

GARRATT'S LIMITED

ACN 000 003 725

ANNUAL REPORT
2000

CHAIRMAN'S REPORT

I am pleased to report that we achieved a record profit in fiscal 2000, our 92nd year.

Consolidated operating profit before income tax was \$1,725,967 representing a 59% increase on 1999. Consolidated profit after tax was \$1,619,426 also an increase – the more significant because it was after a tax charge of \$106,541 whereas for 1999 there was a tax credit of \$513,405.

The year saw us benefit from the diversification strategy that we commenced in October 1998. We sold Electrodata Pty Limited, previously our only income generating asset, as it was not contributing satisfactorily. The divestment was made at a profit and with the comfort that we now have profitable operations in fastening and education.

We continue to be excited with the potential from our participation in the “Agent 13” point of purchase interactive multimedia technology. Patents have been granted in the USA and South Africa, and recently Australia. New models have been released and substantial companies have become customers. We have so far funded our participation from capital.

During the year, shareholders' funds increased 50% from \$5.6 million to \$8.4 million – about \$2.3 million of which was represented by cash at year end. Turnover increased 65% to \$11.3 million, while total assets (excluding research and development syndication assets) rose 15% to \$16.5 million.

While the Board remain committed to consistent profitability and regular dividends, notwithstanding record profits, we have decided to reduce the dividend rate for the year to 5 cents. The Company's capital base has increased considerably during the past few years. Moreover, our participation in the Agent 13 exercise, which aims to grow the Company substantially, requires additional resources and is not expected to generate income for two to three years. As such it would be neither realistic nor prudent to continue to pay a dividend at the rate of 10 cents a share. The objective is that capital growth will more than compensate for the lower dividend rate.

While our shareholder spread has increased by 75% from 326 in September last year to 570 in September this year, it is still too low. Although the number of shares has more than doubled since 1996, we are still a small company. We are addressing the need to improve the depth, liquidity and spread of the Company's shares.

Dr. Stan Baker resigned from the Board at the end of June following our decision to sell Electrodata Pty Limited. We are grateful for his contribution since he joined the Board in the last quarter of 1994.

I was delighted that Chiang Meng Heng accepted the invitation to join the Board as a non-executive director in February. Mr. Heng has been a substantial shareholder for more than three years. He is an investor with substantial experience in international banking, corporate finance and property development. He is presently Group Managing Director of a hotel, property and construction group listed on the Singapore Exchange, and is also on the Board of four other listed companies. Previous positions include President, Asia Commercial Bank and Adviser & Head, Banking & Financial Institutions Department of the Monetary Authority of Singapore.

On behalf of the Board, and shareholders, I would like to thank the management team for another successful year. I would also like to express my appreciation to all shareholders for their support.

Peter Burrows
Chairman
12 October 2000

GROUP MANAGING DIRECTOR'S REVIEW

The year was more challenging than what the results would suggest.

The biggest challenge was Electrodata Pty Limited which previous management had acquired in 1994. We tidied it up in 1997 and achieved record profits the following year. But the difficulty was maintaining profitability in an environment of rising costs, the need to fund expensive research and development internally, and competition from substantially larger and better resourced multi-nationals. We are pleased to have been able to divest this investment at a profit.

Another issue that we also spent considerable time on was related to the Electrodata Pty Limited investment. This was the unwinding of the extremely complicated research and development arrangements that Garratt's Limited had entered into in 1995 and 1996. It involved various guarantees and obligations by the Garratt's Group that clouded up our financial statements. After several months of negotiations the arrangements were terminated, at no financial cost to us.

Other challenges included the relocation of Supreme Business College Pty Limited, and Garratt's Limited, to 33 Bligh Street; taking on new premises adjacent to Premier Fasteners Pty Limited to facilitate Premier Fasteners Pty Limited's expansion; and merging and streamlining the operations of Supreme Business College Pty Limited and Clarendon Business College Pty Limited under the Academies Australasia Pty Limited umbrella.

Fiscal 2000 was the first full year of operation of the fastening and education businesses in the Garratt's Group. These businesses contributed to profitability.

Our participation in the new point of purchase interactive multimedia technology called "Agent 13" is in the form of a loan. We continue to fund the business which is achieving operating results ahead of budget. Customers include corporations like Wal-Mart Group, Ford Motor Company and Photo-Me USA.

During the year we set up a web page (www.garratts.com.au) which includes information about our operations, a copy of our announcements to the ASX and our Annual Report. The information is updated regularly.

Barring unforeseen circumstances, we should continue to grow and operate profitably. Our operations in fastening and education are profitable and expected to have the potential to contribute further. The participation in multimedia is not expected to generate income for two to three years. However, on the basis of projections made, the potential could be quite spectacular.

I would like to thank my fellow directors and colleagues for their support.

Christopher Campbell
Group Managing Director
12 October 2000

92nd ANNUAL REPORT OF THE DIRECTORS

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 financial year ended 30 June 2000 and the auditors' report thereon.

PRINCIPAL ACTIVITIES

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

CONSOLIDATED RESULT

The consolidated operating profit before income tax for the year was \$1,725,967 (equal to 15.6 cents per share), representing a 59% increase on the results for the previous year. The result incorporates the profits from the sale of Electrodatta Pty Limited and is after payment of \$627,712 as interest on the 5,230,934 Convertible Notes on issue.

The consolidated profit after abnormal items and tax was \$1,619,426 (1999: \$1,598,052), equal to 14.7 cents per share. The tax charge for the year was \$106,541 whereas for the previous year there was a credit of \$513,405.

The consolidated net tangible asset backing per share at balance date, after providing for the final dividend, was 46.5 cents (1999: 27.7 cents).

REVIEW AND RESULTS OF OPERATIONS

Investment Banking

The Company agreed to extend a loan of up to US\$3.6 million to IC & Count Technologies Limited (previously called "Windermere Trading Limited") and has the option to acquire equity representing 33% of IC & Count Technologies Limited at a price equivalent to the loan. (*Please refer to "Multimedia" below*)

While continuing to seek other investment banking opportunities, surplus funds were invested in bank deposits.

Education

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. Mrs. S. Rich was appointed Principal of both colleges.

Fastening

Premier Fasteners Pty Limited, under the leadership of Mr. F. Pobje, Director & Chief Executive Officer, made a substantial contribution to profitability. Mr. I. Mikkelsen was appointed General Manager. A three year lease was taken over 3 Ladbroke Street to enable the relocation of stores and administration from the adjoining premises, 1 Ladbroke Street, where the factory continues to operate.

Telecommunications

While Electrodata Pty Limited was profitable, its contribution was not significant. The recorders sold were the “Maxitrac” and the “Digitrac 2000”, and the new product “Telemate” which was released in the last half of the year.

Electrodata Pty Limited was sold to Syman Pty Limited on 30 June 2000 at a profit. *(Please refer to Note 3)*

Multimedia

The loan to IC & Count Technologies Limited is via Multimedia Investments Pty Limited, a wholly-owned subsidiary of the Company.

IC & Count Technologies Limited develops and deploys information delivery systems and data gathering networks in the form of new point of purchase interactive multimedia technology, for retail and public spaces. There are three systems in operation. The Agent 13 system is audio-based while the Agent 23 system is video-based. Agent 23i is an enhanced version of Agent 23. Examples of customers are: Wal*Mart Group (Agent 13), Dynamic Exhibits (Agent 23) and Ford Motor Company (Agent 23i).

The loan is made progressively, subject to satisfactory performance and operation within pre-agreed guidelines and targets. The Company has a charge over the intellectual property and 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.

At the date of this report, the amount loaned in this exercise totals about US\$1.3 million. At balance date the amount was US\$826,532. *(Please refer to Note 18)*

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

Mr. C. Campbell is on the Board of IC & Count Technologies Limited and each of its subsidiaries.

Dividends

An interim dividend of 3 cents per share (unfranked) was paid in April 2000. A final dividend of 2 cents per share (unfranked), payable on 15 November 2000, has been declared by the Board. Entitlement to this dividend will be based on shares held at the close of business on 16 October 2000.

Convertible Notes

Noteholders received the third interest payment of 6 cents per convertible note in June 2000. The next payment, also for 6 cents per convertible note, is due in December 2000.

Options

The 1999 Annual General Meeting approved the issue of 350,000 free options to Mr. C. Campbell and 50,000 free options to Mr. P. Maundrell – subject to the terms and conditions of the Employee Share Option Plan approved at that Meeting. Both offers were issued and accepted during the reporting period.

None of the options issued to Mr. C. Campbell or Mr. P. Maundrell were exercised during the reporting period. The options issued to Mr. P. Maundrell have lapsed as he has ceased to be an “Employee” under the terms of the Employee Share Option Plan.

The exercise price of these options is \$1.28 at 30 June 2001 and \$1.36 at 30 June 2002. The options expire on 30 June 2002.

Share Issues

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 three months and expired on 5 February 2000. The Board did not issue any shares under this authority.

In March 2000, 1,450,000 new shares were issued to ten investors at the price of \$1.20 per share. This increased Garratt's capital from 10,690,169 shares to 12,140,169 shares.

Singapore Exchange

In February 2000 it was announced that Directors had resolved to seek listing of the Company's securities in Singapore – on SESDAQ, which is the Second Board in Singapore. Since then the stock markets, in Singapore and Australia, have not been encouraging. The exercise will be pursued when market conditions are more conducive.

STATE OF AFFAIRS

The only significant changes in the state of affairs of the consolidated entity during the period under review were the agreement to extend the loan to IC & Count Technologies Limited (*Please refer to "Investment Banking" and "Multimedia"*) and the sale of Electrodata Pty Limited to Syman Pty Limited (*Please refer to "Telecommunications" and "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 that have arisen since the end of the financial year 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 termination on 1 September 2000 of the research and development syndications with St.George Bank, entered into in 1995 and 1996.
- The cancellation of 744,888 shares in the Company on 28 September 2000 that reduced the issued capital from 12,140,169 shares to 11,395,281 shares. This was the result of Syman Pty Limited's first payment in settlement of the purchase of Electrodata Pty Limited. The payment comprised a set-off from the proceeds of the buying back and cancelling of the 744,888 shares owned by Syman Pty Limited, at \$1.30 per share, for the equivalent of \$968,354, and the payment in cash of \$31,646. (Total: \$1 million)

DIRECTORS

The directors of the Company at any time during or since the end of the financial year are:

Mr. Peter Irving Burrows, B.Ec, ASIA - Chairman (Non-Executive). Age 54. 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 Chairman & Managing Director of one of the largest financial planning groups in Australia. Appointed Group Managing Director and Chief Executive Officer of Garratt's Limited on 1 July 1996. Chairman of each of the subsidiary companies in the Garratt's Group. Member of Audit and Remuneration Committees. Appointed Director of IC & Count Technologies Limited and Secret Agent Technologies Inc., on 12 December 1999, Blue Towel Pty Limited on 21 February 2000 and Secret Agent Technologies (Australia) Limited on 31 March 2000.

Mr. Chiang Meng Heng - Non-Executive Director. Age 55. 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 four 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) 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 Limited on 15 February 2000. Also a member of the Audit and Remuneration Committees.

Dr. Stanley Kenneth Baker, B.E. (Hons.) Ph.D. - Non-Executive Director. Age 57. Founder and Chairman of Electrodata Pty Limited. Obtained his Ph.D. in electrical engineering in the field of telecommunications. Dr. Baker resigned from the Board of Garratt's Limited and all his other positions in the Garratt's Group on 29 June 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 financial year are:

Director	Directors' Meetings		Audit Committee		Remuneration Committee	
	A	B	A	B	A	B
Mr. P. Burrows	12	10	2	1	1	1
Mr. C. Campbell	12	12	2	2	1	1
Mr. C. M. Heng	4	4	1	1	-	-
Dr. S. Baker	12	12	-	-	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 205G of the Corporations Law, at the date of this report, is as follows:

<u>Director</u>	<u>Relevant Interest</u> <u>(Shares)</u>	<u>Relevant Interest</u> <u>(Convertible Notes)</u>	<u>Relevant Interest</u> <u>(Options)</u>
Mr. P. Burrows	150,358 (1.32%)	42,800 (0.82%)	-
Mr. C. Campbell	622,781 (5.47%)	327,000 (6.25%)	350,000
Mr. C. M. Heng	1,182,760 (10.38%)	601,380 (11.50%)	-

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

	<u>Base</u> <u>Emolument</u>	<u>Bonus/</u> <u>Allowance/</u> <u>Commission</u>	<u>Superann-</u> <u>uation</u>	<u>Non-Cash</u> <u>Benefit</u>	<u>Consulting</u> <u>Fee</u>	<u>Options</u>	<u>Total</u>
Directors							
Mr. P. Burrows	\$35,000	-	\$2,450	-	-	-	\$37,450
Mr. C. Campbell	\$235,000	-	\$16,450	-	-	\$0*	\$251,450
Dr. S. Baker ⁺	-	-	-	-	\$111,282	-	\$111,282
Mr. C.M. Heng	\$7,500	-	\$525	-	-	-	\$8,025

Five Highest Paid Officers

The Company: Nil

Consolidated Entity:

Mr. F. Pobje	\$200,000	-	\$14,000	\$12,415	-	-	\$226,415
Mr. P. Maundrell ⁺	-	-	-	-	\$88,000	\$0*	\$88,000
Ms. S. Crisp	\$52,000	\$9,700	\$4,270	\$10,550	-	-	\$76,520
Mr. R. Snell ⁺	\$50,000	\$10,000	\$4,200	-	-	-	\$64,200
Mr. P. Flood ⁺	\$51,366	\$3,325	\$3,596	-	-	-	\$58,287

Notes:

* Exercise price is \$1.28 at 30 June 2001 and \$1.36 at 30 June 2002. Were issued at premium to market price. Not listed and have vesting restrictions.

⁺ No longer a director or executive.

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.

CORPORATE GOVERNANCE STATEMENT

The Board is responsible for the overall corporate governance of the consolidated entity including its strategic direction, establishing goals for management and monitoring the achievement of these goals. At the date of this report the Board comprised three directors, namely, the Chairman (Non-Executive), the Group Managing Director (Executive) and the Non-Executive Director. *(Please refer to “Directors” for details of the Directors)*

To assist in the execution of its responsibilities, the Board has established an Audit Committee and a Remuneration Committee.

Audit Committee

The role of the Audit Committee is documented in a Charter which is approved by the Board of Directors. The role of the Committee is to advise on the establishment and maintenance of a framework of internal controls and appropriate ethical standards for the management of the consolidated entity. It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report. The members of the Audit Committee during the year were the Chairman, the Group Managing Director and a Non-Executive Director.

The Audit Committee reviews the performance of the external auditors on an annual basis and meets with them during the year to discuss the audit plan, to review any significant issues that have arisen during the period and to review the nature and impact of changes in accounting policies. Prior to the announcement of results, the Audit Committee meets with the external auditors to review the draft financial report and the audit and make the necessary recommendation to the Board for the approval of the financial report.

Remuneration Committee

The role of the Remuneration Committee is to review and make recommendations to the Board on remuneration packages and policies applicable to the Chief Executive Officer, senior executives and directors themselves. This role also includes responsibility for share option schemes, incentive performance packages, superannuation entitlements, retirement and termination entitlements, fringe benefit policies and professional indemnity and liability insurance policies. Remuneration levels are competitively set to attract the most qualified and experienced directors and senior executives. All the members of the Board constitute the Remuneration Committee.

Independent Professional Advice

Each director has the right to seek independent professional advice at the consolidated entity's expense. However, prior approval of the Chairman is required, which will not be unreasonably withheld. A copy of the advice received by the director is made available to all other members of the Board.

Internal Control Framework

The Board acknowledges that it is responsible for the overall internal control framework but recognises that no cost effective internal control system will preclude all errors and irregularities. The consolidated entity's system of internal control is based upon procedures, policies and guidelines, division of responsibility and the careful selection and training of qualified personnel.

Ethical Standards

All directors, managers, employees and consultants are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the consolidated entity.

Shareholder Communication & Participation

The Board also aims to ensure that the shareholders are informed of all major developments affecting the consolidated entity's state of affairs. Information is communicated to shareholders on a regular basis by means of continuous reporting and half yearly and annual reports. The Board ensures that these reports include all relevant information about the operations of the consolidated entity, changes in the state of affairs of the consolidated entity and details of future developments. All documents that are released publicly are made available on the consolidated entity's Internet web site (www.garratts.com.au).

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as single resolutions.

SECTION 340(1) – CORPORATIONS LAW

On 15 August 2000 the Australian Securities and Investments Commission exempted the Company, in relation to the financial year ended 30 June 2000 ("the Relevant Financial Year"), from compliance with deadlines prescribed by subsection 319(3)(a) and subsection 315(1)(b) of the Corporations Law, on condition that:

1. Division 4 of part 2M.3 of the Law is complied with for the Relevant Financial Year not later than 30 November 2000 for the purpose of subsection 315(1)(b) of the Law;
2. Division 5 of part 2M.3 of the Law is complied with for the Relevant Financial Year not later than 31 October 2000 for the purpose of subsection 319(3)(a) of the Law; and
3. a summary of the relief given by this order is disclosed in the directors' report for the Relevant Financial Year.

On 16 August 2000 the Company's application for an extension of time to hold its Annual General Meeting in respect of the Relevant Financial Year was approved under subsection 250P(2) of the Corporations Law to a date no later than 31 December 2000.

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

Peter Burrows
Director

Christopher Campbell
Director

Sydney
12 October 2000

GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
PROFIT AND LOSS STATEMENTS
For the 12 months ended 30 June 2000

	Note	CONSOLIDATED		THE COMPANY	
		2000	1999	2000	1999
		\$	\$	\$	\$
Revenue	2(a)	14,898,267	8,818,414	4,063,280	1,812,377
Operating profit before abnormal items and income tax	2(b)	389,043	719,273	733,090	1,046,380
Abnormal items	3	1,336,924	365,374	914,602	-
Operating profit before income tax		1,725,967	1,084,647	1,647,692	1,046,380
Income tax attributable to operating profit	4	106,541	(513,405)	(6,338)	(21,703)
Operating profit after income tax		1,619,426	1,598,052	1,654,030	1,068,083
Accumulated losses at the beginning of the year		(4,195,310)	(4,735,761)	(4,144,309)	(4,154,791)
Dividends paid and payable	5	(548,611)	(1,057,601)	(548,611)	(1,057,601)
Accumulated losses at the end of the financial year		(3,124,495)	(4,195,310)	(3,038,890)	(4,144,309)
Basic earnings per share (dollars)	6	0.147	0.168		

The profit and loss statements are to be read in conjunction with the notes to the financial statements.

GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
BALANCE SHEETS
As at 30 June 2000

	Note	CONSOLIDATED		THE COMPANY	
		2000	1999	2000	1999
		\$	\$	\$	\$
Current Assets					
Cash	16	2,340,288	3,380,717	534,086	2,110,879
Receivables	8	3,774,464	2,552,095	2,060,633	831,187
Inventories	10	2,543,714	2,677,258	-	-
Prepayments		363,107	473,412	10,069	233,931
Research Syndicate restricted cash deposit	23	16,343,750	-	-	-
Total Current Assets		25,365,323	9,083,482	2,604,788	3,175,997
Non Current Assets					
Investments	9	1,712	-	200,006	1,270,572
Receivables	8	2,387,963	-	12,236,909	8,219,617
Intangibles	12	2,759,544	2,634,952	174,848	-
Plant and Equipment	11	1,829,223	1,941,426	-	-
Research Syndicate restricted cash deposit	23	-	16,041,947	-	-
Future Income Tax Benefit	4	483,836	645,699	30,780	23,337
Total Non Current Assets		7,462,278	21,264,024	12,642,543	9,513,526
Total Assets		32,827,601	30,347,506	15,247,331	12,689,523
Current Liabilities					
Accounts Payable	13	1,373,026	1,527,217	380,024	114,681
Borrowings	28	386,000	272,000	386,000	272,000
Research Syndicate Provisions	23	16,343,750	-	-	-
Provisions	14	483,847	674,583	306,275	588,334
Total Current Liabilities		18,586,623	2,473,800	1,072,299	975,015
Non Current Liabilities					
Borrowings	28	5,680,934	6,066,934	5,680,934	6,066,934
Provisions	14	154,290	169,886	2,739	1,634
Research Syndicate Provisions	23	-	16,041,947	-	-
Total Non Current Liabilities		5,835,224	22,278,767	5,683,673	6,068,568
Total Liabilities		24,421,847	24,752,567	6,755,972	7,043,583
Net Assets		8,405,754	5,594,939	8,491,359	5,645,940
Shareholders' Equity					
Share Capital	15	11,530,249	9,790,249	11,530,249	9,790,249
Accumulated Losses		(3,124,495)	(4,195,310)	(3,038,890)	(4,144,309)
Total Shareholders' Equity		8,405,754	5,594,939	8,491,359	5,645,940

The balance sheets are to be read in conjunction with the notes to the financial statements.

GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
STATEMENTS OF CASH FLOWS
For the 12 months ended 30 June 2000

	Note	CONSOLIDATED		THE COMPANY	
		2000	1999	2000	1999
		\$	\$	\$	\$
Cash flows from Operating Activities					
Cash receipts in the course of operations		6,526,207	5,425,600	518,701	264,083
Cash payments in the course of operations		(5,738,612)	(5,290,262)	(561,150)	(634,086)
Dividends received		-	-	780,000	407,000
Interest received		131,828	126,230	58,807	89,976
Interest paid		(626,832)	(284,698)	(403,707)	(274,755)
Net cash provided by/(used in) operating activities	27(a)	292,591	(23,130)	392,651	(147,782)
Cash Flows from Investing Activities					
Payment for plant & equipment		(220,392)	(90,965)	-	-
Loans to controlled entities		-	-	(1,318,536)	(5,777,883)
Loans to other entities		(1,577,803)	-	(905,197)	-
Proceeds from sale of non-current assets	2(a)	-	3,800	-	-
Payments for controlled entities	27(c)	(2)	(950,941)	(2)	(4)
Payments for businesses, assets and goodwill		-	(5,476,279)	-	-
Other		(63,182)	-	-	-
Net cash (used in) investing activities		(1,861,379)	(6,514,385)	(2,223,735)	(5,778,887)
Cash Flows from Financing Activities					
Dividends paid		(855,214)	(911,976)	(855,213)	(911,976)
Proceeds from borrowings				-	
Convertible notes	28	-	5,230,934	-	5,230,934
Other		-	1,144,000	-	1,144,000
Repayment of borrowings		(272,000)	(36,000)	(630,496)	(36,000)
Proceeds from issue of shares	15	1,740,000	2,556,276	1,740,000	2,556,276
Net cash provided by financing activities		612,786	7,983,234	254,291	7,983,234
Net (decrease)/increase in cash held					
Cash at the beginning of the financial year		(956,002)	1,445,719	(1,576,793)	2,057,565
Cash balances in controlled entities acquired	27(c)	3,380,717	1,933,829	2,110,879	53,314
Cash balances in controlled entity disposed	27(d)	-	1,169	-	-
		(84,427)	-	-	-
Cash at the end of the financial year	16	2,340,288	3,380,717	534,086	2,110,879

The statements of cash flows are to be read in conjunction with the notes to the financial statements.

GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the 12 months ended 30 June 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with applicable Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Law. The financial report has been prepared on the basis of historical costs and, except where stated, does not take into account changing money values or current valuations of non-current assets. These accounting policies have been consistently applied by each entity in the consolidated entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation of the financial report.

(a) Principles of consolidation

The consolidated financial statements of the consolidated entity include the financial statements of the Company, being the parent entity, and its controlled entities ("the consolidated entity"). The balances, and effects of transactions, between controlled entities have been eliminated. Where controlled entities have entered or left the consolidated entity during the year, their operating results have been included from the date control was obtained or until the date control ceased.

(b) Revenue recognition – Note 2

Sales revenue: Sales revenue comprises revenue earned (net of returns, discounts and allowances) from the provision of products or services to entities outside the consolidated entity. Sales revenue is recognised when the goods are provided, or when the fee in respect of services provided is receivable.

Interest income: Interest income is recognised as it accrues.

Government grants: Monies receivable under various government grants are recognised on an accrual basis.

Asset sales: The gross proceeds of assets sales are included as revenue of the consolidated entity. The profit or loss on disposal of assets is brought to account at the date a contract of sale is signed.

Maintenance revenue: Maintenance revenue received in advance, is deferred and recognised as income on a straight line basis over the period of the maintenance contracts.

(c) Taxation – Note 4

The consolidated entity adopts the income statement liability method of tax effect accounting. Income tax expense is calculated on operating profit adjusted for permanent differences between taxable and accounting income.

The tax effect of timing differences, which arise from items being brought to account in different periods for income tax and accounting purposes, is carried forward in the balance sheet as a future income tax benefit or a provision for deferred income tax. Future income tax benefits are not brought to account unless realisation of the asset is assured beyond reasonable doubt. Future income tax benefits relating to entities with tax losses

GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the 12 months ended 30 June 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

are only brought to account when their realisation is virtually certain. The tax effect of capital losses is not recorded unless realisation is virtually certain.

(d) Foreign currency

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currency at balance date are translated at the rates of exchange ruling on that date. Exchange differences relating to amounts payable and receivable in foreign currency are brought to account as exchange gains or losses in the profit and loss statement in the financial year in which the exchange rates change.

(e) Receivables – Note 8

The recoverability of debts is assessed at balance date and specific provision is made for any doubtful accounts.

(f) Investments – Note 9

Controlled entities: Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount. Dividends are brought to account in the profit and loss statement when they are declared by the controlled entities.

(g) Inventories – Note 10

Inventories are carried at the lower of cost and net realisable value. Cost is based on the first-in, first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition. The cost of manufactured products include direct materials, direct labour and an appropriate portion of variable and fixed overheads. Fixed costs have been allocated on the basis of normal operating capacity.

Where the net realisable value of individual stock items exceed the book value, a provision for diminution in value is raised.

(h) Plant and equipment – Note 11

Plant and equipment are brought to account at cost. They are then depreciated using the straight line method over their useful lives commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of asset are as follows:

- | | |
|--------------------------|----------|
| - Plant & Equipment | 10 - 33% |
| - Leasehold improvements | 20% |

GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the 12 months ended 30 June 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Intangibles – Note 12

Goodwill, representing the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired on the acquisition of a controlled entity or business, is amortised over the period of time during which benefits are expected to arise. Goodwill is amortised on a straight line basis over 20 years. The unamortised balance of goodwill is reviewed at least at each reporting date. Where the balance exceeds the value of expected future benefits, the difference is charged to the profit and loss statement.

Business names are amortised on a straight line basis over 20 years. The unamortised balance is reviewed at least at each reporting date. Where the balance exceeds the value of expected future benefits, the difference is charged to the profit and loss statement.

Deferred finance charges arise from the discounting to present value of deferred settlement liabilities relating to the acquisition of a business. Deferred finance charges are amortised on a straight line basis over each repayment period.

(j) Non current assets

The carrying amounts of non-current assets are reviewed to determine whether they are in excess of their recoverable amounts at the balance date. If the carrying amount of a non-current asset exceeds the recoverable amount, the asset is written down to the lower amount. In assessing recoverable amounts of non-current assets, the relevant cash flows have not been discounted to their present value.

(k) Research and development – Note 23

Research and development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt, in which case it is deferred and amortised on a straight line basis over the period in which related benefits are expected to be realised.

Research and development costs incurred as a result of the Research and Development Syndication form part of the contract revenue and contract emerged profit. (Refer to Notes 2 and 3)

Profit on Research Syndicated Projects is recognised on an individual project basis using the percentage of completion method when the stage of project completion and total project funding revenues can be reliably determined, as well as costs to date and costs to complete can be clearly identified.

Research syndicated funding and research development costs are included in operating activities in the Statement of Cash Flows.

(l) Employee entitlements – Note 14

Provision is made for the consolidated entity's liability for employee entitlements to wages, salaries, annual leave and long service leave. The provisions represent the amount which the consolidated entity has an obligation to pay resulting from employees' services provided up to the balance date and includes related on-costs. The liability for long service leave entitlements represents the present value of the estimated future cash outflows.

GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the 12 months ended 30 June 2000

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(m) Accounts payable – Note 13

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Company or consolidated entity.

(n) Convertible notes – Note 28

Convertible notes are recognised when issued at the amount of net proceeds received, with the premium or discount on issuance amortised over the period to maturity. Interest on the notes is recognised in the profit and loss statement as an expense. Convertible notes are treated as compound financial instruments where there is an obligation to make scheduled payments of interest and principal as long as the instrument is not converted, and there is also an option, held by the holder, to convert the note into equity. The present value of the interest and principal payable discounted at the market rate is classified as debt. The difference, if any, between the net proceeds received and the value of the debt is assigned to the component of the option to convert the liability into equity and is classified as equity.

(o) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings and finance lease charges. Borrowing costs are expensed as incurred unless they relate to qualifying assets.

(p) Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the 12 months ended 30 June 2000

	Note	CONSOLIDATED		THE COMPANY	
		2000	1999	2000	1999
		\$	\$	\$	\$
2. (a) REVENUE					
Revenue from operating activities					
Sales of goods		9,021,374	6,287,666	-	-
Rendering of services		2,241,245	557,394	-	-
Interest received or due and receivable from:					
Other companies		131,828	126,230	58,807	89,976
Wholly-owned controlled entities		-	-	1,335,773	627,131
Dividends received or due and receivable from:					
Wholly-owned controlled entities		-	-	150,000	780,000
Management fee charged to:					
Wholly-owned controlled entities		-	-	518,700	315,270
Revenue from outside operating activities					
Gross proceeds from sale of non-current assets		-	3,800	-	-
Government grants		25,000	-	-	-
Other		-	7,525	-	-
Abnormal items					
Research & Development Syndication:	23				
Contract revenue		-	373,205	-	-
Interest income from other companies		1,478,820	1,462,594	-	-
Disposal of controlled entity		2,000,000	-	2,000,000	-
Total Revenue		14,898,267	8,818,414	4,063,280	1,812,377

(b) OPERATING PROFIT

Operating profit before abnormal items and income tax has been arrived at after charging/(crediting) the following items:

Depreciation of plant and equipment	297,880	183,030	-	-
Amortisation of leasehold improvements	10,543	14,203	-	-
Amortisation of goodwill	99,192	45,988	-	-
Amortisation of business names	1,504	-	-	-
Lease rental expense-operating leases	399,948	164,629	-	-
Reversal of write-down in value of inventories	(136,464)	(57,054)	-	-
Bad and doubtful debts	38,011	(6,361)	(4,485)	-
Net foreign exchange loss / (gain)	(48,037)	5,584	(35,088)	7,830
Borrowing costs – other parties	50,035	372,383	50,035	295,671
Provision for employee entitlements	45,486	21,198	17,990	19,077

GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the 12 months ended 30 June 2000

	Note	CONSOLIDATED		THE COMPANY	
		2000	1999	2000	1999
		\$	\$	\$	\$
(b) OPERATING PROFIT (continued)					
Sales of non-current assets					
Profit on sale of plant and equipment		-	201	-	-
Auditors' remuneration					
Audit services					
Auditors of the Company		49,956	30,074	34,803	18,074
Other auditors		30,520	17,000	-	-
Other services					
Auditors of the Company		-	-	-	-
Other auditors		22,397	13,735	8,874	7,735
3. ABNORMAL ITEMS					
Profit on disposal of controlled entity	17(c)	1,336,924	-	914,602	-
Income Tax effect		-	-	-	-
		1,336,924	-	914,602	-
Research and development syndication					
	23				
Contract emerged profit		-	341,889	-	-
Interest income		1,478,820	1,462,594	-	-
Royalty & put option provision		(1,478,820)	(1,439,109)	-	-
		-	365,374	-	-
Income tax effect being 36%		-	(131,535)	-	-
		-	233,839	-	-
Total abnormal items before income tax		1,336,924	365,374	914,602	-
Total income tax effect		-	(131,535)	-	-
Total abnormal items after income tax		1,336,924	233,839	914,602	-

GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the 12 months ended 30 June 2000

	CONSOLIDATED		THE COMPANY	
	2000	1999	2000	1999
	\$	\$	\$	\$
4. TAXATION				
(a) Income tax expense				
Prima facie income tax expense calculated at 36% (1999:36%) on the operating profit	621,348	390,473	593,169	376,697
Increase/(decrease) in income tax:				
Royalty payment – R & D Syndication	-	(277,497)	-	-
Goodwill written off/amortised	36,251	16,556	-	-
Non-assessable profit on disposal of controlled entity	(271,044)	-	(119,008)	-
Provision for loss/(gain) on loans to wholly owned Controlled entities	-	-	(1,615)	278
Rebatable dividend income	-	-	(54,000)	(280,800)
Other items	34,101	25,596	1,882	4,244
Tax Benefit of losses transferred from controlled entities	-	-	(368,750)	-
	420,656	155,128	51,678	100,419
Abnormal tax items:				
Current year tax losses not available to carry forward	53,722	-	-	-
Tax benefit due to recoupment of tax losses of previous Years not previously brought to account	(388,632)	(651,050)	(59,665)	(100,419)
Restatement of deferred tax balance due to change in company tax rate	20,795	-	1,649	-
Timing differences not previously brought to account	-	(17,483)	-	(21,703)
Income tax expense/(benefit) on operating profit/(loss)	106,541	(513,405)	(6,338)	(21,703)
Income tax expense attributable to operating profit is made up of:				
Current income tax provision	64,781	-	-	-
Deferred income tax provision	42,884	114,811	1,105	1,634
Future income tax benefit	(1,124)	(628,216)	(7,443)	(23,337)
	106,541	(513,405)	(6,338)	(21,703)
(b) Provision for current income tax				
Movements during the year:				
Balance at beginning of year	925	-	-	-
Income tax paid – operating activities	(26,610)	-	-	-
	(25,685)	-	-	-
Current year's income tax expense on operating profit	64,781	925	-	-
	39,096	925	-	-
(c) Provision for deferred income tax				
Provision for deferred income tax comprises the estimated expense at current income tax rates on the following items:				
Difference in depreciation and amortisation of plant and equipment for accounting and income tax purposes	84,003	42,299	-	-
Expenditure currently deductible for tax but deferred and amortised for accounting purposes	47,395	72,512	2,739	1,634
	131,398	114,811	2,739	1,634

GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the 12 months ended 30 June 2000

CONSOLIDATED		THE COMPANY	
2000	1999	2000	1999
\$	\$	\$	\$

4. TAXATION (continued)

(d) Future income tax benefit

Future income tax benefit comprises the estimated future benefit at current income tax rates on the following items:

Provisions and accrued employee entitlements not currently deductible

Tax losses carried forward

122,851	132,294	30,780	23,337
360,985	513,405	-	-
483,836	645,699	30,780	23,337

(e) Future income tax benefit not brought to account

The potential future income tax benefit arising from tax losses that have not been recognised as an asset because recovery is not assured beyond any reasonable doubt are:

Capital losses

1,779,292	1,929,876	-	59,224
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The potential future income tax benefit will only be obtained if:

- (i) the relevant entities derive future assessable income of a nature and an amount sufficient to enable the benefit to be realised, or the benefit can be utilised by another entity in the economic entity in accordance with Division 17D of the Income Tax Assessment Act 1997;
- (ii) the relevant entities comply with the conditions for deductibility imposed by the law; and
- (iii) no changes in tax legislation adversely affect the entities in realising the benefit.

GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the 12 months ended 30 June 2000

CONSOLIDATED		THE COMPANY	
2000	1999	2000	1999
\$	\$	\$	\$

5. DIVIDENDS

(a) Dividends paid and payable

Interim dividend of 3 cents per share, unfranked, paid on 14 April 2000.

320,705	-	320,705	-
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Interim dividend of 5 cents per share, franked to 3.2% with Class C (36%) franking credits paid on 6 April 1999.

-	523,093	-	523,093
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Final dividend of 2 cents per share, unfranked, has been declared by the directors, payable on 15 November 2000.

227,906	-	227,906	-
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Final dividend of 5 cents per share, unfranked, paid on 29 October 1999

-	534,508	-	534,508
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548,611	1,057,601	548,611	1,057,601
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(b) Dividend franking account

Balance of franking account at year end:
Class C (36%) franking credits

-	260,965	-	-
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The ability to utilise the franking account credits is dependent upon there being sufficient available profits to declare dividends.

6. EARNINGS PER SHARE

Basic earnings per share (dollars per share)

0.147	0.168
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Weighted average number of ordinary shares used in calculation of basic earnings per share

11,031,813	9,537,081
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Diluted earnings per share are not materially different from basic earnings per share.

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

For the 12 months ended 30 June 2000

	INVESTMENT BANKING		TELE- COMMUNICATIONS		FASTENERS		EDUCATION		MULTIMEDIA		ELIMINATIONS		CONSOLIDATED	
	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999	2000	1999
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
7. SEGMENT REPORT														
Sales to outside customers	-	-	1,947,278	2,281,218	7,427,044	4,266,302	1,888,297	297,540	-	-	-	-	11,262,619	6,845,060
Other revenue	2,058,807	89,976	-	40,856	16,243	5,740	50,298	983	31,480	-	-	-	2,156,828	137,555
Inter-segment revenue	518,700	315,270	-	-	-	-	-	-	-	-	(518,700)	(315,270)	-	-
Research & Development														
Syndication revenue														
▪ Contract revenue	-	-	-	373,205	-	-	-	-	-	-	-	-	-	373,205
▪ Interest income	-	-	1,478,820	1,462,594	-	-	-	-	-	-	-	-	1,478,820	1,462,594
Total revenue	2,577,507	405,246	3,426,098	4,157,873	7,443,287	4,272,042	1,938,595	298,523	31,480	-	(518,700)	(315,270)	14,898,267	8,818,414
Segment operating profit/(loss)	1,215,268	(96,855)	77,562	766,528	1,180,822	857,102	395,081	136,265	11,443	-	(518,700)	(315,270)	2,361,476	1,347,770
Unallocated expenses													(635,509)	250,282
Operating profit before income tax													1,725,967	1,598,052
Segment assets	3,665,416	2,419,334	357,985	1,866,548	7,844,368	7,787,229	3,167,077	2,232,448	1,449,005	-	-	-	16,483,851	14,305,559
R & D Syndication assets	-	-	16,343,750	16,041,947	-	-	-	-	-	-	-	-	16,343,750	16,041,947
Total assets	3,665,416	2,419,334	16,701,735	17,908,495	7,844,368	7,787,229	3,167,077	2,232,448	1,449,005	-	-	-	32,827,601	30,347,506

The major products/services from which the above segments derive revenue are:

<u>Industry Segment</u>	<u>Products/services</u>
Investment banking	Capital market activities
Telecommunications	Voice logging technology
Fasteners	Manufacture and import fasteners
Education	Training and education services
Multimedia	Point of purchase technology (interest from loan)

The companies in the consolidated entity operate predominantly in Australia.

GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the 12 months ended 30 June 2000

	CONSOLIDATED		THE COMPANY	
	2000	1999	2000	1999
	\$	\$	\$	\$
8. RECEIVABLES				
CURRENT				
Trade debtors	1,884,574	2,590,847	5,436	51,187
Less: Provision for doubtful debts	(40,307)	(38,752)	-	-
	1,844,267	2,552,095	5,436	51,187
Grants receivable	25,000	-	-	-
Dividends receivable – wholly owned controlled entities	-	-	150,000	780,000
Loans to other entities	1,905,197	-	1,905,197	-
	3,774,464	2,552,095	2,060,633	831,187
NON CURRENT				
Loans to wholly owned controlled entities	-	-	17,295,251	14,282,444
Less: Provision for doubtful debts	-	-	(6,058,342)	(6,062,827)
	-	-	11,236,909	8,219,617
Loans to other entities	2,387,963	-	1,000,000	-
	2,387,963	-	12,236,909	8,219,617
9. INVESTMENTS				
NON CURRENT				
Shares in controlled entities at cost	-	-	200,006	1,470,572
Less: Provision for diminution	-	-	-	(200,000)
	-	-	200,006	1,270,572
Other Corporations				
Unlisted shares at cost	1,712	-	-	-
	1,712	-	200,006	1,270,572
10. INVENTORIES				
CURRENT				
Raw materials and stores – at cost	618,507	869,155	-	-
Work in progress – at cost	21,247	85,577	-	-
Finished goods – at cost	1,903,960	1,722,526	-	-
	2,543,714	2,677,258	-	-
11. PLANT AND EQUIPMENT				
Plant and equipment – at cost	2,200,013	2,520,849	-	-
Accumulated depreciation	(405,561)	(601,431)	-	-
	1,794,452	1,919,418	-	-
Leasehold improvements – at cost	34,790	67,126	-	-
Accumulated amortisation	(19)	(45,118)	-	-
	34,771	22,008	-	-
Total plant & equipment – net book value	1,829,223	1,941,426	-	-

GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the 12 months ended 30 June 2000

	Note	CONSOLIDATED		THE COMPANY	
		2000	1999	2000	1999
		\$	\$	\$	\$
12. INTANGIBLES					
Goodwill – at cost		2,568,277	2,495,599	-	-
Accumulated amortisation		(145,180)	(45,988)	-	-
		2,423,097	2,449,611	-	-
Business names – at cost		30,670	30,000	-	-
Accumulated amortisation		(1,504)	-	-	-
		29,166	30,000	-	-
Deferred finance charges		72,321	155,341	-	-
Deferred borrowing costs		234,960	-	174,848	-
		2,759,544	2,634,952	174,848	-

13. ACCOUNTS PAYABLE

CURRENT					
Trade creditors*		1,373,026	1,500,840	380,024	114,681
Deferred maintenance revenue		-	26,377	-	-
		1,373,026	1,527,217	380,024	114,681

*Includes \$295,439 (1999: \$401,558) held in trust for business college students in accordance with the E.S.O.S. Act. Corresponding funds are included in "Cash". (Refer to Note 16)

14. PROVISIONS

CURRENT					
Income tax		39,096	925	-	-
Final dividend		227,906	534,508	227,906	534,508
Employee entitlements		216,845	139,150	78,369	53,826
		483,847	674,583	306,275	588,334
NON CURRENT					
Employee entitlements		22,892	55,075	-	-
Deferred income tax		131,398	114,811	2,739	1,634
		154,290	169,886	2,739	1,634

15. SHARE CAPITAL

Issued and Paid-up Capital

12,140,169 (1999: 10,690,169) ordinary shares fully paid	11,530,249	9,790,249	11,530,249	9,790,249
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**GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS**
For the 12 months ended 30 June 2000

	Note	CONSOLIDATED		THE COMPANY	
		2000	1999	2000	1999
		\$	\$	\$	\$
15. SHARE CAPITAL (continued)					
Movements in ordinary share capital					
Balance at the beginning of the financial year		9,790,249	1,555,532	9,790,249	1,555,532
Shares issued					
- 1,450,000 shares issued for cash	(i)	1,740,000	-	1,740,000	-
- 1,684,211 shares issued to finance acquisition of business and assets of Premier Fasteners Pty Limited	(ii)	-	1,246,316	-	1,246,316
- 1,000,000 shares issued for cash	(iii)	-	1,036,000	-	1,036,000
- 228,300 shares issued to finance acquisition of Clarendon Business College Pty Limited	(iv)	-	273,960	-	273,960
Balance of the share premium reserve	(v)	-	5,678,441	-	5,678,441
		11,530,249	9,790,249	11,530,249	9,790,249

Notes:

- (i) On 31 March 2000 ordinary shares were issued by the directors in accordance with chapter 7.1 of the ASX listing rules which allows issues not exceeding 15% of the capital of the Company in the previous 12 months.
 - 1,450,000 shares were issued at \$1.20
- (ii) On 30 October 1998 ordinary shares were issued to finance the purchase of the business and assets of Premier Fasteners Pty Limited, as approved by the shareholders on 16 October 1998.
 - 1,684,211 shares were issued at \$0.74 at the date of the agreement.
- (iii) On 3 December 1998 ordinary shares were issued by the directors in accordance with chapter 7.1 of the ASX listing rules which allows issues not exceeding 15% of the capital of the Company in the previous 12 months.
 - 1,000,000 shares were issued at \$1.10
 Transaction costs of \$64,000 were recognised as a reduction of the proceeds of issue.
- (iv) On 30 April 1999 ordinary shares were issued by the directors in accordance with chapter 7.1 of the ASX listing rules which allows issues not exceeding 15% of the capital of the Company in the previous 12 months, to finance the acquisition of Clarendon Business College Pty Limited.
 - 228,300 shares were issued at \$1.20 at the date of the agreement.

16. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

Interest rate risk

Cash at bank

The consolidated entity deposits cash into premium business accounts at variable rates and on 24 hour call.

Premium business accounts*	2,340,288	1,349,924	534,086	80,086
Bank short term deposits – interest rates between 4.70% and 4.77%	-	2,030,793	-	2,030,793
	2,340,288	3,380,717	534,086	2,110,879

* Includes \$295,439 (1999: \$401,558) held in trust for business college students in accordance with the E.S.O.S. Act. A corresponding liability is shown in "Trade Creditors". (Refer to Note 13)

GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the 12 months ended 30 June 2000

16. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (continued)

Interest rate risk (continued)

The consolidated entity's exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and financial liabilities is set out below:

	Note	Weighted average interest rate	Floating interest rate	Fixed interest maturing in:			Non- Interest bearing	Total
				1 year or less	1 to 5 years	More than 5 years		
2000								
<i>Financial assets</i>								
Cash		2.77%	2,340,288	-	-	-	-	2,340,288
Receivables	8	8.00%	-	-	1,387,963	-	4,774,464	6,162,427
			2,340,288	-	1,387,963	-	4,774,464	8,502,715
<i>Financial liabilities</i>								
Convertible notes	28	12.00%	-	-	5,230,934	-	-	5,230,934
Borrowings	28	-	-	-	-	-	836,000	836,000
Accounts payable	13	-	-	-	-	-	1,373,026	1,373,026
Employee entitlements	14	5.10%	22,892	-	-	-	216,845	239,737
Dividends payable	14	-	-	-	-	-	227,906	227,906
			22,892	-	5,230,934	-	2,653,777	7,907,603
1999								
<i>Financial assets</i>								
Cash		4.73%	3,380,717	-	-	-	-	3,380,717
Receivables	8	-	-	-	-	-	2,552,095	2,552,095
			3,380,717	-	-	-	2,552,095	5,932,812
<i>Financial liabilities</i>								
Convertible notes	28	12.00%	-	-	5,230,934	-	-	5,230,934
Borrowings	28	-	-	-	-	-	1,108,000	1,108,000
Accounts payable	13	-	-	-	-	-	1,527,217	1,527,217
Employee entitlements	14	5.10%	55,075	-	-	-	139,150	194,225
Dividends payable	14	-	-	-	-	-	534,508	534,508
			55,075	-	5,230,934	-	3,308,875	8,594,884

Credit risk exposures

The credit risk on financial assets of the consolidated entity which have been recognised on the balance sheet is the carrying amount, net of any provision for doubtful debts.

The consolidated entity minimises concentration of risk by holding cash with major banks and undertaking transactions with either high profile or a large number of customers. Wherever possible export orders were insured through the Export Finance Insurance Corporation.

At the end of the licence agreement under the Research & Development Syndication (refer to Note 23), the Joint Venture had the option to require Overland Sydney Pty Limited to purchase all of the issued shares in Hanstock Pty Limited for an agreed sum. This liability was recognised in the financial report as a provision for put option and was offset by funds that Overland would receive following the sale of the licence to the Joint Venture.

GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the 12 months ended 30 June 2000

16. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (continued)

Foreign exchange risk

The consolidated entity is exposed to foreign currency risk on its purchase and sale of products and in regard to its loan to IC & Count Technologies Limited (refer to Note 18). The consolidated entity has not hedged foreign currency transactions as at 30 June 2000. The Directors continue to evaluate this risk on an ongoing basis.

Net fair values of financial assets and liabilities

The carrying amounts of financial assets and liabilities approximate their net fair value.

17. PARTICULARS IN RELATION TO CONTROLLED ENTITIES

(a) Controlled entities	Interest held	
	2000	1999
	%	%
Academies Australasia (Management) Pty Limited (i) (ii)	100	100
Academies Australasia Pty Limited (i) (iii)	100	100
Clarendon Business College Pty Limited (i)	100	100
Electrodata (Sales) Pty Limited (i) (iv)	100	100
Multimedia Investments Pty Limited (i) (v)	100	-
Overland Sydney Pty Limited (i) (iv)	100	100
Premier Fasteners Pty Limited (i)	100	100
Sandomir Pty Limited (i) (iv)	100	100
Supreme Business College Pty Limited (i) (vi)	100	100
Electrodata Pty Limited (i)	-	100

Notes:

- (i) These companies are small proprietary companies as defined by the Corporations Law and are not required to prepare and lodge audited statutory financial statements.
- (ii) The name of the Company was changed to Academies Australasia (Management) Pty Limited from Clarendon Management Pty Limited on 27 August 1999.
- (iii) The name of the Company was changed to Academies Australasia Pty Limited from Prybron Pty Limited on 13 August 1999.
- (iv) These companies have each entered into a Deed of Cross Guarantee with Garratt's Limited. (Refer to Note 25)
- (v) The name of the Company was changed to Multimedia Investments Pty Limited from Nortape Pty Limited on 12 April 2000.
- (vi) The name of the Company was changed to Supreme Business College Pty Limited from Suedoc Pty Limited on 7 July 1999.
- (vii) All controlled entities are incorporated in Australia.

GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the 12 months ended 30 June 2000

17. PARTICULARS IN RELATION TO CONTROLLED ENTITIES (continued)

(b) Acquisition of controlled entities

Consideration \$	The consolidated entity's interest %
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The following controlled entity was acquired during the financial year:

Multimedia Investments Pty Limited (formerly Nortape Pty Limited)	2	100
The entity was acquired on 6 December 1999 and the operating results from that date have been included in consolidated operating profit.		

The following controlled entities were acquired during the previous financial year:

Premier Fasteners Pty Limited (formerly Savanite Pty Limited)	2	100
The entity was acquired on 10 October 1998 and the operating results from that date have been included in consolidated operating profit.		

Academies Australasia Pty Limited (formerly Prybron Pty Limited)	2	100
The entity was acquired on 28 April 1999 and the operating results from that date have been included in consolidated operating profit.		

Clarendon Business College Pty Limited	325,011	100
The entity was acquired on 30 April 1999 and the operating results from that date have been included in consolidated operating profit.		

Academies Australasia (Management) Pty Limited (formerly Clarendon Management Pty Limited)	625,000	100
The entity was acquired on 30 April 1999 and the operating results from that date have been included in consolidated operating profit.		

Supreme Business College Pty Limited (formerly Suedoc Pty Limited)	930	100
The entity was acquired on 30 June 1999 and the operating results from that date have been included in consolidated operating profit.		

(c) Disposal of controlled entities

The following controlled entity was disposed of during the financial year:

Electrodata Pty Limited	2,000,000	100
The entity was disposed of on 30 June 2000 and the operating results to that date have been included in consolidated operating profit.		

Refer to Notes 3 and 27(d) regarding profit on disposal.

GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the 12 months ended 30 June 2000

CONSOLIDATED		THE COMPANY	
2000	1999	2000	1999
\$	\$	\$	\$

18. AMOUNTS PAYABLE/RECEIVABLE IN FOREIGN CURRENCIES

The Australian dollar equivalents of unhedged amounts payable or receivable in foreign currencies calculated at year end exchange rates, are as follows:

United States Dollars

Amounts receivable	826,532*	65,795	-	-
Amounts payable	-	139,919	-	-

* Loan to IC & Count Technologies Limited. Maximum commitment: US\$3,600,000

19. OPERATING LEASE RENTAL COMMITMENTS

Future operating lease rentals of premises, not provided for and payable:

Not later than one year	366,245	382,984	-	-
Later than one year but not later than five years	276,031	97,972	-	-
	642,276	480,956	-	-

The consolidated entity leases property under operating leases expiring from one to three years. Lease payments comprise a base amount plus an incremental rental, based on either movements in the Consumer Price Index or minimum percentage increase criteria.

20. CONTINGENT LIABILITIES

Employment Contracts

Payable to Executive Directors under service agreements on termination in certain circumstances:

501,667	936,667	235,000	470,000
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Indemnities

As the Research and Development Syndicate takes advantage of certain tax concessions available under the Income Tax Assessment Act, the Company and its wholly owned controlled entities were required to provide a number of indemnities to the Joint Venture and their financier in respect of tax consequences of the syndication. If for any reason the assumed tax consequences of the syndication prove to be incorrect, the Company and its controlled entities will be required to compensate the Joint Venture and their financier. A comprehensive taxation ruling has been obtained in respect of the syndicate. Accordingly, unless there is a change in the taxation laws or in the interpretation of them it is not envisaged that any compensation payments will be required.

Guarantees

Under the terms of a Deed of Cross Guarantee, described in Note 25, the Company had guaranteed any deficiency which might arise in Overland Sydney Pty Limited, Electrodata (Sales) Pty Limited and Sandomir Pty Limited.

GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the 12 months ended 30 June 2000

CONSOLIDATED		THE COMPANY	
2000	1999	2000	1999
\$	\$	\$	\$

21. DIRECTORS' AND EXECUTIVES' REMUNERATION

(a) Directors

The names of each person holding the position of director of Garratt's Limited during the financial year were Mr. P. Burrows, Mr. C. Campbell, Mr. C.M. Heng (appointed 15 February 2000) and Dr. S. Baker (resigned on 29 June 2000).

(b) Directors' Remuneration

The number of directors of the Company whose income from the Company or any related party fall within the following bands:

			Number	Number
\$	0	- 9,999	1	-
\$	20,000	- 29,999	-	1
\$	30,000	- 39,999	1	-
\$	110,000	- 119,999	1*	-
\$	150,000	- 159,999	-	1*
\$	250,000	- 259,999	1	1

Total income paid or payable, or otherwise made available, to all directors of the Company and controlled entities from the Company or any related party.

900,693⁺	672,551	408,207	430,214
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* No longer a director

⁺ 11 persons (5 no longer in service)

(c) Executives' Remuneration

The number of executive officers of the Company and of controlled entities, whose remuneration from the Company or any related party, and from entities in the consolidated entity, falls within the following bands:

			Number	Number	Number	Number
\$	140,000	- 149,999	-	1	-	-
\$	220,000	- 229,999	1	-	-	-
\$	250,000	- 259,999	1	1	1	1

Total income received, or due and receivable, from the Company, entities in the consolidated entity or related parties by executive officers of the Company and of controlled entities whose income is \$100,000 or more.

477,865	398,490	251,450	251,450
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22. RELATED PARTIES

Directors' holdings of shares

2000	1999
Number held	Number held

The aggregate interests of directors of the reporting entity and director-related entities in shares of entities within the consolidated entity at year end are as set out below:

Garratt's Limited	1,940,118	1,668,770
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GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the 12 months ended 30 June 2000

22. RELATED PARTIES (continued)

Directors' transactions in shares and share options

During the year one director acquired 32,318 shares, one director acquired 20,000 shares, one director acquired 10,000 shares and one director sold 207,842 shares.

During the year one director was issued 350,000 free options.

Directors' transactions with the Company and the consolidated entity

Details of directors' remuneration are set out in Note 21(b). Directors are also reimbursed for expenses incurred by them on behalf of the consolidated entity.

Directors' holdings of convertible notes

	2000 Number held	1999 Number held
The aggregate interests of directors of the reporting entity and director-related entities in convertible notes of entities within the consolidated entity at year end are as set out below:		
Garratt's Limited	<u>971,180</u>	<u>787,630</u>

Directors' transactions in convertible notes

During the year one director acquired 39,370 convertible notes, one director acquired 20,000 convertible notes, one director sold 400,000 convertible notes, and one director sold 57,200 convertible notes.

Other related party transactions

Transactions between the Company and controlled entities include loans, dividends, management fees and interest. Details of these transactions and the amounts owing at balance date are included in Notes 2(a), 3 and 8.

Dr. S. Baker is a director and major shareholder in Syman Pty Ltd, which entered into a consultancy agreement with Electrodata Pty Limited on terms and conditions no more favourable than those available or which might reasonably be expected to be available on similar transactions to non-director related entities on an arms length basis. Consulting fees paid under this agreement total \$111,282 (1999: \$157,364). There was no payment based on the performance of Electrodata Pty Limited in accordance with the consultancy agreement dated 6 September 1994 (1999: \$47,888).

23. RESEARCH AND DEVELOPMENT SYNDICATION

Garratt's Limited and three of its then controlled entities entered into two Research and Development Syndicates. The Syndicate investors provided funding for research and development in return for certain tax benefits and future returns.

**GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the 12 months ended 30 June 2000**

23. RESEARCH AND DEVELOPMENT SYNDICATION (continued)

The first and second syndicates were entered into on 22 September 1995 and 11 July 1996 respectively. The syndications were between the controlled entities Overland Sydney Pty Limited and Sandomir Pty Limited, the previously controlled entity Electrodata Pty Limited and a Joint Venture agreement with a non-related entity, Hanstock Pty Limited, for the development and exploitation of designated technology. Sandomir Pty Limited had a 0.5% share of the Joint Venture with the remaining 99.5% held by Hanstock Pty Limited. This is the identical financial structure for both syndicates.

As part of these syndicates, Electrodata Pty Limited granted Overland Sydney Pty Limited a licence (head licence) to certain technologies relating to the development of Electrodata Pty Limited's digital products for periods commencing on 22 September 1995 and 11 July 1996, ending at the expiration of three years from the completion of the research and development programs. Overland Sydney Pty Limited then granted a licence to this technology to the Joint Venture under the same terms and conditions as it acquired the licence from Electrodata Pty Limited.

All projects were finalised at 30 June 1998.

Forming part of these syndicates, Electrodata Pty Limited negotiated a licence of the new technology with the Joint Venture for an exclusive right to exploit the new technology throughout the world over the commercialisation period which ends on 1 October 2002 for the first syndicate and 2 October 2004 for the second syndicate.

Electrodata Pty Limited was liable to pay royalties to the Joint Venture in respect of sales under the licence agreement. A minimum royalty payment was set under the terms of the licence commencing at the end of the research and development program. The liability to pay this amount was progressively recognised in the financial report as the liability was incurred over the period of the research and development program. The minimum royalty commitment under the terms of the licence was \$6,431,207 payable between 22 September 1998 to 1 October 2002. This minimum royalty commitment would be fully met by interest income being earned by the funds held on restricted deposit. The first payment of \$770,824 was made on 22 September 1998.

At the end of the licence agreement the Joint Venture had the option to require Overland Sydney Pty Limited to purchase all of the issued shares in Hanstock Pty Limited for an agreed sum. This liability was recognised in the financial report as a provision for put option and is offset by funds that Overland Sydney Pty Limited received following the sale of the licence to the Joint Venture.

The exercise of the put option would give Overland Sydney Pty Limited effective ownership of all technology developed by the Joint Venture and entitlement to all royalties payable to the Joint Venture. The Joint Venture financier could elect to let its put option lapse and continue receiving royalties until the end of the commercialisation period. In the event that the put option were exercised any monies remaining in the restricted security deposit would be paid to Overland Sydney Pty Limited at the time.

As the syndicate took advantage of certain tax concessions available under the Income Tax Assessment Act, the Company and controlled entities were required to provide a number of indemnities to the Joint Venture and their financier in respect of tax consequences of the syndication. If for any reason the assumed tax consequences of the syndication prove to be incorrect, the Company and its controlled entities would be required to compensate the Joint Venturer and their financier. A comprehensive tax ruling has been obtained in respect of the syndication. Accordingly, unless there is a change in the taxation laws or in the interpretation of them it is not envisaged that any compensation payments will be required.

**GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS**
For the 12 months ended 30 June 2000

23. RESEARCH AND DEVELOPMENT SYNDICATION (continued)

On 1 September 2000 both syndicates were wound up under an agreement by all parties. Accordingly, all research and development syndication amounts have been reallocated to current assets and liabilities.

	CONSOLIDATED	
	2000	1999
	\$	\$
The assets and liabilities arising from the syndication included in the consolidated entity's balance sheets are:		
CURRENT ASSETS		
Cash on restricted deposit	16,343,750	-
NON CURRENT ASSETS		
Cash on restricted deposit	-	16,041,947
Total Assets	16,343,750	16,041,947
CURRENT LIABILITIES		
Provision for royalties and put option	16,343,750	-
NON CURRENT LIABILITIES		
Provision for royalties and put option	-	16,041,947
Total Liabilities	16,343,750	16,041,947

24. SUPERANNUATION

The Company and certain controlled entities contribute to defined contribution employee superannuation funds. The funds are managed by independent fund managers.

25. DEED OF CROSS GUARANTEE

Pursuant to ASIC Class Order 98/1418 dated 13 August 1998 the subsidiaries listed below are relieved from the Corporations Law requirements for preparation, audit, and lodgement of financial reports.

It is a condition of the Class Order that the Company and each of the subsidiaries enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any of the subsidiaries under certain provisions of the Corporations Law. If a winding up occurs under other provisions of the Law, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

The subsidiaries subject to the Deed are:

- Overland Sydney Pty Limited
- Sandomir Pty Limited
- Electrodata (Sales) Pty Limited

GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the 12 months ended 30 June 2000

25. DEED OF CROSS GUARANTEE (continued)

A consolidated profit and loss statement and consolidated balance sheet, comprising the Company and subsidiaries which are a party to the Deed, after eliminating all transactions between parties to the Deed of Cross Guarantee, at 30 June 2000 is set out below.

	2000 \$	1999 \$
Profit and Loss Statement		
Operating profit before abnormal items and income tax	1,719,826	1,045,607
Abnormal items*	11,810,444	-
Operating profit before income tax	13,530,270	1,045,607
Income tax benefit attributable to operating profit	54,678	(443,704)
Net profit after income tax	13,475,592	1,489,311
(Accumulated losses) at beginning of financial year	(5,166,052)	(5,597,762)
	8,309,540	(4,108,451)
Dividends provided for or paid	(548,611)	(1,057,601)
Retained profits/(accumulated losses) at the end of the financial year	7,760,929	(5,166,052)
Balance Sheet		
Cash	534,086	2,110,879
Receivables	2,060,633	831,187
Research Syndicate cash deposit	16,343,750	-
Other	10,069	233,931
Total current assets	18,948,538	3,175,997
Receivables	12,236,909	8,582,598
Investments	6	1,270,572
Intangibles	10,866,852	10,692,004
Research Syndicate cash deposit	-	16,041,946
Other	391,765	445,338
Total non-current assets	23,495,532	37,032,458
Total assets	42,444,070	40,208,455
Accounts payable	433,192	164,853
Borrowings	386,000	272,000
Provisions	306,275	588,334
Research Syndicate provisions	16,343,750	-
Total current liabilities	17,469,217	1,025,187
Accounts payable	-	16,120,830
Borrowings	5,680,934	6,066,934
Provisions	2,739	1,634
Research Syndicate provisions	-	12,369,673
Total non-current liabilities	5,683,673	34,559,071
Total liabilities	23,152,890	35,584,258
Net Assets	19,291,180	4,624,197
Share capital	11,530,251	9,790,249
Retained profits/(accumulated losses)	7,760,929	(5,166,052)
Total shareholders' equity	19,291,180	4,624,197

* Arising from intra-group debt forgiveness. This gain is eliminated in the group consolidation.

GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the 12 months ended 30 June 2000

CONSOLIDATED		THE COMPANY	
2000	1999	2000	1999
\$	\$	\$	\$

26. FINANCING ARRANGEMENTS

The consolidated entity has access to the following lines of credit:

Total facilities available:

Multi option facility	796,000	796,000	796,000	796,000
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Facilities utilised at balance date:

Multi option facility	20,521	-	20,521	-
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Facilities not utilised at balance date:

Multi option facility	775,479	796,000	775,479	796,000
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The facility is secured by registered equitable mortgages over certain assets of the controlled entity. Approval has been received to increase the facility from \$796,000 to \$1,000,000. The facility is subject to annual review.

27. NOTES TO THE STATEMENTS OF CASH FLOWS

(a) Reconciliation of operating profit after income tax to net cash provided by/(used in) operating activities

Operating profit after income tax	1,619,426	1,598,052	1,654,030	1,068,083
(Profit)/loss on sale of non-current assets	-	(201)	-	-
(Profit)/loss on disposal of controlled entity	(1,336,924)	-	(914,602)	-
Non-cash items:				
Goodwill amortised and written off	99,192	45,988	-	-
Deferred finance charges	85,860	66,769	-	-
Interest charged to controlled entities, not received	-	-	(1,335,773)	(627,131)
Provision of doubtful debts	3,566	(6,361)	-	-
Provision/(write-back) on loan to controlled entity	-	-	(4,485)	773
Future income tax benefit	(19,187)	(645,699)	(7,443)	(23,337)
Provision for income tax	38,171	-	-	-
Provision for deferred income tax	60,948	114,811	1,105	1,634
Depreciation and amortisation	308,423	197,233	-	-
Obsolete stock provision	(136,464)	(57,054)	-	-
Other	(14,830)	-	(14,830)	-
Net cash provided by operating activities before change in assets and liabilities	708,181	1,313,538	(621,998)	420,022
(Increase)/decrease in intangibles	(72,824)	-	-	-
(Increase)/decrease in current receivables	(28,584)	(1,791,664)	675,751	(424,187)
(Increase)/decrease in prepayments	96,072	(463,149)	49,014	(228,905)
Increase/(decrease) in liabilities	11,852	1,099,357	265,343	70,394
Increase/(decrease) in provisions	128,868	63,718	24,541	14,894
(Increase)/decrease in inventories	(550,974)	(244,930)	-	-
Net cash provided by/(used in) operating activities	292,591	(23,130)	392,651	(147,782)

GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the 12 months ended 30 June 2000

CONSOLIDATED		THE COMPANY	
2000	1999	2000	1999
\$	\$	\$	\$

27. NOTES TO THE STATEMENTS OF CASH FLOWS (continued)

(b) Reconciliation of cash

For the purpose of the Statements of Cash Flows, cash includes cash on hand and at bank and short term deposits at call. (Refer to Note 16)

(c) Acquisition of controlled entities

During the financial year the consolidated entity purchased 100% of the ordinary shares in Multimedia Investments Pty Limited (formerly Nortape Pty Limited).

During the previous financial year the consolidated entity purchased 100% of the ordinary shares in Premier Fasteners Pty Limited (formerly Savanite Pty Limited), Academies Australasia Pty Limited (formerly Prybron Pty Limited), Clarendon Business College Pty Limited, Academies Australasia (Management) Pty Limited (formerly Clarendon Management Pty Limited), and Supreme Business College Pty Limited (formerly Suedoc Pty Limited).

Details of the acquisitions are as follows:

Consideration	2	950,941	2	4
Cash acquired	-	(1,169)	-	-
Net outflow of cash	2	949,772	2	4
Fair value of net assets of entities acquired				
Property, plant and equipment	-	144,868	-	-
Cash	2	1,169	2	-
Other assets	-	502	-	4
Provision for tax	-	(925)	-	-
	-	145,614	-	4
Goodwill on acquisition	-	805,327	-	-
Consideration (cash)	2	950,941	2	4

(d) Disposal of controlled entity

During the financial year the consolidated entity disposed of 100% of the ordinary shares in Electrodata Pty Limited. Details of the disposal are as follows:

Consideration (settlement after balance date)	2,000,000	-	2,000,000	-
Less: Costs of disposal	(14,830)	-	(14,830)	-
	1,985,170	-	1,985,170	-
Net assets of entity disposed				
Property, plant and equipment	24,171	-	-	-
Cash	84,427	-	-	-
Trade Debtors	707,846	-	-	-
Inventories	820,985	-	-	-
Other assets	209,776	-	-	-
Creditors	(139,667)	-	-	-
Provisions	(136,356)	-	-	-
Borrowings	(905,197)	-	-	-
Other liabilities	(17,739)	-	-	-
Investment in controlled entity	-	-	1,070,568	-
	648,246	-	1,070,568	-
Profit on disposal	1,336,924	-	914,602	-

GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the 12 months ended 30 June 2000

	CONSOLIDATED		THE COMPANY	
	2000	1999	2000	1999
	\$	\$	\$	\$
28. BORROWINGS				
Current				
Other loans – unsecured*	386,000	272,000	386,000	272,000
Non-current				
5,230,934 12% convertible notes of \$1.00 each	5,230,934	5,230,934	5,230,934	5,230,934
Other loans – unsecured*	450,000	836,000	450,000	836,000
	5,680,934	6,066,934	5,680,934	6,066,934

* Deferred settlement payments (acquisition of business in 1998)

Convertible notes

On 29 January 1999, the Company issued 5,230,934 convertible notes at a principal value of \$1.00 each. Interest is payable every six months in arrears at 12% per annum. The notes are convertible at the option of the holder, on 30 June and 31 December each year from 1999 to 2003, into ordinary shares of the Company on the basis of 1 share for each note of \$1.00 principal value, and have been accounted for as compound instruments in accordance with AASB 1033 *Presentation and Disclosure of Financial Instruments*. (Refer to Note 1(o)). Any note not converted by 31 December 2003 will be redeemed at the principal value.

29. EVENTS SUBSEQUENT TO BALANCE DATE

Matters or circumstances that have arisen since the end of the financial year 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 termination on 1 September 2000 of the research and development syndications with St. George Bank, entered into in 1995 and 1996.
- The cancellation of 744,888 shares in the Company on 28 September 2000 that reduced the issued capital from 12,140,169 shares to 11,395,281 shares. This was the result of Syman Pty Limited's first payment in settlement of the purchase of Electrodata Pty Limited. The payment comprised a set-off from the proceeds of the buying back and cancelling of the 744,888 shares owned by Syman Pty Limited, at \$1.30 per share, for the equivalent of \$968,354, and the payment in cash of \$31,646. (Total: \$1 million)

* * * *

DIRECTORS' DECLARATION

1. In the opinion of the directors of Garratt's Limited:
2. the financial statements, and notes, set out on pages 10 to 37 are in accordance with the Corporations Law, including:
 - (i) giving a true and fair view of the financial position of the Company and consolidated entity as at 30 June 2000 and of their performance, as represented by the results of their operations and their cash flows, for the year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations; and
3. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
4. There are reasonable grounds to believe that the Company and the subsidiaries identified in Note 17 will be able to meet any obligations or liabilities to which they are or may become subject by virtue of the Deed of Cross Guarantee between the Company and those subsidiaries pursuant to ASIC Class Order 98/1418.

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

Peter Burrows
Director

Christopher Campbell
Director

Sydney
12 October 2000



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Independent audit report to the members of Garratt's Limited

Scope

We have audited the financial report of Garratt's Limited for the financial year ended 30 June 2000, consisting of the profit and loss statements, balance sheets, statements of cash flows, accompanying notes, and the directors' declaration set out on pages 10 to 38. 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 year or from time to time during the financial year. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards 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 Company's and the consolidated entity's financial position, and performance as represented by the results of their operations and their cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the financial report of Garratt's Limited is in accordance with:

- a) the Corporations Law, including:
 - i. giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2000 and of their performance for the financial year ended on that date; and
 - ii. complying with Accounting Standards and the Corporations Regulations; and
- b) other mandatory professional reporting requirements.

KPMG

L J Gulson
Partner

Sydney
12 October 2000



KPMG. KPMG, an Australian partnership, is a member of KPMG International, a Swiss association.

**GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
AUSTRALIAN STOCK EXCHANGE – ADDITIONAL INFORMATION**

Additional information required by the Australian Stock Exchange Limited and not shown elsewhere in this report is as follows.

SUBSTANTIAL HOLDERS

Ordinary Shares

The number of shares held by the substantial shareholders as at 30 September 2000 were:

<u>Shareholder</u>	<u>No. of Shares Held</u>	<u>%</u>
Vasek Fasteners Pty Limited	1,684,211	14.8
Junorma Holdings Pty Limited	1,361,367	11.9
Mr Chiang Meng Heng	1,182,760	10.4
Jilcy Pty Ltd	610,000	5.4
	<u>4,838,338</u>	<u>42.5</u>

Convertible Notes

The number of convertible notes held by the substantial noteholders as at 30 September 2000 were:

<u>Noteholder</u>	<u>No. of Notes Held</u>	<u>%</u>
Vasek Fasteners Pty Limited	842,106	16.1
Mr Chiang Meng Heng	601,380	11.5
Reach Out Pty Limited	485,000	9.3
Jilcy Pty Ltd	327,000	6.3
Lost Ark Nominees Pty Limited	287,246	5.5
	<u>2,542,732</u>	<u>48.7</u>

VOTING RIGHTS

Ordinary Shares

At 30 September 2000 there were 570 holders of the ordinary shares of the Company. The voting rights attaching to the ordinary shares, set out in Article 69 and 70 of the Company's Articles of Association, are:

Article 69

"Subject to these Articles and any rights or restrictions for the time being attached to any class or classes of shares:

- (a) at meetings of members or classes of members each member entitled to attend and vote may attend and vote in person or by proxy, or attorney and (where the member is a body corporate) by representative;*
- (b) on a show of hands, every Member present has 1 vote;*
- (c) on a poll, every Member present has:*
 - (i) 1 vote for each fully paid share;*

Article 70

"Where more than 1 joint holder votes, the vote of the holder, whose name appears first in the register of members shall be accepted to the exclusion of the others."

**GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
AUSTRALIAN STOCK EXCHANGE - ADDITIONAL INFORMATION (Continued)**

VOTING RIGHTS

Convertible Notes

At 30 September 2000 there were 217 holders of the convertible notes of the Company.

The convertible notes do not carry a right to vote at general meetings of the Company unless provided by the Listing Rules or the Corporations Law. Noteholders do have the right to convene a meeting of noteholders for certain purposes.

20 LARGEST SHAREHOLDERS AS AT 30 SEPTEMBER 2000

	<u>Registered Name</u>	<u>No. Shares</u>	<u>%</u>
1	Vasek Fasteners P/L	1,684,211	14.78
2	Mr Chiang Meng Heng	1,162,760	10.20
3	Junorma Holdings P/L	888,951	7.80
4	Jilcy P/L	600,760	5.27
5	Citicorp Nominees P/L	500,000	4.39
6	Turnbull & Partners Limited	451,730	3.96
7	Frank Kwong-Shing Wong	380,000	3.33
8	Mrs Anthea Judith Drescher	262,640	2.30
9	Reach Out P/L	233,000	2.04
10	Villaricci P/L	228,300	2.00
11	Ms Gail Lesley Storey	207,200	1.82
12	Perpetual Trustee Company Limited	191,484	1.68
13	AXA Trustees Limited	149,658	1.31
14	Overseas Investments P/L	136,800	1.20
15	Lawnsong P/L	109,864	0.96
16	Mr Ee Seng Lim	100,000	0.88
16	Mr Trevor Bruce Wintston Ward	100,000	0.88
16	Mr Victor Cheng San Liew	100,000	0.88
16	Mr Lee Wu Yu	100,000	0.88
16	Mdm Chio Tee Tan	100,000	0.88
		<u>7,687,358</u>	<u>67.44</u>

HOLDING RANGE (SHAREHOLDERS) AS AT 30 SEPTEMBER 2000

<u>Range</u>	<u>No. Holders</u>	<u>Total No. Shares</u>	<u>%</u>
1 - 1,000	141	112,931	0.99
1,001 - 5,000	254	753,481	6.61
5,001 - 10,000	83	680,036	5.97
10,001 - 100,000	76	2,686,475	23.58
100,001 +	16	7,162,358	62.85
	<u>570</u>	<u>11,395,281</u>	<u>100.00</u>

The number of shareholders holding less than a marketable parcel as at 30 September 2000 was 16 (3,851 ordinary shares).

**GARRATT'S LIMITED
AND ITS CONTROLLED ENTITIES
AUSTRALIAN STOCK EXCHANGE - ADDITIONAL INFORMATION (Continued)**

20 LARGEST NOTEHOLDERS AS AT 30 SEPTEMBER 2000

	<u>Registered Name</u>	<u>No. Notes</u>	<u>%</u>
1	Vasek Fasteners P/L	842,106	16.10
2	Eng Kim Low	581,380	11.11
3	Reach Out P/L	485,000	9.27
4	Jilcy P/L	327,000	6.25
5	Lost Ark Nominees P/L	287,246	5.49
6	Mr Lim Sen Yap	241,591	4.62
7	Chin Nam Tan	200,000	3.82
8	Mr Seng Chye Chng	127,630	2.44
9	Trafalgar Custodians P/L	118,770	2.27
10	Australian Better Business Bureau P/L	99,000	1.89
11	Mr Christopher Keith Liddell	96,500	1.84
12	Sunson P/L	60,000	1.15
13	Lawnsong P/L	54,932	1.05
14	Mr Ian Russell	53,073	1.01
15	Mr Trevor Bruce Winston Ward	50,000	0.96
15	Macquarie Prism P/L	50,000	0.96
17	J&H Singh P/L	45,900	0.88
18	AXA Trustees Limited	42,800	0.82
19	Doniman P/L	40,000	0.76
20	Mr James Crosthwaite	38,400	0.73
		<hr/>	
		3,841,328	73.42
		<hr/>	

HOLDING RANGE (NOTEHOLDERS) AS AT 30 SEPTEMBER 2000

<u>Range</u>	<u>No. Holders</u>	<u>Total No. Notes</u>	<u>%</u>
1 - 1,000	31	24,032	0.46
1,001 - 5,000	94	323,566	6.19
5,001 - 10,000	34	299,813	5.73
10,001 - 100,000	47	1,405,670	26.87
100,001 +	11	3,177,853	60.75
	<hr/>		
	217	5,230,934	100.00
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* * * *

OFFICES AND OFFICERS

DIRECTORS

Mr. P. Burrows, B.Ec., ASIA	Chairman (Non-Executive)
Mr. C. Campbell, B.Soc.Sci.(Hons), FAIBF, FAICD, FCIS	Group Managing Director
Mr. C.M. Heng	Non-Executive Director

COMPANY SECRETARY

Ms. P. Fitzsimmons

REGISTERED OFFICE

Garratt's Limited
Suite 1401, Level 14
33 Bligh Street
Sydney NSW 2000

Telephone: (02) 9224 5555
Facsimile: (02) 9224 5550

SHARE REGISTRAR

National Registry Services Pty Limited
Level 2, Chifley Tower
2 Chifley Square
Sydney NSW 2000

Telephone: (02) 9259 3000
Facsimile: (02) 9259 9100

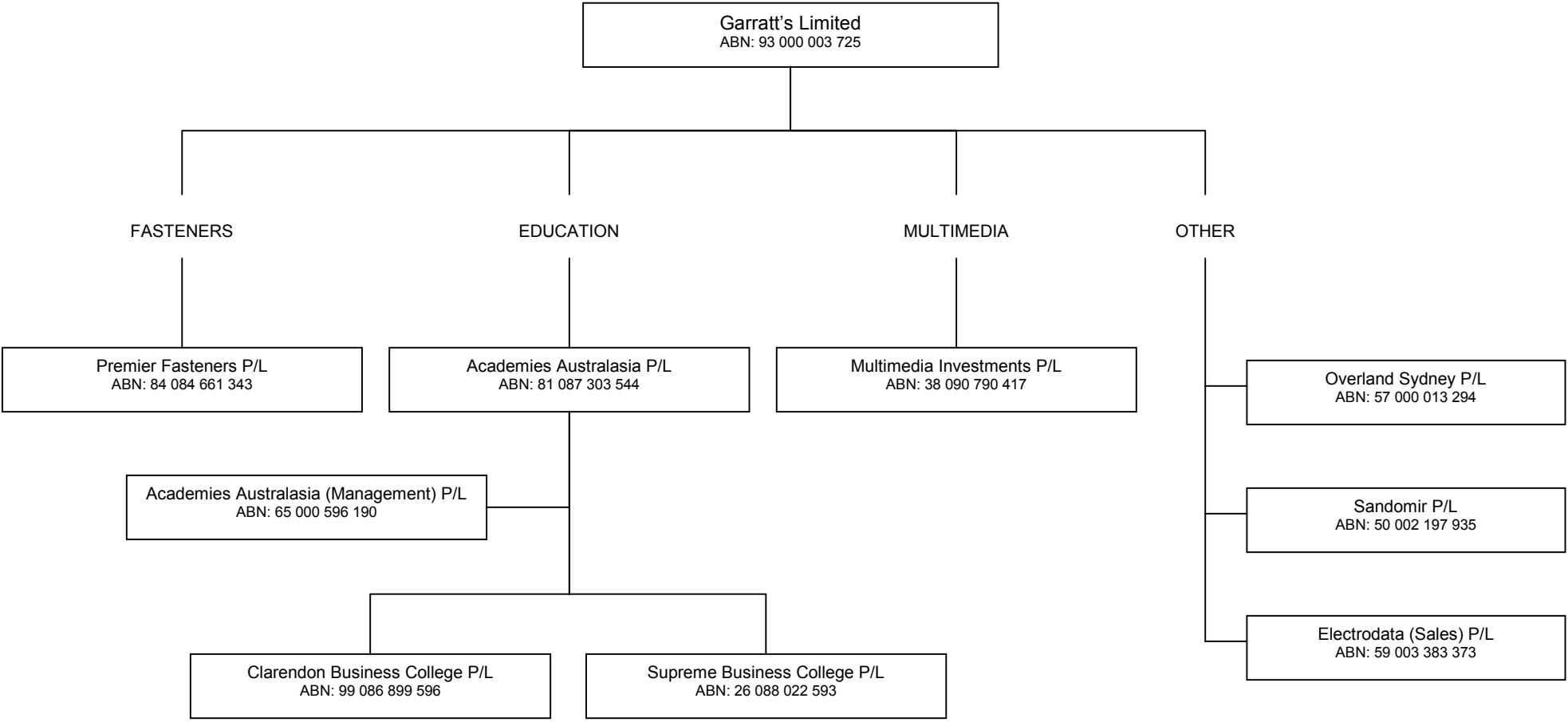
STOCK EXCHANGE

The Company is listed on the Australian Stock Exchange. The Home Exchange is Sydney.

The ASX Codes are:

Shares:	GRT
Convertible Notes:	GRTG

GARRATT'S GROUP



Note: All companies are, directly or indirectly, wholly owned by Garratt's Limited.