

GARRATT'S LIMITED

ACN 000 003 725

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24 August 2004

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 2004.

The consolidated loss from operations after income tax was \$2.735 million (2003: \$2.97 million), equal to 23.0 cents per share (2003: 25.1 cents per share).

The consolidated loss from operations before income tax was \$1.367 million (2003: \$4.175 million).

The result is after payment of interest and other borrowing costs of \$572,000 (2003: \$646,000).

An exceptional item of income tax expense of \$1.368 million was recognised as a result of the write back of the future income tax benefit.

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-04
	Financial year ended ('previous corresponding period')	30-Jun-03

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>)	down	19.5%	to	8,623
2.2	Profit (loss) from ordinary activities after tax attributable to members (<i>item 3.8</i>)	up	7.9%	to	(2,735)
2.3	Net profit (loss) for the period attributable to members (<i>item 3.8</i>)	up	7.9%	to	(2,735)

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:

Turnover in both industry segments was less than in the previous year. Sales in the fasteners business dropped by 10.2% reflecting a slowdown in enquires, especially in the second half of the year. Although revenue for the second half improved in the education business over that for the first half, revenue for the year was 49% below that of the previous year.

The results at items 2.2 & 2.3 are after an exceptional item of income tax expense of \$1,368,000 was recognised as a result of write back of the future income tax benefit.

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>)	8,623	10,711
3.2 Expenses from ordinary activities (<i>see item 3.12</i>)	(9,418)	(10,323)
3.3 Borrowing costs	(572)	(646)
3.4 Profit (loss) from ordinary activities before exceptional item and tax	(1,367)	(258)
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	(1,367)	(4,175)
3.7 Income tax benefit/(expense) on ordinary activities (<i>see item 14</i>)	(1,368)	1,205
3.8 Profit (loss) from ordinary activities after tax	(2,735)	(2,970)

Notes to the condensed consolidated statement of financial performance

Revenue and expenses from ordinary activities

3.9 Revenue from sales or services		
- Sales	7,343	8,214
- Services	1,180	2,322
3.10 Interest revenue	9	140
3.11 Other relevant revenue		
- Other	91	35
3.12 Details of relevant expenses		
- Amortisation of intangibles	183	178
- Depreciation and amortisation excluding amortisation of intangibles	295	347
- Costs of sales	3,942	4,875
- Costs of services	844	742
- Employee benefits expense	2,311	2,029
- Insurance	198	199
- Lease rental expense – operating leases	848	899
- Legal expenses	212	7
- Non-executive directors fees	58	57
- Provision against trading stock	-	320

3.13 Exceptional items

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)
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	Reporting period - \$A'000		Previous corresponding period - \$A'000
4 Condensed consolidated statement of financial position			
Current assets			
4.1 Cash	173		441
4.2 Receivables	1,362		2,083
4.3 Inventories	2,643		3,127
4.4 Other			
- Deferred expenses	64		55
- Prepayments	149		186
- Other	1		3
4.5 Total current assets	4,392		5,895
Non-current assets			
4.6 Other property, plant and equipment	1,267		1,606
4.7 Intangibles	3,082		3,299
4.8 Tax assets	-		1,368
4.9 Other			
- Deferred infrastructure expenditure (<i>see item 12.1</i>)	662		-
4.10 Total non-current assets	5,011		6,273
4.11 Total assets	9,403		12,168
Current liabilities			
4.12 Payables	1,420		1,849
4.13 Interest bearing liabilities	3,905		5,442
4.14 Provisions exc. tax liabilities	161		140
4.15 Total current liabilities	5,486		7,431
Non-current liabilities			
4.16 Interest bearing liabilities	2,096		160
4.17 Provisions exc. tax liabilities	-		21
4.18 Total non-current liabilities	2,096		181
4.19 Total liabilities	7,582		7,612
4.20 Net assets	1,821		4,556
Equity			
4.21 Capital/contributed equity	10,812		10,812
4.22 Retained profits (accumulated losses)	(8,991)		(6,256)
4.23 Total equity	1,821		4,556

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	9,216	10,193
5.2 Payments to suppliers and employees	(9,316)	(10,225)
5.3 Interest received	21	12
5.4 Borrowing costs	(659)	(789)
5.5 Net operating cash flows	(738)	(809)
Cash flows related to investing activities		
5.6 Payment for purchases of property, plant and equipment	(37)	(84)
5.7 Proceeds from sale of property, plant and equipment	71	7
5.8 Loans repaid by other entities	-	-
5.9 Other		
- Payment for business, assets and goodwill	-	(183)
5.10 Net investing cash flows	34	(260)
Cash flows related to financing activities		
5.11 Proceeds from borrowings	3,299	754
5.12 Repayment of borrowings	(2,863)	(895)
5.13 Net financing cash flows	436	(141)
5.14 Net increase (decrease) in cash held	(268)	(1,210)
5.15 Cash at beginning of period	441	1,651
5.16 Cash at end of period	173	441

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.

None

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)	173	441

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	(6,256)	(3,286)
8.2 Net profit (loss) attributable to members (<i>item 3.6</i>)	(2,735)	(2,970)
8.3 Retained profits (accumulated losses) at end of financial period	(8,991)	(6,256)

9. Net tangible Assets

Net tangible asset backing per ordinary share

Reporting period	Previous corresponding period
(10.6) cents	10.6 cents

10. Gain or loss of control over entities

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

10.2 The following companies were placed into voluntary liquidation during the reporting period.

Name of entity	Date of loss of control
Electrodata (Sales) Pty Limited (In Liquidation)	11 June 2004
Hanstock Voice Systems Pty Limited (In Liquidation)	11 June 2004
Overland Sydney Pty Limited (In Liquidation)	11 June 2004
Sandomir Pty Limited (In Liquidation)	11 June 2004

These companies were dormant throughout the period and did not contribute to the reporting entities operating profit during the previous 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

12.1 Deferred infrastructure expenditure

An asset has been recognised which represents the deferral of infrastructure costs against which there was no revenue because one of the colleges was prohibited from recruiting new students. The infrastructure was required to be maintained while the regulatory authorities assessed their position. The costs will be expensed as future revenues are derived from the infrastructure.

12.2 Convertible Notes

Noteholders were paid the tenth interest payment of 6 cents in December 2003. On 1 March 2004 all outstanding Notes were redeemed and repaid to Noteholders at the face value of \$1.00 together with interest accrued for the period 1 January 2004 to 28 February 2004 (1.93 cents).

As part of the refinancing arrangements for the repayment of the Notes, parties related to the following Directors extended loans to the company on arm's length terms:

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

12.3 Rights Issue

On 28 July 2004, the Company announced a one-for-one renounceable rights issue ("issue") at 15 cents per share.

The issue will raise about \$1.78 million, which will be used to reduce bank loans and other borrowings and also to add to the Company's working capital.

Following the Issue, the Company's shares will double from 11,895,281 to 23,790,562.

The directors currently have the following relevant interests which amount to 24.34% of the 11,895,281 shares on issue:

	No. Shares	%
Mr. Neville Cleary	80,000	0.67
Mr. Chiang Meng Heng	1,493,604	12.56
Mr. Christopher Campbell	1,321,770	11.11
	2,895,374	24.34

The entities through which the Directors hold their relevant interests in the Company will be taking up all their entitlements. The take-up of the remaining 75.66% (\$1,349,986) will be underwritten by Mr. Chiang Meng Heng for a fee of \$33,750 (2.5%)

Further details in regard to the Issue, including the timetable and the issue of documentation to shareholders, will be released to shareholders shortly.

13. Foreign entities

No member of the Group is a foreign entity.

14. Commentary on results

The results for the period are after an exceptional item of income tax expense of \$1,368,000 was recognised as a result of write back of the future income tax benefit.

14.1 **Earnings per security (EPS)**

	Reporting period	Previous corresponding period
Basic EPS	(23.0) cents	(25.1) cents

Options

In December 2002, Garratt's 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 at prices of 50 cents, 75 cents and \$1.00. The options expired on 30 June 2004 at which time none had been exercised. The Directors are of the view that the options were of no value during the period under review.

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

The poor performance of the education business was the direct result of external factors which adversely affected enrolment. These factors, all beyond the Company's control, were the strong Australian dollar, the situation in the Middle East and the threat of terrorism as well as the inordinate delays on the part of the New South Wales Vocational Education & Training Accreditation Board in respect to lifting the embargo on the recruitment of new students by Australian College of Technology (imposed as a result of operations prior to acquisition). The VETAB delays had an extensive and long lingering effect.

Our colleges have the capacity for substantially more students than the numbers studying during the period. The limitations to enrolment meant that the colleges had to operate below the critical mass required to cover the cost of overheads - therefore reporting a loss.

The embargo imposed by VETAB on Australian College of Technology has been lifted.

Fasteners

Revenue declined by 10% because of a slowdown in business. Significant increases in the price of steel also impacted on contribution. Trading margins have, generally, been maintained.

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>	(13.74%)	(2.41%)
<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>	(150.21%)	(65.18%)

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	
	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000	2004 \$'000	2003 \$'000
Business Segments										
Sales to outside customers	7,343	8,214	1,180	2,322	-	-	-	-	8,523	10,536
Other revenue	48	21	16	16	-	128	-	-	64	165
	7,391	8,235	1,196	2,338	-	128	-	-	8,587	10,701
Unallocated revenue									36	10
Total revenue									8,623	10,711
Segment operating profit/(loss)	905	804	(727)	22	-	(3,793)	(30)	(30)	148	(2,997)
Unallocated expenses									(1,515)	(1,178)
Operating profit before income tax									(1,367)	(4,175)
Segment assets	6,374	7,903	2,863	2,606	1	1	-	-	9,238	10,510
Unallocated									165	1,658
Total assets									9,403	12,168
Segment liabilities	744	1,193	471	500	-	3	-	-	1,215	1,696
Unallocated									6,367	5,916
Total liabilities									7,582	7,612
Acquisition of non-current segment assets	15	171	22	1,013	-	-	-	-	699	1,184
Depreciation and amortisation of segment assets	296	328	141	151	-	-	-	-	437	479
Other non-cash segment expenses	-	-	-	-	-	3,254	-	-	-	3,254

Geographical Segments

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