GARRATT’S LIMITED

ABN 93 000 003 725

ANNUAL REPORT
2005

CHAIRMAN'S REPORT

Dear Shareholder

The year's performance, though an improvement over that of the previous year, was still less than satisfactory. The consolidated loss from operations after income tax was $2.08 million compared to $2.74 million in the previous year.

While the education business improved considerably, revenue from fasteners declined by 14% and contribution by 67%. The poor performance from fasteners is very disappointing.

Barring any adverse changes in the operating environment, the outlook for our education business is positive.

It is your Board's view that your Company should specialise in the education business and in due course, steps are expected to be taken towards that end. As the fasteners business is a major asset, any such decision will be subject to the approval of shareholders.

The renounceable rights issue to raise $1.78 million that was underwritten by Chiang Meng Heng in September last year was successfully completed. As planned, it enabled the Company to reduce some debt and provide additional working capital.

Mr. Heng has relevant interests in 10,941,886 shares (46.0%). Christopher Elmore Campbell has relevant interests in 3,227,440 shares (13.6%). In total, Directors have relevant interests of about 60% in the Company's shares.

Your directors remain committed to the Company.

Parties related to Mr. Heng and Mr. Campbell have outstanding loans of $1,400,000 and $280,000 (respectively) to the Company on arm's length terms, such loans raised as part of the refinancing arrangements for the repayment of convertible notes in February 2004. These parties have agreed to roll-over these loans totalling $1,680,000 when they are due for repayment in October 2005, into convertible notes.

The proposed terms of the convertible notes are:

Maturity:	31 October 2010
Interest rate:	1% per annum
Conversion price:	10 cents per ordinary share

These terms are subject to shareholder approval.

I would like to thank shareholders for their support and the management team for their contribution.

Neville Thomas Cleary
Chairman
30 September 2005

GROUP MANAGING DIRECTOR'S REVIEW

While the financial year ended 30 June 2005 was not easy, the confidence expressed previously in respect to the education business began to be substantiated with promising results.

Education revenue doubled. Although there was a loss of $497,000 from education (prior to the amortisation of deferred infrastructure cost of $331,000), this was a 64% improvement over the performance for the previous period. Moreover, 82% of the loss for the year was incurred in the first half.

Student enrolments are at their highest levels and a number of arrangements have been entered into which, if successful, would further improve the contribution from education. In addition, we have successfully arranged the sublease of certain premises which will in itself reduce overheads by about $200,000 in this financial year.

Although the fasteners business continued to be profitable, sales were lower and contribution declined substantially.

The pathway in respect to education operations is clear and we are confident about the future in this area. Given our size and resources and the lack of any complementarity between education and fasteners, it is obvious that we should specialise. With a focus on education, management and other resources would be more effective and efficient.

I would like to thank our students, customers and business associates in Australia and overseas, for their support. I would also like to record my appreciation to my colleagues and fellow directors for their commitment and help during the year.

Christopher Elmore Campbell
Group Managing Director
30 September 2005

CORPORATE GOVERNANCE STATEMENT

At the date of this report, and throughout the year, the Board comprised three directors, namely, Neville Thomas Cleary (Chairman, Non-Executive), Christopher Elmore Campbell (Group Managing Director, Executive) and Chiang Meng Heng (Non-Executive).

The Board is committed to the highest standards of corporate governance and endorses the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations ('BPR'). However, given the small size and composition of the Board, the small size of the Company and its activities, and its cost structures, it is neither reasonable nor practicable to comply with certain BPR or to increase the size of the Board at this time.

Board Composition

The skills, experience, expertise relevant to the position of each director who is in office at the date of the annual report and their term of office are detailed in the directors report.

The name of the independent director of the company is:

Neville Thomas Cleary (Chairman)

When determining whether a non-executive director is independent the director must not fail any of the following materiality thresholds:

- less than 10% of company shares are held by the director and any entity or individual directly or indirectly associated with the director;
- no sales are made to or purchases made from any entity or individual directly or indirectly associated with the director; and
- none of the director's income or the income of an individual or entity directly or indirectly associated with the director is derived from a contract with any member of the economic entity other than income derived as a director of the entity.

Independent directors have the right to seek independent professional advice at the company's expense in the furtherance of their duties as directors. Written approval must be obtained from the chairman prior to incurring any expense on behalf of the company.

Chiang Meng Heng and Christopher Elmore Campbell do not meet the BPR definition of independence because they are substantial shareholders, each with relevant interests in excess of 10%. Nevertheless, the Board believes that Chiang Meng Heng and Christopher Elmore Campbell can make, and do make, quality and independent judgments in the best interests of the Company. The Board cannot meet the BPR requirement that there be a majority of independent directors.

Nominations Committee

Except where a director is elected by shareholders, the Board determines the appointment of new directors. There is no Nominations Committee as such.

Trading Policy

The company has in place a share trading policy for Directors, key executives or any other employee who is likely to possess inside information. Shares are to be traded in accordance with the guidelines stipulated by the Corporations Act 2001 and the ASX Listing Rules.

Audit Committee

The names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee are included in the directors' report.

During the year all the Directors were members of the Audit Committee. The Group Finance Manager and the external auditor also attend Audit Committee meetings.

The Audit Committee cannot meet the requirements that it be chaired by a director who is not the Chairman of the Company, that it consists only of non-executive directors, that it have a majority of independent directors and that it have at least three members.

Performance Evaluation

During the reporting period the Board reviewed its performance by assessing the results of the Company's operations and performance in the context of the Company's operating environment and the issues the Company faced.

Remunerations Policies

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Managing Director, 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. During the year all the Directors were members of the Remuneration Committee.

The directors and senior executives are all on fixed remuneration.

Remuneration Committee

The names of the members of the remuneration committee and their attendance at meetings of the committee are detailed in the directors' report.

These are no schemes for retirement benefits other than statutory superannuation for non-executive directors.

Other information

Information about the company's corporate governance practices and policies is available on the company's web site at < www.garratts.com.au >.

97th 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 economic entity, being the Company and its controlled entities, for the financial year ended 30 June 2005 and the auditors' report thereon.

DIRECTORS

The names of directors in office at any time during or since the end of the year are:

Neville Thomas Cleary
Christopher Elmore Campbell
Chiang Meng Heng
Petah Anne Fitzsimmons (Alternate **-** Resigned 27 August 2004)

COMPANY SECRETARY

Mr Ian Bloodworth was appointed company secretary on 27 August 2004. Mr Bloodworth is a member of the Institute of Chartered Accountants and holds a Bachelor of Business Degree. He has been the chief financial officer of the company since 2000.

PRINCIPAL ACTIVITIES

The principal activities of the economic entity during the course of the financial year were the provision of training and education services and the manufacture, import and sale of fasteners.

CONSOLIDATED RESULT

The consolidated loss from operations after income tax was $2,083,000 (2004: $2,735,000).

The result is after payment of interest and other borrowing costs of $492,000 (2004: $572,000) and after amortising $331,000 of the $662,000 infrastructure costs deferred in the financial year ended 30 June 2004.

REVIEW AND RESULTS OF OPERATIONS

Education

Before the amortisation of the deferred infrastructure cost of $331,000 that related to the previous year, the education business recorded a loss of $497,000 (2004: Loss of $1,389,000 after including deferred infrastructure cost of $662,000).

About 82% of the loss of $497,000 was in the first half of the reporting period. It is expected that, unless there is any significant change in the operating environment, the outlook in regard to the contribution from education is positive.

Fasteners

The fasteners business contributed $303,000 (2004: $905,000).

Revenue declined by 14% while contribution declined by 67%, predominantly because of a general slowdown in the industry.

Thangathurai US Dollar Debt

The Company continues to pursue steps to recover the debt. Success, however, is not assured.

Dividend

No dividend has been declared for the financial year ended 30 June 2005.

FINANCIAL POSITION

The net assets of the economic entity have fallen by $355,000 since 30 June 2004. This is as the result of continuing losses as described above but has been off set by the additional capital, which was raised in September 2004. The directors draw your attention to note 1n for information on the company's prospects.

STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity during the reporting period.

FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES

Reference is made in the Chairman's Report (Page 1) and the Group Managing Director's Review (Page 2) to the economic entity's future direction. No detailed information in respect of the economic entity's corporate strategies has been included, as directors believe that the disclosure of such information would be prejudicial to the interests to shareholders.

EVENTS SUBSEQUENT TO BALANCE DATE

The only 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 repayment date for $1,680,000 of the funds raised in connection with refinancing of the Convertible Note settlement in February 2004 was renegotiated from October 2005 to October 2010. The effect of this revised agreement has been reflected in the financial statements. The lenders have agreed to roll-over these loans into convertible notes with the following proposed terms:

Maturity:	31 October 2010
Interest rate:	1% per annum
Conversion price:	10 cents per ordinary share

These terms are subject to shareholder approval.

ENVIRONMENTAL ISSUES

The economic entity is not subject to any significant environmental legislation.

INFORMATION ON DIRECTORS

Neville Thomas Cleary - Chairman (Non-Executive). Fellow of the Finance and Treasury Association Limited and a Fellow of the Australian Institute of Banking and Finance. Retired as a senior banker in 1992 after 43 years with the Commonwealth Bank of Australia. Also sits on the boards of a number of other companies. Appointed a Non-Executive Director and then Chairman of Garratt's Limited in April 2001. Also Chairman of the Audit and Remuneration Committees.

Christopher Elmore Campbell - B.Soc.Sci. (Hons), FAIBF, FAICD, FCIS - Group Managing Director. Previous positions include senior appointments with the Monetary Authority of Singapore and an international bank in Australia. Appointed Group Managing Director and Chief Executive Officer of Garratt's Limited in July 1996. Chairman and Director of each of the subsidiary companies in the Garratt's Group. Member of Audit and Remuneration Committees. Member of the Board of Australian Council of Independent Vocational Colleges Limited since April 2003.

Chiang Meng Heng - Director (Non-Executive). Director of six companies listed on the Singapore Exchange. Appointed Director of Garratt's Limited and a member of the Audit and Remuneration Committees in February 2000.

DIRECTORS' MEETINGS

The number of directors' meetings (including meetings of committees of directors) and the number of meetings attended by each of the directors of the Company during the financial year are:

Director	Directors' Meetings		Audit Committee		Remuneration Committee	
	A	B	A	B	A	B
Neville Thomas Cleary	7	7	2	2	1	1
Christopher Elmore Campbell	7	7	2	2	1	1
Chiang Meng Heng	7	7	2	2	1	1

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

DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS & REMUNERATION POLICY

	Base Emolument	Allowance/ Commission	Super Contribution	Non-Cash Benefit	Total
Directors					
Christopher Elmore Campbell	$235,000	-	$21,150	-	$256,150
Neville Thomas Cleary	$35,000	-	$3,150	-	$38,150
Chiang Meng Heng	$20,000	-	$1,800	-	$21,800
Petah Anne Fitzsimmons[a]	$17,607	$1,135	$3,169	-	$21,911

[a] Alternate director, resigned 27 August 2004

	Base Emolument	Allowance/ Commission	Super Contribution	Non-Cash Benefit	Total
Highest Paid Officers (Economic Entity)					
Ivan James Mikkelsen	$183,486	$14,114	$16,514	-	$214,114
Ian David Bloodworth	$110,033	-	$9,903	-	$119,936
David John Wheeler	$55,828	$29,171	$15,001	-	$100,000

Of the above officers and directors both Mr Campbell and Mr Mikkelsen are employed under formal contracts. Mr Campbell is employed on a monthly basis and Mr Mikkelsen's contract will lapse on 30 March 2006.

There are no options over unissued capital and the company does not have an employee share option plan.

The remuneration policy of the company in respect of directors and senior executives is to ensure certainty of exposure of the company to employees by agreeing a fixed salary for each director and senior executive. There are no bonus or performance related components to remuneration.

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 of $38,000 in respect of a directors and officers liability insurance policy covering the directors and officers liabilities as officers of the Company. It has also 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.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose for taking responsibility on behalf of the company for all or any part of these proceedings.

The company was not a party to any such proceedings during the year.

NON AUDIT SERVICES

The Board of Directors in accordance with advice from the Audit Committee, is satisfied that the provision of non audit services during the year is compatible with the general standard of independence of auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditors' independence for the following reasons:

- All non audit services are reviewed and approved by the Audit Committee.
- The nature of services provided do not compromise the general principles relating to audit independence.

The following fees were paid/payable for non audit services to the external auditors during the year ended 30 June 2005

• Taxation services	\$11,000
• Transition to Australian Equivalents to International Financial Reporting Standards	\$5,000

AUDITOR

In accordance with the Corporations Act 2001 the Company's lead auditor has been replaced after 5 years by Mr Garth Barrett of Calabro Partners.

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration for the year ended 30 June 2005 has been received and can be found on page 9.

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

Neville Thomas Cleary
Director

Christopher Elmore Campbell
Director

Sydney
30 September 2005

CALABRO PARTNERS
CHARTERED ACCOUNTANTS

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2005 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

Calabro Partners **Garth Barrett**

30 September 2005

Level 5
175 Eagle Street
Brisbane
QLD 4000

GARRATT'S LIMITED
AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL PERFORMANCE
For the year ended 30 June 2005

	Note	ECONOMIC ENTITY 2005 $	ECONOMIC ENTITY 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
Revenues from ordinary activities	2	**8,699,190**	8,623,306	**1,627,423**	1,946,931
Borrowing costs	3	**(491,511)**	(571,609)	**(456,184)**	(557,042)
Deferred Infrastructure costs expensed	3	**(330,956)**	-	**-**	-
Depreciation and amortisation expense	3	**(470,716)**	(477,838)	**(1,863)**	(9,949)
Cost of sales	3	**(3,280,711)**	(3,942,380)	**-**	-
Cost of services		**(1,223,092)**	(844,077)	**-**	-
Employee benefit expense		**(2,428,056)**	(2,311,361)	**(451,333)**	(570,984)
Insurance		**(238,281)**	(197,640)	**(57,543)**	(50,732)
Lease rental expense – operating leases	3	**(958,871)**	(847,693)	**(27,285)**	(30,510)
Legal expenses		**(303,315)**	(212,074)	**(280,251)**	(185,176)
Non-executive directors fees		**(59,950)**	(57,922)	**(59,950)**	(57,922)
Payroll tax		**(132,126)**	(144,304)	**(24,429)**	(29,096)
Other expenses from ordinary activities		**(864,798)**	(383,322)	**(170,089)**	(59,438)
Profit/(loss) from ordinary activities before exceptional items and income tax expense		**(2,083,193)**	(1,366,914)	**98,496**	396,082
Loss from exceptional items before related income tax benefit	4	**-**	-	**(7,811,315)**	(1,073,720)
Loss from ordinary activities before income tax expense		**(2,083,193)**	(1,366,914)	**(7,712,819)**	(677,638)
Income tax expense relating to ordinary activities	5	**-**	(1,368,241)	**-**	(69,890)
Loss from ordinary activities after related income tax expense		**(2,083,193)**	(2,735,155)	**(7,712,819)**	(747,528)
Net loss		**(2,083,193)**	(2,735,155)	**(7,712,819)**	(747,528)
Total changes in equity other than those resulting from transactions with owners as owners		**(2,083,193)**	(2,735,155)	**(7,712,819)**	(747,528)
Basic earnings per share (dollars)	9	**(0.101)**	(0.230)		

The accompanying notes form part of these financial statements.

GARRATT'S LIMITED
AND CONTROLLED ENTITIES
STATEMENT OF FINANCIAL POSITION
As at 30 June 2005

	Note	ECONOMIC ENTITY 2005 $	ECONOMIC ENTITY 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
Current Assets					
Cash assets	11	**46,362**	173,454	**1,136**	66,165
Receivables	12	**1,334,048**	1,362,024	**34,564**	305,937
Inventories	13	**3,184,589**	2,643,141	**-**	-
Other	14	**191,167**	213,711	**45,816**	89,390
Total Current Assets		**4,756,166**	4,392,330	**81,516**	461,492
Non-Current Assets					
Receivables	12	**-**	-	**-**	7,578,006
Other financial assets	15	**-**	-	**4,000,004**	3,000,006
Plant and equipment	16	**1,070,844**	1,266,905	**2,786**	3,568
Deferred tax assets	17	**-**	-	**-**	-
Intangible assets	18	**2,889,671**	3,082,023	**-**	-
Other	14	**330,956**	661,912	**-**	-
Total Non-Current Assets		**4,291,471**	5,010,840	**4,002,790**	10,581,580
Total Assets		**9,047,637**	9,403,170	**4,084,306**	11,043,072
Current Liabilities					
Payables	19	**2,208,223**	1,419,929	**584,353**	406,159
Interest-bearing liabilities	20	**3,430,304**	3,904,957	**1,609,114**	2,452,477
Provisions	21	**174,862**	161,309	**120,245**	119,850
Total Current Liabilities		**5,813,389**	5,486,195	**2,313,712**	2,978,486
Non-Current Liabilities					
Interest-bearing liabilities	20	**1,768,558**	2,096,033	**1,680,000**	1,989,114
Deferred tax liabilities	22	**-**	-	**-**	-
Total Non-Current Liabilities		**1,768,558**	2,096,033	**1,680,000**	1,989,114
Total Liabilities		**7,581,947**	7,582,228	**3,993,712**	4,967,600
Net Assets		**1,465,690**	1,820,942	**90,594**	6,075,472
Equity					
Contributed equity	23	**12,539,836**	10,811,895	**12,539,836**	10,811,895
Accumulated Losses	33	**(11,074,146)**	(8,990,953)	**(12,449,242)**	(4,736,423)
Total Equity		**1,465,690**	1,820,942	**90,594**	6,075,472

The accompanying notes form part of these financial statements.

GARRATT'S LIMITED
AND CONTROLLED ENTITIES
STATEMENT OF CASH FLOWS
For the year ended 30 June 2005

		ECONOMIC ENTITY		PARENT ENTITY	
	Note	2005	2004	2005	2004
		$	$	$	$
Cash Flows from Operating Activities					
Cash receipts in the course of operations		**9,129,650**	9,227,897	**778,438**	866,259
Cash payments in the course of operations		**(9,717,813)**	(9,315,791)	**(940,272)**	(871,890)
Interest received		**4,199**	8,981	**1,705**	3,330
Borrowing costs		**(476,274)**	(658,797)	**(456,184)**	(644,230)
Net cash used in operating activities	32a	**(1,060,238)**	(737,710)	**(616,313)**	(646,531)
Cash Flows from Investing Activities					
Proceeds from sale of plant & equipment		**500**	71,182	**-**	33,000
Payment for plant & equipment		**(29,893)**	(37,063)	**(1,081)**	-
Loans repaid/(advanced)		**-**	-	**(113,099)**	1,471,931
Net cash provided by/(used in) investing activities		**(29,393)**	34,119	**(114,180)**	1,504,931
Cash Flows from Financing Activities					
Proceeds from issue of shares		**1,028,341**	-	**1,028,341**	-
Proceeds from borrowings		**435,958**	3,299,122	**90,000**	1,899,620
Repayment of borrowings		**(501,760)**	(2,862,786)	**(452,877)**	(2,813,760)
Net cash provided by/(used in) financing activities		**962,539**	436,336	**665,464**	(914,140)
Net decrease in cash held		**(127,092)**	(267,255)	**(65,029)**	(55,740)
Cash at the beginning of the financial year		**173,454**	440,709	**66,165**	121,905
Cash at the end of the financial year	11	**46,362**	173,454	**1,136**	66,165

The accompanying notes form part of these financial statements.

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 Act 2001. 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. Cost is based on the fair values of the consideration given in exchange for assets. These accounting policies have been consistently applied by each entity in the economic entity and, except where there is a change in accounting policy, are consistent with those of the previous year.

The financial report covers the economic entity of Garratt's Limited and controlled entities and Garratt's Limited as an individual parent entity. Garratt's Limited is a listed public company, incorporated and domiciled in Australia.

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

a. Principles of consolidation

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

For the purposes of the consolidation, an entity is a controlled entity when the parent entity has the capacity to dominate the financial and operating policies of the entity in the achievement of the parent entity's objectives.

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 economic entity. Sales revenue is recognised when the goods are provided, or when the fee in respect of services provided is earned.

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 economic entity. The profit or loss on disposal of assets is brought to account at the date a contract of sale is signed.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Taxation – Note 5

The economic entity adopts the 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 tax losses 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.

No deferred tax assets have been recognized in these financial statements, as recovery of the benefits was not considered 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 12

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

f. Inventories – Note 13

Inventories are carried at the lower of cost and net realisable value. Cost is based on the first-in, first-out cash flow assumption and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. The cost of manufactured products includes 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 book value of stock items exceeds the net realisable value, a provision for diminution in value is raised.

g. Financial assets – Note 15

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 provided for by the controlled entities. In determining the appropriate recoverable amount of assets, cash flows have not been discounted.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Plant and equipment – Note 16

Plant and equipment are brought to account at cost. They are then depreciated using the straight line or diminishing value method over their economic 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 5 – 40%
- Leasehold improvements 12.5 – 22.5%

i. Intangible assets – Note 18

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.

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. Payables – Note 19

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

l. Employee entitlements – Note 21

Provision is made for the economic entity's liability for employee entitlements to wages, salaries, annual leave and long service leave. The provisions represent the amount which the economic 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.

Contributions are made by the economic entity to employee superannuation funds and are charged as expenses when incurred.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

m. 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.

n. Going concern

These financial statements have been prepared adopting the going concern assumption, which contemplates the orderly realisation of assets and payment of liabilities in the ordinary course of business.

The appropriateness of this assumption is dependent upon:

- the continued support of the Company's shareholders who have extended loans to the Company;
- the continued support of the Company's bankers;
- the ability of the Group to return to profitable trading;
- the ability of the Company to raise additional equity;
- the orderly realisation of selected assets in the ordinary coarse of business.

The Board is currently satisfied that these issues have been addressed and that there are reasonable grounds to assume that the Company will meet its future financial obligations as and when they fall due.

o. Deferred Infrastructure Expenditure – Note 14

On 30 June 2004 an asset was recognised which represents the deferral of infrastructure costs against which there was no revenue because one of the colleges was prohibited from recruiting new students. These costs are being expensed over a period of 2 years, from 1 July 2004 to 30 June 2006.

p. Comparatives

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

q. Impact of adopting Australian Equivalents to International Financial Reporting Standards

The company is preparing and managing the transition to Australian Equivalents to International Financial Reporting Standards (AIFRS) effective for the financial years commencing from 1 January 2005. The adoption of AIFRS will be reflected in the economic entity's and the parent entity's financial statements for the year ended 30 June 2006. On first-time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

The economic entity's management, with the assistance of external consultants, has assessed the significance of the expected changes and is preparing for their implementation. The impact of the alternative treatments and elections under AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The directors are of the opinion that the key material differences in the economic entity's accounting policies on conversion to AIFRS and the financial effect of these differences, where known, are as follows. Users of the financial statements should note, however, that the amounts discussed could change if there are any amendments by standard-setters to the current AIFRS or interpretation of the AIFRS requirements changes from the continuing assessment of the AIFRS by the company.

Goodwill on Consolidation
Under AASB 3: Business Combinations, goodwill is capitalised to the statement of financial position and subjected to an annual impairment test. Amortisation of goodwill is prohibited. Current accounting policy of the entity is to amortise goodwill on a straight-line bases over a period of 20 years.

Impairment testing as at 1 July 2005 confirmed no impairment of the net goodwill of $2,860,189 (being $3,821,967 less accumulated amortisation of $961,778) as disclosed in the economic entity's financial statements at 30 June 2005. The current and previous periods amortisation of goodwill will, therefore, be reversed and replaced with equal impairments. The impact on the retained earnings at 1 July 2004 and the loss for the year ended 30 June 2005 being nil.

Impairment of Assets
Under AASB 136: Impairment of Assets, the recoverable amount of an asset is determined as the higher of fair value less costs to sell, and value in use. In determining value in use, projected future cash flows are discounted using a risk adjusted pre-tax discount rate and impairment is assessed for the individual asset or at the 'cash generating unit' level. A 'cash generating unit' is determined as the smallest group of assets that generates cash flows that are largely independent of the cash flows from other assets or groups of assets. The current policy is to determine the recoverable amount of an asset on the basis of the undiscounted net cash flows that will be received from the asset's use and subsequent disposal. It is likely that this change in accounting policy will lead to impairments being recognised more often.

The economic entity has reassessed its impairment testing policy and tested all assets for impairment as at 1 July 2005. No significant impact on the carrying value of assets was revealed.

Deferred Infrastructure Expenditure
Under AASB 138: Intangible Assets, expenditure is required to be recognised as an expense when it is incurred unless the expenditure meets certain recognition criteria. The current accounting policy of the entity is to defer infrastructure expenditure and expense it as revenues are derived from it.

The Deferred Infrastructure Expenditure of $661,912, which was recognised on 30 June 2004, does not satisfy the recognition criteria. Therefore the asset will be reversed, resulting in a $661,912 reduction in retained earnings at 1 July 2004 and the costs of $330,956, which were expensed during the year will be reversed, resulting in a decrease in the loss for the year ended 30 June 2005 of that amount.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

	ECONOMIC ENTITY $	PARENT ENTITY $
Reconciliation of Net Profit		
Net profit/(loss) reported under Australian Accounting Standards	**(2,083,193)**	**(7,712,819)**
Key transitional adjustments:		
Reversal of amortisation of goodwill	**190,853**	**-**
Recognition of impairment loss - Goodwill	**(190,853)**	**-**
Reversal of deferred expenditure written off	**330,956**	**-**
Total transitional adjustments	**330,956**	**-**
Net profit under AIFRS	**(1,752,237)**	**(7,712,819)**

	ECONOMIC ENTITY $	PARENT ENTITY $
Reconciliation of Equity		
Total equity reported under Australian Accounting Standards	**1,465,690**	**1,820,942**
Key transitional adjustments:		
Reversal of amortisation of goodwill	**770,926**	**-**
Recognition of impairment loss - Goodwill	**(770,926)**	**-**
Reversal of deferred expenditure asset	**(661,912)**	**-**
Decease/(increase) in current year loss resulting from transition to AIFRS	**330,956**	**-**
Total Equity under AIFRS	**1,134,734**	**1,820,942**

		ECONOMIC ENTITY		**PARENT ENTITY**	
		2005	2004	2005	2004
		$	$	$	$

2. REVENUE

		2005 $	2004 $	2005 $	2004 $
Operating activities					
- Sales of goods		**6,324,873**	7,342,624	**-**	-
- Services revenue	2a	**2,347,920**	1,179,694	**778,438**	866,234
- Interest received	2b	**4,199**	8,981	**848,985**	1,047,672
		8,676,992	8,531,299	**1,627,423**	1,913,906
Non-operating activities					
- Proceeds on disposal of plant and equipment		**500**	71,182	**-**	33,000
- Other		**21,698**	20,825	**-**	25
		22,198	92,007	**-**	33,025
Total Revenue		**8,699,190**	8,623,306	**1,627,423**	1,946,931
a. Services revenue					
- Wholly-owned controlled entities		**-**	-	**778,438**	866,234
- Other persons		**2,347,920**	1,179,694	**-**	-
		2,347,920	1,179,694	**778,438**	866,234
b. Interest revenue					
- Wholly-owned controlled entities		**-**	-	**847,280**	1,044,342
- Other persons		**4,199**	8,981	**1,705**	3,330
		4,199	8,981	**848,985**	1,047,672

3. PROFIT FROM ORDINARY ACTIVITIES

	2005 $	2004 $	2005 $	2004 $
Profit from ordinary activities before tax has been determined after				
a. Expenses:				
Cost of sales	**3,280,711**	3,942,380	**-**	-
Borrowing costs	**491,511**	571,609	**456,184**	557,042
Deferred Infrastructure costs expensed	**330,956**	-	**-**	-
Depreciation of plant and equipment	**272,935**	289,338	**1,299**	9,104
Amortisation of leasehold improvements	**5,429**	5,513	**564**	845
Amortisation of goodwill	**190,853**	181,483	**-**	-
Amortisation of business names	**1,499**	1,504	**-**	-
Bad and doubtful debts	**-**	20,533	**7,811,315**	1,073,720
Lease rental expense – operating leases	**958,871**	847,693	**27,285**	30,510
Net loss on disposal of plant and equipment	**365**	4,724	**-**	-
b. Revenue and Net Gains:				
Gain on cancellation of convertible notes	**-**	4,550	**-**	4,550
Net gain on disposal of plant and equipment	**-**	-	**-**	375

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$

4. EXCEPTIONAL ITEMS

Loans to subsidiaries forgiven	**-**	-	**(7,811,315)**	(1,073,720)

5. INCOME TAX EXPENSE

a. The prima facie tax on profit/(loss) from ordinary activities before tax is reconciled to income tax as follows:

Prima facie tax payable/(benefit) on profit/(loss) from ordinary activities before tax at 30%	**(624,958)**	(410,074)	**(2,313,846)**	(203,291)
Add:				
Goodwill written off/amortised	**57,706**	57,770	**-**	-
Debts forgiven to wholly owned controlled entities	**-**	-	**2,343,395**	322,116
Other items	**-**	847	**477**	832
Future income tax benefit written back due to tax losses	**569,291**	1,721,063	**12,701**	70,165
	2,039	1,369,606	**42,727**	189,822
Less:				
Tax benefit of losses transferred from controlled entities	**-**	-	**(42,727)**	(118,567)
Tax benefit due to recoupment of tax losses of previous years not previously brought to account	**-**	(1,365)	**-**	(1,365)
Other items	**(2,038)**	-	**-**	-
Income tax expense/(benefit) attributable to profit/(loss) from ordinary activities	**-**	1,368,241	**-**	69,890

6. DIRECTORS' AND EXECUTIVES' REMUNERATION

a. Directors and Specified Executives

The names of each person holding the position of director of Garratt's Limited at any time during the financial year were Christopher Elmore Campbell (Group Managing Director – Executive), Neville Thomas Cleary (Chairman – Non-Executive), Chiang Meng Heng (Director – Non-executive) and Petah Anne Fitzsimmons (Alternate) (Group Company Secretary – Executive – Resigned 27 August 2004).

The names of each person holding the position of specified executive at any time during the financial year were Ivan James Mikkelsen (General Manager – Fasteners), Ian David Bloodworth (Group Finance Manager and Group Company Secretary) and David John Wheeler (Group Academic Principal).

6. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

b. Parent Entity Directors' Remuneration

	Salary and Fees	Superannuation Contributions	Allowance	Non-cash Benefits	Total
	$	$	$	$	$
2005					
Christopher Elmore Campbell	235,000	21,150	-	-	256,150
Neville Thomas Cleary	35,000	3,150	-	-	38,150
Chiang Meng Heng	20,000	1,800	-	-	21,800
Petah Anne Fitzsimmons (Alternate) [a]	17,607	3,169	1,135	-	21,911
	307,607	29,269	1,135	-	338,011

[a] Resigned 27 August 2004

	Salary and Fees	Superannuation Contributions	Allowance	Non-cash Benefits	Total
2004					
Christopher Elmore Campbell	235,000	65,000	-	-	300,000
Petah Anne Fitzsimmons (Alternate)	66,667	7,080	12,000	-	85,747
Neville Thomas Cleary	12,462	1,122	-	22,538	36,122
Chiang Meng Heng	20,000	1,800	-	-	21,800
	334,129	75,002	12,000	22,538	443,669

c. Specified Executives' Remuneration

	Salary and Fees	Superannuation Contributions	Allowance	Non-cash Benefits	Total
	$	$	$	$	$
2005					
Ivan James Mikkelsen	183,486	16,514	14,114	-	214,114
Ian David Bloodworth	110,033	9,903	-	-	119,936
David John Wheeler	55,828	15,001	29,171	-	100,000
	349,347	41,418	43,285	-	434,050
2004					
Ivan James Mikkelsen	183,486	16,514	14,114	-	214,114
Ian David Bloodworth	97,221	8,750	-	-	105,971
David John Wheeler	55,827	15,000	29,173	-	100,000
	336,534	40,264	43,287	-	420,085

There are no other employees who meet the definition of specified executive in AASB 1046.

6. DIRECTORS' AND EXECUTIVES' REMUNERATION (continued)

d. Shareholdings

Numbers of shares held by parent entity directors and specified executives (relevant interests):	**Balance 1 July 2004**	**Remuner-ation Shares**	**Shares Purchased**	**Shares Sold**	**Balance 30 June 2005**
Parent Entity Directors					
Christopher Elmore Campbell	1,321,770	-	1,905,670	-	3,227,440
Neville Thomas Cleary	80,000	-	80,000	-	160,000
Chiang Meng Heng	1,493,604	-	9,448,282	-	10,941,886
Petah Anne Fitzsimmons (Alternate - Resigned 27 August 2004)	3,000	-	-	3,000	-
Specified Executives					
Ivan James Mikkelsen	-	-	-	-	-
Ian David Bloodworth	-	-	-	-	-
David John Wheeler	15,000	-	-	-	15,000
	2,913,374	-	11,433,952	3,000	14,344,326

e. Remuneration Policies

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Managing Director, 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. During the year all the Directors were members of the Remuneration Committee.

GARRATT'S LIMITED
AND CONTROLLED ENTITIES
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2005

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$

7. AUDITORS' REMUNERATION

Remuneration of the auditor of the parent entity for:				
- Auditing or reviewing the financial report	**40,084**	48,000	**13,000**	15,000
- Other services	**16,000**	30,245	**5,000**	5,000
	56,084	78,245	**18,000**	20,000

8. DIVIDENDS

Dividends paid	**-**	-	**-**	-
Franking credits available at year end	**173,473**	173,473	**10,662**	10,662

9. EARNINGS PER SHARE

Basic earnings per share (dollars per share)	**(0.101)**	(0.230)
Weighted average number of ordinary shares used in calculation of basic earnings per share	**20,596,761**	**11,895,281**

Diluted earnings per share are not materially different from basic earnings per share.

10. SEGMENT REPORTING

Primary reporting – Business segments

	FASTENERS		EDUCATION		ELIMINATIONS		CONSOLIDATED	
	2005	2004	2005	2004	2005	2004	2005	2004
	$	$	$	$	$	$	$	$
Sales to outside customers	**6,324,873**	7,342,624	**2,347,920**	1,179,694	**-**	-	**8,672,793**	8,522,318
Other revenue	**5,198**	48,091	**19,494**	16,542	**-**	-	**24,692**	64,633
	6,330,071	7,390,715	**2,367,414**	1,196,236	**-**	-	**8,697,485**	8,586,951
Unallocated revenue							**1,705**	36,355
Total revenue from ordinary activities							**8,699,190**	8,623,306
Segment operating profit/(loss)	**302,922**	904,578	**(828,485)**	(726,590)	**(30,408)**	(30,408)	**(555,971)**	147,580
Unallocated expenses net of unallocated revenue							**(1,527,222)**	(1,514,494)
Profit/(loss) from ordinary operations before income tax							**(2,083,193)**	(1,366,914)
Segment assets	**6,577,884**	6,373,943	**2,411,593**	2,863,237	**-**	-	**8,989,477**	9,237,180
Unallocated							**58,160**	165,990
Total assets							**9,047,637**	9,403,170
Segment liabilities	**1,396,961**	744,172	**735,669**	470,954	**-**	-	**2,132,630**	1,215,126
Unallocated							**5,449,317**	6,367,102
Total liabilities							**7,581,947**	7,582,228
Acquisition of non-current segment assets	**50,228**	14,936	**28,858**	22,127	**-**	-	**79,086**	37,063
Depreciation and amortisation of segment assets	**289,089**	296,617	**149,356**	140,864	**-**	-	**438,445**	437,481
Other non-cash segment expenses	**-**	-	**330,956**	-	**-**	-	**330,956**	-

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$

10. SEGMENT REPORTING (continued)

Primary reporting – Business segments

Major products/services of business segments:

Fasteners	Manufacture and importation of fasteners
Education	Training and education services

Secondary reporting – Geographical segments

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

Accounting Policies

Segment revenues and expenses are those directly attributable to the segments.

Segment assets and liabilities include all assets used in and all liabilities generated by the segments. Deferred tax assets and liabilities are not allocated to segments.

11. CASH

	Economic 2005	Economic 2004	Parent 2005	Parent 2004
Cash at bank	**46,362**	146,954	**1,136**	39,665
Cash at call	**-**	26,500	**-**	26,500
	46,362	173,454	**1,136**	66,165

12. RECEIVABLES

	Economic 2005	Economic 2004	Parent 2005	Parent 2004
CURRENT				
Trade debtors	**1,255,939**	1,305,133	**-**	-
Less: Provision for doubtful debts	**(20,435)**	(25,000)	**-**	-
	1,235,504	1,280,133	**-**	-
Other Debtors	**82,644**	65,991	**7,492**	5,937
Government grants receivable	**15,900**	15,900	**-**	-
Amounts receivable from wholly owned subsidiaries	**-**	-	**27,072**	300,000
	1,334,048	1,362,024	**34,564**	305,937
NON-CURRENT				
Amounts receivable from wholly owned subsidiaries	**-**	-	**-**	7,578,006

		ECONOMIC ENTITY		PARENT ENTITY	
		2005	2004	2005	2004
		$	$	$	$

13. INVENTORIES

CURRENT					
Raw materials and stores at cost		**563,940**	549,260	**-**	-
Goods in transit		**45,107**	-	**-**	-
Work in progress at cost		**26,829**	33,158	**-**	-
Finished goods at cost		**2,548,713**	2,060,723	**-**	-
		3,184,589	2,643,141	**-**	-

14. OTHER ASSETS

CURRENT					
Deferred Expenses		**-**	64,374	**-**	52,090
Prepayments		**190,387**	148,557	**45,816**	37,300
Security Deposits		**780**	780	**-**	-
		191,167	213,711	**45,816**	89,390
NON-CURRENT					
Deferred infrastructure expenditure	1o	**330,956**	661,912	**-**	-

15. OTHER FINANCIAL ASSETS

NON-CURRENT					
Unlisted investments at cost					
- Shares in controlled entities		**-**	-	**4,000,004**	3,000,006

16. PLANT AND EQUIPMENT

Plant and equipment at cost		**2,680,830**	2,607,027	**17,092**	16,011
Accumulated depreciation		**(1,623,447)**	(1,356,012)	**(15,433)**	(14,134)
		1,057,383	1,251,015	**1,659**	1,877
Leasehold improvements at cost		**66,006**	63,007	**8,465**	8,465
Accumulated amortisation		**(52,545)**	(47,117)	**(7,338)**	(6,774)
		13,461	15,890	**1,127**	1,691
Total plant & equipment		**1,070,844**	1,266,905	**2,786**	3,568

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$

16. PLANT AND EQUIPMENT (continued)

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Plant and equipment $	Leasehold improve-ments $	Total $
Economic entity:			
Balance at the beginning of the year	**1,251,015**	**15,890**	**1,266,905**
Additions	**80,167**	**3,000**	**83,167**
Disposals	**(865)**	**-**	**(865)**
Depreciation expense	**(272,934)**	**(5,429)**	**(278,363)**
Carrying amount at the end of the year	**1,057,383**	**13,461**	**1,070,844**
Parent entity:			
Balance at the beginning of the year	1,877	1,691	3,568
Additions	1,081	-	1,081
Disposals	-	-	-
Depreciation expense	(1,299)	(564)	(1,863)
Carrying amount at the end of the year	1,659	1,127	2,786

17. DEFERRED TAX ASSETS

	Economic 2005 $	Economic 2004 $	Parent 2005 $	Parent 2004 $
Future income tax benefit	**-**	-	**-**	-
a. Future income tax benefit not brought to account:				
Timing differences	**236,305**	157,237	**82,866**	70,165
Revenue losses	**1,951,380**	1,563,826	**-**	-
Capital losses	**4,991**	4,991	**-**	-
	2,192,676	1,726,054	**82,866**	70,165

b. The potential future income tax benefit will only be obtained if:

(i) the economic entity earns sufficient future assessable income to utilise the value of the benefit;
(ii) the economic entity complies with the conditions for deductibility imposed by the law; and
(iii) no changes in taxation legislation adversely affect the economic entity in realising the benefit.

	Note	ECONOMIC ENTITY 2005 $	ECONOMIC ENTITY 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $

18. INTANGIBLE ASSETS

		ECONOMIC ENTITY 2005 $	ECONOMIC ENTITY 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
Goodwill at cost		**3,821,967**	3,821,967	**-**	-
Accumulated amortisation		**(961,778)**	(770,926)	**-**	-
		2,860,189	3,051,041	**-**	-
Business names at cost		**31,000**	31,000	**-**	-
Accumulated amortisation		**(9,008)**	(7,508)	**-**	-
		21,992	23,492	**-**	-
Other		**7,490**	7,490	**-**	-
		2,889,671	3,082,023	**-**	-

19. PAYABLES

		ECONOMIC ENTITY 2005 $	ECONOMIC ENTITY 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
CURRENT					
Trade creditors	19a	**1,224,043**	800,495	**-**	-
Sundry creditors and accrued expenses		**738,788**	541,709	**338,961**	328,434
Loans - other		**245,392**	77,725	**245,392**	77,725
		2,208,223	1,419,929	**584,353**	406,159

a. Includes $522,564 (2004: $310,949) tuition fees paid in advance by college students.

20. INTEREST BEARING LIABILITIES

		ECONOMIC ENTITY 2005 $	ECONOMIC ENTITY 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
CURRENT					
Secured					
Bank bills	20a	**1,300,000**	1,600,000	**1,300,000**	1,600,000
Bank loans	20a	**1,745,460**	1,399,502	**-**	-
Lease purchase agreements	20a	**75,730**	52,978	**-**	-
Loans - other	20a	**309,114**	852,477	**309,114**	852,477
		3,430,304	3,904,957	**1,609,114**	2,452,477
NON-CURRENT					
Secured					
Lease purchase agreements	20a	**88,558**	106,919	**-**	-
Loans - other	20a	**1,680,000**	1,989,114	**1,680,000**	1,989,114
		1,768,558	2,096,033	**1,680,000**	1,989,114
a. Total current and non current secured liabilities:					
Bank bills	24	**1,300,000**	1,600,000	**1,300,000**	1,600,000
Bank loans	24	**1,745,460**	1,399,502	**-**	-
Lease purchase agreements	24	**164,288**	159,897	**-**	-
Loans - other	24	**1,989,114**	2,841,591	**1,989,114**	2,841,591
		5,198,862	6,000,990	**3,289,114**	4,441,591

	Note	ECONOMIC ENTITY 2005 $	ECONOMIC ENTITY 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $

20. INTEREST BEARING LIABILITIES (continued)

b. Carrying amount of non current assets pledged as security:					
Floating charge over assets		**5,153,536**	5,871,784	**4,002,790**	10,581,580
Plant and equipment		**247,353**	210,806	**-**	-
		5,400,889	6,082,590	**4,002,790**	10,581,580

21. PROVISIONS

CURRENT					
Employee entitlements	21a	**174,862**	161,309	**120,245**	119,850
a. Aggregate employee entitlements		**174,862**	161,309	**120,245**	119,850
b. Number of employees at year end		**44**	48	**3**	4

22. TAX LIABILITIES

NON CURRENT					
Provision for deferred income tax		**311,871**	350,038	**-**	-
Future income tax benefits attributable to:					
Timing differences		**(164,123)**	(157,949)	**-**	-
Tax losses		**(147,748)**	(192,089)	**-**	-
		-	-	**-**	-

23. CONTRIBUTED EQUITY

Issued and Paid-up Capital

23,790,562 ordinary shares fully paid (2004: 11,895,281)		**12,539,836**	10,811,895	**12,539,836**	10,811,895

Movements in ordinary share capital

Balance at the beginning of the financial year		**10,811,895**	10,811,895	**10,811,895**	10,811,895
11,895,281 shares issued at 15 cents each following a 1 for 1 rights issue	23a	**1,727,941**	-	**1,727,941**	-
		12,539,836	10,811,895	**12,539,836**	10,811,895

a. Rights issue.
The one-for-one renounceable rights issue at 15 cents per share as detailed in a Prospectus dated 2 September 2004, doubled the capital base to 23,790,562 shares and raised $1,784,292 (before issue costs of $56,351). From the proceeds, $450,000 was applied to reduce bank debt while $852,477 was applied towards reduction of debt raised to meet settlement of the Convertible Note repayments in February 2004.

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$

24. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE

Interest rate risk

Cash at bank

The economic entity deposits cash into premium business accounts at variable rates and at call and has funds held in trust by its solicitors.

Premium business accounts	**46,362**	146,954	**1,136**	39,665
Held in trust	**-**	26,500	**-**	26,500
	46,362	173,454	**1,136**	66,165

The economic 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: 1 year or less	1 to 5 years	More than 5 years	Non-Interest bearing	Total
			$	$	$	$	$	$
2005								
Financial assets								
Cash at bank	11	2.51%	46,362	-	-	-	-	46,362
Receivables	12	-	-	-	-	-	1,334,048	1,334,048
			46,362	-	-	-	1,334,048	1,380,410
Financial liabilities								
Lease purchase agreements	27	7.96%	-	75,730	88,558	-	-	164,288
Bank bills	20	6.20%	-	1,300,000	-	-	-	1,300,000
Bank loans	20	8.96%	1,745,460	-	-	-	-	1,745,460
Loans - other	20	8.40%	309,114	-	1,680,000	-	-	1,989,114
Payables	19	-	-	-	-	-	2,208,223	2,208,223
Employee entitlements	21	-	-	-	-	-	174,862	174,862
			2,054,574	1,375,730	1,768,558	-	2,383,085	7,581,947

24. ADDITIONAL FINANCIAL INSTRUMENTS DISCLOSURE (continued)

	Note	Weighted average interest rate	Floating interest rate	Fixed interest maturing in: 1 year or less	1 to 5 years	More than 5 years	Non-Interest bearing	Total
			$	$	$	$	$	$
2004								
Financial assets								
Cash at bank	11	3.82%	146,954	-	-	-	-	146,954
Cash at call	11	-	-	-	-	-	26,500	26,500
Receivables	12	-	-	-	-	-	1,362,024	1,362,024
			146,954	-	-	-	1,388,524	1,535,478
Financial liabilities								
Lease purchase agreements	27	7.77%	-	52,978	106,919	-	-	159,897
Bank bills	20	5.51%	-	1,600,000	-	-	-	1,600,000
Bank loans	20	8.81%	1,399,502	-	-	-	-	1,399,502
Loans - other	20	8.40%	2,841,591	-	-	-	-	2,841,591
Payables	19	-	-	-	-	-	1,419,929	1,419,929
Employee entitlements	21	-	-	-	-	-	161,309	161,309
			4,241,093	1,652,978	106,919	-	1,581,238	7,582,228

Credit risk exposures

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

The economic entity minimises concentration of risk by holding cash with major banks and undertaking transactions with either high profile or a large number of customers.

Foreign exchange risk

The economic entity is exposed to foreign currency risk on its purchase of products. The economic entity has not hedged foreign currency transactions as at 30 June 2005. 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.

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$

25. PARTICULARS IN RELATION TO CONTROLLED ENTITIES

Controlled entities	Interest held 2005 %	Interest held 2004 %
Academies Australasia (Management) Pty Limited	100	100
Academies Australasia Pty Limited	100	100
Academy of English Pty Limited	100	100
Academy of Social Sciences Pty Limited	100	100
Australian Institute of Professional Studies Pty Limited	100	100
Australian International High School Pty Limited	100	100
Australian College of Technology Pty Limited	100	100
Clarendon Business College Pty Limited	100	100
Multimedia Investments Pty Limited	100	100
Premier Fasteners Pty Limited	100	100
Supreme Business College Pty Limited	100	100

Notes:
(i) All companies are small proprietary companies as defined by the Corporations Act 2001 and are not required to prepare and lodge audited statutory financial statements.
(ii) All controlled entities are incorporated in Australia.
(iii) The liquidation of the following dormant companies, which were placed into members' voluntary liquidation on 11 June 2004, were completed on 2 December 2005.

Electrodata (Sales) Pty Limited
Hanstock Voice Systems Pty Limited
Overland Sydney Pty Limited
Sandomir Pty Limited

26. 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:

	Economic 2005 $	Economic 2004 $	Parent 2005 $	Parent 2004 $
United States Dollars				
Amounts payable	**211,166**	58,781	**144,598**	38,705
Singapore Dollars				
Amounts payable	**9,652**	-	**9,652**	-
	220,818	58,781	**154,250**	38,705

27. LEASING COMMITMENTS

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

	ECONOMIC ENTITY 2005 $	ECONOMIC ENTITY 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
Not later than one year	**905,682**	892,007	**652**	3,911
Later than one year but not later than five years	**873,089**	2,083,617	**-**	652
	1,778,771	2,975,624	**652**	4,563

The economic entity leases property under operating leases expiring from 1 year 5½ months to 3 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.

Non-cancellable lease purchase agreements for plant and equipment:

	ECONOMIC ENTITY 2005 $	ECONOMIC ENTITY 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
Not later than one year	**75,730**	52,978	**-**	-
Later than one year but not later than five years	**88,557**	106,919	**-**	-
	164,287	159,897	**-**	-

At the end of the lease periods the lessor's charges over the plant and equipment cease, leaving the assets the unencumbered property of the economic entity.

28. CONTINGENT ASSETS

The contingent assets stated below have not been recognised in the financial statements for the year ended 30 June 2005. The realisation of these assets is contingent upon the events noted below.

Future Income Tax Benefit

The economic entity has a future income tax benefit of $2,192,676 in respect of revenue losses, capital losses and timing differences that have not been recognised in these financial statements, as the recovery of the benefit is not virtually certain. The benefit of this asset will only be recouped if:

- the economic entity earns sufficient assessable income to utilize the value of the losses in the future;
- the economic entity complies with the conditions for deductibility imposed by law; and
- no changes in taxation legislation occur which would adversely affect the ability of the economic entity to enjoy the benefit.

Thanga Thangathurai Debt

In December 2003, the Company filed a claim in the Superior Court of California, County of Sonoma, USA, against Mary Lynn Thangathurai ('MLT') for US$1,900,000 plus costs, interest, attorney's fees, and other amounts. MLT is the surviving spouse of the late Thanga Thangathurai. The action is being brought against her pursuant to, among other laws, the California Probate Code that provides, inter alia, that upon the death of a married person, the surviving spouse is personally liable for the debts of the deceased person in relation to certain property.

The realisation of this benefit is dependent upon a successful outcome of the litigation exercise or, alternatively, a suitable settlement being agreed between the parties.

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$

29. CONTINGENT LIABILITIES

Employment Contracts

Payable to Executive Directors under service agreements on termination in certain circumstances:	**160,551**	596,330	**22,936**	275,229

Guarantees

The following group companies have issued guarantees in respect of the parent entity as security for its bank facilities.

Academies Australasia Pty Limited
Academies Australasia Management Pty Limited
Clarendon Business College Pty Limited
Multimedia Investments Pty Limited
Premier Fasteners Pty Limited
Supreme Business College Pty Limited

The following group companies have issued guarantees in respect of Premier Fasteners Pty Limited as security for its bank facilities.

Garratt's Limited
Academies Australasia Pty Limited
Academies Australasia Management Pty Limited
Clarendon Business College Pty Limited
Multimedia Investments Pty Limited
Supreme Business College Pty Limited

30. RELATED PARTIES

Directors' transactions with the Company and the economic entity

An amount of $600,000 of the $852,477 raised from the Rights Issue and applied to the reduction of debt raised for Convertible Note repayments was paid to a party related to Chiang Meng Heng – that amount being 30% of the loan extended by that party. The outstanding loan from that party is $1,400,000.

Amounts totalling $120,000 of the $852,477 raised from the Rights Issue and applied to the reduction of debt raised for Convertible Note repayments were paid to two parties related to Christopher Elmore Campbell – those amounts being 30% of the loans extended by those parties. The outstanding loans from those parties total $280,000.

The above loans are on arm's length terms and are secured against the assets of the economic entity, such security ranking after that held by the Company's bankers. The balance of the loans is due to be repaid in October 2005. Interest paid on these loans is equal to the lowest rate paid to the Company's bankers in respect of secured funds provided by them for repayment of the Convertible Notes in February 2004. The current applicable rate is 8.4% per annum, monthly in arrears.

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$

30. RELATED PARTIES (continued)

In addition to the outstanding loans of $280,000 from parties related to Christopher Elmore Campbell referred to above, the Company has interest-free borrowings (unsecured) totalling $245,392 (2004: $77,725) from Christopher Elmore Campbell and parties related to him.

Details of directors' remuneration are set out in Note 6(b). Directors are also reimbursed for expenses incurred by them on behalf of the economic entity.

Directors' and specified executive's relevant interests in shares

Details of Directors' and specified executive's relevant interests in shares are set out in note 6(d).

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, 3, 4 and 12.

31. SUPERANNUATION

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

32. NOTES TO THE STATEMENT OF CASH FLOWS

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

	Economic Entity 2005 $	Economic Entity 2004 $	Parent Entity 2005 $	Parent Entity 2004 $
Profit/(loss) from ordinary activities after income tax	**(2,083,193)**	(2,735,155)	**(7,712,819)**	(747,528)
Non-cash items:				
Amortisation	**197,781**	188,500	**564**	845
Depreciation	**272,935**	289,337	**1,299**	9,104
Loan to controlled entity forgiven	**-**	-	**7,811,315**	1,073,720
Net gain on convertible notes cancelled	**-**	(4,550)	**-**	(4,550)
Net loss on disposal of plant and equipment	**365**	4,724	**-**	(375)
Changes in assets and liabilities:				
(Increase)/decrease in receivables	**27,976**	721,129	**(848,835)**	(1,042,611)
(Increase)/decrease in inventories	**(541,448)**	484,092	**-**	-
(Increase)/decrease in other assets	**22,544**	(617,124)	**43,574**	-
(Increase)/decrease in deferred tax assets	**-**	1,368,241	**-**	69,890
(Increase)/decrease in intangibles	**-**	25,020	**-**	25,020
(Increase)/decrease in deferred expenditure	**330,956**	-	**-**	-
Increase/(decrease) in payables	**698,293**	(462,288)	**88,194**	(47,533)
Increase/(decrease) in provisions	**13,553**	364	**395**	17,487
Net cash provided by/(used in) operating activities	**(1,060,238)**	(737,710)	**(616,313)**	(646,531)

	ECONOMIC ENTITY		PARENT ENTITY	
	2005	2004	2005	2004
	$	$	$	$

32. NOTES TO THE STATEMENT OF CASH FLOWS (continued)

b. Reconciliation of cash

For the purpose of the Statement of Cash Flows, cash includes cash at bank and at call. *(See Note 11.)*

c. Non-cash investing activities

During the financial year the economic entity acquired plant and equipment with an aggregate value of $53,274 (2004: Nil) by means of lease purchase agreements. These acquisitions are not reflected in the statement of cash flows.

33. ACCUMULATED LOSSES

	ECONOMIC ENTITY 2005 $	ECONOMIC ENTITY 2004 $	PARENT ENTITY 2005 $	PARENT ENTITY 2004 $
Accumulated losses at the beginning of the financial year	**(8,990,953)**	(6,255,798)	**(4,736,423)**	(3,988,895)
Net profit/(loss) attributable to the members of the parent entity	**(2,083,193)**	(2,735,155)	**(7,712,819)**	(747,528)
Accumulated losses at the end of the financial year	**(11,074,146)**	(8,990,953)	**(12,449,242)**	(4,736,423)

34. EVENTS SUBSEQUENT TO BALANCE DATE

The only 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 repayment date for $1,680,000 of the funds raised in connection with refinancing of the Convertible Note settlement in February 2004 was renegotiated from October 2005 to October 2010. The effect of this revised agreement has been reflected in the financial statements. The lenders have agreed to roll-over these loans into convertible notes with the following proposed terms:

Maturity: 31 October 2010
Interest rate: 1% per annum
Conversion price: 10 cents per ordinary share

These terms are subject to shareholder approval.

* * *

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, set out on pages 10 to 36:

   (i) comply with Accounting Standards and the Corporations Regulations 2001; and

   (ii) give a true and fair view of the financial position as at 30 June 2004 and performance for the year ended on that date of the Company and economic entity.

2. the Chief Executive Office and Chief Financial Officer have each declared that:

   (i) the financial records of the company for the financial year have been properly maintained in accordance with Section 286 of the Corporations Act 2001;

   (ii) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (iii) the financial statements and notes for the financial year give a true and fair view.

3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Neville Cleary
Director

Christopher Campbell
Director

Sydney
30 September 2005

CALABRO PARTNERS
CHARTERED ACCOUNTANTS

GARRATT'S LIMITED ABN 93 000 003 725

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF GARRATT'S LIMITED

Scope

The financial report and director's responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Garratt's Limited and the Garratt's Limited economic entity, for the year ended 30 June 2005. The consolidated entity comprises both the company and the entities controlled during that year.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001*, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and of their performance as represented by the results of their operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report; and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

CALABRO PARTNERS
CHARTERED ACCOUNTANTS

GARRATT'S LIMITED ABN 93 000 003 725

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF GARRATT'S LIMITED

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001.*

In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out on page 10 of the financial report has not changed as at the date of providing our audit opinion.

Audit Opinion

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

a. the *Corporations Act 2001*, including:

   i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2005 and of their performance for the year ended on that date; and

   ii. complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

b. other mandatory professional reporting requirements in Australia.

Inherent Uncertainty Regarding Continuation as a Going Concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. With reference to note 1 (n), there is an inherent uncertainty as to whether Garratt's Limited will be able to continue as a going concern and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

Calabro Partners **Garth Barrett**

Signed this 30th day of September 2005

Level 5, 175 Eagle Street, Brisbane 4001

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

SUBSTANTIAL HOLDERS

Ordinary Shares

The relevant interests of substantial Shareholders as at 31 August 2005 were:

Shareholder	No. of Shares Held	%
Mr Chiang Meng Heng[a]	10,941,886	45.99
Eng Kim Low	3,779,126	15.88
Mr Christopher Elmore Campbell[b]	3,227,440	13.57
Jilcy Pty Ltd Jilcy Super Fund A/C	3,071,920	12.91
Vasek Fasteners Pty Ltd Premier Screw Super A/C	1,553,529	6.53
Junorma Holdings Pty Limited	1,252,242	5.26

[a] Includes 3,779,126 shares held by Eng Kim Low
[b] Includes 3,071,920 shares held by Jilcy Pty Ltd Jilcy Super Fund A/C

VOTING RIGHTS

Ordinary Shares

At 31 August 2005 there were 329 holders of the ordinary shares of the Company. The voting rights attaching to the ordinary shares, set out in Articles 69 and 70 of the Company's Articles of Association, are:

<u>*Article 69*</u>
"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; ……."

<u>*Article 70*</u>
"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 CONTROLLED ENTITIES
ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

20 LARGEST SHAREHOLDERS AS AT 31 AUGUST 2005

	Registered Name	No. Shares	%
1	Mr Chiang Meng Heng	7,162,760	30.11
2	Eng Kim Low	3,779,126	15.88
3	Jilcy Pty Ltd Jilcy Super Fund A/C	3,071,920	12.91
4	Vasek Fasteners Pty Ltd Premier Screw Super A/C	1,553,529	6.53
5	Junorma Holdings Pty Limited	888,951	3.74
6	Chio Tee Tan	600,000	2.52
7	Citicorp Nominees Pty Limited	500,000	2.10
8	Frank Kwong-Shing Wong	380,000	1.60
9	Diacaf Holdings Pty Limited Duncan Superannuation A/C	339,748	1.43
10	Schlederer Nominees Pty Limited JLS Family A/C	305,519	1.28
11	Bowes & Brown Pty Ltd	300,000	1.26
12	Reach Out Pty Ltd	233,000	0.98
13	Mrs Gail Leslie Storey	207,200	0.87
14	Coolangatta Holdings Pty Limited Coolangatta Hlds S/Fund A/C	185,000	0.78
15	Mr Lim Sen Yap	166,362	0.70
16	Mrs Anthea Judith Drescher	153,515	0.65
17	Jilcy Pty Ltd Cazzylou Unit A/C	151,520	0.64
18	Mr Bastine Augustine D'Cruz	150,000	0.63
19	Mrs Tracy Fraser	147,435	0.62
20	Mr James Crosthwaite	128,800	0.54
		20,404,385	85.77

HOLDING RANGE (SHAREHOLDERS) AS AT 31 AUGUST 2005

Range	No. Holders	Total No. Shares	%
1 - 1,000	76	58,897	0.25
1,001 - 5,000	127	366,200	1.54
5,001 - 10,000	39	297,752	1.25
10,001 - 100,000	67	2,663,328	11.19
100,001 +	20	20,404,385	85.77
	329	23,790,562	100.00

The number of shareholders holding less than a marketable parcel as at 31 August 2005 was 206.

* * *

OFFICES AND OFFICERS

DIRECTORS	Neville Thomas Cleary	Chairman (Non-Executive)
	Christopher Elmore Campbell	Group Managing Director
	Chiang Meng Heng	Director (Non-Executive)

COMPANY SECRETARY Ian David Bloodworth

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

Computershare Investor Services Pty Limited
Level 3
60 Carrington Street
Sydney NSW 2000

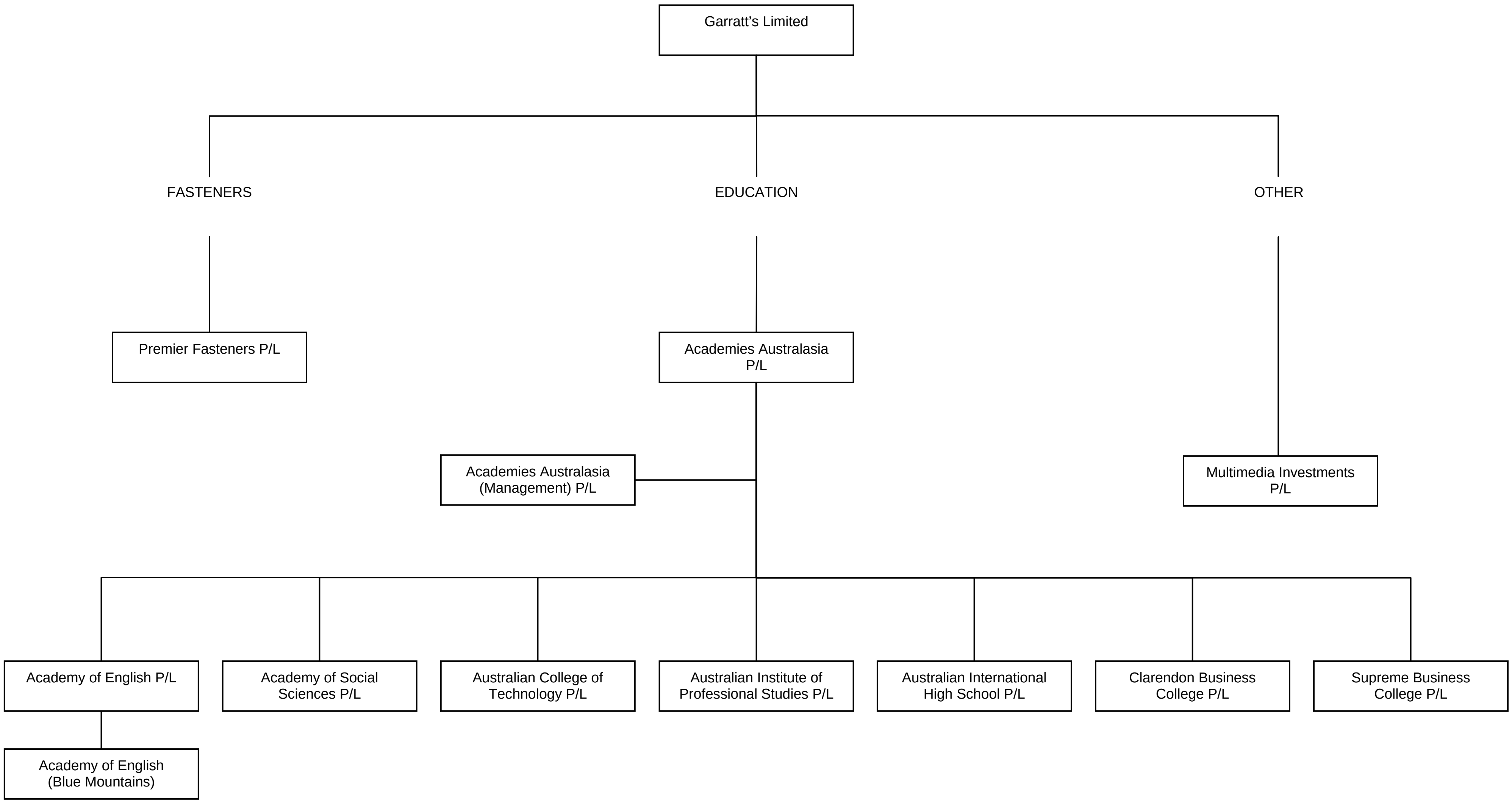
Telephone: (02) 8234 5000
Toll Free (Australia only) 1300 855 080
Facsimile: (02) 8234 5050

STOCK EXCHANGE

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

ASX Code: GRT

GARRATT'S GROUP



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