

GARRATT'S LIMITED

ACN 000 003 725

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8 September 2003

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 2003.

The consolidated loss from operations after exceptional item and income tax was \$2,969,619 (2002: \$211,282), equal to 25.1 cents per share (2002: 1.9 cents per share).

The consolidated loss from operations before exceptional item and income tax was \$257,875.

The result is after payment of \$521,529 as interest on the Convertible Notes on issue (2002: \$615,905) and after the provision of \$320,000 against trading stock in Premier Fasteners Pty Limited.

The exceptional item referred to in paragraphs 2 & 3 is the writing off of the debt owed by the late Mr. Thanga Thangathurai and related costs. That write off amounted to \$3,916,723.

The decision to write off the Thangathurai debt was taken as a matter of prudence. The Company intends to take all available steps to enforce the Judgements obtained in the Supreme Court of New South Wales in May 2003, against all surviving Thangathurai interests. Steps have been taken in respect of legal action in Singapore and the United States of America. The Company is planning legal proceedings in which it will be seeking to enforce the Judgements or recover the debt.

The consolidated net asset backing per share at balance date was 38.3 cents (2002: 63.8 cents). The consolidated net tangible asset backing per share at balance date was 10.6 cents (2002: 41.5 cents).

Petah Fitzsimmons
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-03
	Financial year ended ('previous corresponding period')	30-Jun-02

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	14.6%	to	10,711
2.2	Profit (loss) from ordinary activities after tax attributable to members (<i>item 3.8</i>)	down	1242.0%	to	(2,970)
2.3	Net profit (loss) for the period attributable to members (<i>item 3.8</i>)	down	1242.0%	to	(2,970)

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:

Strong turnover growth has been experienced in the two main industry segments. The growth in the Fastener industry of 5.6% was organic while much of the growth in education was due to acquisition.

The results at items 2.2 & 2.3 are after the writing off of an exceptional item being the debt owed by the late Mr. Thanga Thangathurai and related costs. This exceptional loss was \$3,917,000 (*see item 3.13*).

The decision to write off the above debt was taken as a matter of prudence. The Company intends to take all available steps to enforce the Judgements obtained in the Supreme Court of New South Wales in May 2003, against all surviving Thangathurai interests. Steps have been taken in respect of legal action in Singapore and the United States of America. The Company is planning legal proceedings in which it will be seeking to enforce the Judgements or recover the debt.

3. Condensed consolidated statement of financial performance

	Reporting period - \$A'000	Previous corresponding period - \$A'000
3.1 Revenues from ordinary activities (<i>see items 3.9 - 3.11</i>)	10,711	9,345
3.2 Expenses from ordinary activities (<i>see item 3.12</i>)	(10,323)	(8,887)
3.3 Borrowing costs	(646)	(696)
3.4 Profit (loss) from ordinary activities before exceptional item and tax	(258)	(238)
3.5 Loss from exceptional item before related tax benefit (<i>see item 3.13</i>)	(3,917)	-
3.6 Profit (loss) from ordinary activities before tax	(4,175)	(238)
3.7 Income tax benefit/(expense) on ordinary activities	1,205	27
3.8 Profit (loss) from ordinary activities after tax	(2,970)	(211)

Notes to the condensed consolidated statement of financial performance

Revenue and expenses from ordinary activities

3.9 Revenue from sales or services		
- Sales	8,214	7,769
- Services	2,322	1,207
3.10 Interest revenue	140	309
3.11 Other relevant revenue		
- Other	35	60
3.12 Details of relevant expenses		
- Amortisation of intangibles	178	142
- Depreciation and amortisation excluding amortisation of intangibles	347	328
- Costs of sales	4,875	4,085
- Costs of services	742	351
- Employee benefits expense	2,029	1,963
- Insurance	199	160
- Lease rental expense – operating leases	899	550
- Loss on foreign exchange	-	305
- Non-executive directors fees	57	57
- Provision against trading stock	320	15

3.13	Exceptional item Loss sustained as a result of writing off of a receivable and related costs. The receivable related to the sale of an investment.	(3,917)	-
4	Condensed consolidated statement of financial position	Reporting period - \$A'000	Previous corresponding period - \$A'000
	Current assets		
4.1	Cash	441	1,651
4.2	Receivables	2,083	5,333
4.3	Inventories	3,127	3,051
4.4	Other		
	- Deferred expenses	55	135
	- Prepayments	186	140
	- Other	3	28
4.5	Total current assets	5,895	10,338
	Non-current assets		
4.6	Investments	-	2
4.7	Other property, plant and equipment	1,606	1,785
4.8	Intangibles	3,299	2,548
4.9	Tax assets	1,368	422
4.10	Total non-current assets	6,273	4,757
4.11	Total assets	12,168	15,095
	Current liabilities		
4.12	Payables	1,849	1,686
4.13	Interest bearing liabilities	5,442	487
4.14	Provisions exc. tax liabilities	140	116
4.15	Total current liabilities	7,431	2,289
	Non-current liabilities		
4.16	Interest bearing liabilities	160	5,244
4.17	Tax liabilities	-	258
4.18	Provisions exc. tax liabilities	21	28
4.19	Total non-current liabilities	181	5,530
4.20	Total liabilities	7,612	7,819
4.21	Net assets	4,556	7,276
	Equity		
4.22	Capital/contributed equity	10,812	10,562
4.23	Retained profits (accumulated losses)	(6,256)	(3,286)
4.24	Total equity	4,556	7,276

5 Condensed consolidated statement of cash flows	Reporting period - \$A'000	Previous corresponding period - \$A'000
Cash flows related to operating activities		
5.1 Receipts from customers	10,193	8,772
5.2 Payments to suppliers and employees	(10,225)	(7,849)
5.3 Interest received	12	11
5.4 Borrowing costs	(789)	(331)
5.5 Net operating cash flows	(809)	603
Cash flows related to investing activities		
5.6 Payment for purchases of property, plant and equipment	(84)	(232)
5.7 Proceeds from sale of property, plant and equipment	7	15
5.8 Loans repaid by other entities	-	1,000
5.9 Other - Payment for business, assets and goodwill	(183)	(79)
5.10 Net investing cash flows	(260)	704
Cash flows related to financing activities		
5.11 Proceeds from borrowings	754	454
5.12 Repayment of borrowings	(895)	(596)
5.13 Net financing cash flows	(141)	(142)
5.14 Net increase (decrease) in cash held	(1,210)	1,165
5.15 Cash at beginning of period	1,651	486
5.16 Cash at end of period	441	1,651

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.

Lease purchase agreement entered into to finance plant and equipment \$35,000 (2002: \$206,000).

In August 2002 the businesses and assets of two colleges were acquired. The consideration given comprised of net cash of \$90,000, the issue of 500,000 Garratt's Limited shares and taking on of the liabilities to teach students where fees were paid in advance. Of these only the cash component is included in the statement of cash flows above.

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.

5.19	Reporting period - \$A'000	Previous corresponding period - \$A'000
Cash on hand and at bank (item 5.16)	441	1,651

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	(3,286)	(3,075)
8.2 Net profit (loss) attributable to members (<i>item 3.6</i>)	(2,970)	(211)
8.3 Retained profits (accumulated losses) at end of financial period	(6,256)	(3,286)

9. Net tangible Assets

	Reporting period	Previous corresponding period
Net tangible asset backing per ordinary share	10.6 cents	41.5 cents

10. Gain or loss of control over entities

10.1 The following newly incorporated (shelf) companies were acquired during the reporting period.

Name of entity	Date acquired
Australian College of Technology Pty Limited (formerly Carmick Holdings P/L)	9 July 2002
Academy of Social Sciences Pty Limited (formerly Mayrana P/L)	16 July 2002
Australian International High School Pty Limited (formerly Platero Holdings P/L)	1 August 2002
Academy of English Pty Limited (formerly Cheeko Holdings P/L)	1 August 2002

The following company was also acquired during the period. Although not newly incorporated this company has not traded either prior to or since acquisition.

Australian Institute of Professional Studies Pty Limited	9 August 2002
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10.2 There was no loss 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

Convertible Notes

During the period 878,375 Notes were bought back and cancelled, bringing the total bought back and cancelled to 1,037,653, which is 19.8% of the total Notes issued in 1999. The principal monies outstanding at 30 June 2003 was \$4,193,281 (ie. 4,193,281 Convertible Notes @ \$1.00 each).

Shares Issued

On 16 August 2002, 500,000 ordinary shares (being an increase of 4.4%) were issued, at 50cents per share, as part consideration for the acquisition of the business and assets of Excelsior College Pty Limited. The shares were held in voluntary escrow for 12 months.

13. Foreign entities

No member of the Group is a foreign entity.

14. Commentary on results

The results for the period are after the writing off of an exceptional item being the debt owed by the late Mr. Thanga Thangathurai and related costs. The write off amounted to \$3,917,000 (see items 2.6 & 3.13).

14.1 Earnings per security (EPS)

	Reporting period	Previous corresponding period
Basic EPS	(25.1) cents	(1.9) cents

Options

In December 2002, Garratts Limited agreed to offer Dr. David Wheeler (as part of his employment package) options to acquire 225,000 new fully paid ordinary shares in the Company on the following basis:

<u>No. Shares</u>	<u>Price per Share</u>	<u>Option Expiry Date</u>
75,000	50 cents	30-Jun-03
75,000	75 cents	31-Dec-03
75,000	\$1.00	30-Jun-04
225,000		

No options were exercised during the period

14.2 Returns to shareholders.

No dividends were paid or proposed during the period and no shares were bought back.

14.3 Significant features of operating performance.

Education

In August 2002, the Education Group acquired the business and assets of Excelsior College Pty Limited and Australian College of Technology Pty Limited (Administrators Appointed).

With these acquisitions, the Education Group now offers a wide range of courses under the 'Academies Australasia' banner – English Language Studies, Senior High School, and Vocational courses (in subjects such as Information Technology, Accounting, Business Management, Travel & Tourism and Marketing) ranging from Certificate to Advanced Diploma and Graduate Certificate levels.

Steps have been taken to expand and strengthen the infrastructure of the Education Group, especially in respect of additional CBD premises and senior staff, which have eroded profitability. In addition there were external factors that seriously affected the international education market, namely the war in the Middle East, the substantial increase in the value of the Australian dollar and Severe Acute Respiratory Syndrome (SARS). The inordinate delays on the part of VETAB in respect to lifting the embargo on recruitment of new students by Australian College of Technology (imposed as a result of operations prior to our acquisition) adversely affected student enrolment levels. The embargo has since been lifted.

Fasteners

Although sales from our fastening business were 5.6% higher than in the previous corresponding period, contribution to profitability was down 29.6% on that for the previous period.

The substantially lower contribution was because of a provision of \$320,000 against older stock and, to a lesser extent, lower margins.

The acquisition of new plant has opened new markets.

14.4 The results of segments.

Refer Appendix A

14.5 Ratios.

	Reporting period	Previous corresponding period
<p>Profit before tax / revenue Consolidated profit (loss) from ordinary activities before exceptional item and tax (<i>item 3.4</i>) as a percentage of revenue (<i>item 3.1</i>)</p>	(2.41%)	(2.50%)
<p>Profit after tax / +equity interests Consolidated net profit (loss) from ordinary activities after tax attributable to members (<i>item 3.8</i>) as a percentage of equity at the end of the period (<i>item 4.24</i>)</p>	(65.18%)	(2.90%)

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:

Ian Bloodworth
(Group Finance Manager)

**GARRATT'S LIMITED
AND CONTROLLED ENTITIES**

APPENDIX A - SEGMENT REPORT

	FASTENERS		EDUCATION		MULTIMEDIA		ELIMINATIONS		CONSOLIDATED	
	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000	2003 \$'000	2002 \$'000
Business Segments										
Sales to outside customers	8,214	7,769	2,322	1,207	-	-	-	-	10,536	8,976
Other revenue	21	27	16	44	128	298	-	-	165	369
	8,235	7,796	2,338	1,251	128	298	-	-	10,701	9,345
Unallocated revenue									10	-
Total revenue									10,711	9,345
Segment operating profit/(loss)	804	1,143	22	82	(3,793)	293	(30)	(30)	(2,997)	1,488
Unallocated expenses									(1,178)	(1,726)
Operating profit before income tax									(4,175)	(238)
Segment assets	7,903	8,425	2,606	1,642	1	3,245	-	-	10,510	13,312
Unallocated									1,658	1,783
Total assets									12,168	15,095
Segment liabilities	1,193	1,204	500	244	3	4	-	-	1,696	1,452
Unallocated									5,916	6,367
Total liabilities									7,612	7,819
Acquisition of non-current segment assets	171	426	1,013	30	-	-	-	-	1,184	456
Depreciation and amortisation of segment assets	328	314	151	139	-	-	-	-	479	453
Other non-cash segment expenses	-	14	-	-	3,254	-	-	-	3,254	14

Geographical Segments

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