

# GARRATT'S LIMITED

ACN 000 003 725

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22 August 2008

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 2008.

Stephanie Noble  
Company Secretary

# Appendix 4E

## Preliminary Final Report

Introduced 1/1/2003.

<b>GARRATT'S LIMITED</b> ABN: 95 000 003 725
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1.	Financial year ended ('reporting period')	30-Jun-08
	Financial year ended ('previous corresponding period')	30-Jun-07

**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	74.2%	to	20,265
2.2	Profit from ordinary activities after tax attributable to members ( <i>item 3.6</i> )	up	1791.3%	to	6,008
2.3	Net profit for the period attributable to members ( <i>item 3.6</i> )	up	1791.3%	to	6,008

**2.4 Explanation of items 2.1 to 2.3 above:**

Turnover increased by 74% over the previous year . Education revenue improved 140% while sales in the fasteners business increased 27.6%.

The fasteners business recorded a contribution of \$926,000, an increase of 60%. Education contributed \$5,078,000,an increase of 354%.

### 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> )	20,265	11,635
3.2 Expenses from ordinary activities ( <i>see item 3.10</i> )	(15,226)	(10,949)
3.3 Finance costs	(204)	(368)
<b>3.4 Profit from ordinary activities before tax</b>	<b>4,835</b>	<b>318</b>
3.5 Income tax benefit on ordinary activities	1,173	-
<b>3.6 Profit from ordinary activities after tax</b>	<b>6,008</b>	<b>318</b>

#### Notes to the condensed consolidated income statement

##### Revenue and expenses from ordinary activities

3.7 Revenue from sales or services		
- Sales	8,754	6,862
- Services	11,380	4,740
3.8 Interest revenue	86	5
3.9 Other relevant revenue		
- Other	46	28
3.10 Details of relevant expenses		
- Depreciation and amortisation	410	333
- Costs of sales	5,155	3,780
- Costs of services	4,133	2,031
- Employee benefits expense	2,788	2,395
- Impairment of goodwill	-	-
- Insurance	247	247
- Lease rental expense – operating leases	868	744
- Legal expenses	163	188
- Non-executive directors fees	64	60
- Payroll Tax	154	111

**4 Condensed consolidated balance sheet**

	Reporting period - \$A'000	Previous corresponding period - \$A'000
<b>Current assets</b>		
4.1 Cash	811	804
4.2 Receivables	2,333	1,901
4.3 Inventories	2,846	2,760
4.4 Other		
- Prepayments	549	882
- Other	1	1
<b>4.5 Total current assets</b>	<b>6,540</b>	<b>6,348</b>
<b>Non-current assets</b>		
4.6 Plant and equipment	1,733	1,930
4.7 Deferred tax assets	1,173	-
4.8 Intangibles	2,906	2,906
<b>4.9 Total non-current assets</b>	<b>5,812</b>	<b>4,836</b>
<b>4.10 Total assets</b>	<b>12,352</b>	<b>11,184</b>
<b>Current liabilities</b>		
4.11 Payables	3,786	5,208
4.12 Short-term borrowings	32	2,712
4.13 Short-term provisions	607	650
<b>4.14 Total current liabilities</b>	<b>4,425</b>	<b>8,570</b>
<b>Non-current liabilities</b>		
4.15 Long-term borrowings	20	100
4.16 Long-term provisions	717	974
<b>4.17 Total non-current liabilities</b>	<b>737</b>	<b>1,074</b>
<b>4.18 Total liabilities</b>	<b>5,162</b>	<b>9,644</b>
<b>4.19 Net assets</b>	<b>7,190</b>	<b>1,540</b>
<b>Equity</b>		
4.20 Capital/contributed equity	14,220	14,172
4.21 Retained profits (accumulated losses)	(7,030)	(12,632)
<b>4.22 Total equity</b>	<b>7,190</b>	<b>1,540</b>

**5 Condensed consolidated cash flow statement**

	Reporting period - \$A'000	Previous corresponding period - \$A'000
<b>Cash flows from operating activities</b>		
5.1 Receipts from customers	19,157	13,734
5.2 Payments to suppliers and employees	(15,581)	(11,522)
5.3 Interest received	86	5
5.4 Finance costs	(201)	(356)
<b>5.5 Net operating cash flows</b>	<b>3,461</b>	<b>1,861</b>
<b>Cash flows from investing activities</b>		
5.6 Proceeds from sale of plant and equipment	7	-
5.7 Purchases of plant and equipment	(224)	(184)
5.8 Purchase of other non-current assets	-	-
<b>5.9 Net investing cash flows</b>	<b>(217)</b>	<b>(184)</b>
<b>Cash flows from financing activities</b>		
5.10 Proceeds from borrowings	-	76
5.11 Dividends paid	(525)	-
5.12 Repayment of borrowings	(2,712)	(1,247)
5.13 Proceeds from issue of shares	-	-
<b>5.14 Net financing cash flows</b>	<b>(3,237)</b>	<b>(1,171)</b>
<b>5.15 Net increase (decrease) in cash held</b>	<b>7</b>	<b>506</b>
5.16 Cash at beginning of period	804	298
<b>5.17 Cash at end of period</b>	<b>811</b>	<b>804</b>

**5.18 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.

**5.19 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
5.20 Cash on hand and at bank (item 5.17)	811	804

**6. Dividends**

On 18 March 2008 the Company paid a dividend of one cent per share, franked at 70%. The payment amount was \$405,906

The Company proposes to pay a one cent dividend, unfranked.

Dividend Dates	
Ex Dividend	25-Sep-08
Record	1-Oct-08
Payment	15-Oct-08

**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	(12,632)	(12,831)
8.2 Net profit attributable to members ( <i>item 3.6</i> )	6,008	318
8.3 Dividend paid	(406)	-
8.4 Dividend provided for	-	(119)
8.5 Retained profits (accumulated losses) at end of financial period	(7,030)	(12,632)

**9. Net tangible Assets**

	Reporting period	Previous corresponding period
Net tangible asset backing per ordinary share	10.6 cents <sup>a</sup>	(5.7) cents <sup>b</sup>

a. Based on 40,590,562 shares at 30 June 2008

b. Based on 23,790,562 shares at 30 June 2007

**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

### Issued Capital

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

### 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 \$3,251,654; and increased expenses and decreased prepayments by \$784,897. 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 \$3,541,656.

### Deferred tax assets

In the period ended 30 June 2008 the group recognised a deferred tax asset of \$1,173,170 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.

## 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
19.0 cents	1.3 cents

Basic EPS

#### Options

No options were on issue during the period under review.

### 14.2 Returns to shareholders.

A dividend of one cent per share is proposed.

### 14.3 Significant features of operating performance.

#### Education

Revenue improved by 140% and contribution by 354%.

#### Fasteners

Revenue improved by 27.6% and contribution by 60%.

14.4 The results of segments.

Refer Appendix

14.5 Ratios.

	Reporting period	Previous corresponding period
<b>Profit before tax / revenue</b> Consolidated profit from ordinary activities before tax ( <i>item 3.4</i> ) as a percentage of revenue ( <i>item 3.1</i> )	23.86%	2.73%
<b>Profit after tax / equity interests</b> Consolidated net profit 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 4.22</i> )	83.57%	20.63%

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		CONOLIDATED	
	2008	2007	2008	2007	2008	2007
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Business Segments</b>						
External sales	<b>8,753</b>	6,862	<b>11,380</b>	4,740	<b>20,133</b>	11,602
Other revenue	<b>4</b>	3	<b>55</b>	27	<b>59</b>	30
	<b>8,757</b>	6,865	<b>11,435</b>	4,767	<b>20,192</b>	11,632
Unallocated revenue					<b>73</b>	3
<b>Total revenue</b>					<b>20,265</b>	11,635
Segment result	<b>926</b>	577	<b>5,078</b>	1,118	<b>6,004</b>	1,695
Unallocated expenses net of unallocated revenue					<b>(965)</b>	(1,009)
Finance costs					<b>(204)</b>	(368)
<b>Profit before income tax</b>					<b>4,835</b>	318
<b>Segment assets</b>	<b>6,599</b>	6,297	<b>3,034</b>	3,121	<b>9,633</b>	9,418
Unallocated					<b>2,719</b>	1,766
Total assets					<b>12,352</b>	11,184
<b>Segment liabilities</b>	<b>1,203</b>	1,133	<b>2,654</b>	4,293	<b>3,857</b>	5,426
Unallocated					<b>1,305</b>	4,218
Total liabilities					<b>5,162</b>	9,644
<b>Acquisition of non-current segment assets</b>	<b>85</b>	30	<b>139</b>	192	<b>224</b>	222
<b>Depreciation and amortisation of segment assets</b>	<b>188</b>	190	<b>92</b>	71	<b>280</b>	261

**Geographical Segments**

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