

GARRATT'S LIMITED

ACN 000 003 725

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

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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 2007.

Stephanie Noble
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-07
	Financial year ended ('previous corresponding period')	30-Jun-06

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 20.0%	to 11,635
2.2	Profit from ordinary activities after tax attributable to members (<i>item 3.6</i>)	up 132.3%	to 318
		(From loss to profit)	
2.3	Net profit for the period attributable to members (<i>item 3.6</i>)	up 132.3%	to 318
		(From loss to profit)	

Dividends

2.4 The Company proposes to pay a half a cent dividend in relation to this period.

2.5 Dividend Dates

Ex Dividend	25-Sep-07
Record	2-Oct-07
Payment	15-Oct-07

2.6 Tax rate at which proposed dividend has been franked: 30% (2006: N/A)

2.7 Explanation of items 2.1 to 2.6 above:

Turnover increased by 20% over the previous year . Education revenue improved 37% while sales in the fasteners business increased 10.5%.

The fasteners business posted a contribution of \$577,000, an increase of 196%. Education contributed \$1,118,000, compared to \$53,000 in the previous reporting period.

Net profit is before the proposed dividend of \$119,000.

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>)	11,635	9,697
3.2 Expenses from ordinary activities (<i>see item 3.10</i>)	(10,949)	(10,240)
3.3 Finance costs	(368)	(442)
3.4 Profit (loss) from ordinary activities before tax	318	(985)
3.5 Income tax benefit/(expense) on ordinary activities	-	-
3.6 Profit (loss) from ordinary activities after tax	318	(985)

Notes to the condensed consolidated income statement

Revenue and expenses from ordinary activities

3.7 Revenue from sales or services		
- Sales	6,862	6,206
- Services	4,740	3,195
3.8 Interest revenue	5	3
3.9 Other relevant revenue		
- Other	28	293
3.10 Details of relevant expenses		
- Depreciation and amortisation	333	275
- Costs of sales	3,780	3,652
- Costs of services	2,031	1,596
- Employee benefits expense	2,395	2,313
- Impairment of goodwill	-	-
- Insurance	247	234
- Lease rental expense – operating leases	744	1,034
- Legal expenses	188	72
- Non-executive directors fees	60	60
- Payroll Tax	111	125

4 Condensed consolidated balance sheet

	Reporting period - \$A'000	Previous corresponding period - \$A'000
Current assets		
4.1 Cash	804	298
4.2 Receivables	1,901	1,517
4.3 Inventories	2,760	2,334
4.4 Other		
- Prepayments	882	494
- Other	1	1
4.5 Total current assets	6,348	4,644
Non-current assets		
4.6 Plant and equipment	1,930	883
4.7 Intangibles	2,906	2,906
4.8 Total non-current assets	4,836	3,789
4.9 Total assets	11,184	8,433
Current liabilities		
4.10 Payables	5,208	2,858
4.11 Short-term borrowings	2,712	3,845
4.12 Short-term provisions	650	239
4.13 Total current liabilities	8,570	6,942
Non-current liabilities		
4.14 Long-term borrowings	100	102
4.15 Long-term provisions	974	48
4.16 Total non-current liabilities	1,074	150
4.17 Total liabilities	9,644	7,092
4.18 Net assets	1,540	1,341
Equity		
4.19 Capital/contributed equity	14,172	14,172
4.20 Retained profits (accumulated losses)	(12,632)	(12,831)
4.21 Total equity	1,540	1,341

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	13,734	10,644
5.2 Payments to suppliers and employees	(11,522)	(9,938)
5.3 Interest received	5	3
5.4 Finance costs	(356)	(445)
5.5 Net operating cash flows	1,861	264
Cash flows from investing activities		
5.6 Proceeds from sale of plant and equipment	-	3
5.7 Purchases of plant and equipment	(184)	(64)
5.8 Purchase of other non-current assets	-	(45)
5.9 Net investing cash flows	(184)	(106)
Cash flows from financing activities		
5.10 Proceeds from borrowings	76	384
5.11 Repayment of borrowings	(1,247)	(290)
5.12 Proceeds from issue of shares	-	-
5.13 Net financing cash flows	(1,171)	94
5.14 Net increase (decrease) in cash held	506	252
5.15 Cash at beginning of period	298	46
5.16 Cash at end of period	804	298

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)	804	298

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	(12,831)	(11,846)
8.2 Net profit (loss) attributable to members (<i>item 3.6</i>)	318	(985)
8.3 Dividend provided for	(119)	-
8.4 Retained profits (accumulated losses) at end of financial period	(12,632)	(12,831)

9. Net tangible Assets

	Reporting period	Previous corresponding period
Net tangible asset backing per ordinary share	(5.7) cents	(6.6) 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.

In May 2007 the Company repaid \$111,000 of the \$257,000 in interest-free borrowings from Mr Campbell and parties related to him. The balance was repaid after 30 June 2007.

During the year the Company also repaid Mr Campbell the \$170,000 (unsecured) loan that was extended on arm's length terms in October 2005.

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
1.3 cents	(4.1) cents

Basic EPS

Options

No options were on issue during the period under review.

14.2 **Returns to shareholders.**

A dividend of half a cent per share is proposed.

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 increased 10%. The improvement in performance is encouraging.

14.4 **The results of segments.**

Refer Appendix

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>)	2.73%	(10.16%)
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>)	20.63%	(73.43%)

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:

Stephanie Noble
(Group Finance Manager)

**GARRATT'S LIMITED
AND CONTROLLED ENTITIES
APPENDIX - SEGMENT REPORT**

	FASTENERS		EDUCATION		CONSOLIDATED	
	2007	2006	2007	2006	2007	2006
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Business Segments						
External sales	6,862	6,206	4,740	3,195	11,602	9,401
Other revenue	3	4	27	292	30	296
	6,865	6,210	4,767	3,487	11,632	9,697
Unallocated revenue					3	-
Total revenue					11,635	9,697
Segment result	577	195	1,118	53	1,695	248
Unallocated expenses net of unallocated revenue					(1,009)	(791)
Finance costs					(368)	(442)
Profit (loss) before and after income tax					318	(985)
Segment assets	6,297	5,916	3,121	2,271	9,418	8,187
Unallocated					1,766	246
Total assets					11,184	8,433
Segment liabilities	1,133	1,392	4,293	1,476	5,426	2,848
Unallocated					4,218	4,224
Total liabilities					9,644	7,092
Acquisition of non-current segment assets	30	-	192	45	222	45
Depreciation and amortisation of segment assets	190	196	71	78	261	275

Geographical Segments

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