

GARRATT'S LIMITED

ACN 000 003 725

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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 2006.

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-06
	Financial year ended ('previous corresponding period')	30-Jun-05

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	12.9%	to 9,697
2.2	Profit (loss) from ordinary activities after tax attributable to members (<i>item 3.6</i>)	up	51.1%	to (985)
		(reduced loss)		
2.3	Net profit (loss) for the period attributable to members (<i>item 3.6</i>)	up	51.1%	to (985)
		(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 12.9% over the previous year is attributable solely to the continuing improvement in the education business. Education revenue improved 54% whereas sales in the fasteners business decreased 2%.

The fasteners business posted a contribution of \$195,000, an increase of 33%. Education contributed \$53,000, compared to a loss the previous year.

3. Condensed consolidated income statement

	Reporting period - \$A'000	Previous corresponding period - \$A'000
3.1 Revenues from ordinary activities (<i>see items 3.7 - 3.9</i>)	9,697	8,591
3.2 Expenses from ordinary activities (<i>see item 3.10</i>)	(10,240)	(10,111)
3.3 Finance costs	(442)	(492)
3.4 Profit (loss) from ordinary activities before tax	(985)	(2,012)
3.5 Income tax benefit/(expense) on ordinary activities	-	-
3.6 Profit (loss) from ordinary activities after tax	(985)	(2,012)

Notes to the condensed consolidated income statement

Revenue and expenses from ordinary activities

3.7 Revenue from sales or services		
- Sales	6,206	6,325
- Services	3,195	2,240
3.8 Interest revenue	3	4
3.9 Other relevant revenue		
- Other	293	22
3.10 Details of relevant expenses		
- Depreciation and amortisation	275	275
- Costs of sales	3,652	3,124
- Costs of services	1,596	1,223
- Employee benefits expense	2,313	2,428
- Impairment of goodwill	-	191
- Insurance	234	238
- Lease rental expense – operating leases	1,034	959
- Legal expenses	72	303
- Non-executive directors fees	60	60
- Payroll Tax	125	132

4 Condensed consolidated balance sheet

	Reporting period - \$A'000	Previous corresponding period - \$A'000
Current assets		
4.1 Cash	298	46
4.2 Receivables	1,517	1,334
4.3 Inventories	2,334	3,185
4.4 Other		
- Prepayments	494	190
- Other	1	1
4.5 Total current assets	4,644	4,756
Non-current assets		
4.6 Plant and equipment	883	1,068
4.7 Intangibles	2,906	2,861
4.8 Total non-current assets	3,789	3,929
4.9 Total assets	8,433	8,685
Current liabilities		
4.10 Payables	2,858	2,372
4.11 Short-term borrowings	3,845	3,676
4.12 Short-term provisions	239	175
4.13 Total current liabilities	6,942	6,223
Non-current liabilities		
4.14 Long-term borrowings	102	1,769
4.15 Long-term provisions	48	-
4.16 Total non-current liabilities	150	1,769
4.17 Total liabilities	7,092	7,992
4.18 Net assets	1,341	693
Equity		
4.19 Capital/contributed equity	14,172	12,540
4.20 Retained profits (accumulated losses)	(12,831)	(11,847)
4.21 Total equity	1,341	693

5 Condensed consolidated cash flow statement

	Reporting period - \$A'000	Previous corresponding period - \$A'000
Cash flows from operating activities		
5.1 Receipts from customers	10,644	9,762
5.2 Payments to suppliers and employees	(9,938)	(10,350)
5.3 Interest received	3	4
5.4 Finance costs	(445)	(476)
5.5 Net operating cash flows	264	(1,060)
Cash flows from investing activities		
5.6 Proceeds from sale of plant and equipment	3	1
5.7 Purchases of plant and equipment	(64)	(30)
5.8 Purchase of other non-current assets	(45)	-
5.9 Net investing cash flows	(106)	(29)
Cash flows from financing activities		
5.10 Proceeds from borrowings	384	436
5.11 Repayment of borrowings	(290)	(502)
5.12 Proceeds from issue of shares	-	1,028
5.13 Net financing cash flows	94	962
5.14 Net increase (decrease) in cash held	252	(127)
5.15 Cash at beginning of period	46	173
5.16 Cash at end of period	298	46

5.17 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.

At the Annual General Meeting on 28 November 2005, shareholders approved the roll-over of loans totalling \$1,680,000 into convertible notes.

In accordance with AASB 132 the fair value of the liability component was calculated as \$47,211. Accordingly, the remainder of the proceeds of \$1,632,789 is included in shareholders' equity.

The terms of the convertible notes are:

Maturity: 31 October 2010. Interest Rate: 1% per annum. Conversion Price: 10 cents per ordinary share.

5.18 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.

	Reporting period - \$A'000	Previous corresponding period - \$A'000
5.19 Cash on hand and at bank (item 5.16)	298	46

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	(11,846)	(9,834)
8.2 Net profit (loss) attributable to members (<i>item 3.6</i>)	(985)	(2,012)
8.3 Retained profits (accumulated losses) at end of financial period	(12,831)	(11,846)

9. Net tangible Assets

Net tangible asset backing per ordinary share

	Reporting period	Previous corresponding period
	(6.6) cents	(9.1) cents

10. Gain or loss of control over entities

There was no gain of control over any entity during the reporting period.

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

Related Party Loans

In November 2005, shareholders approved the roll-over of the loans to the Company from parties related to Chiang Meng Heng and Christopher Elmore Campbell of \$1,400,000 and \$280,000 (respectively) into convertible notes.

The terms of the convertible notes are:

Maturity: 31 October 2010. Interest Rate: 1% per annum. Conversion Price: 10 cents per ordinary share.

Apart from the convertible notes referred to above, in October 2005, Mr Campbell loaned \$170,000 to the Company. This loan is unsecured and on arm's length terms. In addition, the Company has interest-free borrowings totalling approximately \$257,000 from Mr Campbell and parties related to him.

13. Foreign entities

No member of the Group is a foreign entity.

14. **Commentary on results**

14.1 **Earnings per security (EPS)**

Reporting period	Previous corresponding period
(4.1) cents	(9.8) cents

Basic EPS

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. 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 contracted 2%, mainly in the first half of the financial year. While performance has been disappointing, there is the possibility that the situation will improve.

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>)	(10.16%)	(23.42%)
Profit after tax / equity interests Consolidated net profit (loss) from ordinary activities after tax attributable to members (<i>item 3.6</i>) as a percentage of equity at the end of the period (<i>item 4.21</i>)	(73.43%)	(290.18%)

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		CONSOLIDATED	
	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000	2006 \$'000	2005 \$'000
Business Segments						
External sales	6,206	6,325	3,196	2,240	9,402	8,565
Other revenue	4	5	291	19	295	24
	6,210	6,330	3,487	2,259	9,697	8,589
Unallocated revenue					-	2
Total revenue					9,697	8,591
Segment result	195	146	53	(601)	248	(455)
Unallocated expenses net of unallocated revenue					(1,233)	(1,557)
Profit (loss) before and after income tax					(985)	(2,012)
Segment assets	5,916	6,577	2,271	2,051	8,187	8,628
Unallocated					246	57
Total assets					9,433	8,685
Segment liabilities	1,392	1,554	1,476	988	2,848	2,542
Unallocated					4,224	5,449
Total liabilities					7,092	7,991
Acquisition of non-current segment assets	-	50	45	29	45	79
Depreciation and amortisation of segment assets	196	196	78	78	275	275

Geographical Segments

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