GARRATT'S LIMITED

ABN 93 000 003 725

ANNUAL REPORT
2007

CHAIRMAN'S REPORT

Dear Shareholder

The results you see for the year ended 30 June 2007 confirm the significant improvement in performance that I had intimated in my last report to you.

Your Board is pleased with the consolidated profit from operations of $318,000. Indeed, earnings before interest, depreciation and amortisation (EBITDA) were $1,019,000.

We are particularly pleased to announce a proposed dividend of a half a cent per share, which reflects a 37% payout. The dividend will be fully franked. While we could afford to pay a higher dividend, it was considered prudent to set aside a substantial part of the profit for the future.

The return to paying a dividend is especially significant as we enter our centenary year.

The Directors who have relevant interests in parties who hold the Company's convertible notes (Parties related to: Chiang Meng Heng – 14.0 million; Christopher Campbell – 2.8 million) have advised me that none of those notes will be converted for the purpose of being paid the proposed dividend of a half a cent per share i.e. None of those notes will be converted up to (and including) the record date.

The contribution of $1,118,000 from education operations is the result of substantial work put in by the education team – management, staff and teachers. We are establishing a good reputation in the business. Enrolments are strong and we are looking forward to continuing growth. Steps will be taken to expand the team to meet this growth.

Premier Fasteners improved their performance to contribute $577,000, almost trebling the previous year's figure. We believe that we are succeeding in the strategy announced in my report for the year ended 30 June 2006: to improve the contribution from the fasteners business, notwithstanding the objective to specialize in education.

Your Board will be proposing a staff incentive scheme that will reward staff for their loyalty and contribution and give them the opportunity to have a stake in the company's future.

I would like to thank all shareholders for their support, especially those shareholders who advanced substantial funds to the Company at concessionary or interest-free terms. In this regard, I am pleased to say that the Company has repaid all these loans.

There is no question that the significant improvement in the performance of the Company can be largely based on the outstanding contributions from the Group Managing Director, Mr Christopher Campbell, and his management team. In addition to dealing with the substantial challenges associated with the establishment of the new premises in George Street, Sydney, they have demonstrated a dedication to the aims and objectives of the Company that needs to be fully acknowledged.

Neville Thomas Cleary
Chairman
3 September 2007

GROUP MANAGING DIRECTOR'S REVIEW

May I begin by expressing my appreciation to all those who maintained their support when my colleagues and I had to face a variety of challenges over the past few years. And to my colleagues, for their loyalty and commitment. Thank you.

The education team achieved a 37% growth in revenue. This is commendable given that the previous year's growth was 54% better than that for the year ended 30 June 2005.

Current enrolments are very pleasing. Measures are in place to open new markets and to widen our offerings. As we expand our team, we will be better able to pursue the steps that will enable further growth.

The new premises at 505 George Street, Sydney, have drawn favourable comments from our students and representatives, and are an important factor in our further development. Apart from the convenience of the central location, the investment in new furniture, equipment and other student facilities make us amongst the more attractive institutions at which to study.

The fasteners business showed significant improvement over the previous few years, with revenue improving by more than 10%. The increase in contribution, while still well short of the levels achieved a few years ago, is encouraging. There are signs to suggest that further growth can be achieved.

I would like to thank all our customers, students and business associates for their support during the year. I am also grateful to my fellow directors for their guidance.

Christopher Elmore Campbell
Group Managing Director
3 September 2007

CORPORATE GOVERNANCE STATEMENT

At the date of this report, and throughout the year, the Board comprised three directors, namely, Neville Thomas Cleary (Chairman, Independent & 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 in the furtherance of their duties as directors at the company's expense. 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, and do, make 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.

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.

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.

There 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.

99th ANNUAL REPORT OF THE DIRECTORS

Your directors present their report on Garratt's Limited ("the Company") and its controlled entities for the financial year ended 30 June 2007.

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

The directors have been in office since the start of the financial year to the date of this report.

COMPANY SECRETARY

Mrs Stephanie Noble held the position of company secretary at the end of the financial year. She was appointed company secretary on 27 November 2006. Mrs Noble is a fellow of the Association of Chartered Certified Accountants and holds an Honours Degree in Accounting. She has been the chief financial officer of the company since November 2006.

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 profit from operations after income tax was $318,000 (2006: loss $985,000).

The result is after payment of interest and other borrowing costs of $368,000 (2006: $442,000).

Turnover increased by 20% to $11,635,000 over the previous year, attributable mainly to the continuing improvement in the education business.

REVIEW AND RESULTS OF OPERATIONS

Education

The education business recorded a contribution of $1,118,000 (2006: $53,000). Revenue improved by 36.7% to $4,767,000.

Unless there are any adverse changes in the operating environment, the outlook in regard to the contribution from education is positive.

Fasteners

The fasteners business recorded a contribution of $577,000 (2006: $195,000) an improvement of 196%. Revenue improved by 10.5% to $6,865,000.

Steps have been put in place to improve the business and its contribution.

Thangathurai US Dollar Debt

The Company continues to pursue the recovery of this debt. Success, however, is not assured.

Keith Franklin Kennett, K. F. Kennett Nominees Pty Ltd and Myong Ho Pak

In August 2003, the Company was served summonses by Keith Franklin Kennett, K.F. Kennett Nominees Pty Ltd and Myong Ho Pak seeking relief from the contract entered into between the Company and those parties in August 2002. The Company continues to defend its position vigorously. The Company's solicitors are confident that the defence will be successful.

Dividend

A fully franked dividend of a half a cent per share has been proposed for the financial year ended 30 June 2007.

FINANCIAL POSITION

The net assets of the economic entity have increased by $199,000 since 30 June 2006.

STATE OF AFFAIRS

Apart from the substantial improvement in the operation of the education business, there were no significant changes in the state of affairs of the consolidated entity during the reporting period.

AFTER BALANCE DATE EVENTS

There are no 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.

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 of the Company.

ENVIRONMENTAL ISSUES

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

INFORMATION ON DIRECTORS

Neville Thomas Cleary	- Chairman (Independent & Non-Executive), since 2001.
Qualifications/Experience	- Retired as a senior banker in 1992 after 43 years with the Commonwealth Bank of Australia.
Interest in Shares	- 160,000 shares (0.67%)
Special Responsibilities	- Chairman of the Audit and Remuneration Committees.
Directorships held in other listed entities	- None.
Christopher Elmore Campbell	- Group Managing Director, since 1996.
Qualifications/Experience	- B.Soc.Sci. (Hons). FFin, FAICD, FCIS. Previous positions include senior appointments with the Monetary Authority of Singapore and an international bank in Australia.
Interest in Shares	- 3,851,249 shares (16.19%)
Special Responsibilities	- Group Managing Director and Chief Executive Officer. Member of the Audit and Remuneration Committees. Chairman and Director of each of the subsidiary companies in the Garratt's Group.
Directorships held in other listed entities	- None.
Chiang Meng Heng	- Director (Non-Executive), since 2000.
Qualifications/Experience	- BBA (Hons). Previous positions include President, Asia Commercial Bank Ltd, Adviser & Department Head, Monetary Authority of Singapore, Managing Director, First Capital Corporation Ltd, Executive Director, Far East Organization and Group Managing Director, Lim Kah Ngam Ltd.
Interest in Shares	- 10,941,886 shares (45.99%)
Special Responsibilities	- Member of the Audit and Remuneration Committees.
Directorships held in other listed entities	- Jasper Investments Limited, Orchard Parade Holdings Limited, Thakral Corporation Limited, Macquarie International Infrastructure Fund Limited, and Keppel Land Limited (all listed on the Singapore Stock Exchange).

REMUNERATION REPORT

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.

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.

All executives receive a base salary, which is based on factors such as length of service and experience and superannuation (as required by law). Executives may sacrifice part of their salary to increase payments towards superannuation.

There are no bonus or performance-related components to remuneration, or options over unissued capital. The Company does not have an employee share option plan.

All remuneration paid to directors and executives is valued at the cost to the company and expensed.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity.

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 Neville Thomas Cleary (Chairman – Independent & Non-Executive), Chiang Meng Heng (Director – Non-executive) and Christopher Elmore Campbell (Group Managing Director – Executive). 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 to 30 November 2006 and Group Company Secretary to 27 November 2006) and Stephanie Ann Noble (Group Finance Manager from 30 November 2006 and Group Company Secretary from 27 November 2006).

b. Directors' and Specified Executives' Remuneration

The remuneration for each director and each of the three specified executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

	Salary, Fees and Commissions	Super-annuation	Cash Bonus	Non-cash Benefits	Total
	$	$	$	$	$
Directors					
Christopher Elmore Campbell	235,000	65,000	-	-	300,000
Neville Thomas Cleary	35,000	3,150	-	-	38,150
Chiang Meng Heng	20,000	1,800	-	-	21,800
Specified Executives					
Ivan James Mikkelsen	197,601	17,784	-	-	215,385
Ian David Bloodworth (a)	116,994	10,530	-	-	127,524
Stephanie Ann Noble (b)	58,200	5,238	-	-	63,438

(a) Resigned – 13 June 2007
(b) Appointed – 3 October 2006

c. Options issued as part of remuneration for the year ended 30 June 2007

No options were granted as part of remuneration.

d. Employment contracts of executives

The employment conditions of all executives are formalised in written contracts of employment. Generally, the employment contracts stipulate a one-month resignation period. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time.

Except in certain exceptional circumstances, Mr. Ivan James Mikkelsen's contract may be terminated by either Mr. Mikkelsen or Premier Fasteners Pty Limited giving to the other six months' notice.

MEETINGS OF DIRECTORS

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	5	5	2	2	1	1
Christopher Elmore Campbell	5	5	2	2	1	1
Chiang Meng Heng	5	5	2	2	1	1

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

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. 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.

OPTIONS
No options have been issued on the Company's shares.

PROCEEDINGS ON BEHALF OF THE COMPANY

Apart from the action by Keith Franklin Kennett, K.F. Kennett Nominees Pty Ltd and Myong Ho Pak referred to earlier, 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, and 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 auditor's independence for the following reasons:

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

The following fees were paid or payable for non audit services to the external auditors during the year ended 30 June 2007:

- Taxation services $12,000
- Other services $7,985

AUDITOR'S INDEPENDENCE DECLARATION

The Auditor's Independence Declaration for the year ended 30 June 2007 has been received and can be found on page 11.

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

Neville Cleary	Christopher Campbell
Director	Director

3 September 2007

CALABRO PARTNERS
CHARTERED ACCOUNTANTS

**AUDITORS INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF GARRATTS LIMITED**

I declare that to the best of my knowledge and belief, during the year ended 30 June 2007 there have been:

1. No contraventions of the auditors' independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

2. No contraventions of any applicable code of professional conduct in relation to the audit.

Calabro Partners | M. Traynor

CALABRO PARTNERS | MICHAEL TRAYNOR

3 SEPTEMBER 2007

Level 5,
175 Eagle Street
Brisbane, Queensland 4000

GARRATT'S LIMITED
AND CONTROLLED ENTITIES
INCOME STATEMENT
For the year ended 30 June 2007

	Note	ECONOMIC ENTITY 2007 $	ECONOMIC ENTITY 2006 $	PARENT ENTITY 2007 $	PARENT ENTITY 2006 $
Revenue	2	**11,634,807**	9,697,403	**1,604,482**	1,113,984
Depreciation and amortisation expense		**(332,583)**	(274,874)	**(71,756)**	(1,253)
Cost of sales	3	**(3,780,220)**	(3,652,258)	-	-
Cost of services		**(2,031,476)**	(1,596,327)	-	-
Employee benefits expense		**(2,394,878)**	(2,312,917)	**(484,414)**	(539,357)
Finance costs	3	**(367,930)**	(441,984)	**(326,113)**	(366,866)
Insurance		**(247,246)**	(234,438)	**(73,259)**	(67,495)
Lease rental expense – operating leases	3	**(744,287)**	(1,034,363)	-	(7,534)
Legal expenses		**(188,080)**	(71,595)	**(187,223)**	(69,875)
Non-executive directors fees		**(59,950)**	(59,950)	**(59,950)**	(59,950)
Payroll tax		**(111,180)**	(124,763)	**(24,948)**	(21,568)
Other expenses		**(1,059,286)**	(878,906)	**(152,039)**	(99,440)
Profit/(loss) before income tax expense		**317,691**	(984,972)	**224,780**	(119,354)
Income tax expense	4	**-**	-	**-**	-
Profit/(loss) for the year		**317,691**	(984,972)	**224,780**	(119,354)
Profit/(loss) attributable to members of the parent entity		**317,691**	(984,972)	**224,780**	(119,354)
Basic earnings/profit/(loss) per share (cents per share)	7	**1.3**	(4.1)		
Fully diluted earnings/profit/(loss) per share (cents per share)	7	**0.8**	(2.7)		
Dividends per share (cents)	8	**0.5**	-		

The accompanying notes form part of these financial statements.

GARRATT'S LIMITED
AND CONTROLLED ENTITIES
BALANCE SHEET
As at 30 June 2007

	Note	ECONOMIC ENTITY 2007 $	ECONOMIC ENTITY 2006 $	PARENT ENTITY 2007 $	PARENT ENTITY 2006 $
Current Assets					
Cash and cash equivalents	9	**803,799**	298,462	**597,949**	146,713
Trade and other receivables	10	**1,901,232**	1,517,330	**-**	-
Inventories	11	**2,760,282**	2,333,706	**-**	-
Other current assets	12	**883,048**	494,830	**32,415**	49,225
Total Current Assets		**6,348,361**	4,644,328	**630,364**	195,938
Non-Current Assets					
Financial assets	13	**-**	-	**4,000,004**	4,000,004
Plant and equipment	15	**1,930,237**	883,342	**1,135,765**	49,789
Deferred tax assets	16	**-**	-	**-**	-
Intangible assets	17	**2,905,859**	2,905,859	**-**	-
Total Non-Current Assets		**4,836,096**	3,789,201	**5,135,769**	4,049,793
Total Assets		**11,184,457**	8,433,529	**5,766,133**	4,245,731
Current Liabilities					
Trade and other payables	18	**5,207,753**	2,858,037	**1,054,407**	532,197
Short-term borrowings	19	**2,712,478**	3,844,794	**1,446,850**	1,867,028
Short-term provisions	20	**649,949**	239,605	**567,936**	159,266
Total Current Liabilities		**8,570,180**	6,942,436	**3,069,193**	2,558,491
Non-Current Liabilities					
Long-term borrowings	19	**99,717**	101,784	**47,211**	47,211
Long-term provisions	20	**974,513**	48,000	**939,873**	36,000
Total Non-Current Liabilities		**1,074,230**	149,784	**987,084**	83,211
Total Liabilities		**9,644,410**	7,092,220	**4,056,277**	2,641,702
Net Assets		**1,540,047**	1,341,309	**1,709,856**	1,604,029
Equity					
Issued capital	21	**14,172,625**	14,172,625	**14,172,625**	14,172,625
Accumulated Losses		**(12,632,578)**	(12,831,316)	**(12,462,769)**	(12,568,596)
Total Equity		**1,540,047**	1,341,309	**1,709,856**	1,604,029

The accompanying notes form part of these financial statements.

GARRATT'S LIMITED
AND CONTROLLED ENTITIES
STATEMENT OF CHANGES IN EQUITY
As at 30 June 2007

		Ordinary Shares	Retained Profits	Total
		$	**$**	**$**
Economic Entity				
Balance at 1.7.2005		12,539,836	(11,846,344)	693,492
Equity component of convertible notes issued during the period	21	1,632,789	-	1,632,789
Profit/(loss) for the period		-	(984,972)	(984,972)
Balance at 30.6.2006		14,172,625	(12,831,316)	1,341,309
Balance at 1.7.2006		14,172,625	(12,831,316)	1,341,309
Profit/(loss) for the period		-	317,691	317,691
Dividend provided for		-	(118,953)	(118,953)
Balance at 30.6.2007		14,172,625	(12,632,578)	1,540,047
Parent Entity				
Balance at 1.7.2005		12,539,836	(12,449,242)	90,594
Equity component of convertible notes issued during the period	21	1,632,789	-	1,632,789
Profit/(loss) for the period		-	(119,354)	(119,354)
Balance at 30.6.2006		14,172,625	(12,568,596)	1,604,029
Balance at 1.7.2006		14,172,625	(12,568,596)	1,604,029
Profit/(loss) for the period		-	224,780	224,780
Dividend provided for		-	(118,953)	(118,953)
Balance at 30.6.2007		14,172,625	(12,462,769)	1,709,856

The accompanying notes form part of these financial statements.

GARRATT'S LIMITED
AND CONTROLLED ENTITIES
CASH FLOW STATEMENT
For the year ended 30 June 2007

	Note	ECONOMIC ENTITY		PARENT ENTITY	
		2007	2006	2007	2006
		$	$	$	$
Cash Flows from Operating Activities					
Receipts from customers		**13,734,039**	10,643,980	**1,470,386**	934,672
Payments to suppliers and employees		**(11,521,769)**	(9,937,812)	**(1,077,925)**	(665,665)
Interest received		**4,822**	2,640	**2,352**	117
Finance costs		**(355,622)**	(444,675)	**(313,806)**	(369,557)
Net cash provided by (used in) operating activities	25a	**1,861,470**	264,133	**81,007**	(100,433)
Cash Flows from Investing Activities					
Proceeds from sale of plant & equipment		**-**	2,800	**-**	-
Purchase of plant & equipment		**(184,662)**	(63,910)	**-**	(48,256)
Purchase of other non-current assets		**-**	(45,000)	**-**	-
Loans repaid (advanced)		**-**	-	**-**	27,072
Net cash provided by (used in) investing activities		**(184,662)**	(106,110)	**-**	(21,184)
Cash Flows from Financing Activities					
Proceeds from borrowings		**76,068**	383,844	**790,407**	436,308
Repayment of borrowings		**(1,247,539)**	(289,767)	**(420,178)**	(169,114)
Net cash provided by (used in) financing activities		**(1,171,471)**	94,077	**370,229**	267,194
Net increase in cash held		**505,337**	252,100	**451,236**	145,577
Cash at the beginning of the financial year		**298,462**	46,362	**146,713**	1,136
Cash at the end of the financial year	9	**803,799**	298,462	**597,949**	146,713

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 Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

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 financial report of Garratt's Limited and controlled entities, and Garratt's Limited as an individual parent entity comply with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the economic entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

a. Principles of Consolidation

A controlled entity is any entity Garratt's Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 14 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

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

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Garratt's Limited and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. Each entity in the group recognises its own current and deferred tax liabilities, except for any deferred tax liabilities resulting from unused tax losses and tax credits, which are immediately assumed by the parent entity. The current tax liability of each group entity is then subsequently assumed by the parent entity. The group notified the Australian Tax Office that it had formed an income tax consolidated group to apply from 1 July 2003. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

c. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

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

d. Plant and Equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including capitalised lease assets is depreciated on a straight-line or a diminishing value basis over their useful lives to the economic entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated 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 depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Leasehold improvements	12.5 – 22.5%
Plant and equipment	7.5 – 40%
Leased plant and equipment	5 – 25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

e. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the economic entity, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

f. Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

g. Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

h. Intangibles - Goodwill

Goodwill and goodwill on consolidation are initially recorded at the amount by which the purchase price for a business or for an ownership interest in a controlled entity exceeds the fair value attributed to its net assets at date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisition of associates is included in investments in associates. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

i. Foreign Currency Transactions and Balances

Foreign currency transactions are translated into Australian currency (the functional currency) using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

j. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

k. Provisions

Provisions are recognised when the group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of one month or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

m. Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

n. Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in income in the period in which they are incurred.

o. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

p. Government Grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

q. Comparative Figures

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key Estimates - Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates. No impairment has been recognised in respect of goodwill for the year ended 30 June 2007.

GARRATT'S LIMITED
AND CONTROLLED ENTITIES
CASH FLOW STATEMENT
For the year ended 30 June 2007

	Note	ECONOMIC ENTITY 2007 $	ECONOMIC ENTITY 2006 $	PARENT ENTITY 2007 $	PARENT ENTITY 2006 $
2. REVENUE					
Operating activities					
- Sale of goods		**6,862,281**	6,206,359	**-**	-
- Services revenue	2a	**4,739,998**	3,195,288	**1,470,386**	934,672
- Interest received	2b	**4,822**	2,640	**134,096**	178,968
- Other revenue		**642**	71,579	**-**	344
- Rental revenue		**14,557**	221,537	**-**	-
		11,622,300	9,697,403	**1,604,482**	1,113,984
Non-operating activities					
- Other		**12,507**	**-**	**-**	**-**
		12,507	**-**	**-**	**-**
Total Revenue		**11,634,807**	9,697,403	**1,604,482**	1,113,984
a. Services revenue from:					
- Wholly-owned controlled entities		**-**	-	**1,470,386**	934,672
- Other persons		**4,739,998**	3,195,288	**-**	-
		4,739,998	3,195,288	**1,470,386**	934,672
b. Interest revenue from:					
- Wholly-owned controlled entities		**-**	-	**131,744**	178,851
- Other persons		**4,822**	2,640	**2,352**	117
		4,822	2,640	**134,096**	178,968
3. PROFIT FOR THE YEAR					
Expenses					
Cost of sales		**3,780,220**	3,652,258	**-**	-
Finance costs					
- External		**338,574**	381,881	**296,757**	306,763
- Directors and Director related entities		**29,356**	60,103	**29,356**	60,103
		367,930	441,984	**326,113**	366,866
Bad and doubtful debts					
- Trade receivables		**74,250**	4,565	**-**	-
- Wholly-owned subsidiaries		**-**	-	**-**	-
		74,250	4,565	**-**	-
Rental expense on operating leases					
- Minimum lease payments		**672,313**	849,174	**-**	7,534
- Contingent rentals		**16,377**	21,625	**-**	-
- Rental expense for sublease		**55,597**	163,564	**-**	-
		744,287	1,034,363	**-**	7,534

GARRATT'S LIMITED
AND CONTROLLED ENTITIES
CASH FLOW STATEMENT
For the year ended 30 June 2007

	Note	ECONOMIC ENTITY 2007 $	ECONOMIC ENTITY 2006 $	PARENT ENTITY 2007 $	PARENT ENTITY 2006 $

4. INCOME TAX EXPENSE

	Economic 2007	Economic 2006	Parent 2007	Parent 2006
a. The components of tax expense comprise:				
Current tax	-	-	-	-
Deferred Tax	-	-	-	-
	-	-	-	-
b. 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%	**95,307**	(295,492)	**67,435**	(35,806)
Add:				
Tax effect of:				
Other items	**1,011**	1,609	**1,011**	1,400
Future income tax benefit written back due to tax losses	**(96,318)**	294,636	**(68,446)**	44,464
	-	753	-	10,058
Less:				
Tax effect of:				
Tax benefit of losses transferred from controlled entities	-	-	-	(10,058)
Other items	-	(753)	-	-
Income tax expense/(benefit) attributable to the entity	-	-	-	-

5. KEY MANAGEMENT PERSONNEL COMPENSATION

a. Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Key Management Person	**Position**
Christopher Elmore Campbell	Group Managing Director
Ian David Bloodworth (a)	Group Finance Manager and Group Company Secretary
Stephanie Ann Noble (b)	Group Finance Manager and Group Company Secretary
Ivan James Mikkelsen	General Manager – Fasteners

(a) Resigned – 13 June 2007
(b) Appointed – 3 October 2006

b. Compensation Practices

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.

5. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

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.

All executives receive a base salary which is based on factors such as length of service and experience) and superannuation (as required by law). Executives may sacrifice part of their salary to increase payments towards superannuation.

There are no bonus or performance-related components to remuneration, or options over unissued capital. The Company does not have an employee share option plan.

All remuneration paid to directors and executives is valued at the cost to the company and expensed.

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity.

c. Key Management Personnel Compensation

	ECONOMIC ENTITY		**PARENT ENTITY**	
	2007	2006	2007	2006
	$	$	$	$
Short-term employee benefits	**607,795**	544,983	**350,111**	347,384
Post-employment benefits	**98,552**	92,899	**75,362**	75,115
Other long-term benefits	**-**	-	**-**	-
Termination benefits	**-**	-	**-**	-
Share-based payment	**-**	-	**-**	-
	706,347	637,882	**425,473**	422,499

2007

Key Management Person	**Short-term Employee Benefits**			**Post-employment Benefits**
	Cash, salary and commis-sions	**Cash profit share**	**Non-cash benefit**	**Super-annuation**
	$	**$**	**$**	**$**
Christopher Elmore Campbell	235,000	-	-	65,000
Ian David Bloodworth	116,994	-	-	10,530
Stephanie Ann Noble	58,200	-	-	5,238
Ivan James Mikkelsen	197,601	-	-	17,784
	607,795	-	-	98,552

Key Management Person	**Other Long-term Benefits**	**Share-based Payment**		**Total**	**Performance Related**
		Equity	**Options**		
	$	**$**	**$**	**$**	**%**
Christopher Elmore Campbell	-	-	-	300,000	-
Ian David Bloodworth	-	-	-	127,524	-
Stephanie Ann Noble	-	-	-	63,438	-
Ivan James Mikkelsen	-	-	-	215,385	-
	-	-	-	706,347	-

5. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

2006

Key Management Person	Short-term Employee Benefits			Post-employment Benefits
	Cash, salary and commissions	Cash profit share	Non-cash benefit	Super-annuation
	$	$	$	$
Christopher Elmore Campbell	235,000	-	-	65,000
Ian David Bloodworth	112,384	-	-	10,115
Ivan James Mikkelsen	197,599	-	-	17,784
	544,983	-	-	92,899

Key Management Person	Other Long-term Benefits	Share-based Payment		Total	Performance Related
		Equity	Options		
	$	$	$	$	%
Christopher Elmore Campbell	-	-	-	300,000	-
Ian David Bloodworth	-	-	-	122,499	-
Ivan James Mikkelsen	-	-	-	215,383	-
	-	-	-	637,882	-

d. **Compensation Options**

No options were granted as compensation during the year. No employment contracts include provision for the issue of compensation options in the future.

e. **Shares Issued on Exercise of Compensation Options**

No shares were issued on the exercise of compensation options during the year.

f. **Options and Rights Holdings**

No options were held by key management personnel during the year.

g. **Convertible Note Holdings**

Number of convertible notes held by key management personnel and parties related to them.

5. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

Key Management Person	Balance 1.7.2006	Granted as Compen-sation	Net Change Other (i)	Balance 30.6.2007
Christopher Elmore Campbell	2,800,000	-	-	2,800,000

(i) Refer to note 21b.

h. **Shareholdings**

Number of shares held by key management personnel and parties related to them

Key Management Person	Balance 1.7.2006	Received as Compen-sation	Options Exercised	Net Change Other (i)	Balance 30.6.2007
Christopher Elmore Campbell	3,324,135	-	-	515,470	3,839,605

(i) Shares purchased via the Australian Stock Exchange.

	ECONOMIC ENTITY		PARENT ENTITY	
	2007	2006	2007	2006
	$	$	$	$
6. AUDITOR'S REMUNERATION				
Remuneration of the auditor of the parent entity for:				
- Auditing and reviewing the financial report	**73,500**	50,781	**24,500**	25,781
- Taxation services	**12,000**	11,700	**3,000**	3,600
- Other services	**7,985**	68,256	**7,985**	48,256
- Auditing services prior year	**63,614**	-	**18,214**	-
	157,099	130,737	**53,699**	77,637

7. EARNINGS PER SHARE

Weighted average number of ordinary shares used in calculation of basic earnings per share	**23,790,562**	23,790,562
Weighted average number of convertible notes on issue	**16,800,000**	12,289,315
Weighted average number of ordinary shares used in calculation of diluted earnings per share	**40,590,562**	36,079,877

8. DIVIDENDS

Dividends provided for	**118,953**	-	**118,953**	-
Franking credits available at year end	**173,473**	173,473	**10,662**	10,662

	Note	ECONOMIC ENTITY 2007 $	ECONOMIC ENTITY 2006 $	PARENT ENTITY 2007 $	PARENT ENTITY 2006 $
9. CASH AND CASH EQUIVALENTS					
Cash at bank and in hand		**803,799**	298,462	**597,949**	146,713
10. TRADE AND OTHER RECEIVABLES					
CURRENT					
Trade receivables		**1,901,232**	1,527,572	**-**	**-**
Provision for impairments of receivables		**-**	(25,000)	**-**	**-**
		1,901,232	1,502,572	**-**	**-**
Other receivables		**-**	1,183	**-**	**-**
Government grants receivable		**-**	13,575	**-**	**-**
		1,901,232	1,517,330	**-**	**-**
11. INVENTORIES					
CURRENT					
At cost					
Raw materials and stores		**372,093**	293,630	**-**	-
Work in progress		**-**	5,870	**-**	-
Finished goods		**2,388,189**	2,034,206	**-**	-
		2,760,282	2,333,706	**-**	-
12. OTHER ASSETS					
CURRENT					
Prepayments		**882,268**	494,050	**32,415**	49,225
Security Deposits		**780**	780	**-**	-
		883,048	494,830	**32,415**	49,225
13. FINANCIAL ASSETS					
NON-CURRENT					
Shares in controlled entities					
Unlisted					
Academies Australasia Pty Limited (at cost) Principal activity is training and education services		**-**	-	**1,000,000**	1,000,000
Premier Fasteners Pty Limited (at cost) Principal activity is manufacture, import and sale of fasteners		**-**	-	**3,000,002**	3,000,002
Skilled Placements Pty Limited (at cost) (formerly Multimedia Investments Pty Limited)		**-**	-	**2**	2
Investment at cost		**-**	-	**4,000,004**	4,000,004

14. CONTROLLED ENTITIES

	Country of Incorporation	Percentage Owned (%) 2007	2006
Parent Entity - Garratt's Limited			
Ultimate Parent Entity - Garratt's Limited			
Academies Australasia Pty Limited	Australia	100	100
Premier Fasteners Pty Limited	Australia	100	100
Skilled Placements Pty Limited (formerly Multimedia Investments Pty Limited)	Australia	100	100
Parent Entity - Academies Australasia Pty Limited			
Ultimate Parent Entity - Garratt's Limited			
Academies Australasia (Management) Pty Limited	Australia	100	100
Academy of English Pty Limited	Australia	100	100
Academy of Social Sciences Pty Limited	Australia	100	100
Australian Institute of Professional Studies Pty Limited	Australia	100	100
Australian International High School Pty Limited	Australia	100	100
Australian College of Technology Pty Limited	Australia	100	100
Clarendon Business College Pty Limited	Australia	100	100
Supreme Business College Pty Limited	Australia	100	100

Percentage of voting power is in proportion to ownership
No controlled entities were acquired or disposed of during the year.

15. PLANT AND EQUIPMENT

	ECONOMIC ENTITY 2007 $	2006 $	PARENT ENTITY 2007 $	2006 $
Plant and equipment				
At cost	**2,626,750**	2,442,091	**65,348**	65,348
Accumulated depreciation	**(2,038,623)**	(1,799,668)	**(28,857)**	(16,310)
	588,127	642,423	**36,491**	49,038
Leasehold improvements				
At cost	**1,180,625**	66,006	**1,166,198**	8,465
Accumulated amortisation	**(77,278)**	(57,964)	**(66,924)**	(7,714)
	1,103,347	8,042	**1,099,274**	751
Leased plant and equipment				
Capitalised leased assets	**325,506**	288,418	**-**	-
Accumulated depreciation	**(86,743)**	(55,541)	**-**	-
	238,763	232,877	**-**	-
Total plant & equipment	**1,930,237**	883,342	**1,135,765**	49,789

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

15. PLANT AND EQUIPMENT (continued)

2007	Plant and equipment $	Leasehold improve-ments $	Leased plant and equipment $	Total $
Economic entity:				
Balance at the beginning of the year	**642,423**	**8,042**	**232,877**	**883,242**
Additions	**184,658**	**1,157,732**	**37,088**	**1,379,478**
Disposals	**-**	**-**	**-**	**-**
Depreciation expense	**(238,954)**	**(62,427)**	**(31,202)**	**(332,583)**
Carrying amount at the end of the year	**588,127**	**1,103,347**	**238,763**	**1,930,237**
Parent entity:				
Balance at the beginning of the year	49,038	751	-	49,789
Additions	-	1,157,732	-	1,157,732
Disposals	-	-	-	-
Depreciation expense	(12,547)	(59,209)	-	(71,756)
Carrying amount at the end of the year	36,491	1,099,274	-	1,135,765

2006	Plant and equipment $	Leasehold improve-ments $	Leased plant and equipment $	Total $
Economic entity:				
Balance at the beginning of the year	806,940	13,461	247,353	1,067,754
Additions	63,910	-	29,400	93,310
Previously leased	18,097	-	(18,097)	-
Disposals	(2,848)	-	-	(2,848)
Depreciation expense	(243,676)	(5,419)	(25,779)	(274,874)
Carrying amount at the end of the year	642,423	8,042	232,877	883,342
Parent entity:				
Balance at the beginning of the year	1,659	1,127	-	2,786
Additions	48,256	-	-	48,256
Disposals	-	-	-	-
Depreciation expense	(877)	(376)	-	(1,253)
Carrying amount at the end of the year	49,038	751	-	49,789

	Note	**ECONOMIC ENTITY** 2007 $	2006 $	**PARENT ENTITY** 2007 $	2006 $
16. TAX					
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 1b occur					
- temporary differences:					
Deferred tax assets		**1,164,479**	702,955	**125,587**	127,331
Deferred tax liabilities		**(34,250)**	(78,995)	**-**	-
- tax losses:					
Operating losses		**1,475,057**	2,077,648	**-**	-
Capital losses		**4,991**	4,991	**-**	-
	23	**2,610,277**	2,706,599	**125,587**	127,331

17. INTANGIBLE ASSETS

	Note	ECONOMIC ENTITY 2007 $	ECONOMIC ENTITY 2006 $	PARENT ENTITY 2007 $	PARENT ENTITY 2006 $
Goodwill at cost		**3,287,102**	3,287,102	**-**	-
Accumulated impairment losses		**(381,913)**	(381,913)	**-**	-
Net carrying value		**2,905,189**	2,905,189	**-**	-
Other at cost		**670**	670	**-**	-
		2,905,859	2,905,859	**-**	-

	Goodwill $	Other $	Total $
Economic entity:			
Year ended 30 June 2007			
Balance at the beginning and end of the year	**2,905,189**	**670**	**2,905,859**
Economic entity:			
Year ended 30 June 2006			
Balance at the beginning of the year	2,860,189	670	2,860,859
Additions	45,000	-	45,000
Carrying amount at the end of the year	2,905,189	670	2,905,859

Impairment Disclosures
Goodwill is allocated to cash-generating units, based on the group's reporting segments.

	2007 $	2006 $
Fasteners segment	**1,375,382**	1,375,382
Education segment	**1,529,807**	1,529,807
Total	**2,905,189**	2,905,189

The recoverable amount of each cash-generating unit is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5-year period. The cash flows are discounted using a rate adjusted for the risk inherent in the business of the segment.

The following assumptions were used in the value-in-use calculations:

	Growth Rate	Discount Rate
Fasteners segment	16.5%	12%
Education segment	13.5%	12%

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets use management estimates based on historical growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated inflation rates. Discount rates are pre-tax.

	Note	ECONOMIC ENTITY 2007 $	ECONOMIC ENTITY 2006 $	PARENT ENTITY 2007 $	PARENT ENTITY 2006 $
18. TRADE AND OTHER PAYABLES					
CURRENT					
Unsecured Liabilities					
Trade payables	18a	**3,841,572**	1,908,718	**-**	-
Sundry payables and accrued expenses		**1,366,181**	949,319	**308,287**	444,740
Amounts payable to wholly-owned subsidiaries		**-**	-	**746,120**	87,457
		5,207,753	2,858,037	**1,054,407**	532,197

a. Includes $3,189,384 (2006: $1,312,580) tuition fees paid in advance by college students.

	Note	ECONOMIC ENTITY 2007 $	ECONOMIC ENTITY 2006 $	PARENT ENTITY 2007 $	PARENT ENTITY 2006 $
19. BORROWINGS					
CURRENT					
Unsecured Liabilities					
Loans - Directors and Director related entities	27	**146,850**	427,028	**146,850**	427,028
Secured Liabilities					
Bank bills	19a	**1,300,000**	1,300,000	**1,300,000**	1,300,000
Bank loans	19a	**1,227,736**	1,913,570	**-**	-
Lease purchase agreements	19a	**37,892**	64,196	**-**	-
Loans – other	19a	**-**	140,000	**-**	140,000
		2,565,628	3,417,766	**1,300,000**	1,440,000
		2,712,478	3,844,794	**1,446,850**	1,867,028
NON-CURRENT					
Unsecured Liabilities					
Convertible notes	28	**47,211**	47,211	**47,211**	47,211
Secured Liabilities					
Lease purchase agreements	19a	**52,506**	54,573	**-**	-
Loans - Directors and Director related entities	19a, 27	**-**	-	**-**	-
		52,506	54,573	**-**	-
		99,717	101,784	**47,211**	47,211
a. Total current and non-current secured liabilities:					
Bank bills	28	**1,300,000**	1,300,000	**1,300,000**	1,300,000
Bank loans	28	**1,227,736**	1,913,570	**-**	-
Lease purchase agreements	22, 28	**90,398**	118,769	**-**	-
Loans - other	28	**-**	140,000	**-**	140,000
		2,618,134	3,472,339	**1,300,000**	1,440,000
b. The carrying amounts of non-current assets pledged as security are:					
Floating charge over assets		**4,597,333**	3,556,324	**5,135,769**	4,049,793
Plant and equipment		**238,763**	232,877	**-**	-
		4,836,096	3,789,201	**5,135,769**	4,049,793

19. BORROWINGS (continued)

c. The bank facilities of the parent entity and subsidiaries are secured by a floating charge over the assets of the economic entity.

d. The debtors finance facility of Premier Fasteners Pty Limited is additionally secured by the trade debts owed to that company.

e. Bills payable have been drawn as a source of finance. At 30 June 2007, the bill payable had a term of 31 days with interest of 6.64% payable in arrears (2006: 6.18%)

f. Lease purchase borrowings are additionally secured by the leased asset.

20. PROVISIONS

	Employee entitlements	Lease Incentive	Proposed Dividend	Total
	$	$	$	$
Economic entity:				
Balance at the beginning of the year	**287,605**	**-**	**-**	**287,605**
Additional provisions	**203,377**	**1,450,000**	**118,953**	**1,772,330**
Amounts used	**(169,640)**	**(265,833)**	**-**	**(435,473)**
Carrying amount at the end of the year	**321,342**	**1,184,167**	**118,953**	**1,624,462**
Parent entity:				
Balance at the beginning of the year	195,266	-	-	195,266
Additional provisions	45,945	1,450,000	118,953	1,614,898
Amounts used	(36,522)	(265,833)	-	(302,355)
Carrying amount at the end of the year	204,689	1,184,167	118,953	1,507,809

	ECONOMIC ENTITY		PARENT ENTITY	
	2007	2006	2007	2006
Total Provisions	$	$	$	$
Current	**649,949**	239,605	**567,936**	159,266
Non-current	**974,513**	48,000	**939,873**	36,000
	1,624,462	287,605	**1,507,809**	195,266

a. Provision for Long-term Employee Benefits
A provision has been recognised for employee entitlements relating to long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

	Note	ECONOMIC ENTITY 2007 $	ECONOMIC ENTITY 2006 $	PARENT ENTITY 2007 $	PARENT ENTITY 2006 $

21. ISSUED CAPITAL

	Note	2007	2006	2007	2006
23,790,562 ordinary shares fully paid (2006: 23,790,562)		**12,539,836**	12,539,836	**12,539,836**	12,539,836
Equity component of convertible notes		**1,632,789**	1,632,789	**1,632,789**	1,632,789
		14,172,625	14,172,625	**14,172,625**	14,172,625

Ordinary share capital

	Note	2007	2006	2007	2006
Balance at the beginning of the financial year		**12,539,836**	12,539,836	**12,539,836**	12,539,836
		12,539,836	12,539,836	**12,539,836**	12,539,836

a. Shares disclosure
   Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.
   At a shareholders meeting each ordinary share is entitled to one vote when a poll is called. Otherwise, each shareholder has one vote on a show of hands.

Equity component of convertible notes

	Note	2007	2006	2007	2006
Balance at the beginning of the financial year		**-**	-	**12,539,836**	12,539,836
16,800,000 convertible notes issued at 10 cents each with effect from 7 October 2005	21b	**1,632,789**	1,632,789	**1,632,789**	1,632,789
		1,632,789	1,632,789	**1,632,789**	1,632,789

b. Convertible notes.
   At the Annual General Meeting on 28 November 2005, shareholders approved the rollover of loans to the Company from parties related to Chiang Meng Heng and Christopher Elmore Campbell of $1,400,000 and $280,000 (respectively) into convertible notes. In accordance with AASB 132 the fair value of the liability component was calculated as $47,211 and the remaining $1,632,789 of the proceeds has been included in issued capital.
   The terms of the convertible notes are:
   Maturity: 31 October 2010. Interest Rate: 1% per annum. Conversion Price: 10 cents per ordinary share.

22. LEASING COMMITMENTS

Lease purchase commitments
Payable – minimum lease payments

	Note	2007	2006	2007	2006
Not later than one year		**44,950**	71,700	**-**	-
Later than one year but not later than five years		**57,268**	61,273	**-**	-
Minimum lease payments		**102,218**	132,973	**-**	-
Less future finance charges		**11,820**	14,204	**-**	-
Present value of minimum lease payments	19a	**90,398**	118,769	**-**	-

	Note	ECONOMIC ENTITY 2007 $	ECONOMIC ENTITY 2006 $	PARENT ENTITY 2007 $	PARENT ENTITY 2006 $

22. LEASING COMMITMENTS (continued)

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.

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

Not later than one year	**1,150,573**	978,201	**-**	-
Later than one year but not later than five years	**3,614,479**	3,736,541	**-**	-
Later than five years	**4,208,014**	4,018,559	**-**	-
	8,973,066	8,773,301	**-**	-

The economic entity leases property under operating leases expiring from 1 year to 9 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. On 28 August 2006 the Company signed a 10-year lease for premises at 505 George Street.

23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

Contingent Liabilities

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
Skilled Placements Pty Limited (formerly 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
Skilled Placements Pty Limited (formerly Multimedia Investments Pty Limited)
Supreme Business College Pty Limited

23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS (continued)

Future Income Tax Benefit

The economic entity has a future income tax benefit of $2,610,277 (see note 16) in respect of operating losses, capital losses and temporary differences that have not been recognised in these financial statements, as the recovery of the benefit is not considered probable. The benefit of this asset will only be realised if the conditions for deductibility set out in Note 1b occur.

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.

24. SEGMENT REPORTING

	FASTENERS		EDUCATION		CONSOLIDATED	
	2007	2006	2007	2006	2007	2006
	$	$	$	$	$	$
Primary reporting – Business segments						
Revenue						
External sales	**6,862,281**	6,206,359	**4,739,998**	3,195,287	**11,602,279**	9,401,646
Other revenue	**2,709**	4,052	**27,467**	291,244	**30,176**	295,296
	6,864,990	6,210,411	**4,767,465**	3,486,531	**11,632,455**	9,696,942
Unallocated revenue					**2,352**	461
Total revenue					**11,634,807**	9,697,403
Segment result	**576,680**	194,590	**1,118,361**	53,313	**1,695,041**	247,903
Unallocated expenses net of unallocated revenue					**(1,377,350)**	(1,232,875)
Profit (loss) before and after income tax					**317,691**	(984,972)
Segment assets	**6,296,760**	5,916,339	**3,121,568**	2,271,463	**9418,328**	8,187,802
Unallocated					**1,766,129**	245,727
Total assets					**11,184,457**	8,433,529
Segment liabilities	**1,133,325**	1,392,149	**4,293,379**	1,476,377	**5,426,704**	2,868,526
Unallocated					**4,217,706**	4,223,694
Total liabilities					**9,644,410**	7,092,220
Acquisition of non-current segment assets	**29,600**	-	**192,150**	45,054	**221,750**	45,054
Depreciation and amortisation of segment assets	**189,658**	195,657	**71,169**	77,964	**260,827**	273,621

24. SEGMENT REPORTING

Primary reporting – Business segments

Major products/services of business segments:

Fasteners	Manufacture, import and sale 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.

25. CASH FLOW INFORMATION

a. Reconciliation of cash flow from operations with profit (loss) after income tax

	ECONOMIC ENTITY		PARENT ENTITY	
	2007	2006	2007	2006
	$	$	$	$
Profit (loss) after income tax	**317,691**	(984,972)	**224,780**	(119,354)
Non-cash flows in profit (loss)				
Amortisation	**62,427**	5,419	**59,209**	376
Depreciation	**270,156**	269,455	**12,547**	877
Other	**24,915**	-	**24,915**	-
Net loss on disposal of plant and equipment	**-**	49	**-**	-
Write-downs to recoverable amounts	**74,250**	4,565	**-**	-
Changes in assets and liabilities				
(Increase)/decrease in trade and other receivables	**(458,152)**	(187,847)	**(131,744)**	(171,359)
(Increase)/decrease in inventories	**(426,576)**	850,883	**-**	-
(Increase)/decrease in other current assets	**(386,699)**	(303,663)	**18,329**	(3,409)
Increase/(decrease) in Trade and other payables	**2,349,721**	497,501	**(136,452)**	117,415
Increase/(decrease) in provisions	**33,737**	112,743	**9,423**	75,021
Cash flow from operations	**1,861,470**	264,133	**81,007**	(100,433)

25. CASH FLOW INFORMATION (continued)

During the financial year the economic entity acquired plant and equipment with an aggregate value of $37,088 (2006: $29,400) by means of lease purchase agreements. These acquisitions are not reflected in the cash flow statement.

26. EVENTS AFTER THE BALANCE SHEET DATE

There are no 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.

The financial report was authorised for issue on 3 September 2007 by the board of directors.

27. RELATED PARTY TRANSACTIONS

Directors' transactions with the Company and the economic entity

The Company has convertible notes from parties related to Chiang Meng Heng and Christopher Elmore Campbell of $1,400,000 and $280,000 (respectively).

The terms of the convertible notes are:
Maturity: 31 October 2010. Interest Rate: 1% per annum. Conversion Price: 10 cents per ordinary share.

In May 2007 the Company repaid $111,494 of the $257,028 interest-free borrowings from Mr Campbell and parties related to him. The balance was repaid after 30 June 2007.

During the year the Company also repaid Mr Campbell the $170,000 loan that was extended on arm's length terms in October 2005.

	2007	2006
	$	$
Interest paid to Directors and Director related entities		
Convertible notes	**16,800**	12,242
Other	**12,556**	47,861
	29,356	60,103

Details of directors' remuneration are set out in the Directors' Report. Directors are reimbursed for expenses incurred by them on behalf of the economic entity.

Directors' and specified executives' relevant interests in shares

Details of Directors' relevant interests in shares are set out in the Directors' Report.

Other related party transactions

Transactions between the Company and controlled entities include loans, management fees and interest. Details of these transactions and the amounts owing at balance date are included in Notes 2, 3, 5 and 19.

28. FINANCIAL INSTRUMENTS

a. **Financial Risk Management**

The group's financial instruments consist mainly of deposits with banks, accounts receivable and payable, loans to and from subsidiaries, bills, leases and convertible notes.

The main purpose of non-derivative financial instruments is to raise finance for group operations.

i. Treasury Risk Management

Senior management meet on a regular basis to review currency and interest rate exposure and to evaluate treasury management strategies where relevant, in the context of the most recent economic conditions and forecasts.

ii. Financial Risks

The main risks the group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk, credit risk and price risk.

Interest rate risk

Interest rate risk is managed with a mixture of fixed (short-term bills) and floating rate debt. At 30 June 2007 approximately 18% (2006 19%)of group debt was fixed. There is no set policy as to the mix between fixed and floating rate debt.

Foreign currency risk

The economic entity is exposed to foreign currency risk on its purchase of products and the sale of training and education courses to international students. The economic entity had not hedged foreign currency transactions as at 30 June 2007. Senior management continue to evaluate this risk on an ongoing basis.

Liquidity risk

Liquidity risk is managed by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained, where possible.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. In the education business, credit risk is minimised by, generally, collecting tuition fees in advance. In the fastening business credit risk is minimised by, whereever possible, only granting credit to customers with a good payment record.

Price risk

In respect of the fastening business, the price of wire is constantly monitored. The company does not currently hedge the prices at which it purchases wire.

b. **Financial Instruments**

i. **Interest Rate Risk**

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

28. FINANCIAL INSTRUMENTS (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
			$	$	$	$	$	$
2007								
Financial assets								
Cash and cash equivalents	9	3.3%	803,799	-	-	-	-	803,799
Trade and other receivables	10	-	-	-	-	-	1,901,232	1,901,232
			803,799	-	-	-	1,901,232	2,705,031
Financial liabilities								
Trade and other payables	18	-	-	-	-	-	5,207,753	5,207,753
Bank bills	19	6.54%	-	1,300,000	-	-	-	1,300,000
Bank loans	19	10.42%	1,227,736	-	-	-	-	1,227,736
Loans - Directors and Director related entities	19	-	-	-	-	-	146,850	146,850
Convertible notes	19	1.00%	-	-	47,211	-	-	47,211
Lease purchase agreements	22	9.95%	-	37,892	52,506	-	-	90,398
			1,227,736	1,337,892	99,717	-	5,354,603	8,019,948

	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
			$	$	$	$	$	$
2006								
Financial assets								
Cash and cash equivalents	9	3.15%	298,462	-	-	-	-	298,462
Trade and other receivables	10	-	-	-	-	-	1,517,330	1,517,330
			298,462	-	-	-	1,517,330	1,815,792
Financial liabilities								
Trade and other payables	18	-	-	-	-	-	2,858,037	2,858,037
Bank bills	19	5.94%	-	1,300,000	-	-	-	1,300,000
Bank loans	19	9.96%	1,913,570	-	-	-	-	1,913,570
Loans - Directors and Director related entities	19	8.40%	170,000	-	-	-	257,028	427,028
Loans - other	19	8.40%	140,000	-	-	-	-	140,000
		1.00%	-	-	47,211	-	-	47,211
Lease purchase agreements	22	8.40%	-	64,196	54,573	-	-	118,769
			2,223,570	1,364,196	101,784	-	3,115,065	6,804,615

28. FINANCIAL INSTRUMENTS (continued)

ii. Net fair values of financial assets and liabilities

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

iii. Amounts payable 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:

	Note	ECONOMIC ENTITY 2007 $	ECONOMIC ENTITY 2006 $	PARENT ENTITY 2007 $	PARENT ENTITY 2006 $
United States Dollars					
Amounts payable		**20,745**	95,119	**-**	95,119
Singapore Dollars					
Amounts payable		**-**	6,242	**-**	6,242
		20,745	101,361	**-**	101,361

29. EFFECTS OF ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

The following Australian Accounting Standards and Interpretations issued at the date of this report are applicable to the entity but are not yet effective and have not been adopted in preparation of the financial statements at reporting date:

AASB Standard	Nature of Change in Accounting Policy and Impact	Application Date of the Standard	Application Date for the Entity
AASB 101: *Presentation of Financial Statements* (revised standard)	No change, no impact	1 January 2007	1 July 2007

All other pending Standards issued have no application to the entity:

AASB Standard

AASB 4: *Insurance Contracts* (revised standard)

AASB 7: *Financial Instruments: Disclosure*

AASB 8: *Operating Segments*

AASB 123 *Borrowing Costs* (revised standard)

AASB 1049: *Financial Reporting of General Government Sectors by Governments*

AASB 2005-10: *Amendments to Australian Accounting Standards* (due to AASB 7)

AASB 2007-1: *Amendments to Australian Accounting Standards* (due to Interpretation 11)

AASB 2007-2: *Amendments to Australian Accounting Standards* (due to Interpretation 12)

AASB 2007-3: *Amendments to Australian Accounting Standards* (due to AASB 8)

AASB 2007-4: *Amendments to Australian Accounting Standards* (to reinstate IASB options and to delete Australian only disclosures in 35 standards)

AASB 2007-5: *Amendments to Australian Accounting Standards* (adjustments in inventory of not for profit entities)

AASB 2007-6: *Amendments to Australian Accounting Standards* (due to revised AASB 123)

AASB 2007-7: *Amendments to Australian Accounting Standards* (removal of Australian options and guidance)

Interpretation 4: *Determining whether an Arrangement contains a Lease*

Interpretation 10: *Interim Financial Reporting and Impairment*

Interpretation 11: *AASB 2 – Group and Treasury Share Transaction*

Interpretation 12: *Service Concession Arrangements*

Interpretation 129: *Service Concession Arrangements: Disclosures* (revised interpretation)

Interpretation 13: *Customer Loyalty Programmes*

Interpretation 14: *Defined Benefit Assets*

30. COMPANY DETAILS

The registered office of all companies in the economic entity is:

Level 6
505 George Street
Sydney NSW 2000

The principal places of business are:

Garratt's Limited
Level 6
505 George Street
Sydney NSW 2000

Academies Australasia Group of Colleges

Level 6
505 George Street
Sydney NSW 2000

Premier Fasteners Pty Limited
1 & 3 Ladbroke Street
Milperra
NSW 2214

* * *

DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, set out on pages 12 to 41, are in accordance with the Corporations Act 2001 and:

   (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 2007 and of the performance for the year ended on that date of the Company and economic entity.

2. the Chief Executive Officer 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.

The company and the following wholly owned subsidiaries have entered into a deed of cross guarantee under which the company and its subsidiaries guarantee the debts of each other.

Academies Australasia Pty Limited
Academies Australasia Management Pty Limited
Clarendon Business College Pty Limited
Premier Fasteners Pty Limited
Skilled Placements Pty Limited (formerly Multimedia Investments Pty Limited)
Supreme Business College Pty Limited

At the date of this declaration, there are reasonable grounds to believe that the companies which are party to this deed of cross guarantee will be able to meet any obligations or liabilities to which they are, or may become subject to, by virtue of the deed.

This declaration is made in accordance with a resolution of the Board of Directors.

Neville Cleary	Christopher Campbell
Director	Director

3 September 2007

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF GARRATT'S LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Garratt's Limited (the company) and Garratt's Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' in pages 7 to 9 of the directors' report and not in the financial report.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.12

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration disclosures in the directors' report comply with Accounting Standard AASB 124.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

NEXIA INTERNATIONAL
Member of Nexia International
A Worldwide Network of Independent
Accounting and Consulting Firms

CP NEXIA PTY LTD ABN 58 144 064 946
Level 5, 175 Eagle Street Brisbane 4000 (PO Box 7095 Riverside Centre Brisbane 4001) Qld Australia
T +61 7 3023 1300 F +61 7 3229 1227 www.calabro.com.au Email calabropartners@calabro.com.au

Expertise + People + Vision

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures in the directors' report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Garratt's Limited set out on page 11 has not changed as at the date of providing our audit opinion.

Auditor's Opinion

In our opinion:

a. the financial report of Garratt's Limited and Garratt's Limited and Controlled Entities is in accordance with 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 2007 and of their performance for the year ended on that date; and

   ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

b. the financial report also complies with International financial Reporting Standards as disclosed in Note 1:and

c. the remuneration disclosures that are contained in pages 7 to 9 of the directors' report comply with Accounting Standard AASB 124.

CALABRO PARTNERS

MICHAEL TRAYNOR

3 SEPTEMBER 2007

Level 5,
175 Eagle Street
Brisbane, Queensland 4000

GARRATT'S LIMITED
AND CONTROLLED ENTITIES
ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

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 2007 were:

Shareholder	No. of Shares Held	%
Mr Chiang Meng Heng[a]	10,941,886	45.99
Mr Christopher Elmore Campbell[b]	3,851,249	16.19
Jilcy Pty Ltd Jilcy Super Fund A/C	3,847,249	16.17
Eng Kim Low	3,779,126	15.88
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 3,847,249 shares held by Jilcy Pty Ltd Jilcy Super Fund A/C

VOTING RIGHTS

Ordinary Shares

At 31 August 2007 there were 283 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:

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 CONTROLLED ENTITIES
ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

20 LARGEST SHAREHOLDERS AS AT 31 AUGUST 2007

	Registered Name	No. Shares	%
1	Mr Chiang Meng Heng	7,162,760	30.11
2	Jilcy Pty Ltd Jilcy Super Fund A/C	3,847,249	16.17
3	Eng Kim Low	3,779,126	15.88
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	Schlederer Nominees Pty Limited	472,360	1.99
9	Frank Kwong-Shing Wong	380,000	1.60
10	Bowes & Brown Pty Ltd	300,000	1.26
11	Coolangatta Holdings Pty Limited Coolangatta Hlds S/Fund A/C	265,000	1.11
12	Reach Out Pty Ltd	233,000	0.98
13	Mrs Gail Leslie Storey	207,200	0.87
14	Mr James Crosthwaite	178,800	0.75
15	Mr Lim Sen Yap	166,362	0.70
16	Mrs Anthea Judith Drescher	153,515	0.65
17	Mr Bastine Augustine D'Cruz	150,000	0.63
18	Mr Robert Darius Fraser	147,435	0.62
19	Mr John Geoffrey Adnams and Mrs Elizabeth Ann Adnams	100,000	0.42
20	Mr Neville Thomas Cleary Cleary Super Fund	100,000	0.42
		21,185,287	89.05

HOLDING RANGE (SHAREHOLDERS) AS AT 31 AUGUST 2007

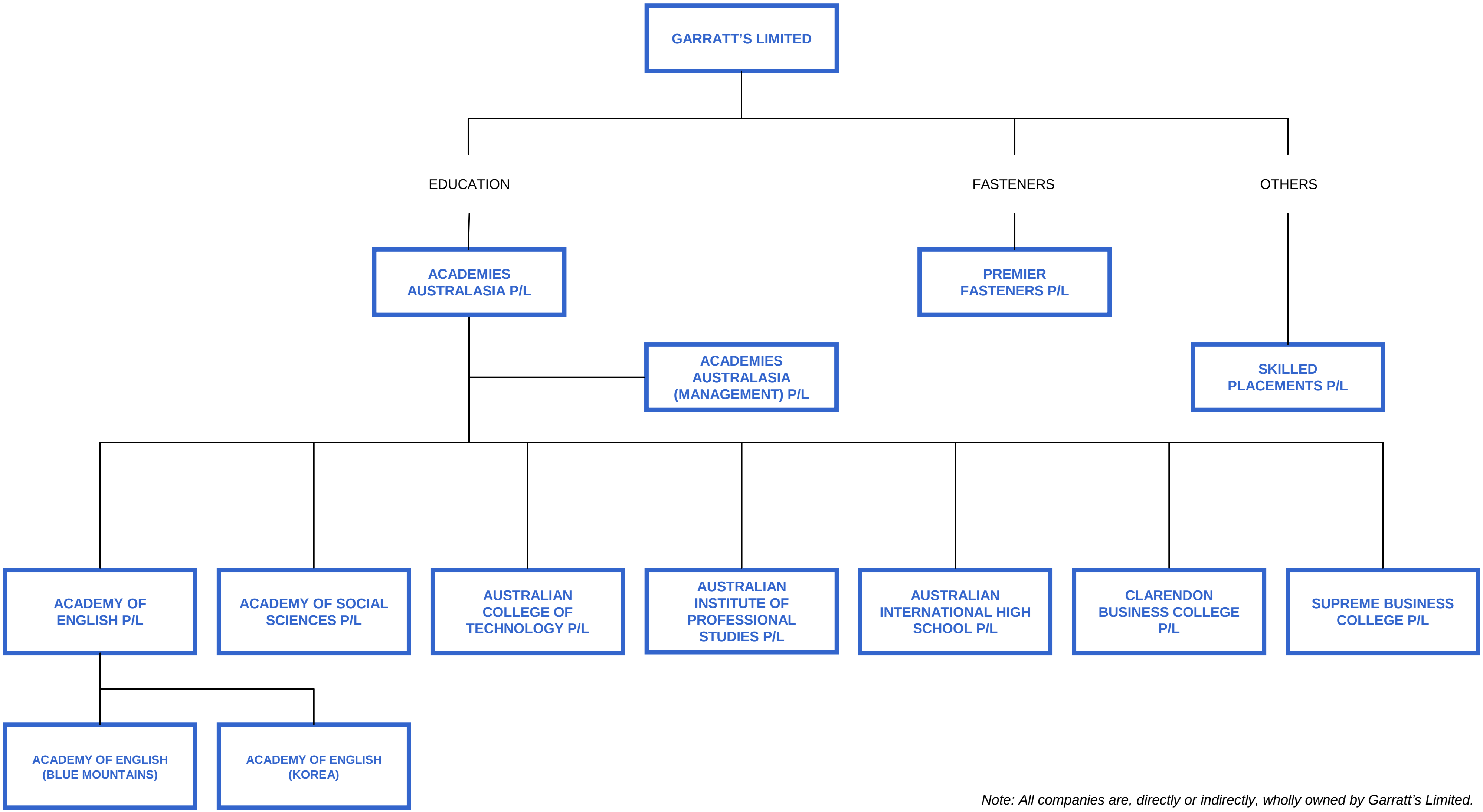
Range	No. Holders	Total No. Shares	%
1 - 1,000	70	54,104	0.23
1,001 - 5,000	109	306,986	1.29
5,001 - 10,000	32	240,397	1.01
10,001 - 100,000	54	2,203,788	9.26
100,001 +	18	20,985,287	88.21
	283	23,790,562	100.00

* * *

OFFICES AND OFFICERS

DIRECTORS	Neville Thomas Cleary	Chairman (Independent & Non-Executive)
	Christopher Elmore Campbell	Group Managing Director
	Chiang Meng Heng	Director (Non-Executive)
COMPANY SECRETARY	Stephanie Ann Noble	
REGISTERED OFFICE	Garratt's Limited Level 6 505 George 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 850 505 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



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

9/07