

# GARRATT'S LIMITED

ACN 000 003 725

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3 March 2000

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## ANNOUNCEMENT

### **DETAILED HALF YEARLY REPORT (SIX MONTHS ENDED 31 DECEMBER 1999)**

Page 1 of 28

**GARRATT'S LIMITED**  
**ACN 000 003 725**

**DIRECTORS' REPORT**  
**FOR THE SIX MONTHS ENDED 31 DECEMBER 1999**

Your directors present their report together with the financial report of Garratt's Limited ("the Company") and the consolidated financial report of the consolidated entity, being the Company and its controlled entities, for the half year ended 31 December 1999 and the auditors' review report thereon.

**PRINCIPAL ACTIVITIES**

The principal activities of the consolidated entity during the period were: investment banking; the design and manufacture of multi-channel voice logging recorders and other telecommunication products; the manufacture, import and sale of fasteners; and the provision of training and education services.

**CONSOLIDATED RESULT**

The consolidated profit before abnormal items and tax for the six-month period was \$608,000, representing a 21% increase on that for the corresponding period for the previous year (1998: \$503,000).

The consolidated profit after abnormal items and tax for the six-month period was \$437,000 (1998: \$1,104,000).

The consolidated net tangible asset backing per ordinary share at balance date, after provision for the interim dividend of 3 cents per share, was 29.5 cents. (1998: 5 cents per share; 36.6 cents)

**REVIEW AND RESULTS OF OPERATIONS**

**Investment Banking**

While the Company continued to seek investment banking opportunities, surplus funds were invested in bank deposits.

**Telecommunications**

While Electrodata Pty Limited was profitable, its contribution was not significant. The recorders sold were the 'Maxitrac' and the 'Digitrac 2000'. Work on the 'Telemate' was substantially completed during the period. It is expected to be released during this financial year.

With the finalisation of the Research & Development Syndication in June 1998, Electrodata Pty Limited continues to fund all its research and development directly.

## **Fastening**

Premier Fasteners Pty Limited made a substantial contribution to profitability.

## **Education**

The Education Group also made a substantial contribution to the profitability of the Group. We continued to look for opportunities to expand in the Australian international education sector and took steps to build up Academies Australasia Pty Limited for further growth. Both colleges, Clarendon Business College Pty Limited and Supreme Business College Pty Limited, operated profitably.

## **DIVIDENDS**

An interim dividend of 3 cents per share (unfranked), payable on 14 April 2000, has been declared by the Board. Entitlement to this dividend will be based on shares held at the close of business on 30 March 2000. In February 2000 the Company announced the issue of 1,450,000 new shares. These shares will not be issued by the entitlement date and so will not be eligible for the interim dividend.

One reason for the lower dividend rate is that the capital base has increased substantially (37%) since 31 December 1998. The Company could pay 10 cents a share in dividends (5 cents interim and 5 cents final) in respect to the 1997/98 and 1998/99 years when the capital base was much smaller. More importantly, the investment in the Agent 13 opportunity, which was well received by the market, is an attempt to grow the Company substantially. The investment requires additional resources and is not expected to generate income for two to three years. In this context it would neither be realistic nor prudent to continue to pay a dividend at the same rate as that for the previous two years. The objective is that capital growth will more than compensate for the lower dividend rate.

## **CONVERTIBLE NOTES**

Noteholders received the second interest payment of 6 cents in December 1999. The next payment, also for 6 cents, is due in June 2000.

## **OPTIONS**

The Annual General Meeting (held 5 November 1999) approved the issue of 350,000 free options to Mr. Christopher Campbell, Group Managing Director, and 50,000 free options to Mr. Phillip Maundrell, Group Financial Controller - subject to the terms and conditions of the Employee Share Option Plan approved at that Meeting. Both offers were accepted.

## **AGM APPROVAL TO ISSUE SHARES**

At the 1999 Annual General Meeting shareholders authorised the Board to issue up to 2.5 million new shares, at not less than 95% of the average market price of the shares for a period of 5 trading days before the issue or issues, for the purpose of improving the depth, liquidity and spread of the Company's shares. In accordance with the Official Listing Rules of the Australian Stock Exchange Limited the approval was for 3 months and expired on 5 February 2000. The Board did not issue any shares under this authority.

## **STATE OF AFFAIRS**

The only significant changes in the state of affairs of the consolidated entity during the period under review were the activities in connection with the investment in new point of purchase interactive multimedia technology called Agent 13. (*Please refer to “Events Subsequent to Balance Date”*)

## **LIKELY DEVELOPMENTS**

The Company will, wherever appropriate, continue to grow the operations of its subsidiary companies and to explore opportunities for other long-term investments.

## **EVENTS SUBSEQUENT TO BALANCE DATE**

Matters or circumstances which have arisen since the end of the half year under review 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 are as follows:

- The Agreements for the investment of up to US\$3.6 million in new Point of Purchase (“POP”) interactive multimedia technology called Agent 13, which is already generating sales in the USA, were finalised.

The investment takes the form of a loan to Windermere Trading Limited (“Windermere”), a new company set up for the purpose of owning all the world-wide rights to, and assets of, Agent 13. The investment will be made progressively, subject to satisfactory performance and operation within pre-agreed guidelines and targets. Garratt’s has a charge over the Agent 13 intellectual property. Garratt’s has the right to require repayment of the loan, with interest at the rate of 8% per annum, if the business does not progress satisfactorily, and the option to acquire equity representing 33% of Windermere at a price equivalent to the loan. The investment is structured in this way so that Garratt’s may further evaluate the performance and potential of Agent 13 before deciding whether to acquire the equity.

The option to acquire equity must be exercised not later than 14 days after completion of the consolidated accounts of Windermere for the half year ending 30 June 2001. Windermere has the right to buy back 3%, i.e. one-eleventh of the 33%, for US\$3.0 million.

Garratt’s has the right to appoint a Director to the Boards of Windermere and its operating subsidiaries. The Garratt’s nominee Director has special majority rights in regard to decisions of Windermere and its subsidiaries. Mr. Christopher Campbell has been appointed to the Boards of Windermere and Secret Agent Technologies Inc. (“SAT”) – Windermere’s wholly owned subsidiary responsible for USA operations.

Garratt’s has the option to joint venture on a 50/50 basis with Windermere for the marketing and distribution of Agent 13 in Australia, New Zealand, Singapore, Malaysia and the Middle East. In addition, Garratt’s or its subsidiary has the opportunity to manufacture or assemble the Agent 13 units.

- Garratt's has agreed to issue Windermere, or its nominee, options to subscribe for 150,000 shares in Garratt's at the price of \$1.50 per share, the options to be exercised before 10 December 2000.
- Mr. Chiang Meng Heng accepted the invitation to join the board of Garratt's as a non-executive director.
- Directors resolved to seek listing of the Company's securities in Singapore – on SESDAQ, which is the Second Board in Singapore. Such a listing is expected to encourage interest in the Company's securities from overseas parties and contribute to improving the depth and liquidity of the securities.
- Directors resolved to place one million four hundred and fifty thousand (1,450,000) new shares (“new shares”) in Garratt's to ten investors at the price of one dollar and twenty cents (\$1.20) per share.

The issue of the new shares, which represent 13.6% of Garratt's existing capital of 10,690,169 shares, will increase Garratt's cash resources.

Following the issue of the new shares Garratt's capital will be increased from 10,690,169 shares to 12,140,169 shares.

## **DIRECTORS**

The Directors of the Company in office during or since the end of the half year are:

**Mr. Peter Irving Burrows**, B.Ec, ASIA - Chairman (Non-Executive). Age 53. First Vice President, Merrill Lynch Private (Australia) Ltd. Awarded Stockbroker of the year by Channel Nine's Business Sunday program in 1986 and 1987. Previous positions include Director of the Australian Stock Exchange (Sydney) 1988-1992. Other directorships include ASC Limited (Chairman), FTR Holdings Limited and Winepros Limited. Mr. Burrows was appointed a Non-Executive Director of Garratt's Limited on 23 September 1996 and then Chairman on 22 October 1996. Also Chairman of the Audit and Remuneration Committees.

**Mr. Christopher Elmore Campbell**, B.Soc.Sci. (Hons), FAIBF, FAICD, FCIS - Group Managing Director. Age 51. Previous positions include Deputy Head, Banking & Financial Institutions Department of the Monetary Authority of Singapore, Assistant General Manager of an international bank and Managing Director of one of the largest financial planning groups in Australia. Appointed Group Managing Director and Chief Executive Officer of Garratt's Limited and Managing Director and Chief Executive Officer of Electrodata Pty Limited on 1 July 1996. Chairman of Academies Australasia Pty Limited, Clarendon Business College Pty Limited, Supreme Business College Pty Limited and Premier Fasteners Pty Limited. Also a director of all other subsidiary companies in the Garratt's Group. Member of Audit and Remuneration Committees. Appointed Director of Windermere Trading Limited and Secret Agent Technologies Inc., in December 1999, and Blue Towel Pty Limited in February 2000.

**Dr. Stanley Kenneth Baker**, B.E. (Hons.) Ph.D. - Non-Executive Director. Age 57. Founder and Chairman of Electrodata Pty Ltd. Obtained his Ph.D. in electrical engineering in the field of telecommunications. Director of Garratt's since 1994. Also a director of Electrodata (Sales) Pty Limited, Sandomir Pty Limited and Overland Sydney Pty Limited, all in the Garratt's Group. Member of the Remuneration Committee.

**Mr. Chiang Meng Heng** - Non-Executive Director. Age 54. Investor. Group Managing Director of Lim Kah Ngam Limited, a hotel, property and construction group listed on the Singapore Exchange. Also on the Board of 5 other companies listed in Singapore: Overseas Union Securities Limited (Chairman, Audit Committee), Econ International Limited (Chairman, Audit Committee), Orchard Parade Holdings Limited (Member, Audit Committee), Ace Dynamics Limited (Deputy Chairman) and Thakral Corporation Limited. Previous positions held include that of President, Asia Commercial Bank, Adviser & Head, Banking & Financial Institutions Department of the Monetary Authority of Singapore, Managing Director, First Capital Corporation and Executive Director, Far East Organisation. Mr. Heng was appointed Director of Garratt's and a member of the Audit Committee in February 2000.

## **DIRECTORS' MEETINGS**

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the directors of the Company during the reporting period are:

<u>Director</u>	<u>Directors' Meetings</u>		<u>Audit Committee</u>		<u>Remuneration Committee</u>	
	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>
	Mr. P. Burrows	6	6	1	1	1
Mr. C. Campbell	6	6	1	1	1	1
Dr. S. Baker	6	6	-	-	1	1

A - Number of meetings held during the time the director held office during the period

B - Number of meetings attended

## **DIRECTORS' INTERESTS**

The relevant interest of each director in the share capital of the Company, as notified by the directors to the Australian Stock Exchange in accordance with section 235(1) (a) of the Corporations Law, at the date of this report, is as follows:

<u>Director</u>	<u>Relevant Interest (Shares)</u>	<u>Relevant Interest (Convertible Notes)</u>	<u>Relevant Interest (Options)</u>
Mr. P. Burrows	349,430 (3.3%)	100,000 (1.9%)	-
Mr. C. Campbell	585,000 (5.5%)	309,130 (5.9%)	350,000
Dr. S. Baker	745,888 (7.0%)	400,000 (7.6%)	-
Mr. C. M. Heng	1,162,760 (10.9%)	581,380 (11.1%)	-

## **INDEMNIFICATION AND INSURANCE OF OFFICERS**

The Company's Articles of Association provides an indemnity to officers of the Company. The Company is required to pay all costs, losses and expenses that an officer may incur by reason of any contract entered into or act or thing done by them in the discharge of their duties except where they act dishonestly.

The Company has also paid an insurance premium in respect of a Directors and Officers Liability insurance policy covering the directors and officers liabilities as officers of the

Company and taken out “Key Man” insurance policies. The premium and nature of the liabilities covered by the policies are not to be disclosed under the terms of the policies.

**ROUNDING OFF**

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order, amounts in the financial report and directors’ report have been rounded off to the nearest thousand dollars, unless otherwise stated.

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

Mr. C. M. Heng  
Director

Mr. C. Campbell  
Director

Sydney  
3 March 2000

# Appendix 4B (not equity accounted)

## Half yearly report

Introduced 1/7/96. Origin: Appendices 3, 4. Amended 1/7/97, 1/12/97, 1/7/98, 1/9/99.

Name of entity

Garratt's Limited

ACN, ARBN or ARSN

000 003 725

Half yearly  
(tick)

Preliminary  
final (tick)

Half year ended ('current period')

31 December 1999

### For announcement to the market

Extracts from this report for announcement to the market (see note 1).

\$A'000

Sales (or equivalent operating) revenue (item 1.1)	Up	146.6%	to	6,161
Abnormal items after tax attributable to members (item 2.5)				NIL
+Operating profit (loss) after tax (before amortisation of goodwill) attributable to members (item 1.26)	Down	56.5%	to	485
+Operating profit (loss) after tax attributable to members (item 1.10)	Down	60.4%	to	437
Extraordinary items after tax attributable to members (item 1.13)				NIL
+Operating profit (loss) and extraordinary items after tax attributable to members (item 1.16)	down	60.4%	to	437
<b>Dividends (distributions)</b>		Amount per security		Franked amount per security at 36% tax
Final dividend (Preliminary final report only - item 15.4)				
Interim dividend (Half yearly report only - item 15.6)		3¢		NIL
Previous corresponding period (Preliminary final report - item 15.5; half yearly report - item 15.7)		5¢		0.16¢
+Record date for determining entitlements to the dividend, (in the case of a trust, distribution) (see item 15.2)		30 March 2000		
Brief explanation of omission of directional and percentage changes to profit in accordance with Note 1 and short details of any bonus or cash issue or other item(s) of importance not previously released to the market:				

+ See chapter 19 for defined terms.

**Appendix 4B (not equity accounted)****Half yearly report****Consolidated profit and loss account***(The figures are not equity accounted)*

	Current period - \$A'000	Previous corresponding period - \$A'000
1.1 Sales (or equivalent operating) revenue	6,161	2,498
1.2 Other revenue	812	1,111
<b>1.3 Total revenue</b>	<b>6,973</b>	<b>3,609</b>
<b>1.4 +Operating profit (loss) before abnormal items and tax</b>	<b>608</b>	<b>503</b>
1.5 Abnormal items before tax (detail in item 2.4)	-	348
1.6 +Operating profit (loss) before tax (items 1.4 + 1.5)	608	851
1.7 Less tax	171	(253)
1.8 +Operating profit (loss) after tax but before outside +equity interests	437	1,104
1.9 Less outside +equity interests	-	-
<b>1.10 +Operating profit (loss) after tax attributable to members</b>	<b>437</b>	<b>1,104</b>
1.11 Extraordinary items after tax (detail in item 2.6)	-	-
1.12 Less outside +equity interests	-	-
1.13 Extraordinary items after tax attributable to members	-	-
<b>1.14 Total +operating profit (loss) and extraordinary items after tax (items 1.8 + 1.11)</b>	<b>437</b>	<b>1,104</b>
1.15 +Operating profit (loss) and extraordinary items after tax attributable to outside +equity interests (items 1.9 + 1.12)	-	-
<b>1.16 +Operating profit (loss) and extraordinary items after tax attributable to members (items 1.10 + 1.13)</b>	<b>437</b>	<b>1,104</b>
1.17 Retained profits (accumulated losses) at beginning of financial period	(4,195)	(4,736)
1.18 If change in accounting policy as set out in clause 11 of AASB 1018 Profit and Loss Accounts, adjustments as required by that clause (include brief description)	-	-
1.19 Aggregate of amounts transferred from reserves	-	-
<b>1.20 Total available for appropriation (carried forward)</b>	<b>(3,758)</b>	<b>(3,632)</b>

+ See chapter 19 for defined terms.

**Consolidated profit and loss account continued**

1.20	Total available for appropriation ( <i>brought forward</i> )	(3,758)	(3,632)
1.21	Dividends provided for or paid	321	523
1.22	Aggregate of amounts transferred to reserves	-	-
1.23	<b>Retained profits (accumulated losses) at end of financial period</b>	<b>(4,079)</b>	<b>(4,155)</b>

**Profit restated to exclude amortisation of goodwill**

	Current period \$A'000	Previous corresponding period \$A'000
1.24 +Operating profit (loss) after tax before outside equity interests (items 1.8) and amortisation of goodwill	485	1,114
1.25 Less (plus) outside +equity interests	-	-
1.26 +Operating profit (loss) after tax (before amortisation of goodwill) attributable to members	485	1,114

**Intangible, abnormal and extraordinary items**

	<i>Consolidated - current period</i>			
	Before tax \$A'000	Related tax \$A'000	Related outside +equity interests \$A'000	Amount (after tax) attributable to members \$A'000
2.1 Amortisation of goodwill	48	-	-	48
2.2 Amortisation of other intangibles	1	-	-	1
<b>2.3 Total amortisation of intangibles</b>	<b>49</b>	<b>-</b>	<b>-</b>	<b>49</b>
2.4 Abnormal items	-	-	-	-
<b>2.5 Total abnormal items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
2.6 Extraordinary items	-	-	-	-
<b>2.7 Total extraordinary items</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Comparison of half year profits**

*(Preliminary final report only)*

	Current year - \$A'000	Previous year - \$A'000
3.1 Consolidated +operating profit (loss) after tax attributable to members reported for the 1st half year (item 1.10 in the half yearly report)	N/A	N/A
3.2 Consolidated +operating profit (loss) after tax attributable to members for the 2nd half year	N/A	N/A

+ See chapter 19 for defined terms.

**Appendix 4B (not equity accounted)**  
**Half yearly report**

**Consolidated balance sheet**

(See note 5)

	At end of current period \$A'000	As shown in last annual report \$A'000	As in last half yearly report \$A'000	
<b>Current assets</b>				
4.1	Cash	2,193	3,381	392
4.2	Receivables	3,520	2,552	1,933
4.3	Investments	-	-	-
4.4	Inventories	3,051	2,677	2,631
4.5	Other	509	474	159
4.6	<b>Total current assets</b>	<b>9,273</b>	<b>9,084</b>	<b>5,115</b>
<b>Non-current assets</b>				
4.7	Receivables	-	-	-
4.8	Investments	-	-	-
4.9	Inventories	-	-	-
4.10	Exploration and evaluation expenditure capitalised (see para .71 of AASB 1022)	-	-	-
4.11	Development properties (+mining entities)	-	-	-
4.12	Other property, plant and equipment (net)	1,909	1,941	1,771
4.13	Intangibles (net)	2,553	2,635	1,528
4.14	Research Syndicate restricted cash deposit	15,604	16,042	15,320
	Other	579	646	327
4.15	<b>Total non-current assets</b>	<b>20,645</b>	<b>21,264</b>	<b>18,946</b>
4.16	<b>Total assets</b>	<b>29,918</b>	<b>30,348</b>	<b>24,061</b>
<b>Current liabilities</b>				
4.17	Accounts payable	1,726	1,527	1,064
4.18	Borrowings	422	272	665
4.19	Provisions	498	674	639
4.20	Other (provide details if material)	-	-	-
4.21	<b>Total current liabilities</b>	<b>2,646</b>	<b>2,473</b>	<b>2,368</b>
<b>Non-current liabilities</b>				
4.22	Accounts payable	-	-	-
4.23	Borrowings	5,681	6,067	908
4.24	Provisions	276	171	104
4.25	Research Syndicate Provisions	15,604	16,042	15,320
4.26	<b>Total non-current liabilities</b>	<b>21,561</b>	<b>22,280</b>	<b>16,332</b>
4.27	<b>Total liabilities</b>	<b>24,207</b>	<b>24,753</b>	<b>18,700</b>
4.28	<b>Net assets</b>	<b>5,711</b>	<b>5,595</b>	<b>5,361</b>

+ See chapter 19 for defined terms.

**Consolidated balance sheet continued**

	<b>Equity</b>			
4.29	Capital	9,790	9,790	9,516
4.30	Reserves	-	-	-
4.31	Retained profits (accumulated losses)	(4,079)	(4,195)	(4,155)
4.32	Equity attributable to members of the parent entity	5,711	5,595	5,361
4.33	Outside +equity interests in controlled entities	-	-	-
4.34	<b>Total equity</b>	<b>5,711</b>	<b>5,595</b>	<b>5,361</b>
4.35	Preference capital included as part of 4.32	-	-	-

**Exploration and evaluation expenditure capitalised**

*To be completed only by entities with mining interests if amounts are material. Include all expenditure incurred regardless of whether written off directly against profit.*

	Current period \$A'000	Previous corresponding period- \$A'000
5.1	Opening balance	
5.2	Expenditure incurred during current period	
5.3	Expenditure written off during current period	N/A
5.4	Acquisitions, disposals, revaluation increments, etc.	N/A
5.5	Expenditure transferred to Development Properties	
5.6	<b>Closing balance as shown in the consolidated balance sheet (item 4.10)</b>	

**Development properties**

*(To be completed only by entities with mining interests if amounts are material)*

	Current period \$A'000	Previous corresponding Period- \$A'000
6.1	Opening balance	
6.2	Expenditure incurred during current period	
6.3	Expenditure transferred from exploration and evaluation	N/A
6.4	Expenditure written off during current period	N/A
6.5	Acquisitions, disposals, revaluation increments, etc.	
6.6	Expenditure transferred to mine properties	
6.7	<b>Closing balance as shown in the consolidated balance sheet (item 4.11)</b>	

+ See chapter 19 for defined terms.

**Appendix 4B (not equity accounted)****Half yearly report****Consolidated statement of cash flows***(See note 6)*

	Current period \$A'000	Previous corresponding period- \$A'000
<b>Cash flows related to operating activities</b>		
7.1 Receipts from customers	5,495	1,364
7.2 Payments to suppliers and employees	(5,226)	(1,404)
7.3 Dividends received	-	-
7.4 Interest and other items of similar nature received	73	42
7.5 Interest and other costs of finance paid	-	(12)
7.6 Income taxes paid	-	-
7.7 Other (provide details if material)	-	-
<b>7.8 Net operating cash flows</b>	<b>342</b>	<b>(10)</b>
<b>Cash flows related to investing activities</b>		
7.9 Payment for purchases of property, plant and equipment	(122)	(9)
7.10 Proceeds from sale of property, plant and equipment	-	-
7.11 Payment for purchases of equity investments	(1)	-
7.12 Proceeds from sale of equity investments	-	-
7.13 Loans to other entities	(308)	-
7.14 Loans repaid by other entities	-	-
7.15 Payments for goodwill	(12)	(2,170)
<b>7.16 Net investing cash flows</b>	<b>(443)</b>	<b>(2,179)</b>
<b>Cash flows related to financing activities</b>		
7.17 Proceeds from issues of +securities (shares, options, etc.)	-	1,036
7.18 Proceeds from borrowings	-	-
7.19 Repayment of borrowings	(236)	-
7.20 Dividends paid	(535)	(389)
7.21 Interest on Convertible Notes	(316)	-
<b>7.22 Net financing cash flows</b>	<b>(1,087)</b>	<b>647</b>
<b>7.23 Net increase (decrease) in cash held</b>	<b>(1,188)</b>	<b>(1,542)</b>
7.24 Cash at beginning of period <i>(see Reconciliation of cash)</i>	3,381	1,934
7.25 Exchange rate adjustments to item 7.24.	-	-
<b>7.26 Cash at end of period</b> <i>(see Reconciliation of cash)</i>	<b>2,193</b>	<b>392</b>

+ See chapter 19 for defined terms.

## 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. If an amount is quantified, show comparative amount.*

	<u>Current period</u>	<u>Previous corresponding period</u>
Acquisition of business & assets of Premier Fasteners	-	(2,819)
Issue of securities for acquisition of business & assets of Premier Fasteners	-	1,246
Borrowings arising from acquisition of business & assets of Premier Fasteners	-	1,573

## 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.	Current period \$A'000	Previous Corresponding Period- \$A'000
8.1 Cash on hand and at bank	1,110	416
8.2 Deposits at call	-	-
8.3 Bank overdraft	-	(24)
8.4 Other – Term deposit	1,083	-
8.5 <b>Total cash at end of period</b> (item 7.25)	<b>2,193</b>	<b>392</b>

<b>Ratios</b>	Current period	Previous corresponding Period
<b>Profit before abnormals and tax / sales</b>		
9.1 Consolidated +operating profit (loss) before abnormal items and tax (item 1.4) as a percentage of sales revenue (item 1.1)	9.9%	20.1%
<b>Profit after tax / +equity interests</b>		
9.2 Consolidated +operating profit (loss) after tax attributable to members (item 1.10) as a percentage of equity (similarly attributable) at the end of the period (item 4.32)	7.7%	20.6%

<b>Earnings per security (EPS)</b>	Current period	Previous corresponding period
10.1 Calculation of the following in accordance with AASB 1027: <i>Earnings per Share</i>		
(a) Basic EPS	4.1¢	12.9¢
(b) Diluted EPS (if materially different from (a))	N/A	N/A
(c) Weighted average number of ordinary shares outstanding during the period used in the calculation of the Basic EPS	10,690,169	8,560,839

+ See chapter 19 for defined terms.

**Appendix 4B (not equity accounted)**  
**Half yearly report**

<b>NTA backing</b> <i>(see note 7)</i>	Current period	Previous corresponding period
11.1 Net tangible asset backing per +ordinary security	29.5¢	36.6¢

**Details of specific receipts/outlays, revenues/ expenses**

	Current period \$A'000	Previous corresponding period - \$A'000
12.1 Interest revenue included in determining item 1.4	73	42
12.2 Interest revenue included in item 12.1 but not yet received (if material)	-	-
12.3 Interest expense included in item 1.4 (include all forms of interest, lease finance charges, etc.)	316	12
12.4 Interest costs excluded from item 12.3 and capitalised in asset values (if material)	-	-
12.5 Outlays (except those arising from the +acquisition of an existing business) capitalised in intangibles (if material)	-	-
12.6 Depreciation and amortisation (excluding amortisation of intangibles)	154	62

**Control gained over entities having material effect**

*(See note 8)*

13.1 Name of entity (or group of entities)	N/A
13.2 Consolidated +operating profit (loss) and extraordinary items after tax of the entity (or group of entities) since the date in the current period on which control was +acquired	\$
13.3 Date from which such profit has been calculated	
13.4 +Operating profit (loss) and extraordinary items after tax of the entity (or group of entities) for the whole of the previous corresponding period	\$

+ See chapter 19 for defined terms.

### Loss of control of entities having material effect

(See note 8)

14.1	Name of entity (or group of entities)	N/A
14.2	Consolidated +operating profit (loss) and extraordinary items after tax of the entity (or group of entities) for the current period to the date of loss of control	\$
14.3	Date to which the profit (loss) in item 14.2 has been calculated	
14.4	Consolidated +operating profit (loss) and extraordinary items after tax of the entity (or group of entities) while controlled during the whole of the previous corresponding period	\$
14.5	Contribution to consolidated +operating profit (loss) and extraordinary items from sale of interest leading to loss of control	\$

### Reports for industry and geographical segments

*Information on the industry and geographical segments of the entity must be reported for the current period in accordance with AASB 1005: Financial Reporting by Segments. Because of the different structures employed by entities, a pro forma is not provided. Segment information should be completed separately and attached to this report. However, the following is the presentation adopted in the Appendices to AASB 1005 and indicates which amounts should agree with items included elsewhere in this report.*

#### Segments

Operating Revenue

Refer Appendix A

Sales to customers outside the economic entity

Inter-segment sales

Unallocated revenue

Total revenue (consolidated total equal to item 1.3)

Segment result (including abnormal items where relevant)

Unallocated expenses

Consolidated +operating profit before tax (before equity accounting) (equal to item 1.6)

Segment assets	)	<i>Comparative data for segment assets should be as at the end of the previous corresponding period.</i>
Unallocated assets	)	
Total assets (equal to item 4.16)	)	

### Dividends (in the case of a trust, distributions)

15.1	Date the dividend (distribution) is payable	14 April 2000
15.2	+Record date to determine entitlements to the dividend (distribution) (ie, on the basis of registrable transfers received by 5.00 pm if +securities are not +CHESS approved, or security holding balances established by 5.00 pm or such later time permitted by SCH Business Rules if +securities are +CHESS approved)	30 March 2000
15.3	If it is a final dividend, has it been declared? <i>(Preliminary final report only)</i>	

+ See chapter 19 for defined terms.

**Appendix 4B (not equity accounted)**

**Half yearly report**

**Amount per security**

		Amount per security	Franked amount per security at 36% tax	Amount per security of foreign source dividend
15.4	<i>(Preliminary final report only)</i> <b>Final dividend:</b> Current year	N/A	N/A	N/A
15.5	Previous year	N/A	N/A	N/A
15.6	<i>(Half yearly and preliminary final reports)</i> <b>Interim dividend:</b> Current year	3¢	Nil	Nil
15.7	Previous year	5¢	0.16¢	Nil

**Total dividend (distribution) per security (interim plus final)**

*(Preliminary final report only)*

	Current year	Previous year
15.8 +Ordinary securities	N/A	N/A
15.9 Preference +securities	N/A	N/A

**Half yearly report - interim dividend (distribution) on all securities or Preliminary final report - final dividend (distribution) on all securities**

	Current period \$A'000	Previous corresponding period - \$A'000
15.10 +Ordinary securities	321	523
15.11 Preference +securities	-	-
15.12 <b>Total</b>	<b>321</b>	<b>523</b>

The +dividend or distribution plans shown below are in operation.

No plans in operation
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The last date(s) for receipt of election notices for the +dividend or distribution plans

N/A
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Any other disclosures in relation to dividends (distributions)

Nil
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+ See chapter 19 for defined terms.

### Equity accounted associated entities and other material interests

*Equity accounting information attributable to the economic entity's share of investments in associated entities must be disclosed in a separate note. See AASB 1016: Disclosure of Information about Investments in Associated Companies.*

<b>Investments in associated entities</b>	Current period \$A'000	Previous corresponding period- \$A'000
16.1 Statutory carrying value of investments in associated entities (SCV)	N/A	N/A
16.2 Share of associated entities' retained profits and reserves not included in SCV:		
Retained profits		
Reserves		
<b>16.3 Equity carrying value of investments</b>		

### Material interests in entities which are not controlled entities

*The economic entity has an interest (that is material to it) in the following entities.*

<b>Name of entity</b>	Percentage of ownership interest (*ordinary securities, +units etc) held at end of period		Contribution to +operating profit (loss) and extraordinary items after tax	
	Current period	Previous corresponding period	Current period - \$A'000	Previous corresponding period - \$A'000
17.1 <b>Equity accounted associated entities</b>			<i>Equity accounted</i>	
N/A				
17.2 <b>Other material interests</b>			<i>Not equity accounted (ie part of item 1.14)</i>	
N/A				

+ See chapter 19 for defined terms.

**Appendix 4B (not equity accounted)**
**Half yearly report**
**Issued and quoted securities at end of current period**

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

Category of +securities	Total number	Number quoted	Issue price per security (see note 14) (cents)	Amount paid up per security (see note 14) (cents)
18.1 <b>Preference +securities</b> (description)	-	-		
18.2 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	-	-		
18.3 <b>+Ordinary securities</b>	10,690,169	10,690,169		
18.4 Changes during current period (a) Increases through issues (b) Decreases through returns of capital, buy-backs	-	-		
18.5 Convertible note 1 issued for every 2 ordinary shares. Each note convertible to 1 ordinary share or redeemable at \$1.00 face value.	5,230,934	5,230,934		
18.6 Changes during current period (a) Increases through issues (b) Decreases through securities matured, converted	-	-		
18.7 <b>Options</b> (description and conversion factor)			<i>Exercise Price</i>	<i>Expiry Date (if any)</i>
Employee option scheme	400,000	400,000	\$1.188 \$1.276 \$1.364	30.06.00 30.06.01 30.06.02
18.8 Issued during current period	400,000	400,000	\$1.188 \$1.276 \$1.364	30.06.00 30.06.01 30.06.02
18.9 Exercised during current period	-	-		
18.10 Expired during current period	-	-		
18.11 <b>Debentures</b> (totals only)	-	-		
18.12 <b>Unsecured notes</b> (totals only)	-	-		

+ See chapter 19 for defined terms.

## Comments by directors

*Comments on the following matters are required by ASX or, in relation to the half yearly report, by AASB 1029: Half-Year Accounts and Consolidated Accounts. The comments do not take the place of the directors' report and statement (as required by the Corporations Law) and may be incorporated into the directors' report and statement. For both half yearly and preliminary final reports, if there are no comments in a section, state NIL. If there is insufficient space to comment, attach notes to this report.*

## Basis of accounts preparation

*If this report is a half yearly report, it is a general purpose financial report prepared in accordance with the listing rules and AASB 1029: Half-Year Accounts and Consolidated Accounts. It should be read in conjunction with the last annual report and any announcements to the market made by the entity during the period. [Delete if preliminary final statement.]*

Material factors affecting the revenues and expenses of the economic entity for the current period

Refer to Directors' Report

A description of each event since the end of the current period which has had a material effect and is not related to matters already reported, with financial effect quantified (if possible)

Refer to Directors' Report

Franking credits available and prospects for paying fully or partly franked dividends for at least the next year

Future dividend policy is subject to the profit performance of the Garratt's Limited Group. Franking credits available to the Garratt's Group prior to the final dividend are \$260,965. No franking credits are available to Garratt's Limited to utilise in the interim dividend.

Changes in accounting policies since the last annual report are disclosed as follows.

*(Disclose changes in the half yearly report in accordance with paragraph 15(c) of AASB 1029: Half-Year Accounts and Consolidated Accounts. Disclose changes in the preliminary final report in accordance with AASB 1001: Accounting Policies-Disclosure.)*

Nil

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+ See chapter 19 for defined terms.

## Appendix 4B (not equity accounted)

### Half yearly report

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## Additional disclosure for trusts

19.1	Number of units held by the management company or responsible entity or their related parties	N/A
19.2	A statement of the fees and commissions payable to the management company or responsible entity.  Identify: <ul style="list-style-type: none"><li>• initial service charges</li><li>• management fees</li><li>• other fees</li></ul>	N/A

## Annual meeting

(Preliminary final report only)

The annual meeting will be held as follows:

Place	N/A
Date	N/A
Time	N/A
Approximate date the annual report will be available	N/A

## Compliance statement

1 This report has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Law or other standards acceptable to ASX (see note 12).

Identify other standards used

Nil

2 This report, and the financial statements prepared under the Corporations Law (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed (see note 2).

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+ See chapter 19 for defined terms.

4 This report is based on financial statements to which one of the following applies.

(Tick one)

The financial statements have been audited.



The financial statements have been subject to review.

The financial statements are in the process of being audited or subject to review.

The financial statements have *not* yet been audited or reviewed.

5 The review report by the auditor is attached.

6 The entity has a formally constituted audit committee.

7

Sign here: ..... Date: .....  
(Company secretary)

Print name: Phillip Maundrell

## Notes

1. **For announcement to the market** The percentage changes referred to in this section are the percentage changes calculated by comparing the current period's figures with those for the previous corresponding period. Do not show percentage changes if the change is from profit to loss or loss to profit, but still show whether the change was up or down. If changes in accounting policies or procedures have had a material effect on reported figures, do not show either directional or percentage changes in profits. Explain the reason for the omissions in the note at the end of the announcement section.
2. **True and fair view** If this report does not give a true and fair view of a matter (for example, because compliance with an Accounting Standard is required) the entity must attach a note providing additional information and explanations to give a true and fair view.
3. **Consolidated profit and loss account**
  - Item 1.1 The definition of "operating revenue" and an explanation of "sales revenue" (or its equivalent) and "other revenue" are set out in *AASB 1004: Disclosure of Operating Revenue*.
  - Item 1.4 "+operating profit (loss) before abnormal items and tax" is calculated before dealing with outside +equity interests and extraordinary items, but after deducting interest on borrowings, depreciation and amortisation.
  - Item 1.7 This item refers to the total tax attributable to the amount shown in item 1.6. Tax includes income tax and capital gains tax (if any) but excludes taxes treated as operating expenses (eg, fringe benefits tax).

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+ See chapter 19 for defined terms.

## Appendix 4B (not equity accounted)

### Half yearly report

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4. **Income tax** If the amount provided for income tax in this report differs (or would differ but for compensatory items) by more than 15% from the amount of income tax *prima facie* payable on the profit before tax, the entity must explain in a note the major items responsible for the difference and their amounts.
  
5. **Consolidated balance sheet**

**Format** The format of the consolidated balance sheet should be followed as closely as possible. However, additional items may be added if greater clarity of exposition will be achieved, provided the disclosure still meets the requirements of *AASB 1029 and AASB 1034*. Banking institutions, trusts and financial institutions identified in an ASIC Class Order dated 2 September 1997 may substitute a clear liquidity ranking for the Current/Non-Current classification.

**Basis of revaluation** If there has been a material revaluation of non-current assets (including investments) since the last annual report, the entity must describe the basis of revaluation adopted. The description must meet the requirements of paragraphs 9.1-9.4 of *AASB 1010: Accounting for the Revaluation of Non-Current Assets*. If the entity has adopted a procedure of regular revaluation, the basis for which has been disclosed and has not changed, no additional disclosure is required. Trusts should also note paragraph 10 of *AASB 1029* and paragraph 11 of *AASB 1030*.
  
6. **Statement of cash flows** For definitions of “cash” and other terms used in this report see *AASB 1026: Statement of Cash Flows*. Entities should follow the form as closely as possible, but variations are permitted if the directors (in the case of a trust, the management company) believe that this presentation is inappropriate. However, the presentation adopted must meet the requirements of *AASB 1026*. +Mining exploration entities may use the form of cash flow statement in Appendix 5B.
  
7. **Net tangible asset backing** Net tangible assets are determined by deducting from total tangible assets all claims on those assets ranking ahead of the +ordinary securities (ie, all liabilities, preference shares, outside +equity interests etc). +Mining entities are *not* required to state a net tangible asset backing per +ordinary security.
  
8. **Gain and loss of control over entities** The gain or loss must be disclosed if it has a material effect on the consolidated financial statements. Details must include the contribution for each gain or loss that increased or decreased the entity’s consolidated +operating profit (loss) and extraordinary items after tax by more than 5% compared to the previous corresponding period.
  
9. **Rounding of figures** This report anticipates that the information required is given to the nearest \$1,000. However, an entity may report exact figures, if the \$A’000 headings are amended. If an entity qualifies under ASIC Class Order 98/0100 dated 10 July 1998, it may report to the nearest million dollars, or to the nearest \$100,000, if the \$A’000 headings are amended.
  
10. **Comparative figures** Comparative figures are the unadjusted figures from the previous corresponding period. However, if there is a lack of comparability, a note explaining the position should be attached.
  
11. **Additional information** An entity may disclose additional information about any matter, and must do so if the information is material to an understanding of the reports. The information may be an expansion of the material contained in this report, or contained in a note attached to the report. The requirement under the listing rules for an

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+ See chapter 19 for defined terms.

entity to complete this report does not prevent the entity issuing reports more frequently. Additional material lodged with the +ASIC under the Corporations Law must also be given to ASX. For example, a directors' report and statement, if lodged with the +ASIC, must be given to ASX.

12. **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if one) must be complied with.
13. **Corporations Law accounts** As at 1/7/96, this report may be able to be used by an entity required to comply with the Corporations Law as part of its half-year financial statements if prepared in accordance with Australian Accounting Standards.
14. **Issued and quoted securities** The issue price and amount paid up is not required in items 18.1 and 18.3 for fully paid securities.

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+ See chapter 19 for defined terms.

**GARRATT'S LIMITED AND ITS CONTROLLED ENTITIES**

**APPENDIX A**

**SEGMENT REPORT**

	INVESTMENT BANKING		TELECOMMUNICATIONS		FASTENERS		EDUCATION		ELIMINATIONS		CONSOLIDATED	
	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000	1999 \$'000	1998 \$'000
Sales to outside customers	-	-	<b>1,255</b>	1,147	<b>3,879</b>	1,351	<b>1,027</b>	-	-	-	<b>6,161</b>	2,498
Other revenue	<b>53</b>	42	-	4	<b>7</b>	-	<b>13</b>	-	-	-	<b>73</b>	46
Inter-segment revenue	<b>257</b>	-	<b>96</b>	-	-	-	<b>56</b>	-	<b>(409)</b>	-	-	-
Research & Development												
Syndication revenue												
▪ Contract revenue	-	-	-	342	-	-	-	-	-	-	-	342
▪ Interest income	-	-	<b>739</b>	723	-	-	-	-	-	-	<b>739</b>	723
<b>Total revenue</b>	<b>310</b>	42	<b>2,090</b>	2,216	<b>3,886</b>	1,351	<b>1,096</b>	-	<b>(409)</b>	-	<b>6,973</b>	3,609
Segment operating profit/(loss)	<b>(3)</b>	(43)	<b>69</b>	644	<b>681</b>	250	<b>282</b>	-	<b>(9)</b>	-	<b>1020</b>	851
Unallocated expenses											<b>(412)</b>	-
<b>Operating profit before income tax</b>											<b>608</b>	851
Segment assets	<b>2,743</b>	485	<b>2,335</b>	1,711	<b>7,460</b>	6,545	<b>1,776</b>	-	-	-	<b>14,314</b>	8,741
R & D Syndication assets	-	-	<b>15,604</b>	15,320	-	-	-	-	-	-	<b>15,604</b>	15,320
<b>Total assets</b>	<b>2,743</b>	485	<b>17,939</b>	17,031	<b>7,460</b>	6,545	<b>1,776</b>	-	-	-	<b>29,918</b>	24,061

The companies in the consolidated entity operate predominantly in Australia

## **DIRECTORS' DECLARATION**

In the opinion of the directors of Garratt's Limited:

1. the financial statements in the form of Appendix 4B of the Australian Stock Exchange Listing Rules, consisting of the profit and loss statements, balance sheet, statement of cash flows and accompanying notes, are in accordance with the Corporations Law, including:
  - (a) giving a true and fair view of the financial position of the consolidated entity as at 31 December 1999 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
  - (b) complying with Accounting Standard AASB 1029 "Half-Year Accounts and Consolidated Accounts" and the Corporations Regulations; and
2. 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.

Mr. C. M. Heng  
Director

Mr. C. Campbell  
Director

Sydney  
3 March 2000



## **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 1999 in the form of Appendix 4B of the Australian Stock Exchange (ASX) Listing Rules, consisting of the profit and loss statement, balance sheet, statement of cash flows, accompanying notes and the directors' declaration, but excluding the following sections:

- a) material factors affecting the revenues and the expenses of the economic entity for the current period;
- b) compliance statements;
- c) ratios;
- d) NTA backing.

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 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 "Half-Year Accounts and Consolidated Accounts" and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the consolidated entity's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to meet its obligations to lodge the financial report with the Australian Securities and Investments Commission.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. Our review has not involved a study and evaluation of internal accounting controls, tests of accounting records or tests of responses to inquiries by obtaining corroborative evidence from inspection, observation or confirmation. The procedures do not provide all the evidence that would be required in an audit, thus the level of assurance is less than 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 as described in the scope section, of Garratt's Limited is not in accordance with:

- a) the Corporations Law, including:
  - i. giving a true and fair view of the economic entity's financial position as at 31 December 1999 and of its performance for the half-year ended on that date; and
  - ii. complying with Accounting Standard AASB 1029 "Half-Year Accounts and Consolidated Accounts" and the Corporations Regulations; and
- b) other mandatory professional reporting requirements.

KPMG

Linden Gulson  
*Partner*

Sydney

3 March 2000