

# GARRATT'S LIMITED

ACN 000 003 725

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06 February 2009

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

Via ASX Online

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## ANNOUNCEMENT

### **HALF-YEAR REPORT**

In accordance with ASX Listing Rule 4.2A, attached are the following reports for the half-year ended 31 December 2008:

- Appendix 4D
- Financial Report (includes Directors' Report and Independent Review Report to Members)

This information should be read in conjunction with the Garratt's Limited Annual Report for the year ended 30 June 2008.

Stephanie Noble  
Company Secretary

# Appendix 4D

## Half Year Report

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

Introduced 1/1/2003.

|                                          |
|------------------------------------------|
| GARRATT'S LIMITED<br>ABN: 95 000 003 725 |
|------------------------------------------|

|    |                                                   |           |
|----|---------------------------------------------------|-----------|
| 1. | Half-year ended ('reporting period')              | 31-Dec-08 |
|    | Half-year ended ('previous corresponding period') | 31-Dec-07 |

### 2. Results for announcement to the market

\$A'000

|     |                                                                   |      |     |          |
|-----|-------------------------------------------------------------------|------|-----|----------|
|     | Movements from previous corresponding period                      |      |     |          |
| 2.1 | Revenues from ordinary activities                                 | down | 26% | to 8,950 |
| 2.2 | Profit from ordinary activities after tax attributable to members | down | 85% | to 793   |
| 2.3 | Net profit for the period attributable to members                 | down | 85% | to 793   |

### 3. Explanation of items 2.1 to 2.3 above:

- 3.1 Excluding the impact of the change in accounting estimates in the prior period (see note 10):
  - Revenue from ordinary activities increased by 4% to \$8,950,000
  - Operating profit before income tax decreased by 4% to \$1,094,000
- 3.2 Included in the profit after tax figure is a tax expense of \$302,000. In 2007 there was a tax credit of \$1,447,000.
- 3.3 The contribution to profitability by the fasteners operations decreased by 8% from \$369,000 to \$339,000.
- 3.4 The contribution to profitability by the education operations was \$1,231,000 compared to \$4,023,000 ( or \$1,397,000 after adjusting for the change in accounting estimate in the prior period (see note 10)).

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

## Net tangible Assets

4.

Net tangible asset backing per ordinary share

a. Based on 40,590,562 shares at 31 December 2008

b. Based on 23,790,562 shares at 31 December 2007

| Reporting period        | Previous corresponding period |
|-------------------------|-------------------------------|
| 11.5 cents <sup>a</sup> | 16.2 cents <sup>b</sup>       |

## 5. Gain or loss of control over entities

Not applicable.

## 6. Dividends

6.1 On 15th October 2008 the Company paid an unfranked dividend of one cent per share. The payment amount was \$405,906.

6.2 The directors have declared an unfranked dividend of one cent per share. The payment amount is \$405,906.

Dividend Dates

Ex Dividend

24-Feb-09

Record

2-Mar-09

Payment

18-Mar-09

## 7. Dividend reinvestment plans

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

## 8. 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.

## 9. Foreign entities

No member of the Group is a foreign entity.

## 10. Change in accounting estimates

The figures for December 2007 include a change in accounting estimates that (exclusive of income tax) increased revenue and decreased trade payables by \$3,478,454; and increased expenses and decreased prepayments by \$852,937. Without this change, the profit (after tax) for the period to December 2007 would have been \$2,585 645.

Signed: .....

Stephanie Noble  
(Group Finance Manager)

Date: 6 February 2009

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

**HALF-YEAR FINANCIAL REPORT**  
**31 DECEMBER 2008**

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

For the half-year ended 31 December 2008

Your directors submit the financial report of the economic entity for the half-year ended 31 December 2008.

**Directors**

The names of directors who held office during or since the end of the half-year are:

Neville Thomas Cleary

Christopher Elmore Campbell

Chiang Meng Heng

**Review of Operations**

A summary of the Statement of Financial Performance for the half-year ended 31 December 2008 is set out below:

|                                    | 2008<br>\$       | 2007<br>\$        |
|------------------------------------|------------------|-------------------|
| Total Revenue                      | <u>8,950,000</u> | <u>12,110,000</u> |
| Operating Profit Before Income Tax | <u>1,094,000</u> | <u>3,764,000</u>  |
| Operating Profit After Income Tax  | <u>793,000</u>   | <u>5,211,000</u>  |

Excluding the impact of the change in accounting estimates in the prior period (see note 7), revenue from ordinary activities increased by 4% to \$8,950,000 and operating profit before tax decreased by 4% to \$1,094,000.

Included in the profit after tax figure is a tax expense of \$302,000. In 2007 there was a tax credit of \$1,447,000.

**Education**

The contribution to profitability by the education operations was \$1,231,000 compared to \$4,023,000 (or \$1,397,000 after adjusting for the change in accounting estimates in the prior period (see note 7)).

**Fasteners**

The contribution to profitability by the fasteners operations decreased by 8% from \$369,000 to \$339,000.

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

For the half-year ended 31 December 2008

**Auditor's Declaration**

The auditor's independence declaration under section 307C of the *Corporations Act 2001* for the half year ended 31 December 2008 is set out on page 3.

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



Neville Cleary  
Director



Christopher Campbell  
Director

Sydney  
6 February 2009

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF GARRATT'S LIMITED**

I declare that, to the best of my knowledge and belief, during the half-year ended 31 December 2008 there have been:

- (a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review, and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.



CALABRO PARTNERS  
Chartered Accountants



M TRAYNOR  
Partner

Level 5  
175 Eagle Street  
BRISBANE QLD 4000

6 February 2009

**GARRATT'S LIMITED ABN 93 000 003 725**  
**AND CONTROLLED ENTITIES**  
**CONSOLIDATED INCOME STATEMENT**  
For the half-year ended 31 December 2008

|                                                            | <b>Note</b> | <b>Economic Entity</b> |                   |
|------------------------------------------------------------|-------------|------------------------|-------------------|
|                                                            |             | <b>31.12.2008</b>      | <b>31.12.2007</b> |
|                                                            |             | <b>\$</b>              | <b>\$</b>         |
| Revenue                                                    | 7           | 8,950,387              | 12,109,839        |
| Finance costs                                              |             | (13,863)               | (142,404)         |
| Depreciation and amortisation expense                      |             | (193,559)              | (203,455)         |
| Cost of sales                                              |             | (2,556,302)            | (2,820,497)       |
| Cost of services                                           |             | (2,123,836)            | (2,448,448)       |
| Employee benefits expense                                  |             | (1,545,444)            | (1,454,347)       |
| Insurance                                                  |             | (143,019)              | (132,781)         |
| Legal fees                                                 |             | (33,011)               | (84,098)          |
| Lease rental expense – operating leases                    |             | (462,964)              | (419,744)         |
| Other expenses                                             |             | (783,923)              | (639,644)         |
| <b>Profit before income tax</b>                            |             | 1,094,466              | 3,764,421         |
| Income tax attributable                                    |             | (301,626)              | 1,446,741         |
| <b>Profit for the period</b>                               |             | 792,840                | 5,211,162         |
| <b>Profit attributable to members of the parent entity</b> |             | 792,840                | 5,211,162         |
| <b>Earnings per share:</b>                                 |             |                        |                   |
| Basic earnings per share (cents per share)                 | 4           | 1.95                   | 21.90             |
| Fully diluted earnings per share (cents per share)         |             | -                      | 12.84             |

The accompanying notes form part of these financial statements.



**GARRATT'S LIMITED ABN 93 000 003 725**  
**AND CONTROLLED ENTITIES**  
**CONSOLIDATED BALANCE SHEET**  
For the half-year ended 31 December 2008

|                                      | <b>Economic Entity</b> |                   |
|--------------------------------------|------------------------|-------------------|
|                                      | <b>31.12.2008</b>      | <b>30.06.2008</b> |
|                                      | <b>\$</b>              | <b>\$</b>         |
| <b>ASSETS</b>                        |                        |                   |
| <b>Current Assets</b>                |                        |                   |
| Cash and cash equivalents            | 935,218                | 810,875           |
| Trade and other receivables          | 1,974,230              | 2,332,994         |
| Inventories                          | 3,052,207              | 2,846,307         |
| Other current assets                 | 370,889                | 549,655           |
| <b>Total Current Assets</b>          | <b>6,332,544</b>       | <b>6,539,831</b>  |
| <b>Non-Current Assets</b>            |                        |                   |
| Plant and equipment                  | 1,604,636              | 1,733,348         |
| Deferred tax assets                  | 871,544                | 1,173,170         |
| Intangible assets                    | 2,905,859              | 2,905,859         |
| <b>Total Non-Current Assets</b>      | <b>5,382,039</b>       | <b>5,812,377</b>  |
| <b>Total Assets</b>                  | <b>11,714,583</b>      | <b>12,352,208</b> |
| <b>LIABILITIES</b>                   |                        |                   |
| <b>Current Liabilities</b>           |                        |                   |
| Trade and other payables             | 2,836,827              | 3,785,704         |
| Short-term borrowings                | 122,497                | 32,668            |
| Short-term provisions                | 546,470                | 606,881           |
| <b>Total Current Liabilities</b>     | <b>3,505,794</b>       | <b>4,425,253</b>  |
| <b>Non-Current Liabilities</b>       |                        |                   |
| Long-term borrowings                 | 41,717                 | 19,837            |
| Long-term provisions                 | 590,373                | 717,353           |
| <b>Total Non-Current Liabilities</b> | <b>632,090</b>         | <b>737,190</b>    |
| <b>Total Liabilities</b>             | <b>4,137,884</b>       | <b>5,162,443</b>  |
| <b>NET ASSETS</b>                    | <b>7,576,699</b>       | <b>7,189,765</b>  |
| <b>EQUITY</b>                        |                        |                   |
| Issued capital                       | 14,219,836             | 14,219,836        |
| Retained earnings                    | (6,643,137)            | (7,030,071)       |
| <b>TOTAL EQUITY</b>                  | <b>7,576,699</b>       | <b>7,189,765</b>  |

The accompanying notes form part of these financial statements.

**GARRATT'S LIMITED ABN 93 000 003 725**  
**AND CONTROLLED ENTITIES**  
**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
For the half-year ended 31 December 2008

|                              | \$              | \$               | \$        |
|------------------------------|-----------------|------------------|-----------|
|                              | Ordinary Shares | Retained Profits | Total     |
| <b>Balance at 1.7.2007</b>   | 14,172,625      | (12,632,578)     | 1,540,047 |
| Profit for the period        | -               | 5,211,162        | 5,211,162 |
| <b>Balance at 31.12.2007</b> | 14,172,625      | (7,421,416)      | 6,751,209 |
| <b>Balance at 1.7.2008</b>   | 14,219,836      | (7,030,071)      | 7,189,765 |
| Profit for the period        | -               | 792,840          | 792,840   |
| Dividend paid                | 5               | (405,906)        | (405,906) |
| <b>Balance at 31.12.2008</b> | 14,219,836      | (6,643,137)      | 7,576,699 |

The accompanying notes form part of these financial statements.

**GARRATT'S LIMITED ABN 93 000 003 725**  
**AND CONTROLLED ENTITIES**  
**CONSOLIDATED CASH FLOW STATEMENT**  
For the half-year ended 31 December 2008

|                                             | <b>Economic Entity</b> |                   |
|---------------------------------------------|------------------------|-------------------|
|                                             | <b>31.12.2008</b>      | <b>31.12.2007</b> |
|                                             | <b>\$</b>              | <b>\$</b>         |
| <b>Cash Flows From Operating Activities</b> |                        |                   |
| Receipts from customers                     | 8,967,504              | 10,516,911        |
| Payments to suppliers and employees         | (8,482,620)            | (8,386,022)       |
| Interest received                           | 17,247                 | 46,962            |
| Finance costs                               | (16,571)               | (139,696)         |
|                                             | <hr/>                  | <hr/>             |
| Net cash provided by operating activities   | 485,560                | 2,038,155         |
|                                             | <hr/>                  | <hr/>             |
| <b>Cash Flows From Investing Activities</b> |                        |                   |
| Proceeds from sale of plant & equipment     | 810                    | -                 |
| Purchase of non-current assets              | (23,688)               | (41,146)          |
|                                             | <hr/>                  | <hr/>             |
| Net cash used in investing activities       | (22,878)               | (41,146)          |
|                                             | <hr/>                  | <hr/>             |
| <b>Cash Flows From Financing Activities</b> |                        |                   |
| Proceeds from borrowings                    | 78,644                 | 260               |
| Dividends Paid                              | (405,906)              | (118,953)         |
| Repayment of borrowings                     | (11,077)               | (482,354)         |
|                                             | <hr/>                  | <hr/>             |
| Net cash used in financing activities       | (338,339)              | (601,047)         |
|                                             | <hr/>                  | <hr/>             |
| Net increase in cash held                   | 124,343                | 1,395,962         |
| Cash at the beginning of period             | 810,875                | 803,799           |
| Cash at the end of the period               | <hr/>                  | <hr/>             |
|                                             | 935,218                | 2,199,761         |
|                                             | <hr/>                  | <hr/>             |

The accompanying notes form part of these financial statements.

**GARRATT'S LIMITED ABN 93 000 003 725**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the half-year ended 31 December 2008

**NOTE 1: BASIS OF PREPARATION**

The half-year consolidated financial report is a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001* and AASB 134: *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half-year financial report does not include full disclosures of the type normally included in an annual financial report and should be read in conjunction with the annual financial report for the year ended 30 June 2008 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*.

**(a) Significant Accounting Policies**

The accounting policies applied by the consolidated entity in this consolidated half-year financial report are the same as those applied by the consolidated entity in its consolidated financial report for the year ended 30 June 2008.

In the current period, the consolidated entity has adopted all new and revised Standards and Interpretations issued by the Australia Accounting Standards Board that are relevant to its operations and effective for reporting periods beginning on or after 1 July 2008. The adoption of these new and revised Standards and Interpretations has not resulted in any changes to the consolidated entity's accounting policies.

**(b) Comparative Figures**

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial period.

|                                                 | Fasteners  |            | Education  |            | Economic Entity |            |
|-------------------------------------------------|------------|------------|------------|------------|-----------------|------------|
|                                                 | 31.12.2008 | 31.12.2007 | 31.12.2008 | 31.12.2007 | 31.12.2008      | 31.12.2007 |
|                                                 | \$         | \$         | \$         | \$         | \$              | \$         |
| Revenue                                         | 4,245,696  | 4,548,169  | 4,658,292  | 7,494,601  | 8,903,988       | 12,042,770 |
| Other revenue                                   | 1,246      | 2,091      | 33,057     | 20,314     | 34,303          | 22,405     |
| Total segment revenue                           | 4,246,942  | 4,550,260  | 4,691,349  | 7,514,915  | 8,938,291       | 12,065,175 |
| Unallocated revenue                             |            |            |            |            | 12,096          | 44,664     |
| Total revenue from ordinary activities          |            |            |            |            | 8,950,387       | 12,109,839 |
| Segment result                                  | 339,026    | 368,597    | 1,231,013  | 4,022,614  | 1,570,039       | 4,391,211  |
| Unallocated expenses net of unallocated revenue |            |            |            |            | (475,573)       | (626,790)  |
| Profit before income tax                        |            |            |            |            | 1,094,466       | 3,764,421  |
| Income tax attributable                         |            |            |            |            | (301,626)       | 1,446,741  |
| Profit after income tax                         |            |            |            |            | 792,840         | 5,211,162  |

**GARRATT'S LIMITED ABN 93 000 003 725**  
**AND CONTROLLED ENTITIES**  
**NOTES TO THE FINANCIAL STATEMENTS**  
For the half-year ended 31 December 2008

**NOTE 3: CONTINGENT LIABILITIES**

There has been no change in contingent liabilities since the last annual reporting date.

**NOTE 4: EARNINGS PER SHARE**

The earnings per share have been calculated on the ordinary shares of 40,590,562 for the half-year ended December 2008. (2007: 23,790,562)

**NOTE 5: DIVIDEND PAID**

On 15 October 2008, the Company paid an unfranked dividend of one cent per share. The payment amount was \$405,906.

**NOTE 6: POST BALANCE DATE EVENTS**

There are no matters or circumstances that have arisen since 31 December 2008 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.

**NOTE 7: CHANGE IN ACCOUNTING ESTIMATES**

The figures for December 2007 include a change in accounting estimates that (exclusive of income tax) increased revenue and decreased trade payables by \$3,478,454; and increased expenses and decreased prepayments by \$852,937. Without the change in estimates, the profit (after tax) for the period to December 2007 would have been \$2,585,645.

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

The directors of the company declare that, in the directors' opinion:

- (a) the financial statements and notes, as set out on pages 4 to 9, are in accordance with the *Corporations Act 2001*; including complying with accounting standards and giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half year ended on that date.
- (b) 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  
6 February 2009

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

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Garratt's Limited (the company), which comprises the consolidated balance sheet as at 31 December 2008 and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, a statement of significant accounting policies, other selected explanatory notes and the directors' declaration as set out on pages 4 to 10.

*Directors' responsibility for the Half-Year Financial Report*

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and with the *Corporations Act 2001*. This responsibility establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the company's financial position as at 31 December 2008 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Garratt's Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Garratt's Limited on 6 February 2009 would be in the same terms if provided to the directors as at the date of this auditor's review report.

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

*Conclusion*

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 the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



CALABRO PARTNERS  
Chartered Accountants



M TRAYNOR  
Partner

Level 5  
175 Eagle Street  
BRISBANE QLD 4000

6 February 2009