June 2008

		Group		Company	
		30 JUNE 2008	30 JUNE 2007	30 JUNE 2008	30 JUNE 2007
	Notes	$000	$000	$000	$000
ASSETS					
Current assets					
Cash and bank balances	12	232	198	102	16
Accounts receivable	13	7,857	8,280	-	-
Other debtors and prepayments	13	845	4,166	97	195
Derivative financial instruments	14	8	-	-	-
Taxation refund		6	5	4	4
Inventories	15	10,554	8,813	-	-
Total current assets		19,502	21,462	203	215
Non current assets					
Property, plant and equipment	16	10,358	10,565	1	2
Intangible assets	17	7,468	3,528	-	-
Deferred tax asset	18	2,754	2,510	1,294	1,136
Investment in subsidiaries	19	-	-	28,437	26,972
Total non current assets		20,580	16,603	29,732	28,110
Total assets		40,082	38,065	29,935	28,325
LIABILITIES					
Current liabilities					
Bank overdraft	12	-	281	-	-
Trade and other payables	20	9,016	7,938	233	70
Employee entitlements		1,013	873	-	-
Derivative financial instruments	14	-	61	-	-
Taxation payable		66	-	-	-
Borrowings	21	13,849	4,780	13,307	5,607
Total current liabilities		23,944	13,933	13,540	5,677
Non current liabilities					
Borrowings	21	192	6,073	-	6,073
Total non current liabilities		192	6,073	-	6,073
Total liabilities		24,136	20,006	13,540	11,750
Net assets		15,946	18,059	16,395	16,575
EQUITY					
Contributed equity	22	13,425	13,425	13,425	13,425
Other reserves	23	950	674	-	-
Retained earnings	23	1,571	3,960	2,970	3,150
Total equity		15,946	18,059	16,395	16,575

The above Balance Sheets should be read in conjunction with the accompanying notes.

Statements of Movements in Equity

For the year ended 30 June 2008

Group	Notes	Contributed Equity $000	Retained Earnings $000	Other Reserves $000	Total Equity $000
Balance at 1 July 2006		13,425	2,805	1,621	17,851
Foreign currency translation reserve movement	23	-	-	(185)	(185)
Asset revaluation reserve movement	23	-	762	(762)	-
Profit for the period		-	1,175	-	1,175
Total recognised income and expenses for the period		-	1,937	(947)	990
Dividends paid	24	-	(782)	-	(782)
Balance at 30 June 2007		13,425	3,960	674	18,059
Foreign currency translation reserve movement	23	-	-	139	139
Asset revaluation reserve movement	23	-	(137)	137	-
Loss for the period		-	(1,861)	-	(1,861)
Total recognised income and expenses for the period		-	(1,998)	276	(1,722)
Dividends paid	24	-	(391)	-	(391)
Balance at 30 June 2008		13,425	1,571	950	15,946

The above Statement of Movements in Equity should be read in conjunction with the accompanying notes.

Statements of Movements in Equity (continued)

For the year ended 30 June 2008

Company	Notes	Contributed Equity $000	Retained Earnings $000	Total Equity $000
Balance at 1 July 2006		13,425	2,066	15,491
Profit for the period		-	1,866	1,866
Total recognised income and expenses for the period		-	1,866	1,866
Dividends paid	24	-	(782)	(782)
Balance at 30 June 2007		13,425	3,150	16,575
Profit for the period		-	211	211
Total recognised income and expenses for the period		-	211	211
Dividends paid	24	-	(391)	(391)
Balance at 30 June 2008		13,425	2,970	16,395

The above Statement of Movements in Equity should be read in conjunction with the accompanying notes.

Statements of Cash Flows

For the year ended 30 June 2008

		Group		Company	
		30 JUNE 2008	30 JUNE 2007	**30 JUNE 2008**	30 JUNE 2007
	Notes	**$000**	$000	**$000**	$000
Operating activities					
Cash was provided from:					
Receipts from customers		**54,561**	42,779	**-**	-
Receipts from subsidiaries		**-**	-	**1,003**	1,099
Interest received		**5**	1	**-**	-
Cash was disbursed to:					
Payments to suppliers and employees		**(54,215)**	(43,130)	**(312)**	(218)
Payments to subsidiaries		**-**	-	**(112)**	(478)
Interest on borrowings		**(861)**	(618)	**(848)**	(618)
Other interest		**(144)**	(41)	**-**	-
Net cash (outflow) from operating activities	*25*	**(654)**	(1,009)	**(269)**	(215)
Investing activities					
Cash was provided from:					
Proceeds from sale of property, plant and equipment		**4,065**	6	**-**	-
Grants received for development assets		**87**	25	**-**	-
Repayments from subsidiaries		**-**	-	**14,600**	9,768
Cash was applied to:					
Purchase of property, plant and equipment		**(656)**	(1,209)	**-**	(3)
Patents and development activities		**(510)**	(581)	**-**	-
Purchase of subsidiaries and business	*26*	**(3,559)**	(2,244)	**(3,396)**	-
Advances to subsidiaries		**-**	-	**(12,628)**	(14,383)
Net cash (outflow) from investing activities		**(573)**	(4,003)	**(1,424)**	(4,618)
Financing activities					
Cash was provided from:					
New borrowings		**9,859**	7,150	**9,000**	7,150
Cash was applied to:					
Dividends paid		**(391)**	(782)	**(391)**	(782)
Repayment of borrowings		**(7,290)**	(1,580)	**(6,830)**	(1,580)
Net cash inflow from financing activities		**2,178**	4,788	**1,779**	4,788
Net increase/(decrease) in cash held		**951**	(224)	**86**	(45)
Cash at beginning of the year		**(83)**	19	**16**	61
Effect of exchange rate changes		**16**	(29)	**-**	-
Cash and bank balances on purchase of business	*26*	**(652)**	151	**-**	-
Cash and bank balances at the end of the year	*12*	**232**	(83)	**102**	16

The above Statements of Cash Flows should be read in conjunction with the accompanying notes.
The above Cash Flows are exclusive of GST.

Notes to the Financial Statements

For the year ended 30 June 2008

1 General information

Broadway Industries Limited and its subsidiaries carry out the following activities; the importation and distribution of photographic equipment, the importation and manufacture of kitchen, bathroom and laundry products, the importation of products for hospital disinfection and the manufacture of equipment for industrial users.

Broadway Industries Limited is a limited liability company, incorporated and domiciled in New Zealand. The address of its registered office is 7 Corban Avenue, Henderson, Auckland. The Group and Company are designated as profit oriented entities for financial reporting purposes.

The financial statements have been approved for issue by the Board of Directors on 12th September 2008.

The entities owners do not have the power to amend these financial statements once issued.

2 Summary of significant accounting policies

(a) Basis of preparation

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Entities reporting

The financial statements are for Broadway Industries Limited ("the Company" or "the Parent") and the consolidated economic entity comprising Broadway Industries Limited and its subsidiaries (together "the Group").

Statutory base

Broadway Industries Limited is a company registered under the Companies Act 1993 and is an issuer in terms of the Securities Act 1978. The Company is also listed on the New Zealand Stock Exchange (NZX). The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

These consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practise (NZ GAAP) and New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS). They also comply with International Financial Reporting standards (IFRS), and other applicable New Zealand Financial Reporting Standards, as appropriate for profit-oriented entities.

First-time adoption of New Zealand Equivalents to International Financial Reporting Standards (NZIFRS 1)

Broadway Financial statements of Broadway Industries Limited until 30 June 2007 had been prepared in accordance with previous New Zealand Financial Reporting Standards (NZ FRS). NZ FRS differs in certain respects from NZ IFRS. When preparing the Group's 30 June 2008 financial statements, management has amended certain accounting, valuation and consolidation methods applied in the NZ FRS financial statements to comply with NZ IFRS. The comparative figures in respect of 2007 were restated to reflect these adjustments. Further details are given in Note 32.

Historical cost convention and going concern assumption

These financial statements have been prepared on a going concern basis under the historical cost convention, as modified by the revaluation of land and buildings and financial assets and financial liabilities (including derivative financial instruments) at fair value through the income statement.

Critical accounting estimates and judgements

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates and judgements. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 5.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Broadway Industries Limited as at 30 June 2008 and the results of subsidiaries for the year then ended.

Subsidiaries are all those entities over which Broadway Industries Limited 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 Broadway Industries controls another entity.

Subsidiaries which form part of the Group are fully consolidated from the date on which control is transferred to Broadway Industries Limited. They are deconsolidated from the date that control ceases or they cease to be part of the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Intercompany transactions, balances and unrealised gains on transactions between subsidiary 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 Broadway Industries Limited.

(c) Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environments.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the subsidiaries' operations are measured using the currency of the primary economic environment in which it operates ("the functional currency"). The financial statements are presented in New Zealand dollars, which is Broadway Industries Limited's functional currency and the Group's presentation currency. Amounts presented are rounded to the nearest thousand.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(b) income and expenses for each income statement are translated at average exchange rates; and

(c) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders´ equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

(e) Revenue recognition

Revenue comprises the fair value for the sale of goods and services, excluding Goods and Services Tax, rebates and discounts, and after eliminating sales within the Group. Revenue is recognised as follows:

(i) Sales of goods

Sales of goods are recognised when the Group has delivered products to the customer, the customer has accepted the products, and collectibility of the related receivables is reasonably assured.

(ii) Construction contracts

Contract revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be reliably estimated. Where it is probable that a loss will arise from a construction contract, the excess of total costs over revenue is recognised as an expense immediately.

Where the outcome of the contract cannot be reliably estimated, contract costs are recognised as an expense as incurred, and where it is probable that the costs will be recovered, revenue is recognised to the extent of costs incurred.

For fixed price contracts, the stage of completion is measured by reference to costs incurred to date as a percentage of estimated total contract costs for each contract. Revenue from cost plus contracts is recognised by reference to the recoverable costs incurred during the reporting period plus the percentage of fees earned. The percentage of fees earned is measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

(iii) Grants

Grants from the Government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions.

When the requirements under the Grant agreement have been met, grants received relating to costs are recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Any grants for which the requirements under the grant agreement have not been completed are carried as liabilities until all the conditions have been fulfilled.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

(iv) Interest income

Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(v) Dividend income

Dividend income is recognised when the right to receive payment is established.

(f) Income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

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

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company 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.

The income tax expense or revenue attributable to amounts recognised directly in equity is also recognised directly in equity. The associated current or deferred tax balances are recognised in these accounts as usual.

Current and deferred tax assets and liabilities of individual entities are reported separately in the consolidated financial statements unless the entities have a legally enforceable right to make or receive a single net payment of tax and the entities intend to make or receive such a net payment or to recover the current tax asset or settle the current tax liability simultaneously.

(g) Goods and Services Tax (GST)

The income statement has been prepared so that all components are stated exclusive of GST. All items in the balance sheet are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

(h) Leases – the Group is the lessee

Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowings. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated on the same basis as equivalent property, plant and equipment.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(i) Impairment of non-financial assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortisation and tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value, less costs to sell, and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

(j) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term deposits, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown separately in current liabilities on the balance sheet.

(k) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 30 days from the date of recognition.

A provision for impairment of trade receivables is established 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. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'other expenses'. When a trade receivable is uncollectible, it is written off against an allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'selling and marketing costs' in the income statement.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

(l) Inventories

(i) Raw materials and finished goods

Raw materials and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials and where applicable, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Contract work in progress

Contract work in progress is stated at the aggregate of contract costs incurred to date plus recognised profits less recognised losses and progress billings. Cost includes all expenses directly related to specific contracts including direct materials, labour and production overheads.

(m) Investments and other financial assets

Investments

Investments in subsidiaries in the parent financial statements are recorded at cost, less amounts written off.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading.

Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. Loans and receivables are initially recognised at fair value on trade date plus transaction costs. Trade date is the date on which the Group commits to purchase or sell the asset. They are subsequently carried at amortised cost using the effective interest method. They are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimate future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced either directly or through the use of an allowance account. The amount of the loss is recognised in the income statement.

(n) Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured to their fair value. Changes in the fair value of derivative instruments are recognised immediately in the income statement. Derivatives are recognised on trade date and derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(o) Fair value estimation

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

The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance date.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

(p) Property, plant and equipment

Land and buildings are shown at fair value, based on periodic, but at least every five year valuations by external independent valuers, less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

The cost of assets constructed by the Group includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads. Costs cease to be capitalised as soon as the asset is ready for productive use and do not include any inefficiency costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Borrowing costs incurred for the acquisition or construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the assets for its intended use. Other borrowing costs are expensed.

Land is not depreciated. Depreciation on other assets is calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Buildings 3%
- Plant and equipment 6.5% – 40.0%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts. These gains and losses are included in the income statement. When revalued assets are sold, it is company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(q) Intangible assets

(i) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired business at the date of acquisition. Goodwill on acquisitions of businesses is included in intangible assets. Goodwill is not amortised. Instead, goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the Group's investment in each country of operation by each primary reporting segment.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

(ii) Research and development

Expenditure on research activities, net of any grants receivable, is recognised in the income statement as an expense when it is incurred.

Expenditure on development activities, being the application of research findings or other knowledge to a plan or design for the production of new or substantially improved products or services before the start of commercial production or use, is capitalised if the product or service is technically and commercially feasible and adequate resources are available to complete development. The expenditure capitalised comprises all directly attributable costs, net of any grants receivable, including costs of materials, services, direct labour and an appropriate proportion of overheads. Other development expenditure is recognised in the Income Statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost over the period of the expected benefit, generally not exceeding five years.

(iii) Patents, trademarks and licences

Patents, trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight line method to allocate the cost of patents, trademarks and licences over their estimated useful lives, not exceeding twenty years.

(r) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(s) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance date.

(t) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the entity's outstanding borrowings during the year.

(u) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

(v) Employee benefits

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

(w) Dividends

Provision is made for the amount of any dividend declared on or before the balance date but not distributed at balance date.

(x) Earnings per share

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

(y) Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Company's accounting periods beginning on or after 1 June 2009 or later periods but which the Company has not early adopted. These include the following:

Amendments to NZ IAS 1 Presentation of Financial Statements: The amendment requires a number of changes to the presentation and disclosures in financial statements. It is applicable for reporting periods beginning on or after 1 January 2009. Broadway Industries Limited will adopt this standard for the year ending 30 June 2010.

NZ IFRS 3 Business Combinations Revised: The standard includes a number of updates on the accounting for acquisitions. The standard is applicable from 1 July 2009 with early adoption permissible from 1 July 2008. Broadway Industries Limited will adopt this standard for the year ending 30 June 2010. As the standard is applied prospectively, no changes to current business combinations are expected.

NZ IFRS 8 Operating segments: is effective from 1 July 2009. IFRS 8 replaces IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The standard may change the segmental reporting in the financial statements but there will be no measurement differences. Broadway Industries Limited will adopt this standard for the year ending 30 June 2010.

3 Transition to IFRS

Application of NZ IFRS 1: First-time Adoption of New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS 1)

These financial statements for the year ended 30 June 2008 are the first financial statements that comply with New Zealand Equivalents to International Financial Reporting Standards. These financial statements have been prepared as described in note 2. The Group has applied NZ IFRS 1 in preparing these financial statements.

Transition date of the Group is 1 July 2006. The Group prepared its opening NZ IFRS balance sheet at that date. The reporting date of these financial statements is 30 June 2008. The Group's NZ IFRS adoption date is 1 July 2007.

Notes to the Financial Statements (continued)
For the year ended 30 June 2008

In preparing these financial statements in accordance with NZ IFRS 1, the Group has applied all of the mandatory exceptions and certain of the optional exemptions from full retrospective application of NZ IFRS.

The following optional exemptions from full retrospective application have been applied:

(i) Business combinations exemption

The Group has applied the business combinations exemption in NZ IFRS 1. It has not restated business combinations that took place prior to the transition date of 1 July 2006.

The Group has not early adopted any New Zealand Equivalents to International Financial Reporting Standards.

The reconciliations in note 32 provide a quantification of the effect of the transition to NZ IFRS. The three reconciliations provide details of the impact of the transition on:

- Equity at 1 July 2006
- Equity at 30 June 2007
- Profit for the year ended 30 June 2007

4 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

The Group uses derivative financial instruments such as forward foreign exchange contracts to hedge certain foreign currency risk exposures. Derivatives are exclusively used for hedging purposes (while hedge accounting is not applied as the Group does not meet the hedge accounting criteria), ie not as trading or other speculative instruments. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate and foreign exchange to determine market risk and aging analysis for credit risk.

Risk management is carried centrally out by the head office under policies approved by the Board of Directors. The Board provides written principles for overall risk management, as well as policies covering specific areas, such interest rate risk, credit risk, use of derivative financial instruments and non derivative financial instruments.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

The Group and the parent entity hold the following financial instruments:

	Loans and receivables	Financial assets at fair value through profit and loss	Financial liabilities at fair value through profit and loss	Other financial liabilities
Group 2008				
Cash and cash equivalents	232	-	-	-
Trade and other receivables	8,097	-	-	-
Derivative financial instruments – assets	-	8	-	-
Trade and other payables	-	-	-	10,029
Borrowings and overdraft	-	-	-	14,041
	8,329	8	-	24,070
Group 2007				
Cash and cash equivalents	198	-	-	-
Trade and other receivables	12,233	-	-	-
Trade and other payables	-	-	-	8,811
Borrowings and overdraft	-	-	-	10,853
Derivative financial instruments – liabilities	-	-	61	-
	12,431	-	61	19,664
Parent 2008				
Cash and cash equivalents	102	-	-	-
Other receivables	90	-	-	-
Other payables	-	-	-	223
Borrowings and overdraft	-	-	-	13,307
	192	-	-	13,530
Parent 2007				
Cash and cash equivalents	16	-	-	-
Other receivables	193	-	-	-
Other payables	-	-	-	70
Borrowings and overdraft	-	-	-	11,680
	209	-	-	11,750

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

(a) Market risk

(i) Foreign exchange risk

The Group has exposure to foreign exchange risk as a result of transactions denominated in foreign currencies, arising from normal trading activities. Where exposures are certain it is the Group's policy to hedge these risks as they arise. The Group uses foreign exchange currency contracts to manage these exposures. The following table shows the sensitivity of the Group and Company's after tax profit and equity to a movement in the exchange rate of +/-10%.

Group – $'000	$000	+10% and $'000		-10% and $'000	
	Currency amount	Post tax profit	Equity	Post tax profit	Equity
30 June 2008	(1,592)	111	111	(111)	(111)
30 June 2007	1,754	(118)	(118)	118	118

Parent – $'000	$000	+10% and $'000		-10% and $'000	
	Currency amount	Post tax profit	Equity	Post tax profit	Equity
30 June 2008	-	-	-	-	-
30 June 2007	-	-	-	-	-

Concentrations of foreign currency exposure

The following table shows the assets and (liabilities) of the Group and Parent denominated in currencies other than the functional currency of the Company and subsidiaries. The table assumes a tax rate of 30% (2007: 33%):

	Group		Parent	
	30 JUNE 2008	30 JUNE 2007	30 JUNE 2008	30 JUNE 2007
	$000	$000	$000	$000
Trade receivables				
Australian dollar	-	-	-	-
United States dollar	-	-	-	-
Euro	-	-	-	-
Other	21	-		
Trade payables				
Australian dollar	(649)	(783)		
United States dollar	-	-	-	-
Euro	(914)	(452)	-	-
Other	(213)	(138)	-	-
Borrowings and advances				
Australian dollar		-	-	
United States dollar	-	-	-	-
Euro	(308)	-	-	-
Other	-	-	-	-
Derivative financial instruments (notional amounts)				
Australian dollar	-	3,187	-	-
United States dollar	115	33	-	-
Euro	274	(93)	-	-
Other	82	-	-	-
	(1,592)	1,754		

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

(ii) Cash flow and fair value interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Broadway Industries Limited can enter into interest rate swaps and forward rate agreements to manage its interest rate risk although no such instruments are in place at balance date (2007: Nil).

The following table shows the sensitivity of the Group and Company's after tax profit and equity to a movement in interest rates of +/-1%. The total amount of interest bearing debt at balance date of the Group on which interest is not fixed is $13,348,000 (2007: $11,298,000). The total amount of interest bearing debt at balance date of the Company on which interest is not fixed is $12,327,000 (2007: $10,853,000). The table assumes no additional borrowing, no repayments and a tax rate of 30% (2007: 33%).

Group	$'000	+1% and $'000		-1% and $'000	
	Carrying amount	Post tax profit	Equity	Post tax profit	Equity
30 June 2008	13,348	(93)	(93)	93	93
30 June 2007	11,298	(77)	(77)	77	77

Parent	$'000	+1% and $'000		-1% and $'000	
	Carrying amount	Post tax profit	Equity	Post tax profit	Equity
30 June 2008	12,327	(86)	(86)	86	86
30 June 2007	10,853	(73)	(73)	73	73

(b) Credit risk

In its normal course of business the Group is subject to credit risk from trade debtors and transactions with financial institutions. The Group has a credit policy that is used to manage this exposure to credit risk. As part of this policy, limits on exposure with counterparties have been set and are monitored on a regular basis. The Group enters into financial instruments with various counterparties in accordance with established limits as to credit rating and dollar limits and does not require collateral or other security to support the financial instruments.

Refer to the trade and other receivables (note 13) for more information on impairment of trade receivables.

At 30 June 2008 the Group had exposure to four debtors which in total amounted to $2.9 million. Subsequent to year end cash of $2.4 million had been received in relation to this debt. There are no further concentration of credit risk (2007 – None).

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities.

All liabilities are due in less than 12 months with the exception of liabilities associated with hire purchase agreements whereby $192,000 (2007:Nil) are due between 2 and 5 years. At 30 June 2007, $4.8 million of liabilities were due within 12 months and $6.1 million was due within 1 and 2 years.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

(d) Fair value

The fair value of trade receivables, trade payables and cash and cash equivalents are determined to be equivalent to their carrying value due to the short term nature of these balances.

The fair value of the Group's borrowings is estimated based on current market rates available to the Group for debt of similar maturity.

The far value of derivative financial instruments is estimated based on the quoted market price of these instruments.

(e) Capital risk management

The Group monitors capital on the basis of the equity ratio. This ratio is calculated as equity divided by total assets.

	Group		Parent	
	30 JUNE 2008	30 JUNE 2007	**30 JUNE 2008**	30 JUNE 2007
Equity $'000	15,946	18,059	16,395	16,575
Total assets $'000	40,082	38,065	29,935	28,325
Equity ratio	40.0%	47.4%	54.8%	58.5%

The Group is subject to the following covenants in relation to the multi option credit facility ($8.35 million) and the wholesale term loan ($3.35 million) as detailed in Note 21:

- Ratio of shareholder funds to total tangible assets;
- Ratio of earnings to consolidated funding costs; and
- Ratio of the charging group's total tangible assets and earnings to the consolidated group.

At 30 June 2008 the group did not meet the ratio of shareholder funds to total tangible assets or the ratio of earnings to consolidated funding costs. As a result bank debt has been classified as current in the balance sheet as the bank has the right to demand repayment.

The covenant position has arisen in part due to the expansion of the Group following the acquisition of Inmotion Engineering Pty Limited during June 2007 and the acquisition of Duratech Wholesale Limited during April 2008. At 30 June 2008 the Group had also entered into a conditional agreement to purchase Lacklands Limited for consideration of $5.5 million.

As disclosed in Note 31, the Group has announced it will undertake a renounceable rights issue to raise equity of $8 million. This equity will be used to fund the acquisition of Duratech, a component of the planned acquisition of Lacklands Limited as well as working capital of the Group.

However raising these funds is inherently not certain and in the unlikely scenario the Company does not raise the required funds, the Directors consider that a number of alternative options are available to the Company to ensure sufficient funding facilities exist as compared to the cash flow requirements of the Group. These options include the provision of loans by shareholders, subject to required approvals and third party facility providers.

Until the rights issue is completed and monies received from shareholders, the Group is forecasting to continue not to meet the ratio of earnings to consolidated funding costs for the year ending 30 June 2009 but to meet this covenant from the first quarter of the 2010 financial year. The Group is forecasting to continue not to meet the ratio of shareholder funds to total tangible assets.

Having taken into account all available information, the Directors believe that it continues to be appropriate to prepare the financial statements on a going concern basis.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

5 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities are discussed below.

Intangible Assets

Judgements have been made in relation to capitalisation of development assets and related patents as disclosed in Note 17. These judgements include an assessment of the technical feasibility of the projects, the intention to complete and use or sell the assets, the existence of a market for the assets and the availability of resources to complete the developments. It any of these criteria ceased to be met then the carrying value of development assets may be impaired.

Work in Progress

Construction revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the project cannot be reliably measured. This involves both judgement and estimation by management of total contract revenues including any variations as compared to costs to date and remaining costs to completion. Work in progress is detailed in Note 15.

Deferred Tax Asset

The Group and Company have recognised a deferred tax asset, a component of which relates to New Zealand tax losses, as detailed in Note 18. Management have estimated future forecast taxable income in determining whether a deferred tax asset should continue to be recognised and the quantum of this asset.

Impairment Testing

Goodwill and investments in subsidiaries have been tested for impairment based on the higher of value in use or fair value less costs to sell. Determining value in use and fair value less costs to sell includes a number of assumptions including future growth and the discount rate applicable to the cash generating units. Goodwill impairment testing including key assumptions are detailed in Note 17. Investment in subsidiaries impairment testing including key assumptions are disclosed in Note 19.

6 Segment information

Primary segments: The Group's primary segments are by business segment. The Group is involved in both manufacturing and distribution business activities.

The Group operates predominantly in the following industries and is involved in the production and sale of the following products and services:

Manufacturing	» Manufacture and supply of laundry tubs, sinks and related products;
	» Stainless steel fabrication;
	» Assembly and supply of specialist equipment and related products.
	» Manufacturing and supply of conveyers.
Distribution	» Supply of photographic equipment and related products.

Secondary segments: The Group's secondary segments are grouped by geographic region. The Group operates in New Zealand, Australia and the Middle East.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

Primary reporting format – Business segments

	Manufacturing		Distribution		Consolidated	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Sales to external customers	37,251	30,528	14,494	16,190	51,745	46,718
Intersegment sales	-	-	-	-	-	-
Total sales revenue	37,251	30,528	14,494	16,190	51,745	46,718
Other revenue/income	111	1,191	1	1	112	1,192
Total segment revenue	37,362	31,719	14,495	16,191	51,857	47,910
Segment result	(918)	2,576	436	863	(482)	3,439
Unallocated expenses					1,573	1,068
Profit/(Loss) before income tax					(2,055)	2,371
Income tax credit					(194)	1,196
Profit/(Loss) for the year					(1,861)	1,175
Segment assets	33,421	30,418	3,669	4,934	37,090	35,352
Unallocated assets					2,992	2,713
Total assets					40,082	38,065
Segment liabilities	9,153	6,843	876	2,029	10,029	8,872
Unallocated liabilities					14,107	11,134
Total liabilities					24,136	20,006
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	4,518	4,568	49	67	4,567	4,635
Depreciation and amortisation	967	923	59	57	1,026	980
Impairment of inventories	87	(7)	5	70	92	63
Impairment of trade receivables	155	132	4	16	159	148
Impairment of intangible assets	117	205	-	-	117	205

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

Secondary reporting format – Geographic segments

	New Zealand		Australia		Middle East		Consolidated	
	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000	2008 $'000	2007 $'000
Sales to external customers	44,161	43,970	6,745	417	839	2,331	51,745	46,718
Intersegment sales	525	856	-	-	47	-	572	856
Total sales revenue	44,686	44,826	6,745	417	886	2,331	52,317	47,574
Other revenue/income	94	1,192	18	-	-	-	112	1,192
Total segment revenue	44,780	46,018	6,763	417	886	2,331	52,429	48,766
Segment result	1,953	3,960	(1,692)	(362)	(743)	(159)	(482)	3,439
Unallocated expenses							1,573	1,068
Profit/(Loss) before income tax							(2,055)	2,371
Income tax credit							(194)	1,196
Profit/(Loss) for the year							(1,861)	1,175
Segment assets	27,530	28,814	6,377	4,318	3,183	2,220	37,090	35,352
Unallocated assets							2,992	2,713
Total assets							40,082	38,065
Segment liabilities	7,358	6,793	2,053	1,222	618	857	10,029	8,872
Unallocated liabilities							14,107	11,134
Total liabilities							24,136	20,006
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	3,886	2,206	680	2,421	1	8	4,567	4,635
Depreciation and amortisation	953	974	68	1	5	5	1,026	980
Impairment of inventories	29	63	63	-	-	-	92	63
Impairment of trade receivables	110	139	49	9	-	-	159	148
Impairment of intangible assets	117	205	-	-	-	-	117	205

7 Sale of goods and contract revenue

	Group		Parent	
	30 JUNE 2008 $'000	30 JUNE 2007 $'000	30 JUNE 2008 $'000	30 JUNE 2007 $'000
Sale of goods	22,305	22,300	-	-
Construction contract revenue	29,440	24,418	-	-
	51,745	46,718	-	-

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

8 Other income

	Group		Parent	
	30 JUNE 2008 $'000	30 JUNE 2007 $'000	**30 JUNE 2008 $'000**	30 JUNE 2007 $'000
Gain on sale of land and buildings	**-**	1,090	**-**	-
Grants received	**94**	102	**-**	-
Management fees received	**-**	-	**-**	130
Dividends received	**-**	-	**2,327**	2,350
Other	**18**	-	**-**	-
Total other income	**112**	1,192	**2,327**	2,480

9 Expenses

	Group		Parent	
	30 JUNE 2008 $'000	30 JUNE 2007 $'000	**30 JUNE 2008 $'000**	30 JUNE 2007 $'000
Profit/(Loss) before income tax includes the following specific expenses:				
Depreciation				
Buildings	**92**	149	**-**	-
Plant and equipment	**886**	787	**1**	1
Total depreciation (Note 16)	**978**	936	**1**	1
Amortisation of intangibles				
Patents, trademarks, licenses	**30**	25	**-**	-
Development costs	**18**	19	**-**	-
Total amortisation (Note 17)	**48**	44	**-**	-
Foreign exchange (gains)/losses	**(80)**	62	**-**	-
Loss on disposal of property, plant and equipment	**12**	5	**-**	-
Research and development	**8**	48	**-**	-
Bad debts written off (Note 13)	**66**	121	**-**	-
Impairment of receivables (Note 13)	**159**	148	**-**	-
Impairment of patents and development costs (Note 17)	**117**	205	**-**	-
Impairment of subsidiaries (Note 19)	**-**	-	**1,743**	240
Impairment of inventories (Note 15)	**92**	63	**-**	-
Directors fees	**160**	137	**160**	137
Fees paid to Auditors				
Audit	**108**	79	**39**	20
Other assurance services	**20**	5	**20**	5
Donations	**3**	-	**-**	-
(Gain)/Loss on derivative financial instruments	**(69)**	84	**-**	-

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

10 Finance costs

	Group		Parent	
	30 JUNE 2008 $'000	30 JUNE 2007 $'000	**30 JUNE 2008 $'000**	30 JUNE 2007 $'000
Interest earned	**(5)**	(1)	**(881)**	(704)
Less:				
Interest expense	**1,095**	661	**936**	620
Net finance costs	**1,090**	660	**55**	(84)

11 Income tax expense

	Group		Parent	
	30 JUNE 2008 $'000	30 JUNE 2007 $'000	**30 JUNE 2008 $'000**	30 JUNE 2007 $'000
(a) Income tax expense				
Current tax	**-**	-	**-**	-
Deferred tax (Note 18)	**(194)**	1,196	**(158)**	50
	(194)	1,196	**(158)**	50
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit/(Loss) before income tax expense	**(2,055)**	2,371	**53**	1,916
Dividends received	**-**	-	**(2,327)**	(2,350)
Impairment of investments in subsidiaries	**-**	-	**1,742**	240
Other non taxable income	**-**	(988)	**-**	-
Other expenditure not deductible for tax	**37**	31	**6**	-
Profit/(Loss) subject to tax	**(2,018)**	1,414	**(526)**	(194)
Tax at the New Zealand tax rate of 33%	**(666)**	466	**(173)**	(64)
Underestimation in prior year	**(99)**	393	**-**	-
Difference due to overseas tax rates	**53**	11	**-**	-
Effect of change in tax rate from 33% to 30% on deferred tax balance	**100**	215	**15**	114
Current year tax losses in Australia not recognised	**418**	111	**-**	-
Income tax expense/(credit)	**(194)**	1,196	**(158)**	50

The weighted average applicable tax rate was 33% (2007: 33%).

(c) Unrecognised deferred tax balances

At 30 June 2008 there were $3,138,000 (2007: $1,700,000) of unrecognised tax losses, representing a tax benefit of $941,000 (2007: $510,000)

Unrecognised deferred tax balances represent tax losses in Australia that have not been recognised due to the availability of these losses being subject to confirmation from the Inland Revenue Department and to the companies in the Group satisfying statutory requirements to carry forward and utilise the losses.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

(d) Imputation credit account

	Group		Parent	
	30 JUNE 2008	30 JUNE 2007	**30 JUNE 2008**	30 JUNE 2007
	$'000	$'000	**$'000**	$'000
Balance at the beginning of the year	**-**	1	-	1
Tax payments, net of refunds	**-**	(1)	-	(1)
Credits attached to interest received	**-**	-	-	-
Balance at end of the year	**-**	-	-	-
Credits available to shareholders of the company	**-**	-	-	-

12 Cash and bank balances

	Group		Parent	
	30 JUNE 2008	30 JUNE 2007	**30 JUNE 2008**	30 JUNE 2007
	$'000	$'000	**$'000**	$'000
Cash at bank and in hand	232	198	102	16
Cash and cash equivalents per balance sheet	232	198	102	16
Less bank overdraft	-	(281)	-	-
Cash and cash equivalents per cash flow statement	232	(83)	102	16

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

13 Accounts receivable, other debtors and prepayments

	Group		Parent	
	30 JUNE 2008 $'000	30 JUNE 2007 $'000	30 JUNE 2008 $'000	30 JUNE 2007 $'000
Trade receivables	**3,566**	3,558	**-**	-
Construction contract receivables	**4,528**	4,843	**-**	-
Provision for doubtful receivables	**(237)**	(121)	**-**	-
Total accounts receivable	**7,857**	8,280	**-**	-
Amounts due from subsidiaries (Note 30)	**-**	-	**90**	192
Proceeds of sale of property	**-**	3,884	**-**	-
Other sundry receivables	**240**	69	**-**	1
Total other debtors	**240**	3,953	**90**	193
Prepayments	**605**	213	**7**	2
Total other debtors and prepayments	**845**	4,166	**97**	195
Impairment provision				
Provision for doubtful debts at 1 July	**(121)**	(94)	**-**	-
Increase in provision	**(159)**	(148)	**-**	-
Business acquisitions	**(23)**	-	**-**	-
Bad debts written off	**66**	121	**-**	-
Provision for doubtful debts at 30 June	**(237)**	(121)	**-**	-
Past due and impaired receivables				
Impaired receivables				
1 to 3 months	**124**	50	**-**	-
3 to 6 months	**113**	71	**-**	-
	237	121	**-**	-
Past due but not impaired receivables				
Up to 3 months	**5,820**	6,372	**-**	-
3 to 6 months	**1,191**	566	**-**	-
	7,011	6,938	**-**	-

All trade and other receivables are expected to mature within 12 months of balance date. Management consider that receivables past due, but not impaired, are fully collectible in the ordinary course of business.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

14 Derivative financial instruments

	Group		Parent	
	30 JUNE 2008 $'000	30 JUNE 2007 $'000	**30 JUNE 2008 $'000**	30 JUNE 2007 $'000
Forward foreign exchange contracts				
Assets	**8**	-	**-**	-
Liabilities	**-**	(61)	**-**	-
Expected maturity				
Within 12 months	**8**	(61)	**-**	-
Later than 12 months	**-**	-	**-**	-

The Group enters into forward foreign exchange rate contracts to hedge foreign currency risk exposures on trade accounts receivable and accounts payable.

At balance date the Group held 4 (2007: 15) forward foreign exchange contracts, for a total notional amount of $385,000 (2007: $3,762,000).

15 Inventories

	Group		Parent	
	30 JUNE 2008 $'000	30 JUNE 2007 $'000	**30 JUNE 2008 $'000**	30 JUNE 2007 $'000
Raw materials and components	**3,301**	2,523	**-**	-
Contract work in progress	**7,587**	8,131	**-**	-
Less: progressive billings	**(5,924)**	(5,994)	**-**	-
	1,663	2,137	**-**	-
Finished goods	**5,590**	4,153	**-**	-
Total inventories	**10,554**	8,813	**-**	-

During the year inventories amounting to $92,000 (2007: $63,000) were written down as impaired.

Certain inventories in New Zealand are subject to restriction of title, either as a consequence of suppliers registering an interest under the Personal Property Securities Act 1999 or through the operation of Romalpa Clauses. Inventories are also subject to security in connection with bank borrowings, as disclosed in Note 21.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

16 Property, plant and equipment

Group	Freehold land	Buildings	Plant and equipment	Total
	$'000	$'000	$'000	$'000
At 1 July 2006				
Cost/Valuation	2,340	4,761	12,020	19,121
Accumulated depreciation	-	(146)	(6,325)	(6,471)
Net book value	2,340	4,615	5,695	12,650
Year ended 30 June 2007				
Opening net book amount	2,340	4,615	5,695	12,650
Additions	-	181	1,468	1,649
Depreciation	-	(149)	(787)	(936)
Disposals	(905)	(1,880)	(13)	(2,798)
Closing net book amount	1,435	2,767	6,363	10,565
At 1 July 2007				
Cost/Valuation	1,435	2,943	13,410	17,788
Accumulated depreciation	-	(176)	(7,047)	(7,223)
Net book value	1,435	2,767	6,363	10,565
Year ended 30 June 2008				
Opening net book amount	1,435	2,767	6,363	10,565
Additions	-	-	656	656
Business acquisitions (note 26)	-	-	259	259
Effect of exchange rate movements	-	-	67	67
Depreciation	-	(92)	(886)	(978)
Disposals	-	-	(211)	(211)
Closing net book amount	1,435	2,675	6,248	10,358
At 30 June 2008				
Cost/Valuation	1,435	2,943	14,051	18,429
Accumulated depreciation	-	(268)	(7,803)	(8,071)
Net book value	1,435	2,675	6,248	10,358

All land and buildings were revalued to fair value on 30 June 2005. The values were determined by independent registered valuers, Telfer Young (Canterbury) Limited and Telfer Young (Taranaki) Limited, on the basis of open market value for the highest and best use for the properties.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

The property at 53 Lunns Road, Christchurch is subject to a registered first charge in favour of Westpac New Zealand Limited. The net book value of this property is $2,832,000 (2007: $2,894,000).

Included in plant and equipment are assets with a cost of $216,000 (2007: Nil) and a net book value of $195,000 (2007: Nil), which are subject to hire purchase agreements.

If land and buildings were held at historic cost, the following amounts would be recognised:

	30 JUNE 2008 $'000	30 JUNE 2007 $'000
Cost	**2,924**	2,924
Accumulated depreciation	**(244)**	(160)
Net book value	**2,680**	2,764

Parent	**Plant and equipment** $'000
At 1 July 2006	
Cost	-
Accumulated depreciation	-
Net book value	-
Year ended 30 June 2007	
Opening net book amount	-
Additions	3
Depreciation	(1)
Disposals	-
Closing net book amount	2
At 1 July 2007	
Cost	3
Accumulated depreciation	(1)
Net book value	2
Year ended 30 June 2008	
Opening net book amount	2
Additions	-
Depreciation	(1)
Disposals	-
Closing net book amount	1
At 30 June 2008	
Cost	3
Accumulated depreciation	(2)
Net book value	1

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

17 Intangible assets

	Group		Parent	
	30 JUNE 2008 $'000	30 JUNE 2007 $'000	30 JUNE 2008 $'000	30 JUNE 2007 $'000
Goodwill				
Cost	**5,387**	1,855	**-**	-
Impairment charges	**-**	-	**-**	-
Net book amount	**5,387**	1,855	**-**	-
Opening balance	**1,855**	-	**-**	-
Business acquisitions (note 26)	**3,141**	1,884	**-**	-
Effect of movement in exchange rate	**391**	(29)	**-**	-
Impairment charge	**-**	-	**-**	-
Closing balance	**5,387**	1,855	**-**	-
Acquired patents, trademarks and licences				
Cost	**357**	251	**-**	-
Accumulated amortisation and impairment charges	**(108)**	(52)	**-**	-
Net book amount	**249**	199	**-**	-
Opening balance	**199**	110	**-**	-
Business acquisitions (note 26)	**72**	43	**-**	-
Additions	**29**	72	**-**	-
Effect of movement in exchange rate	**6**	(1)	**-**	-
Impairment charge	**(27)**	-	**-**	-
Amortisation	**(30)**	(25)	**-**	-
Closing balance	**249**	199	**-**	-
Development assets				
Cost	**2,200**	1,734	**-**	-
Accumulated amortisation and impairment charges	**(368)**	(260)	**-**	-
Net book amount	**1,832**	1,474	**-**	-
Opening balance	**1,474**	719	**-**	-
Business acquisitions	**-**	503	**-**	-
Additions	**481**	509	**-**	-
Development grants received	**(87)**	(25)	**-**	-
Effect of movement in exchange rate	**72**	(8)	**-**	-
Impairment charge	**(90)**	(205)	**-**	-
Amortisation	**(18)**	(19)	**-**	-
Closing balance	**1,832**	1,474	**-**	-
Total intangible assets	**7,468**	3,528	**-**	-

An amortisation period of five years has been adopted in respect of development assets completed and commercialised.

The amortisation period for patents is the life of the patent, generally 20 years.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

Goodwill impairment test

Goodwill is allocated to the Group's cash-generating units (CGUs) generally being the subsidiary or business segment to which the goodwill relates. A summary of the goodwill allocation is presented below.

	30 JUNE 2008	30 JUNE 2007
	$'000	$'000
Mercer Stainless Limited	**2,699**	-
Inmotion Engineering Pty Limited	**2,688**	1,855
	5,387	1,855

The goodwill allocated to Mercer Stainless Limited relates to the acquisition and subsequent integration of Duratech Wholesale Limited in 2008. The goodwill allocated to Inmotion Engineering Pty Limited relates to the acquisition of the Inmotion Engineering Pty business in 2007.

On an annual basis, the recoverable amount of the goodwill is determined based on value in use calculations for each cash generating unit that the intangible relates to. These calculations use cash flow projections based on management forecast to June 2009. Cash flows beyond June 2009 for Duratech Wholesale Limited are extrapolated for five years using the estimated growth rates at 5% (2007: 5%). Growth rates for Inmotion Engineering Pty Limited are based on the business plan for 2 years and 12% for subsequent years reflecting the commercialisation of existing products (2007 12%). The discount rate used is the industry averaged weighted cost of capital of 13% (2007: 13%).

18 Deferred tax asset

	Property Revaluation	Other Temporary Differences	Tax Losses	Total
	$'000	$'000	$'000	$'000
Group				
Balance at 1 July 2006	(436)	910	3,182	3,656
Amounts charged to equity	50	-	-	50
Amounts charged to the income statement (Note 11)	-	(220)	(976)	(1,196)
Balance at 30 June 2007	(386)	690	2,206	2,510
Balance at 1 July 2007	(386)	690	2,206	2,510
Business acquisitions (note 26)	-	50	-	50
Amounts credited to the income statement (Note 11)	11	82	101	194
Balance at 30 June 2008	(375)	822	2,307	2,754

Other Temporary Differences arise from provisions for working capital. $295,000 (2007: $660,000) of the deferred tax asset is expected to be realised over the next 12 months.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

	Property Revaluation	Other Temporary Differences	Tax Losses	Total
	$'000's	$'000's	$'000's	$'000's
Parent				
Balance at 1 July 2006	-	-	1,186	1,186
Amounts charged to equity	-	-	-	-
Amounts (credited) to the income statement	-	-	(50)	(50)
Balance at 30 June 2007	-	-	1,136	1,136
Balance at 1 July 2007	-	-	1,136	1,136
Amounts charged to equity	-	-	-	-
Amounts charged to the income statement	-	-	158	158
Balance at 30 June 2008	-	-	1,294	1,294

$Nil (2007: $Nil) is expected to be recovered over the next 12 months.

19 Investment in subsidiaries

Name of entity	Activities	Equity holding	
		30 JUNE 2008	30 JUNE 2007
Mercer Stainless Limited	Manufacturer and supplier of stainless steel	100%	100%
Mercer Technologies Limited	Manufacturer and supplier of specialist services	100%	100%
Mercer Middle East Limited	Distributor of medical equipment and products	100%	100%
Mercer Products Pty Limited	Distributor of sinks for the kitchen, bathroom and laundry	100%	100%
Inmotion Engineering Pty Limited	Manufacturer and supplier of conveyors owned	74.74%	74.74%
HE Perry Limited	Distributor of photographic equipment	100%	100%
Duratech Wholesale Limited	Distributor of sinks, laminate and other products for the kitchen, bathroom and laundry	100%	-

All subsidiaries have a 30 June balance date and the shares held in the subsidiaries are classed as ordinary.

All subsidiaries are located in New Zealand with the exception of Mercer Middle East Limited, which is a New Zealand company with its activities located in United Arab Emirates and Mercer Products Pty Limited and Inmotion Engineering Pty Limited, which are located in Australia.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

The Parent company's investment in subsidiary companies comprise:

	30 JUNE 2008 $'000	30 JUNE 2007 $'000
Shares at cost	**17,844**	15,556
Less impairment	**12,704**	12,412
	5,140	3,144
Advances to subsidiaries (Note 30(f))	**25,426**	24,506
Less impairment	**2,129**	678
	23,297	23,828
	28,437	26,972

Investments in subsidiaries are recorded at cost less impairment charges. During the year the investments in Mercer Technologies Limited and HE Perry Limited were impaired by $1.8m (2007 - $0.2m) due to reduced profitability and a restructuring of Mercer Technologies Limited. The impairment testing was based on an assessment of value in use and fair value for each of the above companies, each being cash generating units.

The value in use has been determined using cash flow projections. These calculations use cash flow projections based on management forecast to June 2009. Cash flows beyond June 2009 for HE Perry are extrapolated using the estimated growth rates at 5% (2007: 5%). The discount rate used is the industry averaged weighted cost of capital of 13% (2007: 13%). The fair value of Mercer Technologies Limited has been calculated as the carrying amount of the net assets based on forecast profitability and current restructuring of the subsidiary.

20 Trade and other payables

	Group		Parent	
	30 JUNE 2008 $'000	30 JUNE 2007 $'000	30 JUNE 2008 $'000	30 JUNE 2007 $'000
Trade creditors	**6,777**	5,906	**-**	-
Sundry creditors and accruals	**1,858**	1,289	**233**	70
Deferred consideration	**381**	743	**-**	-
Total creditors and accruals	**9,016**	7,938	**233**	70

All trade and other payables are expected to mature within 12 months after balance date.

Deferred consideration is the additional amount payable for the purchase of the Inmotion Engineering Pty Limited business. An agreement has been reached after the balance date for a subsidiary to acquire the minority shareholder's interest in Inmotion Engineering Pty Limited. Consideration for the purchase will be 530,000 Broadway Industries Limited shares. The amount showing as deferred consideration is the 530,000 shares valued at $0.718 per share (Refer Note 31).

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

21 Borrowings

	Group		Parent	
	30 JUNE 2008	30 JUNE 2007	**30 JUNE 2008**	30 JUNE 2007
	$'000	$'000	**$'000**	$'000
Bank loans	**13,051**	10,853	**12,327**	10,853
Hire purchase agreements	**240**	-	**-**	-
Advances from directors and shareholders	**750**	-	**750**	-
Advances from subsidiaries	**-**	-	**230**	827
Total interest bearing liabilities	**14,041**	10,853	**13,307**	11,680
Total borrowings	**14,041**	10,853	**13,307**	11,680
Expected maturity				
Within one year	**13,849**	4,780	**13,307**	5,607
Later than one year	**192**	6,073	**-**	6,073
	14,041	10,853	**13,307**	11,680

Bank loans

Bank loans are secured by a composite debenture over the Group's assets, supported by a registered first charge over the Christchurch property. Hire purchase loans are secured by a registered charge over the assets purchased.

Bank loans at 30 June 2008 include:

- $830,000 outstanding on a five year wholesale term loan which expires on 20 July 2010 with monthly repayments on $31,667 per month. Interest rates on the loan varied within the range 9.7% to 10.4% (2007: 8.9 to 9.7%);
- $3,350,000 outstanding on a wholesale term loan for the purchase of Duratech Wholesale Limited which is due for repayment 31 October 2008. The interest rate on this loan was 11.15%;
- $170,000 outstanding on hire purchase loans for the purchase of plant and equipment with monthly repayments of AUD 1,982 until 8 October 2012. The interest rate on this loan was 9%;
- $70,000 outstanding on hire purchase loans for the purchase of plant and equipment with monthly repayments of AUD 1,205 until 8 October 2011. The interest rate on this loan was 8%;
- $723,000 outstanding under a trade finance facility repayable on demand. Interest rates on the loan varied depending on the currency of the drawdown.

The remaining bank loans comprise drawdowns under a multi option credit facility of $8.35 million. The facility reduces to $6.6 million on 30 September 2008 and terminates on 31 July 2009, but can be extended by the Bank. The interest rate on these facilities varied within the range of 8.85% to 9.74% for NZD drawdowns and 8.6% for AUD denominated drawidowns (2007: 8.1% to 9.7%).

The advances from directors and shareholders are unsecured and are repayable on the completion of the company's rights issue on the day that applications close, but otherwise on demand. Interest is payable on the advances at 12%.

Bank overdrafts

Bank overdrafts are secured by a composite debenture over the Group's assets supported by a registered first charge over a property.

Bank covenants

The Group is subject to covenants in relation to bank borrowings noted above. As detailed in Note 4(e), certain covenants were not met during the year and are forecast not to be met for certain dates during the year ending 30 June 2009. As a result, the above borrowings have been classified as current.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

Hire Purchase Agreements

The total minimum lease payments at 30 June under hire purchase agreements were as follows:

	Group		Parent	
	2008	2007	**2008**	2007
	$'000	$'000	**$'000**	$'000
Less than one year	**48**	-	**-**	-
Between two and five years	**192**	-	**-**	-
Over five years	**-**	-	**-**	-
Present value of liability	**240**	-	**-**	-
Add future interest	**44**	-	**-**	-
Total minimum lease payments	**284**	-	**-**	-

22 Contributed equity

	Shares		$000	
Parent and Group	**30 JUNE 2008**	30 JUNE 2007	**30 JUNE 2008**	30 JUNE 2007
Issued and fully paid up capital	**19,553,843**	19,553,843	**13,425**	13,425
Balance at beginning of the year	**19,553,843**	19,553,843	**13,425**	13,425
Shares issued during the year	**-**	-	**-**	-
Balance at end of year	**19,553,843**	19,553,843	**13,425**	13,425

All ordinary shares are authorised and rank equally with one vote attached to each fully paid ordinary share. Shares have no par value.

23 Other reserves

	Group		Parent	
	30 JUNE 2008	30 JUNE 2007	**30 JUNE 2008**	30 JUNE 2007
	$'000	$'000	**$'000**	$'000
Foreign currency translation reserve				
Balance at beginning of the year	**(452)**	(267)	**-**	-
Net exchange difference on translation of overseas subsidiaries	**139**	(185)	**-**	-
Balance at the end of the year	**(313)**	(452)	**-**	-
Asset revaluation reserve				
Balance at beginning of the year	**1,126**	1,888	**-**	-
Revaluation increases during the year	**-**	-	**-**	-
Transfer to retained earnings	**137**	(762)	**-**	-
Balance at the end of the year	**1,263**	1,126	**-**	-
Retained earnings				
Balance at beginning of the year	**3,960**	2,805	**3,150**	2,066
Profit/(loss) for the year	**(1,861)**	1,175	**211**	1,866
Dividends paid	**(391)**	(782)	**(391)**	(782)
Transfer from asset revaluation reserve	**(137)**	762	**-**	-
Balance at the end of the year	**1,571**	3,960	**2,970**	3,150

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations into New Zealand dollars. The revaluation reserve comprises all movements in the fair value of those assets that are carried at revalued amounts.

There are no restrictions on distribution of reserves.

24 Dividends

	Total dividend		Dividend per share	
	30 JUNE 2008 $'000	30 JUNE 2007 $'000	**30 JUNE 2008 Cents**	30 JUNE 2007 Cents
Dividend paid on 26th October 2007 (2007: 27th October 2006).	**391**	391	**2**	2
No Interim dividend paid April 2008 (2007: 27th April 2007).	**-**	391	**-**	2

25 Reconciliation of profit after taxation with cash generated from operating activities

	Group		Parent	
	30 JUNE 2008 $'000	30 JUNE 2007 $'000	**30 JUNE 2008 $'000**	30 JUNE 2007 $'000
Net Profit/(Loss) after tax:	**(1,861)**	1,175	**211**	1,866
Items not involving cash flows				
Depreciation	**978**	936	**1**	1
Amortisation of intangible assets	**48**	44	**-**	-
Impairment of patents and development assets	**117**	205	**-**	-
Deferred tax	**(194)**	1,196	**(158)**	50
Impairment of subsidiaries	**-**	-	**1,743**	240
Dividend from subsidiaries	**-**	-	**(2,327)**	(2,350)
Other non cash items	**(61)**	137	**-**	-
	888	2,518	**(741)**	(2,059)
Items classified as investing activities:				
(Gain) loss on sale of property, plant and equipment, and investments	**12**	(1,085)	**-**	-
Changes in working capital:				
Trade creditors and accruals	**828**	3,331	**163**	5
Trade debtors and prepayments	**543**	(2,487)	**98**	(27)
Inventory	**(1,067)**	(4,461)	**-**	-
Other	**3**	-	**-**	-
Net cash outflow from operating activities	**(654)**	(1,009)	**(269)**	(215)

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

26 Business combinations

	Group		Parent	
	30 JUNE 2008 $'000	30 JUNE 2007 $'000	30 JUNE 2008 $'000	30 JUNE 2007 $'000
Cash Flow – Purchase of subsidiaries and business				
Duratech Wholesale Limited	**3,396**	-	**3,396**	-
Inmotion Engineering Pty	**163**	2,244	**-**	-
	3,559	2,244	**3,396**	-
Goodwill – Note 17				
Duratech Wholesale Limited	**2,699**	-	**-**	-
Inmotion Engineering Pty	**442**	1,884	**-**	-
	3,141	1,884	**-**	-

(a) Acquisition of Duratech Wholesale Limited

On 2 April 2008, the company acquired all the shares in Duratech Wholesale Limited. Duratech Wholesale Limited is an importer and distributor of kitchen sinks, laminate and solid surface material. The purchase price was $3.35 million and capitalised costs amounted to $46,000.

The after tax profit of Duratech Wholesale Limited for the period from acquisition date to balance date was $99,000. The revenue of Duratech for the same period was $1,554,000. It is impractical to estimate the contribution from Duratech Wholesale Limited from 1 July 2007, assuming the acquisition had occurred on that date, because significant organisational change and cost restructuring would have been implemented so that the benefits of the acquisition would be maximised.

Details of net assets acquired and goodwill are as follows:

Purchase Consideration	$'000
Cash paid	3,350
Additional acquisition costs	46
Total Consideration	3,396
Fair value of assets acquired	697
Goodwill	2,699

The assets and liabilities arising from the acquisition are as follows:

	Acquiree's Carrying Amount $'000	Fair Value $'000
Trade and other receivables	817	764
Inventory	1,503	1,490
Property, plant and equipment	398	259
Trademarks and patents	73	72
Deferred tax	-	50
Cash and cash equivalents	(652)	(652)
Bank loan – Trade Finance facility	(527)	(527)
Creditors and accruals	(624)	(693)
Tax payable	(28)	(66)
Net assets acquired	960	697

Goodwill relates to the future profitability of Duratech Wholesale Limited and synergy benefits with other group subsidiaries.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

(b) Acquisition of Inmotion Engineering Pty business

Inmotion Engineering Pty was acquired 15 June 2007. Additional acquisition related costs were incurred during the financial year ended 30 June 2008 and these have been included as total consideration payable. Goodwill recognised at 30 June 2007 required adjustment to reflect the fair value assessment undertaken following the acquisition which resulted in a reduction to contract work in progress balances. It was agreed after balance date for a subsidiary to acquire the minority shareholder's interest in Inmotion Engineering Pty Limited. The consideration for the acquisition of the minority interest exceeded the estimated deferred consideration recorded on the balance sheet at 30 June 2007 resulting in a reduction in the purchased goodwill amount.

Details of net assets acquired and goodwill are as follows:

Purchase Consideration	$000
Additional acquisition costs	163
Total Consideration in this period	163
Adjustment to reduce fair value of contract work in progress acquired	749
Adjustment to deferred consideration arising from agreement to acquire minority interest	(470)
Additional goodwill	442

27 Earnings per share

Basic and diluted

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

	30 JUNE 2008	30 JUNE 2007
Profit/(Loss) attributable to equity holders of the Company ($'000)	(1,861)	1,175
Weighted average number of ordinary shares in issue (thousands)	19,554	19,554
Basic earnings/(deficit) per share – cents	(9.52 cents)	6.01 cents

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

28 Contingencies

Contingent liabilities

	Group		Parent	
	30 JUNE 2008 $'000	30 JUNE 2007 $'000	30 JUNE 2008 $'000	30 JUNE 2007 $'000
Guarantee to bankers of bank overdraft facilities for subsidiaries to a limit of	-	-	2,500	1,000
Guarantees to bankers for bank guarantees issued to third parties from which it is anticipated that no material liabilities will arise	983	899	983	899
Guarantees to third parties from which it is anticipated that no material liabilities will arise.	75	100	75	100
	1,058	999	3,558	1,999

A claim for damages was lodged against a subsidiary company in respect of equipment supplied in 2003. The company disputes the claim and have responded accordingly. Legal advisors consider it unlikely that any liability will arise in respect of this claim. There are no other legal claims outstanding.

29 Commitments

	Group		Parent	
	30 JUNE 2008 $'000	30 JUNE 2007 $'000	30 JUNE 2008 $'000	30 JUNE 2007 $'000
Capital commitments				
Estimated commitments contracted for at balance date but not provided for	-	-	-	-
Operating lease commitments				
Non-cancellable				
Commitments for minimum lease payments in relation to non cancellable operating leases are payable as follows				
Within one year	1,138	699	-	-
Later than one year but not later than five years	3,497	1,438	-	-
Later than five years	1,021	947	-	-
	5,656	3,084	-	-

The Group leases premises and plant and equipment. Operating leases held over properties give the Group the right to renew the lease subject in certain circumstances to a rent review by the lessor. There are no renewal options or options to purchase in respect of plant and equipment held under operating lease.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

30 Related party transactions

(a) Directors

The names of persons who were directors of the company at any time during the financial year are as follows: IF Farrant, SB Heal, P Hewitson, HJD Rolleston.

(b) Key management personnel compensation

Key management personnel compensation for the year ended 30 June 2008 and the year ended 30 June 2007 is set out below. The key management personnel are all the directors of the company and the executives with the greatest authority for the strategic direction and management of the company.

	Group		Parent	
	30 JUNE 2008	30 JUNE 2007	**30 JUNE 2008**	30 JUNE 2007
	$'000	$'000	**$'000**	$'000
Short term benefits	**395**	351	160	137
Total	**395**	351	**160**	137

(c) Transactions with key management personnel

During the year certain directors and shareholders advanced loans to the company as follows:

	Principal	Interest	Total
	$'000	$'000	$'000
AJ Hubbard	450	16	416
HJD Rolleston	150	6	156
IF Farrant	100	4	104
P Hewitson	100	4	104

The loans are repayable from the proceeds of the rights issue detailed on note 31. The loans are unsecured and interest is payable at 12%. No interest was paid during the year ended 30 June 2008 (2007: Nil).

Other than the payment of directors fees to directors and the payment of employee remuneration to the Chief Executive, disclosed in note 30(b) above, there were no transactions with key management personnel.

(d) Transactions with other related parties

	Group		Parent	
	30 JUNE 2008	30 JUNE 2007	**30 JUNE 2008**	30 JUNE 2007
	$'000	$'000	**$'000**	$'000
Income				
Management fees received	-	-	-	130
Dividends received	-	-	**2,327**	2,350
Expenses				
Interest charged to subsidiaries	-	-	**881**	704
Accounting fees incurred	-	-	**100**	100
Cash flows				
Advances to subsidiaries	-	-	**12,628**	14,383
Repayments from subsidiaries	-	-	**14,600**	9,768
Operating receipts from subsidiaries			**1,003**	1,099
Operating payments to subsidiaries	-	-	**112**	478

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

(e) Outstanding balances with other related parties

Subsidiaries				
Advances owed from subsidiaries	-	-	25,426	24,506
Advances owed to subsidiaries	-	-	230	827
Trade receivables owed by subsidiaries	-	-	90	192

No amounts have been written off or forgiven during the year. (2007: Nil).

(f) Terms and conditions of related party transactions

Subsidiary advances

Advances due to and from subsidiaries are unsecured and repayable on demand. However, at balance date the parent company had no intention to demand repayment within the next 12 months. The interest rate applicable in the twelve month period to 30 June 2008 was 9.5% (2007: 9%).

31 Events after balance date

Business acquisition

After balance date but before the financial statements were issued, the Group entered into a conditional agreement to acquire all the shares in Lacklands Limited. The agreement is conditional on the Broadway Industries board of directors deciding at their discretion to approve and complete the transaction.

Lacklands Limited is an importer and distributor of photographic equipment and related products. The purchase price is $5.5 million, payable in cash. The agreement provides that the purchase price reduces by $1 for every $1 that the net assets of Lacklands Limited at settlement are below $4.3 million. Accordingly the goodwill amount is capped at $1.2 million.

Rights Issue

After balance date but before the financial statements were issued, the Directors announced that the Company will be undertaking a renounceable 1:1 rights issue, priced at 40 cents per share. On the assumption that all the rights are taken up, the Company will receive an $8 million capital injection. The Investment Statement and Entitlement and Acceptance form are expected to be mailed out to shareholders in late September 2008 and applications will close late October 2008.

Purchase of minority interest

After balance date but before the financial statements were issued, the Directors agreed to purchase the 25.26% minority interest in Inmotion Engineering Pty Limited. The consideration for the purchase will be the issue of 530,000 Broadway Industries Limited shares.

New borrowing

After balance date but before the financial statements were issued the Company received an offer of a $2 million working capital loan from South Canterbury Finance Limited. An NZX waiver was sought and given because the lender is connected with Mr A J Hubbard, a substantial security holder of the Company. The Company will accept the loan offer. The loan will be repaid out of rights issue proceeds.

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

32 Explanation of transition to New Zealand equivalents to IFRS

(a) Reconciliation of profit for the year ended 30 June 2007

		Group			Parent		
		NZ FRS	Effect of transition TO NZ IFRS	NZ IFRS	NZ FRS	Effect of transition TO NZ IFRS	NZ IFRS
	Note	**$000**	**$000**	**$000**	**$000**	**$000**	**$000**
Revenue							
Sale of goods and contract revenue		46,718	-	46,718	-	-	-
Other income		1,192	-	1,192	2,480	-	2,480
Total income		47,910	-	47,910	2,480	-	2,480
Expenses							
Cost of inventory sold		27,071	-	27,071	-	-	-
Salaries and wages		9,728	-	9,728	-	-	-
Rental and operating leases		644	-	644	-	-	-
Depreciation and amortisation	*(e)(i)*	1,140	(160)	980	1	-	1
Other expenses	*(e)(ii)(v)*	6,372	84	6,456	936	(289)	647
Profit before finance costs		2,955	76	3,031	1,543	289	1,832
Finance income		(1)	-	(1)	(704)	-	(704)
Finance costs		661	-	661	620	-	620
Finance costs – net		660	-	660	(84)	-	(84)
Profit before income tax		2,295	76	2,371	1,627	289	1,916
Income tax expense	*(e)(iii)*	1,224	(28)	1,196	50	-	50
Profit for the period attributable to shareholders of the company		1,071	104	1,175	1,577	289	1,866

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

(b) Reconciliation of equity at 1 July 2006 – Opening balance sheet

		Group			Parent		
		NZ FRS	Effect of transition TO NZ IFRS	NZ IFRS	NZ FRS	Effect of transition TO NZ IFRS	NZ IFRS
	Note	$000	$000	$000	$000	$000	$000
ASSETS							
Current assets							
Cash and bank balances		52	-	52	61	-	61
Accounts receivable		5,264	-	5,264	-	-	-
Other debtors and prepayments		473	-	473	167	-	167
Derivative financial instruments		-	23	23	-	-	-
Taxation refund		5	-	5	5	-	5
Inventories		3,731	-	3,731	-	-	-
Total current assets		9,525	23	9,548	233	-	233
Non current assets							
Property, plant and equipment		12,650	-	12,650	-	-	-
Intangible assets	*(e)(i)*	1,203	(374)	829	-	-	-
Deferred tax asset	*(e)(iii)*	4,100	(444)	3,656	1,186	-	1,186
Investment in subsidiaries	*(e)(i)*	-	-	-	19,988	(341)	19,647
Total non current assets		17,953	(818)	17,135	21,174	(341)	20,833
Total assets		27,478	(795)	26,683	21,407	(341)	21,066
LIABILITIES							
Current liabilities							
Bank overdraft		33	-	33	-	-	-
Creditors and accruals		2,764	-	2,764	65	-	65
Employee entitlements		752	-	752	-	-	-
Derivative financial instruments		-	-	-	-	-	-
Borrowings		380	-	380	607	-	607
Total current liabilities		3,929	-	3,929	672	-	672
Non current liabilities							
Borrowings		4,903	-	4,903	4,903	-	4,903
Total non current liabilities		4,903	-	4,903	4,903	-	4,903
Total liabilities		8,832	-	8,832	5,575	-	5,575
Net assets		18,646	(795)	17,851	15,832	(341)	15,491
EQUITY							
Contributed equity		13,425	-	13,425	13,425	-	13,425
Other reserves		4,730	(3,109)	1,621	199	(199)	-
Retained earnings		491	2,314	2,805	2,208	(142)	2,066
Total equity		18,646	(795)	17,851	15,832	(341)	15,491

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

(c) Reconciliation of equity at 30 June 2007

		Group			Parent		
		NZ FRS	Effect of transition TO NZ IFRS	NZ IFRS	NZ FRS	Effect of transition TO NZ IFRS	NZ IFRS
	Note	$000	$000	$000	$000	$000	$000
ASSETS							
Current assets							
Cash and bank balances		198	-	198	16	-	16
Accounts receivable		8,280	-	8,280	-	-	-
Other debtors and prepayments		4,166	-	4,166	195	-	195
Derivative financial instruments		-	-	-	-	-	-
Taxation refund		5	-	5	4	-	4
Inventories		8,813	-	8,813	-	-	-
Total current assets		21,462	-	21,462	215	-	215
Non current assets							
Property, plant and equipment		10,565	-	10,565	2	-	2
Intangible assets	32(e) (i)(iv)	3,742	(214)	3,528	-	-	-
Deferred tax asset		2,876	(366)	2,510	1,136	-	1,136
Investment in subsidiaries	32(e)(i)	-	-	-	27,024	(52)	26,972
Total non current assets		17,183	(580)	16,603	28,162	(52)	28,110
Total assets		38,645	(580)	38,065	28,377	(52)	28,325
LIABILITIES							
Current liabilities							
Bank overdraft		281	-	281	-	-	-
Creditors and accruals		7,195	743	7,938	70	-	70
Employee entitlements		873	-	873	-	-	-
Derivative financial instruments		-	61	61	-	-	-
Borrowings		4,780	-	4,780	5,607	-	5,607
Total current liabilities		13,129	804	13,933	5,677	-	5,677
Non current liabilities							
Borrowings		6,816	(743)	6,073	6,073	-	6,073
Total non current liabilities		6,816	(743)	6,073	6,073	-	6,073
Total liabilities		19,945	61	20,006	11,750	-	11,750
Net assets		18,700	(641)	18,059	16,627	(52)	16,575
EQUITY							
Contributed equity		13,425	-	13,425	13,425	-	13,425
Other reserves		3,733	(3,059)	674	199	(199)	-
Retained earnings		1,542	2,418	3,960	3,003	147	3,150
Total equity		18,700	(641)	18,059	16,627	(52)	16,575

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

(d) There were no significant changes to the statement of cash flows on transition to New Zealand Equivalents to International Financial Reporting Standards

(e) Notes to the reconciliations

(i) Goodwill (Group) and investment in subsidiaries (Parent)

Goodwill had been tested for impairment at 1 July 2006. Goodwill was allocated to CGU's for the purpose of impairment testing. Each of those CGU's represented the Group's investment in each productive unit of operation by either subsidiary or primary reporting segment. An impairment has been identified in investment in Mercer Technologies Limited and the related goodwill written off to the Income Statement.

The recoverable amount of CGU's was determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by management covering a five-year period.

Management determined the budgeted gross margin based on past performance and its expectations for market development. The weighted average growth rates used are consistent with the forecast included in industry reports.

Under previous GAAP, intangible assets expected to benefit future periods were recorded at cost, adjusted by amortisation on a straight-line basis over the period expected to benefit. The amortisation of Goodwill since the date of transition has been added back.

	30 JUNE 2007	30 JUNE 2006
	$'000	$'000
Group	(214)	(374)
Parent	(52)	(341)

(ii) Derivatives

Under NZ IFRS the fair value of derivative financial instruments and the related deferred tax balances have been recognised. These were not recognised under previous FRS.

	30 JUNE 2007	30 JUNE 2006
	$'000	$'000
	(61)	23

(iii) Deferred tax

Deferred tax has been calculated on the revaluation of property and derivative financial instruments. The deferred tax arising on the revaluation of property has been recorded in the asset revaluation reserve. Deferred tax relating to these revaluations was not recognised under previous FRS.

	30 JUNE 2007	30 JUNE 2006
	$'000	$'000
On revaluation of property	(386)	(436)
On derivative financial instruments	20	(8)

Notes to the Financial Statements (continued)

For the year ended 30 June 2008

(iv) As part of the conversion to NZ IFRS, certain balances and reserves have been reclassified consistent with the proposed classification of balances under NZ IFRS as follows:

	30 JUNE 2007 $'000	30 JUNE 2006 $'000
Deferred consideration to other payables	743	-
Other reserves to retained earnings		
Group	2,673	2,673
Parent	199	199

These adjustments have no impact on profit or equity.

(v) Effect on retained earnings

The effect on retained earnings of the above adjustments is as follows

Group	30 JUNE 2007 $'000	30 JUNE 2006 $'000
Reversal of goodwill amortisation and impairment	(214)	(374)
Recognise derivative financial instruments	(61)	23
Deferred tax on derivative financial instruments recognition	20	(8)
Reclassification of other reserves	2,673	2,673
	2,418	2,314

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Auditors' Report

to the shareholders of Broadway Industries Limited

We have audited the financial statements on pages 14 to 59. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2008 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 19 to 27.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 30 June 2008 and their financial performance and cash flows for the year ended on that date.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. It also includes assessing:

(a) the significant estimates and judgements made by the Directors in the preparation of the financial statements; and

(b) whether the accounting policies are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as auditors and providers of other assurance service.

PRICEWATERHOUSECOOPERS

Auditors' Report
Broadway Industries Limited

Proposed Rights Issue

In forming our unqualified opinion, we have considered the adequacy of disclosures made in note 4(e) to the Financial Statements. In order to fund expansion, the Group is committed to undertaking a rights issue during September and October 2008 to raise $8 million of equity funding. However raising these funds is inherently not certain. Having taken into account all available information, the Directors believe that it continues to be appropriate to prepare the financial statements on a going concern basis.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and

(b) the financial statements on pages 14 to 59.

  (i) comply with generally accepted accounting practice in New Zealand;

  (ii) comply with International Financial Reporting Standards; and

  (iii) give a true and fair view of the financial position of the Company and Group as at 30 June 2008 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 12 September 2008 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers.

Chartered Accountants — Auckland