

# GARRATT'S LIMITED

ACN 000 003 725

Telephone: +61 2 9224 5555 Facsimile: +61 2 9224 5550

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20 October 2005

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

Via ASX Online

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## ANNOUNCEMENT

### **NOTICE OF ANNUAL GENERAL MEETING**

Attached are copies of the Notice of Annual General Meeting, Proxy Form and Explanatory Notes sent to Shareholders today along with a copy of the Annual Report. For a copy of the Annual Report refer to announcement 'Annual Report' of 30 September 2005.

Ian Bloodworth  
Company Secretary

# GARRATT'S LIMITED

ABN 93 000 003 725

## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 97<sup>th</sup> ANNUAL GENERAL MEETING of Garratt's Limited will be held at Academies Australasia, Level 4, Imperial Arcade, 83 Castlereagh Street, Sydney on Monday 28 November 2005 at 11.30am.

### AGENDA:

#### Ordinary Business

1. To receive and consider the financial statements of the Company and the consolidated financial report of the consolidated entity for the year ended 30 June 2005 and the reports of the directors and the auditor thereon.
2. To re-elect as a director of the Company Mr. Neville Thomas Cleary who retires by rotation in accordance with Articles 83(a) and 83(b) of the Articles of Association and being eligible offers himself for re-election.
3. To consider and, if thought fit, pass the following as an ordinary resolution, with or without amendment:

“That the loan of \$1,400,000 from Eng Kim Low, a party related to Mr. Chiang Meng Heng, which was due to be repaid on 7 October 2005, be restructured as 14,000,000 (unlisted) unsecured convertible notes (‘Notes’) of 10 cents each with each Note bearing interest at one percent per annum and to be redeemed on 31 October 2010 with the right for holders of the Notes (‘the Noteholders’) to convert any or all of the 14,000,000 notes at any time into new fully paid ordinary shares in the Company on the basis of one fully paid ordinary share for each Note and that any such conversion shall be exempted from any requirement to make an offer for the fully paid ordinary shares in the Company not already owned by the Noteholders at the time of any such conversion or conversions.”

(Please refer to the explanatory notes and the voting exclusion statement pursuant to Listing Rule 14.11 of the Official Listing Rules of the Australian Stock Exchange Limited)

4. To consider and, if thought fit, pass the following as an ordinary resolution, with or without amendment:

“That the loan of \$232,400 from Jilcy Pty Ltd ATF Jilcy Superannuation Fund and the loan of \$47,600 from Bankura Pty Ltd ATF Campbell Family Trust, both parties related to Mr. Christopher Elmore Campbell, which were due to be repaid on 7 October 2005,

both be restructured as 2,800,000 (unlisted) unsecured convertible notes ('Notes') of 10 cents each with each Note bearing interest at one percent per annum and to be redeemed on 31 October 2010 with the right for holders of the Notes ('the Noteholders') to convert any or all of the 2,800,000 notes at any time into new fully paid ordinary shares in the Company on the basis of one fully paid ordinary share for each Note and that any such conversion shall be exempted from any requirement to make an offer for the fully paid ordinary shares in the Company not already owned by the Noteholders at the time of any such conversion or conversions."

(Please refer to the explanatory notes and the voting exclusion statement pursuant to Listing Rule 14.11 of the Official Listing Rules of the Australian Stock Exchange Limited)

5. To transact any other business which may be brought forward in accordance with the Corporations Act.

By Order of the Board

Ian Bloodworth  
Company Secretary

18 October 2005

Notes:

Only registered holders (or their appointed proxy) of ordinary shares are entitled to address the Meeting and vote at the Meeting.

Shareholders who are unable to attend and vote are entitled to appoint a proxy to attend and vote in their stead. That person need not be a member of the Company but should be a natural person at least 18 years of age. A shareholder who is entitled to cast two or more votes may appoint two proxies. Where two proxies are appointed, each proxy must be on a separate proxy form and be appointed to represent a proportion of the member's voting rights. Proxy forms executed by companies must be in accordance with the Corporations Act.

Proxy forms must be lodged at the Registered Office of the Company (Suite 1401, Level 14, 33 Blich Street, Sydney NSW 2000, Australia) or sent by facsimile to the Registered Office of the Company (+61 2 9224 5550), not less than 48 hours before 11.30am on 28 November 2005.

(Proxy form enclosed)

# GARRATT'S LIMITED

ABN 93 000 003 725

## PROXY FORM

Proxy forms must be lodged at the Registered Office of the Company (Suite 1401, Level 14, 33 Bligh Street, Sydney NSW 2000, Australia) or sent by facsimile to the Registered Office of the Company (+61 2 9224 5550), not less than 48 hours before the timing of the Meeting.

### **A. Registered Holder Details**

Name: .....

Address: .....

Number of Ordinary Shares held: .....

### **B. Appointment of Proxy**

I/We being the Registered Holder stated above and being entitled to attend and vote, hereby appoint:

..... or, in his/her absence, the Chairman of the Meeting, as my/our proxy to vote in accordance with the following directions (or if no directions have been given, as the proxy sees fit) on my/our behalf at the Annual General Meeting of the Company, to be held on 28 November 2005 or at any adjournment of that Meeting.

### **C. Voting Directions**

Should you decide to direct your proxy how to vote, please tick the appropriate box against each item below. If you do not, your proxy may vote as he/she thinks fit or abstain. If the Chairman is the appointed proxy, and the proxy is undirected, he will vote in favour of each resolution.

Resolutions:

	For	Against	Abstain
1. To re-elect Mr. Neville Thomas Cleary as a Director.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. To issue 14,000,000 convertible notes to Eng Kim Low.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. To issue 2,324,000 convertible notes to Jilcy Pty Ltd ATF Jilcy Superannuation Fund and 476,000 convertible notes to Bankura Pty Ltd ATF Campbell Family Trust.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

### **D. Important for Items 2 and 3 above**

If you do not wish to direct your proxy how to vote, please tick this box.

By ticking this box, you acknowledge that the Chairman may exercise your proxy even if he has an interest in the outcome of the resolutions and votes cast by him other than as proxy holder will be disregarded because of that interest.

The Chairman of the Meeting intends to vote undirected proxies in favour of Items 2 and 3.

**E. Signature(s)**

This section MUST be signed to enable your directions to be implemented. Where the holding is in more than one name all the holders must sign. For corporations, a Director can sign jointly with another Director or a Company Secretary. A sole Director who is also sole Company Secretary can sign. A sole Director of a proprietary company without a Company Secretary can also sign. Please indicate the office held by signing in the appropriate space and crossing out the office that is not applicable.

Signed this ..... day of ..... 2005

Individual or Joint Shareholder(s):

Corporate Shareholders:

.....  
Individual / Shareholder 1

.....  
Director / Sole Director and Sole Company Secretary

.....  
Shareholder 2

.....  
Director / Company Secretary

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# GARRATT'S LIMITED

ABN 93 000 003 725

## ANNUAL GENERAL MEETING: 28 NOVEMBER 2005

### EXPLANATORY NOTES TO AGENDA ITEMS 3. AND 4.

#### 1. Introduction

1.1. In February 2004, as part of the financing arranged by the Company to repay the convertible notes that were raised in 1999, Eng Kim Low, Jilcy Pty Ltd ATF Jilcy Superannuation Fund and Bankura Pty Ltd ATF Campbell Family Trust (together referred to as 'the Lenders') extended loans of \$2,000,000, \$332,000 and \$68,000 (respectively) to the Company. The loans are on arm's length commercial terms. Interest is at the rate of 8.4% per annum, payable monthly.

1.2. Mr. Chiang Meng Heng's relevant interests in the securities of the Company include the interests held by Eng Kim Low. Mr. Christopher Elmore Campbell's relevant interests in the securities of the Company include the interests held by Jilcy Pty Ltd ATF Jilcy Superannuation Fund and Bankura Pty Ltd ATF Campbell Family Trust.

1.3. As part of the capital raising from the rights issue in September 2004, 30% of each of the loans referred to in 1.1 was repaid. The scheduled repayment date for the balance of the loans was 7 October 2005. The amounts outstanding are:

i.	Eng Kim Low	\$1,400,000
ii.	Jilcy Pty Ltd ATF Jilcy Superannuation Fund	232,400
iii.	Bankura Pty Ltd ATF Campbell Family Trust	47,600
	Total	<u>\$1,680,000</u>

1.4. Mr. Heng and Mr. Campbell are substantial shareholders with relevant interests of 10,941,886 shares (46.0%) and 3,227,440 shares (13.6%) in the Company. Their interests (of 46.0% and 13.6%, respectively) are separate and not related.

1.5. Subject to the approval of shareholders, the lenders have agreed to roll-over their loans as convertible notes maturing on 31 October 2010, with interest at 1% per annum and conversion at 10 cents per fully paid ordinary share ('Share').

#### 2. Terms of the Convertible Notes ('Notes')

a. The Notes will bear interest at the rate of 1% per annum, payable on the face value of each Note (the face value of each Note being 10 cents), quarterly in arrears. The first payment will be made on 31 December 2005 and will be calculated to accrue interest from 7 October 2005 until 31 December 2005, and the last payment will be made on 31 October 2010.

- b. At any time up to 31 October 2010, Noteholders may convert their Notes at the rate of one Note for one Share. Noteholders must give the Company not less than 5 business days prior written notice of their intention to convert.
- c. Where a Noteholder elects to convert some or all of the Notes, the Shares allotted shall rank for dividends declared after the conversion date, with effect from the date of conversion.
- d. Notes not converted on or before 31 October 2010 will be redeemed on 15 November 2010 at 10 cents per Note, together with interest at 1% per annum for the period 1 November 2010 to 15 November 2010 (inclusive).
- e. The Notes are unsecured and have not been guaranteed by any person. In the event of a winding up of the Company, they will rank for payment together with all ordinary creditors of the Company.
- f. The Company may at any time up to 31 October 2010 give all the Noteholders one month's written notice of repayment of all outstanding Notes at the face value of each Note, together with interest accrued on each Note up to the date of payment. Such notice shall not preclude the Noteholders from converting their Notes in accordance with paragraph b, provided the conversion date is before the date of payment.
- g. The Notes do not carry any right to vote at general meetings of the Company.
- h. Except as set out below, the Shares offered on conversion of the Notes will rank equally in all respects and form one class with the Shares on issue at the date of conversion.

Noteholders will not be entitled to participate (without first having to convert Notes to Shares) in issues of Shares or other securities offered by the Company for cash subscription pro-rata to the Shareholders.

An entitlement to bonus Shares will accrue to Noteholders on their holding of Notes at the same rate that applies to bonus issues made pro-rata to Shareholders as if the Noteholder had converted the Notes held by the Noteholder immediately before the date of entitlement to the new issue. In the event of subsequent bonus issues being made, the entitlement of Noteholders to receive bonus Shares will be further adjusted (including additional shares to which the Noteholder has become entitled on conversion as a result of any prior adjustment). The allotment of such bonus Shares to Noteholders will be made only on conversion of the Notes. In the event of Notes remaining unconverted at 31 October 2010, these additional entitlements will lapse in respect of such unconverted Notes.

- i. The Notes shall not be listed on the Australian Stock Exchange ('ASX').
- j. Upon the conversion of any Notes into Shares, the Company will apply for those Shares to be quoted on the ASX. The application will be made on or before the third Business Day after the allotment of those Shares.
- k. In order that Noteholders do not obtain both the interest on Notes and any dividends on Shares upon conversion in respect of the same period, the Company will limit Noteholders to receiving only interest for that period. As such, Shares allotted on conversion of Notes will only rank for dividends declared in respect of any period commencing after the date of conversion. This has the effect of creating a different class of ordinary Shares between the

time of allotment of these new Shares to the time when pre-existing Shares are traded 'ex-dividend' on the ASX. This period could be up to approximately 12 to 15 weeks. If the ASX Listing Rules requirements (on minimum spread and value) for the quotation of the new Shares are met or waived by the ASX, the Company will on or before the third Business Day after the date of allotment of the new Shares apply for these Shares to be quoted temporarily as a new class of Shares until the pre-existing Shares are traded 'ex-dividend'. Upon commencement of trading of the pre-existing Shares on an 'ex-dividend' basis, the new class of Shares will merge into the same class as the pre-existing Shares. If the ASX Listing Rules requirements (on minimum spread and value) for quotation of new Shares are not met or waived by the ASX, the Company will on or before the third Business Day after the allotment of the new Shares apply for these Shares to be quoted on the ASX upon commencement of trading of the pre-existing Shares on an 'ex-dividend' basis.

- l. The rights attaching to Shares consist of rights set out in the Constitution of the Company and rights created by the Corporations Law and the common law.
- m. Each of the Notes will:
  - i. have a face value of, and be issued at, 10 cents;
  - ii. be convertible into one Share;
  - iii. be transferable, though the Directors of the Company may decline to register any transfer of less than 100,000 Notes unless the transferee is already a Noteholder; and
  - iv. Interest on a Note, which is not converted into a Share, will cease to accrue on repayment or redemption of the Note.
- n. A Note is convertible by a Noteholder delivering to the Company a written request requiring the Company to convert the Notes specified in that written request at the date stated in that written request. That request shall be irrevocable, unless otherwise determined by the Company. Where a Noteholder converts only part of its holding of Notes, that Noteholder must convert 100,000 Notes or an integral multiple of 100,000 Notes.
- o. If and whenever prior to 31 October 2010 the Company reorganises its Shares (other than by way of a share buy back), subject to no additional benefits being conferred on holders of Notes which are not conferred on holders of Shares, the right of each holder of Notes to convert their Notes shall be reorganised in the same proportion and manner as the issued Shares of the Company are reorganised, (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of holders of Shares approving the reduction of capital if such meeting is required at law) but in all other respects the terms of conversion of the Notes shall remain unchanged.
- p. The Company must allot the Shares to which a holder of Notes is entitled following receipt of the written request referred to in n. within 5 business days of receipt of that request and the allotment will have effect and be deemed to have been made on the date of receipt of the request.
- q. The Company will notify Noteholders within 5 Business Days of the following events if any of them occur prior to 31 October 2010:
  - i. the Company becomes aware that any person (other than the Company) has become entitled (within the meaning of the Corporations Law) to or has acquired a relevant interest (within the meaning of the Corporations Law) in 30% or more

- of the Voting Shares in the Company (as defined in the Corporations Law) from time to time on issue; or
- ii. a takeover bid in accordance with the Corporations Law is made:
    - (a) on an unconditional basis to holders of Shares; or
    - (b) by an offeror, and the offeror becomes entitled to at least 50% of the Shares.
  - r. Shares to be allotted on conversion of the Notes will be shares with respect to which no provision is made (whether by the Constitution or otherwise) for changing or converting them into shares of another class in accordance with the Corporations Law.
  - s. The Company will ensure that a register of Noteholders is established and maintained at such place or places as it may determine at all times as required under the Corporations Law. In the register there will be entered the names and addresses of Noteholders, the number of the Notes held by each Noteholder, the date of issue, transfer or conversion of such Notes and as regards Notes no longer outstanding, particulars of redemption or purchase by the Company, and such other particulars as the Company thinks fit. Any change of the name or address of a Noteholder must be notified immediately by the Noteholder in writing to the Company, accompanied in the case of a change of name, by any evidence the Company requires and the Register of Noteholders will be altered accordingly.
  - t. Every Noteholder will be entitled to transfer Notes held by that Noteholder. No fee will be charged by the Company to register all registrable transfer forms (if any), and transfers (if any).
  - u. Any interest, principal or other moneys payable on or in respect of any Notes may be paid:
    - i. by cheque drawn in favour of the Noteholder, marked “not negotiable” and sent through the post to the address of the Noteholder on the Register; or
    - ii. by deposit to such account with any bank, credit union or building society in Australia as the Noteholder by written notice to the Company, may direct.Every cheque referred to in paragraph i will be sent at the risk of the person entitled to the moneys represented by the cheque and payment will be deemed to have been made when the cheque is posted or the deposit is made in accordance with this paragraph.
  - v. A notice given to a Noteholder must be in writing and may be given to a Noteholder by being delivered to them or posted by prepaid envelope at a post office or post office letter box and addressed to the Noteholder’s registered address. Where a notice is sent by post, it will be deemed to have been given on the second business day following the day on which it was posted. A post office receipt for the envelope containing a notice will be taken as conclusive evidence of the date on which the notice was posted.
  - w. The Company will take all reasonable practical steps to procure that quotation of the Shares issued by the Company as a result of the exercise by Noteholders of rights of conversion, is granted by the ASX and that such quotation is maintained.

### 3. **Recommendations**

- 3.1 Your Board recommends that you vote in favour of the resolutions contained in Agenda items 3. and 4.

- a. The preferential interest rate of 1% per annum is at a substantial discount from commercial rates and would save the Company servicing costs of about \$124,000 per annum.
  - b. The conversion price of 10 cents per fully paid ordinary share reflects an 11.11% premium on the Company's share price for the past 3 months.
  - c. The Notes would be unsecured (while the loans they represent are presently secured)
- 3.2 If the resolutions are not approved, the loans referred to in paragraph 1.3 will continue under the terms and conditions that applied prior to 7 October 2005 with the proviso that the lenders may, at their discretion recall the loans upon giving the Company one month's notice of such intention.

#### 4. **Resolutions Independent Of Each Other**

The resolutions in Agenda items 3. and 4. are not dependent upon each other. They are separate and independent resolutions.

#### 5. **Share Trades on ASX**

Since 23 June 2005, 12,162 shares were traded on ASX. All trades were at 9 cents. These trades account for 0.05% of total shares on issue (23,790,562).

Details of the trades:

<u>Date</u>	<u>Volume</u>
23 June	1,600
27 June	2,000
28 June	3,000
8 July	400
9 August	1,800
7 October	3,362

#### 6. **Increase in Relevant Interests Upon Conversion**

- 6.1 Paragraph 7.3 shows that if the Company does not issue any more shares and if the proposed convertible notes to be allotted to Eng Kim Low are all converted, Mr. Heng's relevant interest will increase from the present level of 46.0% to 66.0%. That is provided none of the proposed convertible notes to be allotted to the parties in which Mr. Campbell has a relevant interest is converted.
- 6.2 Paragraph 8.3 shows that if the Company does not issue any more shares and if the proposed convertible notes to be allotted to the parties in which Mr. Campbell has a relevant interest are all converted, Mr. Campbell's relevant interest will increase from the present level of 13.6% to 22.7%. That is provided none of the proposed convertible notes to be allotted to Eng Kim Low is converted.
- 6.3 If all the proposed convertible notes to be allotted to Eng Kim Low and the parties in which Mr. Campbell has a relevant interest are converted, the Company's total shares will increase from 23,790,562 to 40,590,562 and:

- i. Mr. Heng's relevant interests in securities will increase from 10,941,886 shares (46.0%) to 24,941,886 shares (61.4%); and
- ii. Mr. Campbell's relevant interests in securities will increase from 3,227,440 shares (13.6%) to 6,027,440 shares (14.9%)

7. **Agenda Item 3**

7.1 To consider and, if thought fit, pass the following as an ordinary resolution, with or without amendment:

*“That the loan of \$1,400,000 from Eng Kim Low, a party related to Mr. Chiang Meng Heng, which was due to be repaid on 7 October 2005, be restructured as 14,000,000 (unlisted) unsecured convertible notes (‘Notes’) of 10 cents each with each Note bearing interest at one percent per annum and to be redeemed on 31 October 2010 with the right for holders of the Notes (‘the Noteholders’) to convert any or all of the 14,000,000 notes at any time into new fully paid ordinary shares in the Company on the basis of one fully paid ordinary share for each Note and that any such conversion shall be exempted from any requirement to make an offer for the fully paid ordinary shares in the Company not already owned by the Noteholders at the time of any such conversion or conversions.”*

7.2 To reflect a conversion price of 10 cents per fully paid ordinary share, the loan of \$1,400,000 would equate to 14,000,000 convertible notes of 10 cents each.

7.3 The Company has 23,790,562 shares on issue. Mr. Heng has a relevant interest in 10,941,886 shares (46.0%). If all the proposed 14,000,000 convertible notes to be allotted to Eng Kim Low are converted and there are no other changes to the number of the Company's shares, the Company's shares will increase to 37,790,562 and Mr. Heng's relevant interests will increase to 24,941,886 shares (66.0%).

7.4 **Voting Exclusion Statement (Listing Rule 14.11)**

The Company will disregard any votes cast on this resolution by:

- i. Eng Kim Low;
- ii. an associate of Eng Kim Low;
- iii. Mr. Chiang Meng Heng; or
- iv. an associate of Mr. Chiang Meng Heng

However, a vote will not be disregarded if:

- it is cast by a person as a proxy for a shareholder who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as a proxy for a shareholder who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Any shareholder entitled to vote who is thinking of appointing a person who is not entitled to vote as their proxy, should be aware that unless the proxy contains specific instructions on the manner in which they want their vote to be cast on this resolution, that person will be prohibited from exercising votes on behalf of the shareholder giving their proxy in relation to this resolution.

## 8. Agenda Item 4

8.1 To consider and, if thought fit, pass the following as an ordinary resolution, with or without amendment:

*“That the loan of \$232,400 from Jilcy Pty Ltd ATF Jilcy Superannuation Fund and the loan of \$47,600 from Bankura Pty Ltd ATF Campbell Family Trust, both parties related to Mr. Christopher Elmore Campbell, which were due to be repaid on 7 October 2005, both be restructured as 2,800,000 (unlisted) unsecured convertible notes (‘Notes’) of 10 cents each with each Note bearing interest at one percent per annum and to be redeemed on 31 October 2010 with the right for holders of the Notes (‘the Noteholders’) to convert any or all of the 2,800,000 notes at any time into new fully paid ordinary shares in the Company on the basis of one fully paid ordinary share for each Note and that any such conversion shall be exempted from any requirement to make an offer for the fully paid ordinary shares in the Company not already owned by the Noteholders at the time of any such conversion or conversions.”*

8.2 To reflect a conversion price of 10 cents per fully paid ordinary share, the loans of \$280,000 would equate to 2,800,000 convertible notes of 10 cents each.

8.3 The Company has 23,790,562 shares on issue. Mr. Campbell has a relevant interest in 3,227,440 shares (13.6%). If all the proposed 2,800,000 convertible notes to be allotted to parties in which Mr. Campbell has a relevant interest are converted and there are no other changes to the number of the Company’s shares, the Company’s shares will increase to 26,590,562 and Mr. Campbell’s relevant interests will increase to 6,027,440 shares (22.7%).

### 8.4 Voting Exclusion Statement (Listing Rule 14.11)

The Company will disregard any votes cast on this resolution by:

- i. Mr. Christopher Elmore Campbell;
- ii. an associate of Mr. Christopher Elmore Campbell;
- iii. Jilcy Pty Ltd ATF Jilcy Superannuation Fund;
- iv. an associate of Jilcy Pty Ltd ATF Jilcy Superannuation Fund;
- v. Bankura Pty Ltd ATF Campbell Family Trust; or
- vi. an associate of Bankura Pty Ltd ATF Campbell Family Trust.

However, a vote will not be disregarded if:

- it is cast by a person as a proxy for a shareholder who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person chairing the meeting as a proxy for a shareholder who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Any shareholder entitled to vote who is thinking of appointing a person who is not entitled to vote as their proxy, should be aware that unless the proxy contains specific instructions on the manner in which they want their vote to be cast on this resolution, that person will be prohibited from exercising votes on behalf of the shareholder giving their proxy in relation to this resolution.

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