

GARRATT'S LIMITED

ACN 000 003 725

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28 February 2005

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

Via ASX Online

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ANNOUNCEMENT

HALF-YEAR REPORT

In accordance with ASX Listing Rule 4.2A, attached are the following reports for the half-year ended 31 December 2004:

- 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 2004.

Ian Bloodworth
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-04
	Half-year ended ('previous corresponding period')	31-Dec-03

2. Results for announcement to the market

\$A'000

Movements from previous corresponding period				
2.1 Revenues from ordinary activities	down	3.7%	to	4,571
2.2 Profit (loss) from ordinary activities after tax attributable to members	down	156.8%	to	(1,099)
2.3 Net profit (loss) for the period attributable to members	down	156.8%	to	(1,099)

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:

Fasteners

The contribution to profitability decreased by 55% from \$728,000 to \$326,000.

Education

There was a major improvement in the education business. Before adjusting for amortisation of \$165,000, being 25% of the deferred infrastructure expenditure of \$662,000 arising from the acquisition of the business and assets that formed the Australian College of Technology, the loss from education was \$402,000 – which is 30% less than that for the previous corresponding period. Since the reporting date, the operations have improved further.

The 25% amortisation of the deferred infrastructure expenditure reflects a conservative two-year amortisation period adopted by the Board.

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

3. **Net tangible Assets**

Net tangible asset backing per ordinary share

Reporting period	Previous corresponding period
-2.3 cents	8.0 cents

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

- 4.1 The following companies were placed into voluntary liquidation on 11 June 2004.
The liquidations were completed on 2 December 2004.

Electrodata (Sales) Pty Limited Hanstock Voice Systems Pty Limited Overland Sydney Pty Limited Sandomir Pty Limited
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These companies were dormant throughout the period and did not contribute to the reporting entities profit during the previous period.

5. **Dividends**

No dividends were paid during the reporting period or the previous corresponding period.

6. **Dividend reinvestment plans**

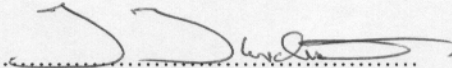
No dividend reinvestment plans were in operation during the reporting period or the previous corresponding period.

7. **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.

8. **Foreign entities**

No member of the Group is a foreign entity.

Signed: 

Date: 28 February 2005

Ian Bloodworth
(Group Finance Manager)

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

HALF-YEAR REPORT
31 DECEMBER 2004

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Your directors present the financial report of the economic entity, being Garratt's Limited and its controlled entities, for the half-year ended 31 December 2004.

The following persons held office as Directors of Garratt's Limited during or since the end of the half-year:

Neville Thomas Cleary

Christopher Elmore Campbell

Chiang Meng Heng

Petah Anne Fitzsimmons (Alternate for Neville Thomas Cleary. Resigned 27 August 2004)

REVIEW AND RESULTS OF OPERATIONS

A summary of the Statement of Financial Performance for the half-year ended 31 December 2004 is set out below:

	2004	2003
	\$	\$
Total Revenue	<u>4,571,000</u>	<u>4,747,000</u>
Operating Loss Before Income Tax	<u>1,099,000</u>	<u>572,000</u>
Income Tax Credit/(Expense)	<u>0</u>	<u>144,000</u>
Operating Loss After Income Tax	<u>1,099,000</u>	<u>428,000</u>

Revenue levels were about the same as for the previous corresponding period. The poorer performance for the period under review is mainly because of the much lower contribution from the fastening business and substantial amortisation in regard to deferred infrastructure expenditure. Compared to the previous period, education operations improved considerably, although they operated at a loss. The operating loss includes \$178,000 in legal fees.

Fasteners

The contribution to profitability decreased by 55% from \$728,000 to \$326,000.

Education

There was a major improvement in the education business. Before adjusting for amortisation of \$165,000, being 25% of the deferred infrastructure expenditure of \$662,000 arising from the acquisition of the business and assets that formed the Australian College of Technology, the loss from education was \$402,000 – which is 30% less than that for the previous corresponding period. Since the reporting date, the operations have improved further.

The 25% amortisation of the deferred infrastructure expenditure reflects a conservative two-year amortisation period adopted by the Board.

Thangathurai US Dollar Debt

The Company continues to pursue steps to recover the US\$1,900,000 debt plus costs, interest, attorneys' fees and other amounts. Success, however, is not assured.

Dividend

No dividend has been declared for the half-year ended 31 December 2004.

GARRATT'S LIMITED ABN 93 000 003 725
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE
For the half-year ended 31 December 2004

	Note	ECONOMIC ENTITY	
		HALF-YEAR	
		2004	2003
		\$	\$
Revenues from ordinary activities		4,571,260	4,746,968
Borrowing costs expense		(265,207)	(334,744)
Depreciation and amortisation expense		(403,553)	(244,622)
Cost of sales		(1,847,000)	(2,156,887)
Cost of services		(551,175)	(319,488)
Employee benefit expense		(1,262,803)	(1,210,413)
Insurance		(118,530)	(111,723)
Legal fees		(178,067)	(16,853)
Lease rental expense – operating leases		(488,128)	(472,342)
Non-executive directors fees		(29,975)	(28,460)
Other expenses from ordinary activities		(525,847)	(423,533)
Profit/(loss) from ordinary activities before income tax expense		(1,099,025)	(572,097)
Income tax (expense)/benefit relating to ordinary activities		-	144,052
Profit/(loss) from ordinary activities after related income tax expense		(1,099,025)	(428,045)
Net profit/(loss)		(1,099,025)	(428,045)
Basic earnings per share (dollars)	5	(0.06)	(0.04)

The accompanying notes form part of these financial statements.

GARRATT'S LIMITED ABN 93 000 003 725
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2004

	ECONOMIC ENTITY	
	31/12/04	30/06/04
	\$	\$
Current Assets		
Cash assets	315,199	173,454
Receivables	1,506,868	1,362,024
Inventories	2,857,359	2,643,141
Other	166,868	213,711
Total Current Assets	4,846,294	4,392,330
Non-Current Assets		
Plant and equipment	1,139,969	1,266,905
Intangible assets	2,985,550	3,082,023
Other	496,434	661,912
Total Non-Current Assets	4,621,953	5,010,840
Total Assets	9,468,247	9,403,170
Current Liabilities		
Payables	2,097,080	1,419,929
Interest-bearing liabilities	4,710,296	3,904,957
Provisions	132,163	161,309
Total Current Liabilities	6,939,539	5,486,195
Non-Current Liabilities		
Interest-bearing liabilities	78,850	2,096,033
Total Non-Current Liabilities	78,850	2,096,033
Total Liabilities	7,018,389	7,582,228
Net Assets	2,449,858	1,820,942
Equity		
Contributed equity	12,539,836	10,811,895
Accumulated Losses	(10,089,978)	(8,990,953)
Total Equity	2,449,858	1,820,942

The accompanying notes form part of these financial statements.

GARRATT'S LIMITED ABN 93 000 003 725
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the half-year ended 31 December 2004

	ECONOMIC ENTITY	
	HALF-YEAR	
	2004	2003
	\$	\$
Cash Flows from Operating Activities		
Receipts from customers	4,635,312	4,726,926
Payments to suppliers and employees	(4,828,647)	(4,892,714)
Interest received	2,966	3,525
Borrowing costs	(238,952)	(329,194)
Net cash provided by/(used in) operating activities	(429,321)	(491,457)
Cash Flows from Investing Activities		
Payment for plant & equipment	(15,031)	(11,882)
Net cash provided by/(used in) investing activities	(15,031)	(11,882)
Cash Flows from Financing Activities		
Proceeds from issue of shares	1,727,941	-
Proceeds from borrowings	187,496	400,000
Repayment of borrowings	(1,329,340)	(69,488)
Net cash provided by/(used in) financing activities	586,097	330,512
Net increase/(decrease) in cash held	141,745	(172,827)
Cash at the beginning of the period	173,454	440,709
Cash at the end of the period	315,199	267,882

The accompanying notes form part of these financial statements.

GARRATT'S LIMITED ABN 93 000 003 725
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half-year ended 31 December 2004

1. BASIS OF PREPARATION

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2004 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*.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2004 Annual Report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

Impact of adopting Australian equivalents to International Financial Reporting Standards

Garratt's Limited has commenced reviewing its accounting policies and financial reporting to assess the impacts of the transition from current Australian Accounting Standards to Australian equivalents of International Financial Reporting Standards (IFRS). The Company's management, along with its auditors, will continue this process in order to properly manage the transition.

The adoption of the Australian equivalents of IFRS will first be reflected in the economic entity's financial reports for the half-year ended 31 December 2005 and the year ended 30 June 2006. In some cases choices of accounting policies are available, including elective exemptions under AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards. These choices will be analysed to determine the most appropriate accounting policy for the economic entity.

The major changes identified to date that will be required to the economic entity's existing accounting policies and may have an impact on the future financial reports are set out below. At this stage the Company has not been able to reliably quantify the impacts on future financial reports.

Business Combinations (AASB 3)

Currently, the economic entity amortises goodwill over 20 years. Under AASB 3, amortisation is prohibited and is replaced by an annual impairment test. An election is available under AASB 1 not to apply AASB 3 to past business combinations. At this time the Company has not decided whether to make this election.

Income Taxes (AASB 112)

Currently, the liability method of tax-effect accounting is used. Under this method the income tax expense is based on the accounting result adjusted for permanent differences with timing differences brought to account as either future income tax benefit or deferred tax liability. Under AASB 112, the economic entity will be required to use a balance sheet approach under which temporary differences are identified for each asset and liability rather than the effects of the timing and permanent differences between taxable income and the accounting result.

GARRATT'S LIMITED ABN 93 000 003 725
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half-year ended 31 December 2004

Impairment of Assets (AASB 136)

Currently, the recoverable amount of an asset is determined on the basis of the undiscounted net cash flows that will be received from the use of the asset and by its disposal. Under AASB 136, the recoverable amount of an asset is determined to be the higher of its net selling price and its value in use.

Provisions, Contingent Liabilities and Contingent Assets (AASB 137)

Under AASB 137, contingent assets of the economic entity are to be specifically disclosed in the financial reports. Compliance with this standard will have no impact on the Statement of Financial Performance or the Statement of Financial Position of the economic entity. Currently, the contingent assets of the economic entity are future income tax benefits and a debt that has been written off in the accounts.

Going concern

These financial statements have been prepared adopting the going concern assumption, which contemplates the orderly realisation of assets and payment of liabilities in the ordinary course of business.

The appropriateness of this assumption is dependent upon:

- the continued support of the Company's shareholders who have extended loans to the Company;
- the continued support of the Company's bankers; and
- the expected return to profitability of the education operations.

The Board is currently satisfied that these issues have been addressed and that there are reasonable grounds to assume that the Company will meet its future financial obligations as and when they fall due.

ECONOMIC ENTITY	
HALF-YEAR	
2004	2003
\$	\$

2. PROFIT FROM ORDINARY ACTIVITIES

The following revenue and expense items are relevant in explaining the financial performance for the half-year:

Amortisation of deferred infrastructure expenditure	165,478	-
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3. DIVIDENDS

Dividends provided for or paid	-	-
Balance of franking account at period end	173,473	173,473

GARRATT'S LIMITED ABN 93 000 003 725
AND CONTROLLED ENTITIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the half-year ended 31 December 2004

4. ACQUISITION AND DISPOSAL OF CONTROLLED ENTITIES

The following wholly owned subsidiaries were placed into members' voluntary liquidation on 11 June 2004. The liquidations were completed on 2 December 2004.

Electrodata (Sales) Pty Limited
Hanstock Voice Systems Pty Limited
Overland Sydney Pty Limited
Sandomir Pty Limited

5. EQUITY SECURITIES ISSUED

	HALF-YEAR		HALF-YEAR	
	2004	2003	2004	2003
	Shares	Shares	\$	\$
Issues of ordinary shares during the half-year				
Issued as a result of a 1 for 1 rights issue	11,895,281	-	1,727,941	-

GARRATT'S LIMITED ABN 93 000 003 725
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL CONSOLIDATED STATEMENTS
For the half-year ended 31 December 2004

	FASTENERS HALF-YEAR		EDUCATION HALF-YEAR		ELIMINATIONS HALF-YEAR		CONSOLIDATED HALF-YEAR	
	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$	2004 \$	2003 \$
6. SEGMENT REPORTING								
Primary reporting – Business segments								
Sales to outside customers	3,592,142	4,155,327	971,481	578,588	-	-	4,563,623	4,733,915
Other revenue	2,227	4,609	3,800	7,752	-	-	6,027	12,361
	3,594,369	4,159,936	975,281	586,340	-	-	4,569,650	4,746,276
Unallocated revenue							1,610	692
Total revenue from ordinary activities							4,571,260	4,746,968
Segment operating profit/(loss)	325,746	727,796	(567,131)	(570,494)	(15,204)	(15,204)	(256,589)	142,098
Unallocated expenses net of unallocated revenue							(842,436)	(714,195)
Profit/(loss) from ordinary operations before income tax							(1,099,025)	(572,097)

GARRATT'S LIMITED ABN 93 000 003 725
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL CONSOLIDATED STATEMENTS
For the half-year ended 31 December 2004

ECONOMIC ENTITY	
31/12/04	31/12/03
\$	\$

7. CONTINGENT LIABILITIES

Employment Contracts

Payable to Executive Directors under service agreements on termination in certain circumstances:	366,972	550,459
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Guarantees

The following group companies have issued guarantees in respect of the parent entity as security for its bank facilities.

- Academies Australasia Pty Limited
- Academies Australasia Management Pty Limited
- Clarendon Business College Pty Limited
- Multimedia Investments Pty Limited
- Premier Fasteners Pty Limited
- Supreme Business College Pty Limited

The following group companies have issued guarantees in respect of Premier Fasteners Pty Limited as security for its bank facilities.

- Garratt's Limited
- Academies Australasia Pty Limited
- Academies Australasia Management Pty Limited
- Clarendon Business College Pty Limited
- Multimedia Investments Pty Limited
- Supreme Business College Pty Limited

Legal action

The Company's solicitors remain confident that the defence of the action initiated by Keith Franklin Kennett, K.F. Kennett Nominees Pty Ltd and Myong Ho Pak will be successful.

9. EVENTS SUBSEQUENT TO BALANCE DATE

No matter or circumstance has arisen since 31 December 2004 which significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in subsequent financial years.

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