

GARRATT'S LIMITED

ACN 000 003 725

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8 February 2008

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

Via ASX Online

(Page 1 of 18)

ANNOUNCEMENT

HALF-YEAR REPORT

In accordance with ASX Listing Rule 4.2A, attached are the following reports for the half-year ended 31 December 2007:

- Appendix 4D
- Financial Report (includes Directors' Report and Independent Review Report to Members)

This information should be read in conjunction with the Garratt's Limited Annual Report for the year ended 30 June 2007.

Stephanie Noble
Company Secretary

Appendix 4D

Half Year Report

Half year information given to ASX under listing rule 4.2A

Introduced 1/1/2003.

GARRATT'S LIMITED ABN: 95 000 003 725
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1.	Half-year ended ('reporting period')	31-Dec-07
	Half-year ended ('previous corresponding period')	31-Dec-06

2. Results for announcement to the market

\$A'000

Movements from previous corresponding period				
2.1 Revenues from ordinary activities	up	130%	to	12,110
2.2 Profit from ordinary activities after tax attributable to members	up	5955%	to	5,211
		(From loss to profit)		
2.3 Net profit for the period attributable to members	up	5955%	to	5,211
		(From loss to profit)		

3. Explanation of items 2.1 to 2.3 above:

Fasteners

- 3.1 There was a major improvement in the fasteners business. The contribution to profitability increased by 60% from \$231,000 to \$369,000.

Education

- 3.2 The education business has continued to improve substantially. Confirmed future enrolments are also higher than they were previously. The contribution was \$4,023,000 compared to \$336,000 in the previous corresponding period.

This half year report is to be read in conjunction with the most recent annual financial report.

Net tangible Assets

4.

Net tangible asset backing per ordinary share

* Based on 23,790,562 shares at 31 December 2007

Reporting period	Previous corresponding period
16.2 cents *	-7.0 cents

5. **Gain or loss of control over entities**

Not applicable.

6. **Dividends**

6.1 On 15th October 2007 the Company paid a dividend of half a cent per share, 100% franked. The payment amount was \$118,953

6.2 The directors have declared a dividend of one cent per share, 70% franked. The payment amount is \$405,906.

Dividend Dates

Ex Dividend

22-Feb-08

Record

28-Feb-08

Payment

18-Mar-08

7. **Dividend reinvestment plans**

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

8. **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.

9. **Foreign entities**

No member of the Group is a foreign entity.

10. **Change in accounting estimates**

Due to the change in relative cost structures, the group has reviewed the expected future benefits and obligations associated with tuition fees and related prepaid commissions. This has resulted in a change in accounting estimates, which has been recognised in the financial statements as from 1 July 2007. The amount of this change (exclusive of income tax) has increased revenue and decreased trade payables by \$3,478,454; and increased expenses and decreased prepayments by \$852,937. The directors consider it impracticable to estimate the effects of such changes for future accounting periods. Without the change in estimates, the profit (after tax) for the period under review would have been \$2,585 645.

11. **Deferred tax assets**

In the period ended 31 December 2007 the group recognised a deferred tax asset of \$1,446,741 in the financial statements. The directors consider that it is probable that future taxable profits will be available against which any unused tax losses and unused tax credits can be utilised.

12. Issued Capital

On 10 January 2008 all the 16,800,000 Convertible Notes issued in 2005 to parties in which Mr. Chiang Meng Heng had a relevant interest (14,000,000 Convertible Notes) and in which Mr. Christopher Campbell had relevant interests (2,800,000 Convertible Notes) were converted to ordinary shares in Garratt's Limited.

Following these conversions

- a. The total number of ordinary shares on issue increased to 40,590,562;
- b. Mr. Chiang Meng Heng has relevant interests in 24,941,886 ordinary shares;
- c. Mr. Christopher Campbell has relevant interests in 6,787,527 ordinary shares; and
- d. There are no longer any Convertible notes outstanding.

The 16,800,000 ordinary shares arising from the conversion of the Notes were listed on the Australian Stock Exchange on 13 January 2008

Signed:
Stephanie Noble
(Group Finance Manager)

Date: 8 February 2008

GARRATT'S LIMITED
ABN 93 000 003 725
AND CONTROLLED ENTITIES

HALF-YEAR FINANCIAL REPORT
31 DECEMBER 2007

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**GARRATT'S LIMITED ABN 93 000 003 725
AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

For the half-year ended 31 December 2007

Your directors submit the financial report of the economic entity for the half-year ended 31 December 2007.

Directors

The names of directors who held office during or since the end of the half-year are:

Neville Thomas Cleary
Christopher Elmore Campbell
Chiang Meng Heng

Review of Operations

A summary of the Statement of Financial Performance for the half-year ended 31 December 2007 is set out below:

	2007 \$	2006 \$
Total Revenue	<u>12,110,000</u>	<u>5,273,000</u>
Operating Profit/(Loss) Before Income Tax	<u>3,764,000</u>	<u>(89,000)</u>
Operating Profit/(Loss) After Income Tax	<u>5,211,000</u>	<u>(89,000)</u>

Revenue levels rose by 129.7% in comparison to the same period last year.

Education

The education business has continued to improve substantially. Confirmed future enrolments are also higher than they were previously. The contribution was \$4,023,000 compared to \$336,000 in the previous corresponding period.

Fasteners

There was a major improvement in the fasteners business. The contribution to profitability increased by 60% from \$231,000 to \$369,000.

**GARRATT'S LIMITED ABN 93 000 003 725
AND CONTROLLED ENTITIES
DIRECTORS' REPORT**

For the half-year ended 31 December 2007

Auditor's Declaration

The auditor's independence declaration under section 307C of the *Corporations Act 2001* for the half year ended 31 December 2007 is set out on page 3.

Signed in accordance with a resolution of the Board of Directors.



Neville Cleary
Director



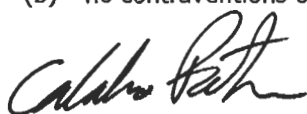
Christopher Campbell
Director

Sydney
8 February 2008

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF GARRATT'S LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2007 there have been:

- (a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.



CALABRO PARTNERS
Chartered Accountants



M TRAYNOR
Partner

Level 5
175 Eagle Street
BRISBANE QLD 4000

8 February 2008

**GARRATT'S LIMITED ABN 93 000 003 725
AND CONTROLLED ENTITIES
CONSOLIDATED INCOME STATEMENT**

For the half-year ended 31 December 2007

	Note	Economic Entity	
		31.12.2007 \$	31.12.2006 \$
Revenue	5	12,109,839	5,273,136
Finance costs		(142,404)	(186,297)
Depreciation and amortisation expense		(203,455)	(142,569)
Cost of sales		(2,820,497)	(1,884,139)
Cost of services		(2,448,448)	(928,735)
Employee benefits expense		(1,454,347)	(1,186,497)
Insurance		(132,781)	(120,576)
Legal fees		(84,098)	(81,918)
Lease rental expense – operating leases		(419,744)	(328,586)
Other expenses		(639,644)	(502,734)
Profit/(loss) before income tax		3,764,421	(88,915)
Income tax attributable	6	1,446,741	-
Profit/(loss) for the period		5,211,162	(88,915)
Profit attributable to members of the parent entity		5,211,162	(88,915)
Earnings per share:			
Basic earnings per share (cents per share)		21.90	-
Fully diluted earnings per share (cents per share)		12.84	-

The accompanying notes form part of these financial statements.

**GARRATT'S LIMITED ABN 93 000 003 725
AND CONTROLLED ENTITIES
CONSOLIDATED BALANCE SHEET**

For the half-year ended 31 December 2007

	Note	Economic Entity	
		31.12.2007 \$	30.06.2007 \$
ASSETS			
Current Assets			
Cash and cash equivalents		2,199,761	803,799
Trade and other receivables		2,207,591	1,901,232
Inventories		2,902,502	2,760,282
Other current assets		445,547	883,048
Total Current Assets		7,755,401	6,348,361
Non-Current Assets			
Plant and equipment		1,767,933	1,930,237
Deferred tax assets	6	1,446,741	-
Intangible assets		2,905,859	2,905,859
Total Non-Current Assets		6,120,533	4,836,096
Total Assets		13,875,934	11,184,457
LIABILITIES			
Current Liabilities			
Trade and other payables	7	3,442,312	5,207,753
Short-term borrowings		2,244,402	2,712,475
Short-term provisions		506,779	649,949
Total Current Liabilities		6,193,493	8,570,180
Non-Current Liabilities			
Long-term borrowings		85,699	99,717
Long-term provisions		845,533	974,513
Total Non-Current Liabilities		931,232	1,074,230
Total Liabilities		7,124,725	9,644,410
NET ASSETS		6,751,209	1,540,047
EQUITY			
Issued capital	8	14,172,625	14,172,625
Retained earnings		(7,421,416)	(12,632,578)
TOTAL EQUITY		6,751,209	1,540,047

The accompanying notes form part of these financial statements.

GARRATT'S LIMITED ABN 93 000 003 725
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2007

	\$	\$	\$
	Ordinary Shares	Retained Profits	Total
Balance at 1.7.2006	14,172,625	(12,831,316)	1,341,309
Profit for the period	-	317,691	317,691
Dividend provided for	-	(118,953)	(118,953)
Balance at 31.12.2006	<u>(12,341,065)</u>	<u>(12,632,578)</u>	<u>1,540,047</u>
Balance at 1.7.2007	14,172,625	(12,632,578)	1,540,047
Profit for the period	-	5,211,162	5,211,162
Balance at 31.12.2007	<u>14,172,625</u>	<u>(7,421,416)</u>	<u>6,751,209</u>

The accompanying notes form part of these financial statements.

GARRATT'S LIMITED ABN 93 000 003 725
AND CONTROLLED ENTITIES
CONSOLIDATED CASH FLOW STATEMENT

For the half-year ended 31 December 2007

	Economic Entity	
	31.12.2007	31.12.2006
	\$	\$
Cash Flows From Operating Activities		
Receipts from customers	10,516,911	5,962,278
Payments to suppliers and employees	(8,386,022)	(5,744,692)
Interest received	46,962	1,409
Finance costs	(139,696)	(173,989)
	<hr/>	<hr/>
Net cash provided by (used in) operating activities	2,038,155	45,006
	<hr/>	<hr/>
Cash Flows From Investing Activities		
Purchase of non-current assets	(41,146)	(121,743)
	<hr/>	<hr/>
Net cash provided by (used in) investing activities	1,997,009	(76,737)
	<hr/>	<hr/>
Cash Flows From Financing Activities		
Proceeds from borrowings	260	45,070
Dividends Paid	(118,953)	-
Repayment of borrowings	(482,354)	(124,285)
	<hr/>	<hr/>
Net cash provided by (used in) financing activities	1,395,962	(155,952)
	<hr/>	<hr/>
Net increase in cash held	298,529	(155,944)
Cash at the beginning of period	1,901,232	298,462
	<hr/>	<hr/>
Cash at the end of the period	2,199,761	142,518
	<hr/>	<hr/>

The accompanying notes form part of these financial statements.

GARRATT'S LIMITED ABN 93 000 003 725
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2007

NOTE 1: BASIS OF PREPARATION

The half-year consolidated financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year financial report does not include full disclosures of the type normally included in an annual financial report and should be read in conjunction with the annual financial report for the year ended 30 June 2007 and any public announcements made by Garratt's Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

(a) Significant Accounting Policies

The accounting policies applied by the consolidated entity in this consolidated half-year financial report are the same as those applied by the consolidated entity in its consolidated financial report for the year ended 30 June 2007.

In the current period, the consolidated entity has adopted all new and revised Standards and Interpretations issued by the Australia Accounting Standards Board that are relevant to its operations and effective for reporting periods beginning on or after 1 July 2007. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the consolidated entity's accounting policies.

(b) Comparative Figures

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

NOTE 2: SEGMENT INFORMATION

Primary Reporting — Business Segments

	Fasteners		Education		Eliminations		Economic Entity	
	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006	31.12.2007	31.12.2006
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	4,548,169	3,309,848	7,494,601	1,961,237	-	-	12,042,770	5,271,085
Other revenue	2,091	1,077	20,314	739	-	-	22,405	1,816
Total segment revenue	4,550,260	3,310,925	7,514,915	1,961,976	-	-	12,065,175	5,272,901
Unallocated revenue							44,664	235
Total revenue from ordinary activities							12,109,839	5,273,136
Segment result	368,597	231,092	4,022,614	335,825	-	-	4,391,211	566,917
Unallocated expenses net of unallocated revenue							(626,790)	(655,832)
Profit/(loss) before income tax							3,764,421	(88,915)
Income tax attributable							1,446,741	-
Profit/(loss) after income tax							5,211,162	(88,915)

GARRATT'S LIMITED ABN 93 000 003 725
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2007

NOTE 3: CONTINGENT LIABILITIES

There has been no change in contingent liabilities since the last annual reporting date.

NOTE 4: EARNINGS PER SHARE

The earnings per share have been calculated based on an opening and closing number of ordinary shares of 23,790,562.

NOTE 5: CHANGE IN ACCOUNTING ESTIMATES

Due to the change in relative cost structures, the group has reviewed the expected future benefits and obligations associated with tuition fees and related prepaid commissions. This has resulted in a change in accounting estimates in respect of these two items, which has been recognised in the financial statements as from 1 July 2007. The amount of this change (exclusive of income tax) has increased revenue and decreased trade payables by \$3,478,454; and increased expenses and decreased prepayments by \$852,937. The directors consider it impracticable to estimate the effects of such change for future accounting periods. Without the change in estimates, the profit (after tax) for the period under review would have been \$2,585,645.

NOTE 6: DEFERRED TAX ASSETS

In the period ended 31 December 2007 the group recognised a deferred tax asset of \$1,446,741 in the financial statements. The directors consider that it is probable that future taxable profits will be available against which any unused tax losses and unused tax credits can be utilised.

NOTE 7: TRADE AND OTHER PAYABLES

This balance comprises:

	31.12.2007	30.06.2007
	\$	\$
Trade Payables	2,088,002	3,841,572
Unearned Income (a)	1,354,310	1,366,181
	<hr/>	<hr/>
	3,442,312	5,207,753

(a) In the ordinary course of business these amounts are not expected to be repaid.

GARRATT'S LIMITED ABN 93 000 003 725
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2007

NOTE 8: ISSUED CAPITAL

On 10 January 2008 all the 16,800,000 Convertible Notes issued in 2005 to parties in which Mr. Chiang Meng Heng had a relevant interest (14,000,000 Convertible Notes) and Mr. Christopher Campbell had relevant interests (2,800,000 Convertible Notes) were converted to ordinary shares in Garratt's Limited.

Following these conversions

- a. The total number of ordinary shares on issue increased to 40,590,562;
- b. Mr. Chiang Meng Heng has relevant interests in 24,941,886 ordinary shares;
- c. Mr. Christopher Campbell has relevant interests in 6,787,527 ordinary shares; and
- d. There are no longer any Convertible notes outstanding.

The 16,800,000 ordinary shares arising from the conversion of the Notes were listed on the Australian Stock Exchange on 14 January 2008.

GARRATT'S LIMITED ABN 93 000 003 725
AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION

The directors of the company declare that, in the directors' opinion:

- (a) the financial statements and notes, as set out on pages 4 to 10, are in accordance with the *Corporations Act 2001*; including complying with accounting standards and giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half year ended on that date.
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.



Neville Cleary
Director



Christopher Campbell
Director

Sydney
8 February 2008

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF GARRATT'S LIMITED**

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Garratt's Limited (the company), which comprises the consolidated balance sheet as at 31 December 2007 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes and the directors' declaration as set out on page 4 to 11.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and with the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2007 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Garratt's Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Garratt's Limited on 8 February 2008 would be in the same terms if provided to the directors as at the date of this auditor's review report.

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF GARRATT'S LIMITED**

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Garratt's Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2007 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



CALABRO PARTNERS
Chartered Accountants



M TRAYNOR
Partner

Level 5
175 Eagle Street
BRISBANE QLD 4000

8 February 2008