

GARRATT'S LIMITED

ACN 000 003 725

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30 August 2005

Company Announcements Office
Australian Stock Exchange
Level 4
20 Bridge Street
Sydney NSW 2000

Via ASX Online

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ANNOUNCEMENT

PRELIMINARY FINAL RESULTS

In accordance with ASX Listing Rule 4.3A, we attach Appendix 4E (Preliminary Final Report) for the year ended 30 June 2005.

The consolidated loss from operations after income tax was \$2.083 million (2004: \$2.735 million).

The result is after payment of interest and other borrowing costs of \$492,000 (2004: \$572,000) and after expensing \$331,000 of the \$662,000 infrastructure costs deferred in the financial year ended 30 June 2004.

Ian Bloodworth
Company Secretary

Appendix 4E

Preliminary Final Report

Introduced 1/1/2003.

GARRATT'S LIMITED ABN: 95 000 003 725

1.	Financial year ended ('reporting period')	30-Jun-05
	Financial year ended ('previous corresponding period')	30-Jun-04

2. Results for announcement to the market

		\$A'000			
Movements from previous corresponding period					
2.1	Revenues from ordinary activities (<i>item 3.1</i>)	up	0.9%	to	8,699
2.2	Profit (loss) from ordinary activities after tax attributable to members (<i>item 3.6</i>)	up	23.8%	to	(2,083)
		(reduced loss)			
2.3	Net profit (loss) for the period attributable to members (<i>item 3.6</i>)	up	23.8%	to	(2,083)
		(reduced loss)			

Dividends

- 2.4 The Company does not propose to pay dividends in relation to this period.
- 2.5 Record date for dividends: Not applicable

2.6 Explanation of items 2.1 to 2.4 above:

The increase in turnover of 0.9% over the previous year was the net result of an increase in the education business and a fall in the fasteners business. Fee revenue for the education business is up 99% on the previous year. Sales in the fasteners business dropped by 14% reflecting a slowdown in enquires.

The results at items 2.2 & 2.3 are after expensing \$331,000 of the \$662,000 infrastructure costs deferred at 30 June 2004 in the education business. (refer 12.1)

3. Condensed consolidated statement of financial performance

	Reporting period - \$A'000	Previous corresponding period - \$A'000
3.1 Revenues from ordinary activities (<i>see items 3.7 - 3.9</i>)	8,699	8,623
3.2 Expenses from ordinary activities (<i>see item 3.10</i>)	(10,290)	(9,418)
3.3 Borrowing costs	(492)	(572)
3.4 Profit (loss) from ordinary activities before tax	(2,083)	(1,367)
3.5 Income tax benefit/(expense) on ordinary activities	-	(1,368)
3.6 Profit (loss) from ordinary activities after tax	(2,083)	(2,735)

Notes to the condensed consolidated statement of financial performance

Revenue and expenses from ordinary activities

3.7 Revenue from sales or services		
- Sales	6,325	7,343
- Services	2,348	1,180
3.8 Interest revenue	4	9
3.9 Other relevant revenue		
- Other	22	91
3.10 Details of relevant expenses		
- Amortisation of intangibles	192	183
- Depreciation and amortisation - excluding amortisation of intangibles	278	295
- Deferred infrastructure costs expensed	331	-
- Costs of sales	3,281	3,942
- Costs of services	1,223	844
- Employee benefits expense	2,428	2,311
- Insurance	238	198
- Lease rental expense – operating leases	959	848
- Legal expenses	303	212
- Non-executive directors fees	60	58
- Payroll Tax	132	144

4 Condensed consolidated statement of financial position	Reporting period - \$A'000	Previous corresponding period - \$A'000
Current assets		
4.1 Cash	46	173
4.2 Receivables	1,334	1,362
4.3 Inventories	3,185	2,643
4.4 Other		
- Deferred expenses	-	64
- Prepayments	190	149
- Other	1	1
- Deferred infrastructure expenditure (<i>see item 12.1</i>)	331	-
4.5 Total current assets	5,087	4,392
Non-current assets		
4.6 Other property, plant and equipment	1,071	1,267
4.7 Intangibles	2,890	3,082
4.8 Tax assets	-	-
4.9 Other		
- Deferred infrastructure expenditure (<i>see item 12.1</i>)	-	662
4.10 Total non-current assets	3,961	5,011
4.11 Total assets	9,048	9,403
Current liabilities		
4.12 Payables	2,208	1,420
4.13 Interest bearing liabilities	3,430	3,905
4.14 Provisions - excluding tax liabilities	175	161
4.15 Total current liabilities	5,813	5,486
Non-current liabilities		
4.16 Interest bearing liabilities	1,769	2,096
4.17 Total non-current liabilities	1,769	2,096
4.18 Total liabilities	7,582	7,582
4.19 Net assets	1,466	1,821
Equity		
4.20 Capital/contributed equity	12,540	10,812
4.21 Retained profits (accumulated losses)	(11,074)	(8,991)
4.22 Total equity	1,466	1,821

5 Condensed consolidated statement of cash flows	Reporting period - \$A'000	Previous corresponding period - \$A'000
Cash flows related to operating activities		
5.1 Receipts from customers	9,130	9,216
5.2 Payments to suppliers and employees	(9,718)	(9,316)
5.3 Interest received	4	21
5.4 Borrowing costs	(476)	(659)
5.5 Net operating cash flows	(1,060)	(738)
Cash flows related to investing activities		
5.6 Payment for purchases of property, plant and equipment	(30)	(37)
5.7 Proceeds from sale of property, plant and equipment	1	71
5.8 Net investing cash flows	(29)	34
Cash flows related to financing activities		
5.9 Proceeds from borrowings	436	3,299
5.10 Repayment of borrowings	(502)	(2,863)
5.11 Shares issued	1,028	-
5.12 Net financing cash flows	962	436
5.13 Net increase (decrease) in cash held	(127)	(268)
5.14 Cash at beginning of period	173	441
5.15 Cash at end of period	46	173

5.16 **Non-cash financing and investing activities**

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows.

None

5.17 **Reconciliation of cash**

Reconciliation of cash at the end of the period (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

5.18	Reporting period - \$A'000	Previous corresponding period - \$A'000
Cash on hand and at bank (item 5.15)	46	173

6. **Dividends**

No dividends were paid during the reporting period or the previous corresponding period.

7. **Dividend reinvestment plans**

No dividend reinvestment plans were in operation during the reporting period or the previous corresponding period.

8. Statement of retained earnings

	Reporting period - \$A'000	Previous corresponding period - \$A'000
8.1 Retained profits (accumulated losses) at the beginning of the financial period	(8,991)	(6,256)
8.2 Net profit (loss) attributable to members (<i>item 3.6</i>)	(2,083)	(2,735)
8.3 Retained profits (accumulated losses) at end of financial period	(11,074)	(8,991)

9. Net tangible Assets

	Reporting period	Previous corresponding period
Net tangible asset backing per ordinary share	(6.0) cents	(10.6) cents

10. Gain or loss of control over entities

- 10.1 There was no gain of control over any entity during the reporting period.
- 10.2 The liquidations of the following dormant companies which were placed into voluntary liquidation on 11 June 2004 were completed on 2 December 2005.
- Electrodata (Sales) Pty Limited
 - Hanstock Voice Systems Pty Limited
 - Overland Sydney Pty Limited
 - Sandomir Pty Limited

11. Associates and joint venture entities

No member of the Group held an interest in, or participated in the results of, an associate or joint venture.

12. Other significant information

- 12.1 Deferred infrastructure expenditure
On 30 June 2004 an asset was recognised which represents the deferral of infrastructure costs against which there was no revenue because one of the colleges was prohibited from recruiting new students. These costs are being expensed over a period of 2 years, from 1 July 2004 to 30 June 2006. \$331,000 of the total \$662,000 costs deferred were expensed in the reporting period.
- 12.2 Related Party Loans
An amount of \$600,000 of the \$852,000 raised from the Rights Issue (refer 12.3) and applied to the reduction of debt raised for Convertible Note repayments was paid to a party related to Chiang Meng Heng – that amount being 30% of the loan extended by that party. The outstanding loan from that party is \$1,400,000.
- Amounts totalling \$120,000 of the \$852,000 raised from the Rights Issue and applied to the reduction of debt raised for Convertible Note repayments were paid to two parties related to Christopher Elmore Campbell – those amounts being 30% of the loans extended by those parties. The outstanding loans from those parties total \$280,000.
- The loans referred to in the preceding two paragraphs are on arm's length terms.
- Apart from the outstanding loans of \$280,000 from parties related to Christopher Elmore Campbell referred to above, the Company has interest-free borrowings totalling approximately \$245,000 from such parties related to Christopher Elmore Campbell.

12.3 Rights Issue

The one-for-one renounceable rights issue at 15 cents per share as detailed in a Prospectus dated 2 September 2004, doubled the capital base to 23,790,562 shares and raised about \$1.78 million (before issue costs of \$60,000). From the proceeds, \$450,000 was applied to reduce bank debt while \$852,000 was applied towards reduction of debt raised to meet settlement of the Convertible Note repayments in February 2004.

13. Foreign entities

No member of the Group is a foreign entity.

14. Commentary on results

The results for the year include an expense of \$331,000 for infrastructure costs deferred at 30 June 2004 and \$255,000 for legal expenses relating to the Thangathurai US Dollar Debt.

14.1 **Earnings per security (EPS)**

	Reporting period	Previous corresponding period
Basic EPS	(10.1) cents	(23.0) cents

Options

No options were on issue during the period under review.

14.2 Returns to shareholders.

No dividends were paid or proposed during the period and no shares were bought back.

14.3 Significant features of operating performance.

Education

Compared to the previous year, the education business improved substantially. Excluding the deferred infrastructure costs of \$331,000 taken up in the reporting period, contribution from education operations improved by 64%. It is expected that, unless there is any significant change in the operating environment, the outlook in regard to the contribution from education is positive.

Fasteners

Revenue declined by 14% while contribution declined by 67%, predominantly because of a general slowdown in the industry.

14.4 The results of segments.

Refer Appendix A

14.5 Ratios.

	Reporting period	Previous corresponding period
Profit before tax / revenue Consolidated profit (loss) from ordinary activities before tax (<i>item 3.4</i>) as a percentage of revenue (<i>item 3.1</i>)	(23.95%)	(13.74%)
Profit after tax / +equity interests Consolidated net profit (loss) from ordinary activities after tax attributable to members (<i>item 3.8</i>) as a percentage of equity at the end of the period (<i>item 4.23</i>)	(142.13%)	(150.21%)

15. This report is based on accounts which are in the process of being audited.
16. These accounts are not likely to be subject to dispute or qualification.

Signed:

Date:

Ian Bloodworth
(Group Finance Manager)

**GARRATT'S LIMITED
AND CONTROLLED ENTITIES**

APPENDIX A - SEGMENT REPORT

	FASTENERS		EDUCATION		ELIMINATIONS		CONSOLIDATED	
	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000	2005 \$'000	2004 \$'000
Business Segments								
Sales to outside customers	6,325	7,343	2,348	1,180	-	-	8,673	8,523
Other revenue	5	48	19	16	-	-	24	64
	6,330	7,391	2,367	1,196	-	-	8,697	8,587
Unallocated revenue							2	36
Total revenue							8,699	8,623
Segment operating profit/(loss)	302	905	(828)	(727)	(30)	(30)	(556)	148
Unallocated expenses							(1,527)	(1,515)
Operating profit before income tax							(2,083)	(1,367)
Segment assets	6,578	6,374	2,412	2,863	-	-	8,990	9,237
Unallocated							58	166
Total assets							9,048	9,403
Segment liabilities	1,397	744	736	471	-	-	2,133	1,215
Unallocated							5,449	6,367
Total liabilities							7,582	7,582
Acquisition of non-current segment assets	50	15	29	22	-	-	79	37
Depreciation and amortisation of segment assets	289	296	149	141	-	-	438	437
Other non-cash segment expenses	-	-	331	-	-	-	331	-

Geographical Segments

The economic entity's business segments operate predominately in Australia.