

# GARRATT'S LIMITED

ACN 000 003 725

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26 February 2004

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

Via ASX Online

(Page 1 of 16)

## ANNOUNCEMENT

### **HALF-YEAR REPORT**

In accordance with ASX Listing Rule 4.2A, attached are the following reports for the half-year ended 31 December 2003:

- Appendix 4D
- Directors' Report
- Financial Report (includes 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 2003.

Petah Fitzsimmons  
Company Secretary

# Appendix 4D

## Half Year Report

### Half year information given to ASX under listing rule 4.2A

Introduced 1/1/2003.

<b>GARRATT'S LIMITED</b> ABN: 95 000 003 725
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1.	Half year ended ('reporting period')	31-Dec-03
	Half year ended ('previous corresponding period')	31-Dec-02

#### 2. Results for announcement to the market

\$A'000

Movements from previous corresponding period				
2.1 Revenues from ordinary activities	down	20.1%	to	4,747
2.2 Profit (loss) from ordinary activities after tax attributable to members	down	453.7%	to	(428)
2.3 Net profit (loss) for the period attributable to members	down	453.7%	to	(428)

#### 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 improved by 23% to \$728,000.

#### Education

The education business performed poorly, recording a loss of \$570,000 compared to a profit of \$220,000 in the previous corresponding period. The business suffered from external factors that affected the international education market, especially the substantial increase in the value of the Australian dollar.

The effect of the fall in revenues because of substantially lower recruitments was compounded by the costs of the additional premises leased in the previous financial year.

**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
8.0 cents	37.0 cents

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

4.1 There was no gain or loss of control over any entity during the reporting 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: .....

Ian Bloodworth  
(Group Finance Manager)

Date: 26 February 2004

ACN 000 003 725

**GARRATT'S LIMITED  
AND CONTROLLED ENTITIES**

**DIRECTORS' REPORT**

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 2003.

The following persons held office as Directors of Garratt's Limited during the half-year ended 31 December 2003 and up to the date of this report:

Neville Thomas Cleary  
Christopher Elmore Campbell  
Chiang Meng Heng  
Petah Anne Fitzsimmons<sup>1</sup>

<sup>1</sup> Alternate director to Neville Thomas Cleary

**REVIEW AND RESULTS OF OPERATIONS**

A summary of the Statement of Financial Performance for the half-year ended 31 December 2003 is set out below:

	<b>2003</b>	<b>2002</b>
	<b>(\$)</b>	<b>(\$)</b>
Total Revenue	<u>4,747,000</u>	<u>5,943,000</u>
Operating Profit/(Loss) Before Income Tax	(572,000)	200,000
Income Tax Credit/(Expense)	<u>144,000</u>	<u>(79,000)</u>
Operating Profit/(Loss) After Income Tax	<u>(428,000)</u>	<u>121,000</u>

Total revenue and contribution were substantially below what had been achieved in the previous corresponding period. The poor contribution of the education operations was the predominant reason for the negative performance.

Earnings before interest, tax, depreciation and amortisation was \$7,000.

**Fasteners**

The contribution to profitability improved by 23% to \$728,000.

**Education**

The education business performed poorly, recording a loss of \$570,000 compared to a profit of \$220,000 in the previous corresponding period. The business suffered from external factors that affected the international education market, especially the substantial increase in the value of the Australian dollar.

The effect of the fall in revenues because of substantially lower recruitments was compounded by the costs of the additional premises leased in the previous financial year.

**Thangathurai US Dollar Debt**

In December 2003 the Company filed a claim in the Superior Court of California, County of Sonoma, USA, against Mary Lynn Thangathurai ('MLT') for US\$1,900,000 plus costs, interest, attorney's fees, and other amounts.

MLT is the surviving spouse of the late Mr. Thanga Thangathurai. The action is being brought against her pursuant to, among other laws, the California Probate Code which provides, inter alia, that upon the death of a married person, the surviving spouse is personally liable for the debts of the deceased spouse in relation to certain property.

### **Dividend**

No dividend has been declared for the half-year ended 31 December 2003.

### **Convertible Notes**

Noteholders were paid the tenth interest payment of 6 cents in December 2003.

On 1 March 2004 the Notes will be redeemed and repaid to Noteholders at their face value of \$1.00 together with interest accrued for the period 1 January 2004 to 28 February 2004 (1.93 cents).

### **Options**

Dr. David Wheeler has not exercised any of the options that were offered to him to acquire new fully paid ordinary shares in the Company. At the date of this report, Dr. Wheeler has the option to acquire up to 75,000 shares @ \$1.00 each. These options expire on 30 June 2004. The Directors are of the view that, at the date of this report, these options have no value.

### **Events Subsequent to Balance Date**

The only matter or circumstance that has arisen since 31 December 2003 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, is that in February 2004 the Company entered into refinancing arrangements for the repayment of the Convertible Notes.

As part of the refinancing arrangements, parties related to the following Directors have extended loans to the Company on arm's length terms:

<u>Director</u>	<u>Loan Amount</u>
Chiang Meng Heng	2,000,000
Christopher Campbell	<u>400,000</u>
	<u>\$2,400,000</u>

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

Neville Cleary  
Director

Christopher Campbell  
Director

Sydney  
26 February 2004

**ACN 000 003 725**

**GARRATT'S LIMITED  
AND CONTROLLED ENTITIES**

**FINANCIAL REPORT  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2003**

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**GARRATT'S LIMITED  
AND CONTROLLED ENTITIES  
STATEMENT OF FINANCIAL PERFORMANCE**

For the half-year ended 31 December 2003

	ECONOMIC ENTITY		PARENT ENTITY	
	31/12/03 \$	31/12/02 \$	31/12/03 \$	31/12/02 \$
Revenues from ordinary activities	<b>4,746,968</b>	5,942,532	<b>898,981</b>	885,533
Borrowing costs expense	<b>(334,744)</b>	(324,661)	<b>(326,986)</b>	(316,452)
Depreciation and amortisation expense	<b>(244,622)</b>	(253,030)	<b>(6,662)</b>	(8,162)
Cost of sales	<b>(2,156,887)</b>	(2,590,063)	-	-
Cost of services	<b>(319,488)</b>	(352,626)	-	-
Employee benefit expense	<b>(1,210,413)</b>	(1,114,335)	<b>(281,653)</b>	(275,402)
Insurance	<b>(111,723)</b>	(98,044)	<b>(23,232)</b>	(20,648)
Intercompany loan written off	-	-	<b>(1,070,570)</b>	-
Lease rental expense – operating leases	<b>(472,342)</b>	(427,347)	<b>(15,966)</b>	(13,592)
Loss on foreign exchange	-	-	-	-
Loss on disposal of assets	-	(35,547)	-	-
Non-executive directors fees	<b>(28,460)</b>	(27,500)	<b>(28,460)</b>	(27,500)
Provision for loan to subsidiary	-	-	-	-
Other expenses from ordinary activities	<b>(440,386)</b>	(519,346)	<b>(31,928)</b>	(32,486)
Profit/(loss) from ordinary activities before income tax expense	<b>(572,097)</b>	200,033	<b>(886,476)</b>	191,291
Income tax (expense)/benefit relating to ordinary activities	<b>144,052</b>	(78,880)	<b>(10,786)</b>	(7,989)
Profit/(loss) from ordinary activities after related income tax expense	<b>(428,045)</b>	121,153	<b>(897,262)</b>	183,302
Basic earnings per share (dollars)	<b>(0.04)</b>	0.01		

The accompanying notes form part of these financial statements.

**GARRATT'S LIMITED  
AND CONTROLLED ENTITIES  
STATEMENT OF FINANCIAL POSITION**

As at 31 December 2003

	ECONOMIC ENTITY		PARENT ENTITY	
	31/12/03	31/12/02	31/12/03	31/12/02
	\$	\$	\$	\$
<b>Current Assets</b>				
Cash assets	267,882	109,386	137,417	11,738
Receivables	2,097,014	5,796,580	304,777	4,750
Inventories	2,787,266	3,231,465	-	-
Other	204,441	491,092	69,314	27,833
<b>Total Current Assets</b>	<b>5,356,603</b>	<b>9,628,523</b>	<b>511,508</b>	<b>44,321</b>
<b>Non-Current Assets</b>				
Receivables	-	-	8,415,761	11,136,875
Other financial assets	-	1,712	3,000,006	3,000,006
Plant and equipment	1,469,774	1,880,255	39,480	54,148
Deferred tax assets	1,512,293	334,046	59,104	59,013
Intangible assets	3,178,116	3,241,827	-	50,040
<b>Total Non-Current Assets</b>	<b>6,160,183</b>	<b>5,457,840</b>	<b>11,514,351</b>	<b>14,300,082</b>
<b>Total Assets</b>	<b>11,516,786</b>	<b>15,086,363</b>	<b>12,025,859</b>	<b>14,344,403</b>
<b>Current Liabilities</b>				
Payables	1,327,115	1,677,228	245,477	146,147
Interest-bearing liabilities	5,928,166	737,788	5,743,281	700,000
Provisions	125,834	97,348	111,363	94,965
<b>Total Current Liabilities</b>	<b>7,381,115</b>	<b>2,512,364</b>	<b>6,100,121</b>	<b>941,112</b>
<b>Non-Current Liabilities</b>				
Interest-bearing liabilities	-	4,652,300	-	4,498,874
Deferred tax liabilities	-	249,664	-	25,582
Provisions	7,619	25,166	-	-
<b>Total Non-Current Liabilities</b>	<b>7,619</b>	<b>4,927,130</b>	<b>-</b>	<b>4,524,456</b>
<b>Total Liabilities</b>	<b>7,388,734</b>	<b>7,439,494</b>	<b>6,100,121</b>	<b>5,465,568</b>
<b>Net Assets</b>	<b>4,128,052</b>	<b>7,646,869</b>	<b>5,925,738</b>	<b>8,878,835</b>
<b>Equity</b>				
Contributed equity	10,811,895	10,811,895	10,811,895	10,811,895
Accumulated Losses	(6,683,843)	(3,165,026)	(4,886,157)	(1,933,060)
<b>Total Equity</b>	<b>4,128,052</b>	<b>7,646,869</b>	<b>5,925,738</b>	<b>8,878,835</b>

The accompanying notes form part of these financial statements.

**GARRATT'S LIMITED  
AND CONTROLLED ENTITIES  
STATEMENT OF CASH FLOWS**

For the half-year ended 31 December 2003

	<b>ECONOMIC ENTITY</b>		<b>PARENT ENTITY</b>	
	31/12/03	31/12/02	31/12/03	31/12/02
	\$	\$	\$	\$
<b>Cash Flows from Operating Activities</b>				
Cash receipts in the course of operations	<b>4,726,926</b>	5,182,061	<b>388,725</b>	413,387
Cash payments in the course of operations	<b>(4,892,714)</b>	(5,594,930)	<b>(509,567)</b>	(428,024)
Interest received	<b>3,525</b>	6,897	<b>692</b>	3,165
Borrowing costs	<b>(329,194)</b>	(605,140)	<b>(321,436)</b>	(596,932)
Net cash provided by/(used in) operating activities	<b>(491,457)</b>	(1,011,112)	<b>(441,586)</b>	(608,404)
<b>Cash Flows from Investing Activities</b>				
Payment for plant & equipment	<b>(11,882)</b>	(67,921)	-	(2,831)
Loans to controlled entities – repaid/(advanced)	-	-	<b>102,548</b>	(264,008)
Payments for businesses, assets and goodwill	-	(140,129)	-	-
Other	-	(4,980)	-	-
Net cash provided by/(used in) investing activities	<b>(11,882)</b>	(213,030)	<b>102,548</b>	(266,839)
<b>Cash Flows from Financing Activities</b>				
Proceeds from borrowings	<b>400,000</b>	250,000	<b>400,000</b>	250,000
Repayment of borrowings	<b>(69,488)</b>	(567,886)	<b>(45,450)</b>	(549,500)
Net cash provided by/(used in) financing activities	<b>330,512</b>	(317,886)	<b>354,550</b>	(299,500)
<b>Net increase/(decrease) in cash held</b>	<b>(172,827)</b>	(1,542,028)	<b>15,512</b>	(1,174,743)
<b>Cash at the beginning of the period</b>	<b>440,709</b>	1,651,414	<b>121,905</b>	1,186,480
<b>Cash at the end of the period</b>	<b>267,882</b>	109,386	<b>137,417</b>	11,737

The accompanying notes form part of these financial statements.

**GARRATT'S LIMITED  
AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS**

For the half-year ended 31 December 2003

**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 2003 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 2003 Annual Report.

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

<b>ECONOMIC ENTITY</b>		<b>PARENT ENTITY</b>	
31/12/03	31/12/02	31/12/03	31/12/02
\$	\$	\$	\$

**2. PROFIT FROM ORDINARY ACTIVITIES**

Profit from ordinary activities before tax has been determined after

a. Expenses:

Cost of sales	<b>2,156,887</b>	2,590,063	-	-
Borrowing costs – other parties	<b>334,774</b>	324,661	<b>324,661</b>	316,452
Depreciation of plant and equipment	<b>145,387</b>	165,572	<b>6,237</b>	7,523
Amortisation of leasehold improvements	<b>2,762</b>	2,979	<b>425</b>	639
Amortisation of goodwill	<b>95,717</b>	83,723	-	-
Amortisation of business names	<b>756</b>	756	-	-
Bad and doubtful debts	<b>15,000</b>	-	-	-
Lease rental expense – operating leases	<b>472,342</b>	427,347	<b>15,966</b>	13,592
Loss on disposal of plant and equipment	-	35,547	-	-

b. Revenue and Net Gains:

Gain on cancellation of convertible notes	<b>4,550</b>	23,282	<b>4,550</b>	23,282
Net foreign exchange gains	-	6,360	-	6,360

c. Significant Revenues and Expenses:

The following significant revenue and expense items are relevant in explaining the financial performance:

Intercompany loan written off	-	-	<b>(1,070,570)</b>	-
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**GARRATT'S LIMITED  
AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS**

For the half-year ended 31 December 2003

	<b>ECONOMIC ENTITY</b>		<b>PARENT ENTITY</b>	
	31/12/03	31/12/02	31/12/03	31/12/02
	\$	\$	\$	\$
<b>3. DIVIDENDS</b>				
Dividends paid	-	-	-	-
Balance of franking account at year end	<b>173,478</b>	173,478	<b>10,662</b>	10,662

These amounts represent the tax credits which may be distributed along with dividends paid.

**4. ACQUISITION AND DISPOSAL OF CONTROLLED ENTITIES**

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

**GARRATT'S LIMITED  
AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS**

For the half-year ended 31 December 2003

	FASTENERS		EDUCATION		MULTIMEDIA		ELIMINATIONS		CONSOLIDATED	
	31/12/03	31/12/02	31/12/03	31/12/02	31/12/03	31/12/02	31/12/03	31/12/02	31/12/03	31/12/02
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>5. SEGMENT REPORTING</b>										
<b>Primary reporting – Business segments</b>										
Sales to outside customers	4,155,327	4,493,494	578,588	1,312,852	-	-	-	-	4,733,915	5,806,346
Other revenue	4,609	3,900	7,752	1,206	-	127,915	-	-	12,361	133,021
	<b>4,159,936</b>	<b>4,497,394</b>	<b>586,340</b>	<b>1,314,058</b>	<b>-</b>	<b>127,915</b>	<b>-</b>	<b>-</b>	<b>4,746,276</b>	<b>5,939,367</b>
Unallocated revenue									692	3,165
<b>Total revenue from ordinary activities</b>									<b>4,746,968</b>	<b>5,942,532</b>
Segment operating profit/(loss)	727,796	589,511	(570,494)	220,357	1,070,570	92,265	(15,204)	(15,204)	1,212,668	886,929
Unallocated expenses net of unallocated revenue									(1,784,765)	(686,896)
<b>Profit/(loss) from ordinary operations before income tax</b>									<b>(572,097)</b>	<b>200,033</b>
<b>Segment assets</b>	<b>7,317,436</b>	<b>8,356,211</b>	<b>2,435,139</b>	<b>2,725,399</b>	<b>930</b>	<b>3,522,198</b>	<b>-</b>	<b>-</b>	<b>9,753,505</b>	<b>14,603,808</b>
Unallocated									1,763,281	482,555
Total assets									<b>11,516,786</b>	<b>15,086,363</b>
<b>Segment liabilities</b>	<b>912,277</b>	<b>985,770</b>	<b>373,186</b>	<b>627,559</b>	<b>3,150</b>	<b>136,515</b>	<b>-</b>	<b>-</b>	<b>1,288,613</b>	<b>1,749,844</b>
Unallocated									6,100,121	5,689,650
Total liabilities									<b>7,388,734</b>	<b>7,439,494</b>
<b>Acquisition of non-current segment assets</b>	<b>-</b>	<b>88,305</b>	<b>11,881</b>	<b>1,010,893</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11,881</b>	<b>1,099,198</b>
<b>Depreciation and amortisation of segment assets</b>	<b>147,586</b>	<b>165,670</b>	<b>75,070</b>	<b>79,198</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>222,656</b>	<b>244,868</b>
<b>Other non-cash segment expenses</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**GARRATT'S LIMITED  
AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS**

For the half-year ended 31 December 2003

ECONOMIC ENTITY		PARENT ENTITY	
31/12/03	31/12/02	31/12/03	31/12/02
\$	\$	\$	\$

**6. CONTINGENT LIABILITIES**

**Employment Contracts**

Payable to Executive Directors under service agreements on termination in certain circumstances:	<b>550,459</b>	871,560	<b>137,615</b>	275,229
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**Guarantees**

The following group companies have issued guarantees in respect of the parent entity as security for its multi option facility.

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

**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.

**7. CONVERTIBLE NOTES**

Noteholders were paid the tenth interest payment of 6 cents in December 2003.

On 1 March 2004 the Notes will be redeemed and repaid to Noteholders at their face value of \$1.00 together with interest accrued for the period 1 January 2004 to 28 February 2004 (1.93 cents).

**8. EVENTS SUBSEQUENT TO BALANCE DATE**

The only matter or circumstance that has arisen since 31 December 2003 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, is that in February 2004 the Company entered into refinancing arrangements for the repayment of the Convertible Notes.

As part of the refinancing arrangements, parties related to the following Directors have extended loans to the Company on arm's length terms:

<u>Director</u>	<u>Loan Amount</u>
Chiang Meng Heng	\$2,000,000
Christopher Campbell	<u>\$400,000</u>
	<u>\$2,400,000</u>

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**GARRATT'S LIMITED  
AND CONTROLLED ENTITIES  
DIRECTORS' DECLARATION**

For the half-year ended 31 December 2003

The directors of Garratt's Limited declare that:

1. The financial statements and notes, set out on pages 1 to 7:
  - (i) comply with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations; and
  - (ii) give a true and fair view of the consolidated entity's financial position as at 31 December 2003 and of its performance for the half-year ended on that date.
2. In the directors' opinion 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  
26 February 2004

**GARRATT'S LIMITED  
AND CONTROLLED ENTITIES**

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

**Scope**

We have reviewed the financial report of Garratt's Limited for the half-year ended 31 December 2003 as set out on pages 1 to 8. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission / Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to enquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than that given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

**Statement**

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:

- (a) the Corporations Act 2001, including:
  - (i) giving a true and fair view of the company's financial position as at 31 December 2003 and of its performance for the half-year ended on that date; and

**CALABRO  PARTNERS**  
CHARTERED ACCOUNTANTS

- (ii) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporation Regulations 2001; and
- (b) other mandatory professional reporting requirements in **Australia**.



**M TRAYNOR  
PARTNER**



**CALABRO PARTNERS**

DATE: 26th DAY OF FEBRUARY 2004