

# **GARRATT'S LIMITED**

ABN 93 000 003 725

**ANNUAL REPORT  
2010**

## CHAIRMAN'S REPORT

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Dear Shareholder

The year under review was certainly not an easy one. The global financial crisis of a couple of years ago continues to have an impact on business. Our flagship education business also had to contend with the challenges in the international education market in Australia, as well as an inordinately slow response to our request for approval for additional premises to accommodate our expanding operations in Sydney.

Notwithstanding these points, your Board is again pleased to report a good set of results. Your Company continues to be debt-free, have cash in the bank and bank lines in place, and the strategy to grow its international education business.

Revenue increased by 6% from \$17.1 million to \$18.2 million. Consolidated profit before tax from operations was \$2,374,000, slightly down from the previous year's \$2,436,000.

Earnings before interest, tax, depreciation and amortisation (EBITDA) were \$2,740,000 compared to \$2,814,000 for the year ended 30 June 2009.

We have announced an unfranked dividend of two cents per share to be paid in October 2010. Together with the one cent dividend paid earlier in the year, the total dividend paid out of the profits of the year ended 30 June 2010 will be three cents per share – reflecting a payout of 52% on the (pre-tax) earning of 5.8 cents per share. (2009: Three cents per share)

Compared to the previous year, education turnover increased by 12% to \$10.8 million while contribution, largely as a consequence of the factors mentioned earlier, decreased by 20% to \$2.3 million. Following our acquisition of a controlling interest in an education institution in Singapore, we now have an Academies Australasia flag in Singapore. We are continuing our efforts to expand our education operations, in Australia and overseas.

While Premier Fasteners' sales remained at about the same level as in the previous year, it contributed \$1.2 million (2009: \$598,000), an impressive performance in the year's difficult market.

Net tangible asset backing per share at 30 June 2010 was 14.9 cents per share – 16% more than the 12.9 cents per share at 30 June 2009.

I would like to thank the Group Managing Director, the directors of the group companies, management and all staff for their contribution during the year. It also gives me pleasure to welcome to the team our new colleagues in Singapore – all the directors, management and staff of Academies Australasia College.

May I also thank all shareholders for their support.

At the coming Annual General Meeting all shareholders will be asked to vote on a resolution to change the name of the Company from 'Garratt's Limited' to 'Academies Australasia Group Limited'. It is your Board's view that the proposed name will better reflect your Company's main business.



Neville Thomas Cleary  
Chairman  
31 August 2010

## GROUP MANAGING DIRECTOR'S REVIEW

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Dear Shareholder

The results from our education business do not reflect a sterling performance from a small team that covered a lot of ground in a market that became upset and confused by events in the international education sector in Australia during the year under review. Performance was also hampered by the long time (six months) it took to get approval to operate classes at 302 Pitt Street.

We are confident that international education, which in 2009 earned \$18.6 billion for Australia, will remain an important sector. It is reported to generate 122,000 full-time jobs, including 33,000 directly employed in teaching institutions. Unlike the larger Australian exports (coal, iron ore and gold), education services are truly sustainable.


In the Sydney CBD, apart from Level 6 at 505 George Street, we now have four floors at 302 Pitt Street.

I am pleased to report that our student numbers are at record levels. We expect to be leasing more space.

Our objective of offering our courses in Singapore was delayed by the re-registration exercise that all private education providers in Singapore had to go through. We were pleased that Academies Australasia College was amongst the first to be re-registered.

Ivan Mikkelsen's team at Premier Fasteners again performed commendably. While the future is difficult to forecast, I am confident that their commitment, experience and market knowledge will continue to put them in a good position to address any challenges that may arise in their business sector.

May I acknowledge the guidance and counsel extended by my fellow directors in all the group companies, and thank all our customers, students, teachers and business associates for their confidence and support during the year under review.



Christopher Elmore Campbell  
Group Managing Director  
31 August 2010

## **CORPORATE GOVERNANCE STATEMENT**

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At the date of this report, the Board comprised four directors, namely, Neville Thomas Cleary (Chairman, Independent & Non-Executive), Christopher Elmore Campbell (Group Managing Director, Executive), Chiang Meng Heng (Non-Executive) and Dr John Lewis Schlederer (Independent & Non-Executive).

Neville Thomas Cleary, Christopher Elmore Campbell and Chiang Meng Heng were members of the Board throughout the year.

Dr John Lewis Schlederer (Independent & Non-Executive) joined the Board in August 2009.

The Board is committed to the highest standards of corporate governance and endorses the Australian Stock Exchange ('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.

As required by the ASX, this corporate governance statement discloses the extent to which the Company has followed each of the ten principles stated in BPR.

### **Principle 1 – Lay solid foundations for management and oversight**

#### **Roles and Responsibilities of Board and Management**

The Board is responsible for the overall corporate governance of the Company including setting its strategic direction and performance objectives, increasing shareholder wealth, meeting ethical and regulatory obligations and managing business risk.

Key responsibilities include:

- appointing and removing the Managing Director;
- final approval and monitoring of corporate strategies and performance objectives;
- monitoring senior management's performance and implementation of the Board approved strategies;
- reviewing and ratifying systems of risk management and internal compliance and control;
- approving and monitoring the progress of major capital expenditure, capital management, and acquisitions and divestments;
- approving and monitoring financial and other reporting; and
- any other matters required to be dealt with by the Board from time to time.

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

Responsibility for the day-to-day operation and administration of the Company is delegated by the Board to the Managing Director and members of the senior management team.

## **Principle 2 – Structure the Board to add value**

### **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 names of the independent directors of the Company are:

Neville Thomas Cleary (Chairman)  
Dr John Lewis Schlederer

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 consolidated group other than income derived as a director of the group.

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 judgements 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.

### **Procedure for Selection and Appointment of New Directors**

The structure of the Board is determined having regard to the following criteria:

- The Chairperson should be a non-executive director.
- A majority of the Board should be non-executive directors.
- The roles of Chairperson and Managing Director should not be exercised by the same individual.
- The Board should comprise of directors with an appropriate range of qualifications and expertise.

The following principles and guidelines are adhered to in the selection and appointment of new directors:

- The Board is required to have a broad range of skills, experience and commercial expertise to ensure that it is able to discharge its mandate effectively. Therefore, when an individual is nominated for consideration as a director, their selection will depend upon an evaluation of what skills, experience and commercial expertise they would bring to the Board and how these skills would complement or enhance the Board's effectiveness.
- The composition of the Board needs to be conducive to making decisions expediently and in the best interests of the Company as a whole (rather than of individual shareholders or interest groups). Therefore, the size of the Board is limited so as to encourage efficient decision-making.
- Individuals being considered for non-executive roles will be required to provide the Company with details of their other commitments and an indication of the time involved. Candidates must be able to satisfy the Board that they will have sufficient time to meet what is expected of them.
- The Constitution of the Company provides that the directors may at any time appoint any person to be a director. That person shall hold office until the end of the next following general meeting and shall be eligible for election at that meeting.
- The Constitution of the Company provides that at every general meeting one-third of the directors or, if their number is not a multiple of three, then the number nearest to one-third, shall retire from office and be eligible for re-election.

### **Principle 3 – Promote ethical and responsible decision making**

#### **Code of Conduct**

The Company has established a Code of Conduct to guide the directors and key executives as to the practices necessary to maintain confidence in the Company's integrity and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices. The Company and its directors, managers, employees and consultants are expected to act with high standards of honesty, integrity, fairness and equity, striving at all times to enhance the reputation and performance of the consolidated group as a whole.

The Code of Conduct largely follows that of the Australian Institute of Company Directors and covers the main areas of: Conflicts of Interest; Confidentiality; Fair Dealing; Protection and Use of the Company's Assets; Compliance with Laws and Regulations; Reporting Unlawful/Unethical Behaviour; and Compliance with Legal and Other Obligations to Legitimate Stakeholders.

#### **Share 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 (defined as information concerning the Company's financial position, strategy or operations which, if made public, would be likely to have a material impact on the price of the Company's securities).

Shares are to be traded in accordance with the guidelines stipulated by the Corporations Act and the ASX Listing Rules. The Company identifies and raises awareness about the prohibitions under the law and directors are made aware of their continuous disclosure responsibilities and obligations. The Company does not stipulate "trading windows" or "black-out periods".

## **Principle 4 – Safeguard integrity in financial reporting**

### **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 the Audit Committee continued to be chaired by Neville Thomas Cleary who is the Chairman of the Company and all members of the Board continued to be members of the Audit Committee. Effective from 21 August 2010, Dr John Lewis Schlederer assumed the role of Chairman of the Audit Committee and Christopher Elmore Campbell ceased to be a member of the Audit Committee.

Christopher Elmore Campbell (as Group Managing Director), the Group Finance Manager and the external auditor also attend Audit Committee meetings.

The role of the Audit Committee is to advise on the establishment and maintenance of a framework of internal controls and appropriate ethical standards for the management of the Company. It also gives the Board of Directors additional assurance regarding the quality and reliability of financial information prepared for use by the Board in determining policies or for inclusion in the financial report.

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

To ensure management accountability of financial reporting, the Managing Director and the Group Finance Manager state to the Board in writing that:

"The Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards."

When considering the selection and appointment of an external auditor, the Audit Committee and Board consider several factors including the professional qualifications and standing of the external auditor and the expertise and experience of the engagement partner, particularly in respect to the Company's operations.

## **Principle 5 – Make timely and balanced disclosure**

### **Continuous Disclosure**

The Company has adopted a policy to ensure that it complies with its continuous disclosure obligations under the ASX Listing Rules which state that:

*Once an entity is or becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities, the entity must immediately tell ASX that information.*

Directors and senior management must immediately notify the Managing Director if they become aware of any information that should be considered for release to the market. The information will be reviewed and, if considered material, the appropriate disclosures will be made to the ASX.

The Company will not release any information to any other party until acknowledgement has been received from the ASX that the information has been released to the market.

## **Principle 6 – Respect the rights of shareholders**

### **Shareholder Communication**

The Company aims to ensure that shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated to shareholders on a regular basis by means of continuous reporting and half yearly and annual reports. The Board ensures that these reports include all relevant information about the operations of the Company, changes in the state of affairs of the Company and details of future developments.

All documents that are released publicly (i.e. ASX Announcements and Annual Reports) are made available on the Company's web site ([www.garratts.com.au](http://www.garratts.com.au)).

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals. Important issues are presented to the shareholders as single resolutions. The Board also requests that the external auditor attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

## **Principle 7 – Recognise and manage risk**

### **Risk Management and Internal Compliance and Control**

The Board has established policies on risk management that include oversight of the risk management system, identification of business and financial risks, risk management/compliance and control, and assessment of effectiveness. The Audit Committee assists the Board in carrying out this function.

To ensure management accountability, the Group Managing Director and the Group Finance Manager state in writing to the Board that:

"The statement given in regard to financial reporting is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects."

The Board acknowledges that the policies are designed to provide reasonable but not absolute protection against errors and irregularities and that they are intended to identify control issues that require the attention of the Board or Audit Committee.

The Board reviews the implementation of the risk management and internal compliance and control system on an annual basis.

### **Performance Evaluation**

The Board conducts an evaluation of its performance, policies and practices annually. The review includes an examination of the effectiveness and composition of the Board, including the required mix of skills, experience and other qualities which the non-executive directors should bring to the Board for it to function competently and efficiently; a review of the Company's strategic direction and objectives, and an assessment of the corporate governance practices. The Board also conducts an annual review of the Group Managing Director and key executives.



## **Principle 8 – Remunerate fairly and responsibly**

### **Remuneration Policies**

The Remuneration Committee reviews and makes recommendations to the Board on remuneration packages and policies applicable to the Group 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. The Company has a performance incentive scheme structured around profitability and increase in the value of the Company's shares. Non-Executive Directors are not eligible for this scheme.

### **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.

Information about the Company's corporate governance practices and policies is available on the Company's web site at [www.garratts.com.au](http://www.garratts.com.au).

## 102nd ANNUAL REPORT OF THE DIRECTORS

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Your directors present this report on Garratt's Limited ("the Company") and its controlled entities for the financial year ended 30 June 2010.

### **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  
Dr John Lewis Schlederer

Neville Thomas Cleary, Christopher Elmore Campbell and Chiang Meng Heng have been in office since the start of the financial year to the date of this report.

Dr John Lewis Schlederer was appointed on 21 August 2009.

Neville Thomas Cleary appointed Stephanie Noble as his alternate for the period 13 to 21 August 2009.

### **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.

### **PRINCIPAL ACTIVITIES**

The principal activity of the consolidated group during the course of the financial year was the provision of training and education services. It also manufactures, imports and sells fasteners.

### **CONSOLIDATED RESULT**

The consolidated profit of the consolidated group for the financial year after providing for income tax and eliminating outside equity interests amounted to \$1,657,856 (2009: \$1,757,536).

### **REVIEW OF OPERATIONS**

A review of the operations of the consolidated group during the financial year and the results of those operations are as follows:

#### **Education**

The contribution from the education business (before tax) has decreased by 19.6% to \$2,263,775 (2009: \$2,815,225) during the financial year, while revenue increased by 11.9% to \$10,788,128.

#### **Fasteners**

The contribution from the fasteners business (before tax) has increased by 94.8% to \$1,165,558 (2009: \$598,242) during the financial year, while revenue decreased by 1.2% to \$7,335,206.

## **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**

Proceedings previously commenced in 2003 against the Company and its subsidiary Mayrana Pty Ltd by Keith Franklin Kennett and K.F. Kennett Nominees Pty Ltd (collectively 'Kennett') and Myong Ho Pak in the Industrial Relations Commission have been determined favourably for the Company at both first instance and on appeal to the Full Court of the Industrial Relations Commission. The proceedings have resulted in twelve separate judgments being delivered by the Industrial Relations Commission.

At first instance Her Honour Justice Schmidt found that the contract for the purchase of Excelsior College was not unfair and that there was no basis for any orders being made against the Company or Mayrana. There was an accompanying claim in respect of alleged employment offers to Messrs Kennett and Pak with respect to which Her Honour made an order that Mr Pak was entitled to the sum of \$1,707.00. There was no money order in favour of Mr Kennett.

Costs orders were made that Kennett and Mr Pak pay the Company's and Mayrana's costs of the proceedings on a party-party basis up to September 2007 and on an indemnity basis from that time forward. The Company and Mayrana have been ordered to pay Messrs Kennett's and Pak's costs of the jurisdictional argument that was run in November 2006.

Mr Kennett appealed to the Full Court of the Industrial Relations court and that appeal was dismissed on 24 May 2010 and the first instance judgement was confirmed, with Mr Kennett ordered to pay the Company's costs of the appeal.

Mr Kennett has now filed another summons in the Supreme Court of New south Wales – Court of Appeal, seeking a judicial review of the Industrial Relations Commission proceedings, challenging the orders made and the jurisdiction of the Industrial Relations Commission. These further appeal proceedings are listed for hearing before the Court of Appeal on 8 November 2010.

## **Dividends Paid or Proposed**

An unfranked dividend of two cents per share was paid on 15 October 2009. An interim unfranked dividend of one cent per share was paid on 17 March 2010.

The directors have announced the payment of an unfranked final dividend of 2 cents per share.

## **FINANCIAL POSITION**

The net assets of the consolidated group have increased by \$1,316,521 since 30 June 2009.

## **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

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

## **MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

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 group, the results of those operations, or the state of affairs of the consolidated group 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 consolidated group's future direction. No detailed information in respect of the consolidated group's corporate strategies has been included, as directors believe that the disclosure of such information is likely to result in unreasonable prejudice to the consolidated group.

## **ENVIRONMENTAL ISSUES**

The consolidated group operations are not subject to any significant environmental legislation.

## **INFORMATION ON DIRECTORS**

### **Neville Thomas Cleary**

Qualifications/Experience

- Chairman (Independent & Non-Executive), since 2001.
- Retired as a senior banker in 1992 after 43 years with the Commonwealth Bank of Australia.

Interest in Shares

- 160,000 shares (0.39%)

Special Responsibilities

- Chairman of the Remuneration Committee. Chairman of the Audit Committee until 20 August 2010.

Directorships held in other listed entities

- None.

### **Christopher Elmore Campbell**

Qualifications/Experience

- Group Managing Director, since 1996.
- 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

- 7,137,407 shares (17.26%)

Special Responsibilities

- Group Managing Director and Chief Executive Officer. Member of the Remuneration Committee. Member of the Audit Committee until 20 August 2010. Chairman and Director of each of the subsidiary companies in the Garratt's Group except for ACA Investment Holdings Pte. Limited and Academies Australasia College Pte. Limited where he is not Chairman.

Directorships held in other listed entities

- None.

### **Chiang Meng Heng**

Qualifications/Experience

- Director (Non-Executive), since 2000.
- 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

- 24,941,886 shares (60.33%)

Special Responsibilities

- Member of the Audit and Remuneration Committees. Chairman and Director of ACA Investment Holdings Pte. Limited and Academies Australasia College Pte. Limited.

Directorships held in other listed entities

- Orchard Parade Holdings Limited, Macquarie International Infrastructure Fund Limited, and Keppel Land Limited (all listed on the Singapore Stock Exchange).

### **Dr John Lewis Schlederer**

Qualifications/Experience

- Director (Independent & Non-Executive, since 21 August 2009.
- B.Sc (Hons). PhD. Grad. Diploma. More than 20 years' teaching experience, at University of New South Wales and TAFE NSW (Technical and Further Education, New South Wales) and many years in business.

Interest in Shares

- 700,000 (1.69%)

Special Responsibilities

- Member of the Remuneration and Audit Committees. Chairman of the Audit Committee from 21 August 2010.

Directorships held in other listed entities

- None

## **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 options over unissued capital. The Company does not have an employee share option plan.

The Company has a performance incentive scheme structured around profitability and increase in the value of the Company's shares.

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 consolidated group.

### **Key Management Personnel Remuneration**

#### **a. Key Management Personnel**

The names of each person holding the position of director of Garratts' Limited at any time during the financial year were:

Neville Thomas Cleary (Chairman – Independent & Non-Executive).

Chiang Meng Heng (Director – Non-executive).

Christopher Elmore Campbell (Group Managing Director – Executive).

Dr John Lewis Schlederer (Director – Independent & Non-Executive).

The names of each person holding the position of specified executive at any time during the financial year were :

Ivan James Mikkelsen (Director and General Manager – Premier Fasteners Pty Limited).

Gabriela Del Carmen Rodriguez Naranjo (Director – Academies Australasia Group of Companies and Skilled Placements Pty Limited)

Stephanie Ann Noble (Group Finance Manager and Group Company Secretary).

Kim Soon Ng (Executive Director, External Relations – Academies Australasia College Pte. Limited)

May Chiak Elaine Ng (Executive Director, Operations – Academies Australasia College Pte. Limited)

## b. Key Management Personnel Remuneration

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

2010

Key Management Person	Short-term Employee Benefits		Post-employment Benefits	Total
	Cash, salary and commissions	Non-monetary benefits	Superannuation	
	\$	\$	\$	
Neville Thomas Cleary	50,000	-	-	50,000
Chiang Meng Heng	20,000	-	1,800	21,800
John Lewis Schlederer (from 21 August 2009)	12,270	-	6,554	18,824
Christopher Elmore Campbell	234,996	-	65,000	299,996
Stephanie Ann Noble	98,998	-	8,100	107,098
Gabriela Del Carmen Rodriguez Naranjo	104,998	-	8,100	113,098
Ivan James Mikkelsen	166,728	21,384	50,000	238,112
Kim Soon Ng (from 1 October 2009)	72,370	-	1,628	73,998
May Chiak Elaine Ng (from 1 October 2009)	50,660	-	4,726	55,386
	811,020	21,384	145,908	978,312

2009

Key Management Person	Short-term Employee Benefits		Post-employment Benefits	Total
	Cash, salary and commissions	Non-monetary benefits	Superannuation	
	\$	\$	\$	
Neville Thomas Cleary	25,000	-	27,249	52,249
Chiang Meng Heng	20,000	-	1,800	21,800
Christopher Elmore Campbell	235,000	-	85,000	320,000
Stephanie Ann Noble	99,000	-	8,100	107,100
Gabriela Del Carmen Rodriguez Naranjo	103,500	-	8,100	111,600
Ivan James Mikkelsen	162,438	18,923	51,676	233,037
	644,938	18,923	181,925	845,786

None of the remuneration paid to any key management persons is tied to any specific performance condition.

## c. Options issued as part of remuneration for the year ended 30 June 2010

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.

The three-year employment contract with Christopher Elmore Campbell expires on 31 December 2011.

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 the directors of the Company during the financial year are:

<u>Director</u>	<u>Directors'</u>		<u>Audit</u>		<u>Remuneration</u>	
	<u>Meetings</u>		<u>Committee</u>		<u>Committee</u>	
	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>
Neville Thomas Cleary	5	5 <sup>a</sup>	2	2 <sup>a</sup>	1	1
Christopher Elmore Campbell	5	5	2	2	1	1
Chiang Meng Heng	5	5	2	2	1	1
Dr John Lewis Schlederer	4	4	1	1	1	1

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

B - Number of meetings attended

<sup>a</sup> Mrs S Noble attended one meeting at which Mr Cleary was absent, as his alternate director.

## 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 officer's liability insurance policy covering the directors and officer's 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 the court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of 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 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 2010:

- Taxation services \$12,600
- Other services \$16,156

**AUDITOR'S INDEPENDENCE DECLARATION**

The Auditor's Independence Declaration for the year ended 30 June 2010 has been received and can be found on page 16.

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



Neville Cleary  
Director



Christopher Campbell  
Director

31 August 2010



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

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I declare that to the best of my knowledge and belief, during the year ended 30 June 2010 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.



PILOT PARTNERS



MICHAEL TRAYNOR

31 August 2010

Level 5  
175 Eagle Street  
Brisbane, Queensland 4000

**GARRATT'S LIMITED  
AND CONTROLLED ENTITIES  
STATEMENT OF COMPREHENSIVE INCOME**

For the year ended 30 June 2010

	Note	CONSOLIDATED GROUP		PARENT ENTITY	
		2010	2009	2010	2009
		\$	\$	\$	\$
Revenue from continuing operations	2	<b>18,155,620</b>	17,094,144	<b>3,730,732</b>	3,393,569
Depreciation and amortisation expense		<b>(310,160)</b>	(348,656)	<b>(129,983)</b>	(130,095)
Cost of sales		<b>(3,753,018)</b>	(4,366,798)	-	-
Cost of services		<b>(4,640,415)</b>	(4,075,776)	-	-
Employee benefits expense		<b>(3,468,400)</b>	(2,852,387)	<b>(479,587)</b>	(507,650)
Finance costs	3	<b>(56,171)</b>	(28,942)	<b>(48,459)</b>	(18,909)
Insurance		<b>(188,568)</b>	(272,962)	<b>(50,913)</b>	(63,999)
Lease rental expense – operating leases	3	<b>(1,660,053)</b>	(945,917)	-	-
Legal expenses		<b>(143,939)</b>	(63,177)	<b>(117,052)</b>	(48,482)
Non-executive directors fees		<b>(90,623)</b>	(74,049)	<b>(90,623)</b>	(74,049)
Payroll tax		<b>(150,367)</b>	(156,104)	<b>(32,112)</b>	(35,216)
Other expenses		<b>(1,320,083)</b>	(1,473,285)	<b>(139,067)</b>	(125,782)
Profit before income tax		<b>2,373,823</b>	2,436,091	<b>2,642,936</b>	2,389,387
Income tax expense	4	<b>(715,967)</b>	(678,555)	<b>(715,967)</b>	(678,555)
Profit for the year		<b>1,657,856</b>	1,757,536	<b>1,926,969</b>	1,710,832
Loss attributable to non-controlling interest		<b>111,551</b>	-	-	-
Profit attributable to owners of the parent entity		<b>1,769,407</b>	1,757,536	<b>1,926,969</b>	1,710,832
		<b>1,657,856</b>	1,757,536	<b>1,926,969</b>	1,710,832
<b>Profit for the year</b>		<b>1,657,856</b>	1,757,536	<b>1,926,969</b>	1,710,832
<b>Other comprehensive income:</b>					
Net gain on revaluation of assets		<b>627,358</b>	-	-	-
Exchange differences on translating foreign controlled entities		<b>5,953</b>	-	-	-
Income tax on other comprehensive income		<b>(188,262)</b>	-	-	-
<b>Other comprehensive income for the year, net of tax</b>		<b>445,049</b>	-	-	-
<b>Total comprehensive income for the year</b>		<b>2,102,905</b>	1,757,536	<b>1,926,969</b>	1,710,832
Total comprehensive income attributable to					
Owners of the parent entity		<b>2,214,456</b>	1,757,536	<b>1,926,969</b>	1,710,832
Non-controlling interest		<b>(111,551)</b>	-	-	-
Basic earnings per share (cents per share)	7	<b>4.0</b>	4.3		
Dividends per share (cents)	8	<b>3.0</b>	2.0		

The accompanying notes form part of these financial statements.

**GARRATT'S LIMITED  
AND CONTROLLED ENTITIES  
STATEMENT OF FINANCIAL POSITION**

As at 30 June 2010

	Note	CONSOLIDATED GROUP		PARENT ENTITY	
		2010 \$	2009 \$	2010 \$	2009 \$
<b>Current Assets</b>					
Cash and cash equivalents	9	2,410,166	1,912,289	1,094,296	1,173,469
Trade and other receivables	10	2,432,339	1,774,327	3,743,465	2,274,581
Inventories	11	3,018,239	2,948,600	-	-
Other current assets	12	378,096	368,466	36,418	26,151
<b>Total Current Assets</b>		<b>8,238,840</b>	<b>7,003,682</b>	<b>4,874,179</b>	<b>3,474,201</b>
<b>Non-Current Assets</b>					
Investments	13	-	-	4,345,004	4,000,004
Plant and equipment	15	2,160,695	1,473,264	745,015	874,998
Deferred tax assets	16	55,380	494,615	55,380	494,615
Intangible assets	17	3,287,285	2,905,859	-	-
<b>Total Non-Current Assets</b>		<b>5,503,360</b>	<b>4,873,738</b>	<b>5,145,399</b>	<b>5,369,617</b>
<b>Total Assets</b>		<b>13,742,200</b>	<b>11,877,420</b>	<b>10,019,578</b>	<b>8,843,818</b>
<b>Current Liabilities</b>					
Trade and other payables	18	2,858,515	2,610,772	120,602	120,368
Current tax liabilities	4	411,404	-	411,404	-
Borrowings	19	188,493	35,348	-	-
Provisions	20	587,145	612,744	488,537	485,567
<b>Total Current Liabilities</b>		<b>4,045,557</b>	<b>3,258,864</b>	<b>1,020,543</b>	<b>605,935</b>
<b>Non-Current Liabilities</b>					
Borrowings	19	7,439	24,273	-	-
Provisions	20	237,193	458,793	85,073	370,673
<b>Total Non-Current Liabilities</b>		<b>244,632</b>	<b>483,066</b>	<b>85,073</b>	<b>370,673</b>
<b>Total Liabilities</b>		<b>4,290,189</b>	<b>3,741,930</b>	<b>1,105,616</b>	<b>976,608</b>
<b>Net Assets</b>		<b>9,452,011</b>	<b>8,135,490</b>	<b>8,913,962</b>	<b>7,867,210</b>
<b>Equity</b>					
Issued capital	21	14,564,836	14,219,836	14,564,836	14,219,836
Accumulated Losses		(5,540,156)	(6,084,346)	(5,650,874)	(6,352,626)
Asset Revaluation Reserve		439,096	-	-	-
Foreign Currency Translation Reserve		5,953	-	-	-
Non-Controlling Interest		(17,718)	-	-	-
<b>Total Equity</b>		<b>9,452,011</b>	<b>8,135,490</b>	<b>8,913,962</b>	<b>7,867,210</b>

The accompanying notes form part of these financial statements.

**GARRATT'S LIMITED  
AND CONTROLLED ENTITIES  
STATEMENT OF CHANGES IN EQUITY**

As at 30 June 2010

	<b>Ordinary Shares</b>	<b>Retained Profits</b>	<b>Reserves</b>	<b>Non - Controlling Interest</b>	<b>Total</b>
	\$	\$	\$	\$	\$
<b>Consolidated Group</b>					
<b>Balance at 1.7.2008</b>	14,219,836	(7,030,071)	-	-	7,189,765
Profit for the period	-	1,757,536	-	-	1,757,536
Dividend paid	-	(811,811)	-	-	(811,811)
<b>Balance at 30.6.2009</b>	14,219,836	(6,084,346)	-	-	8,135,490
<b>Balance at 1.7.2009</b>	14,219,836	(6,084,346)	-	-	8,135,490
Share capital Issue	345,000	-	-	-	345,000
Profit for the period	-	1,769,407	-	(111,551)	1,657,856
Asset Revaluation Reserve	-	-	439,096	-	439,096
Exchange differences on translating foreign operations	-	-	5,953	1,162	7,115
Acquisition of subsidiary	-	-	-	92,671	92,671
Dividend paid	-	(1,225,217)	-	-	(1,225,217)
<b>Balance at 30.6.2010</b>	14,564,836	(5,540,156)	445,049	(17,718)	9,452,011
<b>Parent Entity</b>					
<b>Balance at 1.7.2008</b>	14,219,836	(7,251,647)	-	-	6,968,189
Profit for the period	-	1,710,832	-	-	1,710,832
Dividend paid	-	(811,811)	-	-	(811,811)
<b>Balance at 30.6.2009</b>	14,219,836	(6,352,626)	-	-	7,867,210
<b>Balance at 1.7.2009</b>	14,219,836	(6,352,626)	-	-	7,867,210
Share capital Issue	345,000	-	-	-	345,000
Profit for the period	-	1,926,969	-	-	1,926,969
Dividend paid	-	(1,225,217)	-	-	(1,225,217)
<b>Balance at 30.6.2010</b>	14,564,836	(5,650,874)	-	-	8,913,962

The accompanying notes form part of these financial statements.

**GARRATT'S LIMITED  
AND CONTROLLED ENTITIES  
CASH FLOW STATEMENT**

For the year ended 30 June 2010

	Note	CONSOLIDATED GROUP		PARENT ENTITY	
		2010	2009	2010	2009
		\$	\$	\$	\$
<b>Cash Flows from Operating Activities</b>					
Receipts from customers		<b>18,654,820</b>	17,644,214	<b>3,039,368</b>	1,027,542
Payments to suppliers and employees		<b>(16,758,341)</b>	(15,634,575)	<b>(1,202,017)</b>	(1,185,827)
Interest received		<b>47,137</b>	32,923	<b>32,256</b>	26,806
Finance costs		<b>(46,909)</b>	(31,650)	<b>(48,459)</b>	(16,201)
Income taxes paid		<b>(53,590)</b>	-	<b>(53,590)</b>	-
Net cash provided by (used in) operating activities	25a	<b>1,843,117</b>	2,010,912	<b>1,767,558</b>	(147,680)
<b>Cash Flows from Investing Activities</b>					
Proceeds from sale of plant & equipment		<b>2,790</b>	11,262	-	-
Purchase of plant & equipment		<b>(203,788)</b>	(71,883)	-	-
Investment in subsidiary		<b>(314,440)</b>	-	-	-
Net cash on acquisition of subsidiary		<b>435,013</b>	-	-	-
Net cash provided by (used in) investing activities		<b>(80,425)</b>	(60,621)	-	-
<b>Cash Flows from Financing Activities</b>					
Dividends paid		<b>(1,225,217)</b>	(811,811)	<b>(1,225,217)</b>	(811,811)
Proceeds from borrowings		-	-	<b>(621,514)</b>	-
Repayment of borrowings		<b>(39,598)</b>	(37,066)	-	1,653,660
Net cash provided by (used in) financing activities		<b>(1,264,815)</b>	(848,877)	<b>(1,846,731)</b>	841,849
<b>Net increase/ (decrease) in cash held</b>		<b>497,877</b>	1,101,414	<b>(79,173)</b>	694,169
<b>Cash at the beginning of the financial year</b>		<b>1,912,289</b>	810,875	<b>1,173,469</b>	479,300
<b>Cash at the end of the financial year</b>	9	<b>2,410,166</b>	1,912,289	<b>1,094,296</b>	1,173,469

The accompanying notes form part of these financial statements.

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

For the year ended 30 June 2010

**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 includes the consolidated financial statements 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.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and 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 consolidated group, 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 consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

**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.

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

For the year ended 30 June 2010

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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.

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 consolidated group 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 used in the fasteners business is stated at a revalued amount. All other plant and equipment is stated at cost. The revaluation took place at 30 June 2010. The valuation model was based on revised estimates of expected useful lives as determined by management. If the revaluation had not taken place, the plant and equipment used in the fasteners business would have been recognised at \$205,462.

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.

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 consolidated group 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.

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

For the year ended 30 June 2010

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Leasehold improvements	12.5 – 22.5%
Plant and equipment	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 consolidated group, 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 and Initial Measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

*Derecognition*

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.



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

For the year ended 30 June 2010

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

*Classification and Subsequent Measurement*

i. *Financial assets at fair value through profit or loss*

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

ii. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

iii. *Financial Liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

**Derivative instruments**

The group has no derivative instruments at reporting date.

**Fair value**

The only financial asset or liability carried at fair value is cash and cash equivalents.

**Financial Guarantees**

Where material, financial guarantees are issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition. The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

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

For the year ended 30 June 2010

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**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.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts are written off when they are known to be uncollectible. A provision for doubtful debts is raised where some doubt as to collection exists and is the difference between the total amount owing and the amount expected to be recovered.

**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.

*Group Companies*

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the end of the financial year;
- income and expenses are translated at average rates for the period; and
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income.

**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.

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

For the year ended 30 June 2010

**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. Comparative Figures**

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

**q. Critical Accounting Estimates and Judgements**

The directors evaluate estimates and judgements 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. These changed estimates and judgements are considered significant items of revenue and expenses relevant in explaining the financial performance.

*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. Further details on the key estimates used in impairment can be found in Note 17. No impairment has been recognised in respect of goodwill for the year ended 30 June 2010.

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

For the year ended 30 June 2010

**1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**r. Adoption of New and Revised Accounting Standards**

During the current year the Group adopted all of the new and revised Australian Accounting Standards and Interpretations applicable to its operations which became mandatory.

The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements.

**AASB 3: Business Combinations**

In March 2008 the Australian Accounting Standards Board revised AASB 3 and as a result, some aspects of business combination accounting have changed. The changes apply only to business combinations which occur from 1 July 2009.

The application of this standard had no impact on the entity in the current financial year.

**AASB 8: Operating Segments**

In February 2007 the Australian Accounting Standards Board issued AASB 8 which replaced AASB 114: Segment Reporting.

Under AASB 8, operating segments are determined based on management reports using the 'management approach', whereas under AASB 114 financial results of such segments were recognised and measured in accordance with Australian Accounting Standards.

The adoption of the 'management approach' to segment reporting has resulted in no change to the identification of reportable segments.

**AASB 101: Presentation of Financial Statements**

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result, there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the Group's financial statements.

*Disclosure impact*

Terminology changes — the revised version of AASB 101 contains a number of terminology changes, including the amendment of the names of the primary financial statements.

Statement of comprehensive income — The Group's financial statements now contain a statement of comprehensive income.

Other comprehensive income — The revised version of AASB 101 introduces the concept of 'other comprehensive income' which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. The requirements of this standard have been adopted in the preparation of these financial statements.

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

For the year ended 30 June 2010

	Note	CONSOLIDATED GROUP		PARENT ENTITY	
		2010 \$	2009 \$	2010 \$	2009 \$
<b>2. REVENUE</b>					
<b>Operating activities</b>					
- Sale of goods		<b>7,333,683</b>	7,425,411	-	-
- Services revenue	2a	<b>10,393,868</b>	9,501,201	<b>3,039,338</b>	1,027,542
- Interest received	2b	<b>47,137</b>	32,923	<b>142,751</b>	78,947
- Dividend received	2c	-	-	-	2,274,581
		<b>17,774,688</b>	16,959,535	<b>3,182,089</b>	3,381,070
<b>Non-operating activities</b>					
- Other		<b>380,932</b>	134,609	<b>548,643</b>	12,499
		<b>380,932</b>	134,609	<b>548,643</b>	12,499
<b>Total Revenue</b>					
		<b>18,155,620</b>	17,094,144	<b>3,730,732</b>	3,393,569
a. Services revenue from:					
- Wholly-owned controlled entities		-	-	<b>3,039,338</b>	1,027,542
- Other persons		<b>10,393,868</b>	9,501,201	-	-
		<b>10,393,868</b>	9,501,201	<b>3,039,338</b>	1,027,542
b. Interest revenue from:					
- Wholly-owned controlled entities		-	-	<b>110,495</b>	52,141
- Other persons		<b>47,137</b>	32,923	<b>32,256</b>	26,806
		<b>47,137</b>	32,923	<b>142,751</b>	78,947
c. Dividend revenue from:					
- Wholly-owned controlled entities		-	-	-	2,274,581
		-	-	-	2,274,581
<b>3. PROFIT FOR THE YEAR</b>					
<b>Expenses</b>					
Finance costs					
- External		<b>56,171</b>	28,942	<b>48,459</b>	18,909
		<b>56,171</b>	28,942	<b>48,459</b>	18,909
Bad and doubtful debts					
- Trade receivables		<b>27,173</b>	5,725	-	-
		<b>27,173</b>	5,725	-	-
Rental expense on operating leases					
- Minimum lease payments		<b>1,655,551</b>	933,759	-	-
- Contingent rentals		<b>4,502</b>	12,158	-	-
		<b>1,660,053</b>	945,917	-	-
Superannuation expenses					
		<b>228,107</b>	231,392	<b>81,724</b>	101,054

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

For the year ended 30 June 2010

	<b>CONSOLIDATED GROUP</b>		<b>PARENT ENTITY</b>	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>4. INCOME TAX EXPENSE</b>				
a. The components of tax expense comprise:				
Current tax	<b>(464,994)</b>	-	<b>(464,994)</b>	-
Deferred Tax	<b>(250,973)</b>	(678,555)	<b>(250,973)</b>	(678,555)
	<b>(715,967)</b>	(678,555)	<b>(715,967)</b>	(678,555)
b. The prima facie tax on profit from ordinary activities before tax is reconciled to income tax as follows:				
Prima facie tax payable on profit from ordinary activities before tax at 30%	<b>712,147</b>	730,827	<b>792,881</b>	30,692
Add/(less):				
Tax effect of:				
Permanent differences	<b>(47,296)</b>	(52,272)	<b>(47,296)</b>	35,459
Future income tax benefit now recognised	-	-	-	-
Assumption of tax balances of controlled entities	<b>51,116</b>	-	<b>(29,618)</b>	612,404
Income tax expense attributable to the entity	<b>715,967</b>	678,555	<b>715,967</b>	678,555
c. Current tax payable for the year reconciles as follows:				
Opening provision	-	-	-	-
Add: Current year provision	<b>464,994</b>	-	<b>464,994</b>	-
Less: Tax paid	<b>(53,590)</b>	-	<b>(53,590)</b>	-
Closing provision	<b>411,404</b>	-	<b>411,404</b>	-

**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:

<b>Key Management Person</b>	<b>Position</b>
Christopher Elmore Campbell	Group Managing Director.
Stephanie Ann Noble	Group Finance Manager and Group Company Secretary.
Ivan James Mikkelsen	Director and General Manager – Premier Fasteners Pty Limited.
Gabriela Del Carmen Rodriguez Naranjo	Director – Academies Australasia Group of Companies and Skilled Placements Pty Limited.
Kim Soon Ng	Executive Director, External Relations – Academies Australasia College Pte. Limited
May Chiak Elaine Ng	Executive Director, Operations – Academies Australasia College Pte. Limited

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

For the year ended 30 June 2010

**5. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)**

b. Key management personnel remuneration has been included in the Remuneration Report section of the Directors' Report.

**c. Shareholdings**

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

<b>Key Management Person</b>	<b>Balance 1.7.2009</b>	<b>Acquisition of Subsidiary (ii)</b>	<b>Net Change Other (i)</b>	<b>Balance 30.6.2010</b>
Christopher Elmore Campbell	6,913,161	-	224,246	7,137,407
Kim Soon Ng	-	300,000	-	300,000
May Chiak Elaine Ng	-	225,000	-	225,000

(i) Shares purchased on market via the Australian Stock Exchange.

(ii) Shares issued as part consideration for acquisition of 75% of Academies Australasia College Pte. Limited (formerly Washington Institute Pte. Limited).

<b>CONSOLIDATED GROUP</b>		<b>PARENT ENTITY</b>	
2010	2009	2010	2009
\$	\$	\$	\$

**6. AUDITOR'S REMUNERATION**

Remuneration of the auditor of the parent entity for:

- Auditing and reviewing the financial report	<b>87,025</b>	84,600	<b>29,025</b>	28,200
- Taxation services	<b>12,600</b>	12,600	<b>4,200</b>	4,200
- Other services	<b>16,156</b>	-	<b>4,156</b>	-
	<b>115,781</b>	97,200	<b>37,381</b>	32,400

**7. EARNINGS PER SHARE**

Basic and diluted earnings per share (cents per share) 4.0 4.3

Weighted average number of ordinary shares used in calculation of basic earnings per share 41,151,521 40,590,562

a) There are no instruments on issue which have the potential to cause a dilution of earnings per share.

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

For the year ended 30 June 2010

	CONSOLIDATED GROUP		PARENT ENTITY	
	2010 \$	2009 \$	2010 \$	2009 \$
<b>8. DIVIDENDS</b>				
Distributions recognised				
Interim unfranked ordinary dividend of 1.0 cent per share (2009:1.0 cent)	<b>413,406</b>	405,906	<b>413,406</b>	405,906
2009 final unfranked ordinary dividend of 2.0 cent per share paid in 2010 (2008 1.0 cent paid in 2009 )	<b>811,811</b>	405,905	<b>811,811</b>	405,905
	<b>1,225,217</b>	811,811	<b>1,225,217</b>	811,811
a. Dividends proposed or declared but not recognised in the financial statements:				
Proposed unfranked ordinary dividend of 2.0 cents per share (2009:2.0 cent)	<b>826,812</b>	811,811	<b>826,812</b>	811,811
b. Balance of franking account at year end adjusted for franking credits arising from:				
— payment of provision for income tax	<b>54,311</b>	721	<b>54,311</b>	721

**9. CASH AND CASH EQUIVALENTS**

Cash at bank and on hand	<b>2,410,166</b>	1,912,289	<b>1,094,296</b>	1,173,469
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**10. TRADE AND OTHER RECEIVABLES**

CURRENT

Trade receivables	<b>1,972,275</b>	1,774,327	-	-
Other receivables	<b>460,064</b>	-	-	-
Amounts receivable from wholly-owned subsidiaries	-	-	<b>3,743,465</b>	2,274,581
	<b>2,432,339</b>	1,774,327	<b>3,743,465</b>	2,274,581

a. The ageing analysis of trade receivables is as follows:

a. The ageing analysis of trade receivables is as follows:

0 -30 days	<b>762,411</b>	717,964	-	-
31- 60 days – not impaired *	<b>572,218</b>	491,828	-	-
61- 90 days – not impaired *	<b>219,492</b>	208,557	-	-
+91 days – not impaired *	<b>418,154</b>	355,978	-	-
	<b>1,972,275</b>	1,774,327	-	-

\* These are debtors that are past due for which no collateral is held and for which no provision for doubtful debts has been made as there has not been a significant change in credit quality and the directors believe that the amounts are still recoverable.



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

For the year ended 30 June 2010

**10. TRADE AND OTHER RECEIVABLES (continued)**

b. The amounts receivable from wholly-owned subsidiaries are unsecured and have no fixed repayment date.

c. The consolidated group has an exposure to credit risk in Singapore and Australia given the consolidated group's operations in those countries. An amount of \$506,202 has been included in Trade and Other Receivables in respect of the business operations in Singapore. All other receivables of the consolidated group are Australian geographic exposures.

	CONSOLIDATED GROUP		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$

**11. INVENTORIES**

CURRENT

At cost

Raw materials and stores

Finished goods

	<b>428,031</b>	401,222	-	-
	<b>2,590,208</b>	2,547,378	-	-
	<b>3,018,239</b>	2,948,600	-	-

**12. OTHER ASSETS**

CURRENT

Prepayments

Security Deposits

	<b>376,722</b>	367,686	<b>35,824</b>	26,151
	<b>1,374</b>	780	<b>594</b>	-
	<b>378,096</b>	368,466	<b>36,418</b>	26,151

**13. INVESTMENTS**

NON-CURRENT

Shares in controlled entities

Unlisted

Academies Australasia Pty Limited (at cost)

Principal activity is training and education services

- - **1,345,000** 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

	-	-	<b>4,345,004</b>	4,000,004
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**GARRATT'S LIMITED  
AND CONTROLLED ENTITIES  
NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2010

**14. CONTROLLED ENTITIES**

	Country of Incorporation	Percentage Owned (%)	
		2010	2009
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
Australian Trades Institute Pty Limited	Australia	100	100
Clarendon Business College Pty Limited	Australia	100	100
Supreme Business College Pty Limited	Australia	100	100
ACA Investment Holdings Pte. Limited	Singapore	100	-
Academies Australasia College Pte. Limited	Singapore	75	-

Percentage of voting power is in proportion to ownership

**Acquisition of Controlled Entities**

On 1 October 2009 the parent entity, through its fully owned subsidiary Academies Australasia Pty Limited, acquired 100% interest of ACA Investment Holdings Pte. Limited and 75% of Academies Australasia College Pte. Limited. The acquisitions were a result of the Group's strategy to expand its market to Singapore.

**ACA Investment Holdings Pte. Limited**

ACA Investment Holdings Pte. Limited was incorporated on 1 October 2009 with 100% of the share capital owned by Academies Australasia College Pty Limited. As such there is no goodwill or discount on acquisition.

**Academies Australasia College Pte. Limited**

	Note	Fair value \$000	\$000
Purchase consideration:			
— Ordinary shares	21		345,000
— Additional consideration			314,440
			<hr/> 659,440 <hr/>
<b>Less: Proportionate share of acquired assets and liabilities:</b>			
Cash		419,538	
Receivables		523,028	
Property, plant and equipment		163,789	
Payables		(735,669)	
<b>Identifiable assets acquired and liabilities assumed</b>		<hr/> 370,686 <hr/>	
<b>Share of net assets acquired (75%)</b>			<hr/> (278,014) <hr/>
<b>Goodwill</b>	17		<hr/> 381,426 <hr/>

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

For the year ended 30 June 2010

	CONSOLIDATED GROUP		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>15. PLANT AND EQUIPMENT</b>				
Plant and equipment				
At cost	<b>966,073</b>	2,266,107	<b>52,137</b>	52,137
At valuation	<b>877,578</b>	-	-	-
Accumulated depreciation	<b>(576,302)</b>	(1,858,428)	<b>(52,137)</b>	(40,073)
	<b>1,267,349</b>	407,679	-	12,064
Leasehold improvements				
At cost	<b>1,325,929</b>	1,175,478	<b>1,157,733</b>	1,157,733
Accumulated amortisation	<b>(448,259)</b>	(308,511)	<b>(412,718)</b>	(294,799)
	<b>877,670</b>	866,967	<b>745,015</b>	862,934
Leased plant and equipment				
Capitalised leased assets	<b>44,182</b>	369,688	-	-
Accumulated depreciation	<b>(28,506)</b>	(171,070)	-	-
	<b>15,676</b>	198,618	-	-
<b>Total plant &amp; equipment</b>	<b>2,160,695</b>	1,473,264	<b>745,015</b>	874,998

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

	Plant and equipment \$	Leasehold improvements \$	Leased plant and equipment \$	Total \$
<b>2010</b>				
Consolidated Group:				
Balance at the beginning of the year	<b>407,679</b>	<b>866,967</b>	<b>198,618</b>	<b>1,473,264</b>
Revaluation	<b>627,358</b>	-	-	<b>627,358</b>
Transfers	<b>154,436</b>	-	<b>(154,436)</b>	-
Additions	<b>233,090</b>	<b>140,526</b>	-	<b>373,616</b>
Disposals	<b>(3,383)</b>	-	-	<b>(3,383)</b>
Depreciation expense	<b>(151,831)</b>	<b>(129,823)</b>	<b>(28,506)</b>	<b>(310,160)</b>
Carrying amount at the end of the year	<b>1,267,349</b>	<b>877,670</b>	<b>15,676</b>	<b>2,160,695</b>
Parent entity:				
Balance at the beginning of the year	<b>12,064</b>	<b>862,934</b>	-	<b>874,998</b>
Depreciation expense	<b>(12,064)</b>	<b>(117,919)</b>	-	<b>(129,983)</b>
Carrying amount at the end of the year	-	<b>745,015</b>	-	<b>745,015</b>
<b>2009</b>				
Consolidated Group:				
Balance at the beginning of the year	544,339	986,477	202,532	1,733,348
Additions	71,883	-	44,182	116,065
Disposals	(27,270)	(223)	-	(27,493)
Depreciation expense	(181,273)	(119,287)	(48,096)	(348,656)
Carrying amount at the end of the year	407,679	866,967	198,618	1,473,264
Parent entity:				
Balance at the beginning of the year	24,128	981,188	-	1,005,316
Disposals	-	(223)	-	(223)
Depreciation expense	(12,064)	(118,031)	-	(130,095)
Carrying amount at the end of the year	12,064	862,934	-	874,998

**GARRATT'S LIMITED  
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NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2010

	CONSOLIDATED GROUP		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>16. DEFERRED TAX ASSETS</b>				
Future income tax benefit	<b>55,380</b>	494,615	<b>55,380</b>	494,615

The future income tax benefits is made up of the following estimated tax benefits:

Temporary differences:

-deferred tax assets

-deferred tax liabilities

Tax losses:

-operating losses

	<b>263,629</b>	297,389	<b>263,629</b>	297,389
	<b>(208,249)</b>	(59,469)	<b>(208,249)</b>	(59,469)
	-	256,695	-	256,695
	<b>55,380</b>	494,615	<b>55,380</b>	494,615

**Deferred Tax Assets**

Provisions

Unearned Income

Other

	Opening Balance	Charged to Income	Charged to Equity	Closing Balance
	\$	\$	\$	\$
	143,211	12,840	-	156,051
	81,548	(26,539)	-	55,009
	72,630	(20,061)	-	52,569
	297,389	(33,760)	-	263,629

**Deferred Tax Liabilities**

Plant & Equipment

Prepayments and Other

	-	-	188,262	188,262
	59,469	(39,482)	-	19,987
	59,469	(39,482)	188,262	208,249

**Operating Losses**

	256,695	(256,695)	-	-
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	CONSOLIDATED GROUP		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$

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:

Tax losses:

-operating losses

-capital losses

	-	-	-	-
	<b>4,991</b>	4,991	<b>4,991</b>	4,991
	<b>4,991</b>	4,991	<b>4,991</b>	4,991

**GARRATT'S LIMITED  
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NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2010

	CONSOLIDATED GROUP		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>17. INTANGIBLE ASSETS</b>				
Goodwill at cost	<b>3,668,528</b>	3,287,102	-	-
Accumulated impairment losses	<b>(381,913)</b>	(381,913)	-	-
Net carrying value	<b>3,286,615</b>	2,905,189	-	-
Other at cost	<b>670</b>	670	-	-
	<b>3,287,285</b>	2,905,859	-	-

	Goodwill	Other	Total
	\$	\$	\$
<b>Consolidated Group:</b>			
<b>Year ended 30 June 2010</b>			
Balance at the beginning of the year	2,905,189	670	2,905,859
Acquisition Academies Australasia College Pte. Limited	381,426	-	381,426
Balance at the end of the year	<b>3,286,615</b>	<b>670</b>	<b>3,287,285</b>

**Impairment Disclosures**

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

	2010	2009
	\$	\$
Fasteners segment	<b>1,375,382</b>	1,375,382
Education segment	<b>1,911,233</b>	1,529,807
Total	<b>3,286,615</b>	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	2% - 5%	8%
Education segment	8% - 33%	8%

1. A flat growth rate of 2% in the fasteners segment would generate an impairment.
2. Budgeted revenue levels for the education segment would need to fall by 20% to generate an impairment.

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.

**GARRATT'S LIMITED  
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NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2010

	Note	CONSOLIDATED GROUP		PARENT ENTITY	
		2010 \$	2009 \$	2010 \$	2009 \$
<b>18. TRADE AND OTHER PAYABLES</b>					
CURRENT					
<u>Unsecured Liabilities</u>					
Trade payables	18a	<b>1,834,363</b>	1,616,963	-	-
Sundry payables and accrued expenses		<b>1,024,152</b>	993,809	<b>120,602</b>	120,368
		<b>2,858,515</b>	2,610,772	<b>120,602</b>	120,368
a. Includes \$902,530 (2009: \$970,286) tuition fees paid in advance by college students.					
<b>19. BORROWINGS</b>					
CURRENT					
<u>Unsecured Liabilities – Non-Interest Bearing</u>					
Loans – Directors	27,28	<b>166,918</b>	-	-	-
		<b>166,918</b>	-	-	-
<u>Secured Liabilities – Interest-Bearing</u>					
Lease purchase agreements	19a	<b>21,575</b>	35,348	-	-
		<b>21,575</b>	35,348	-	-
TOTAL CURRENT		<b>188,493</b>	35,348	-	-
NON-CURRENT					
<u>Secured Liabilities – Interest Bearing</u>					
Lease purchase agreements	19a	<b>7,439</b>	24,273	-	-
		<b>7,439</b>	24,273	-	-
a. Total current and non-current secured liabilities:					
Lease purchase agreements	22,28	<b>29,014</b>	59,621	-	-
		<b>29,014</b>	59,621	-	-
b. The carrying amounts of non-current assets pledged as security are:					
Floating charge over assets		<b>5,487,684</b>	4,675,120	<b>5,145,399</b>	5,369,617
Plant and equipment		<b>15,676</b>	198,618	-	-
		<b>5,503,360</b>	4,873,738	<b>5,145,399</b>	5,369,617
c. The bank facilities of the parent entity and subsidiaries are secured by a floating charge over the assets of the consolidated group.					
d. The debtors finance facility of Premier Fasteners Pty Limited is additionally secured by the trade debts owed to that company. As at 30 June 2010, the balance on the debtor finance facility was in credit.					
e. The lease purchase borrowings are additionally secured on the leased asset. The leases are due for repayment between 2010 and 2011.					

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

For the year ended 30 June 2010

**20. PROVISIONS**

	Employee entitlements \$	Lease Incentive \$	Total \$
Consolidated Group:			
Balance at the beginning of the year	467,370	604,167	1,071,537
Additional provisions	322,163	-	322,163
Amounts used	(279,362)	(290,000)	(569,362)
Carrying amount at the end of the year	<u>510,171</u>	<u>314,167</u>	<u>824,338</u>
Parent entity:			
Balance at the beginning of the year	252,073	604,167	856,240
Additional provisions	36,637	-	36,637
Amounts used	(29,267)	(290,000)	(319,267)
Carrying amount at the end of the year	<u>259,443</u>	<u>314,167</u>	<u>573,610</u>

	CONSOLIDATED GROUP		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
<u>Total Provisions</u>				
Current	587,145	612,744	488,537	485,567
Non-current	237,193	458,793	85,073	370,673
	<u>824,338</u>	<u>1,071,537</u>	<u>573,610</u>	<u>856,240</u>

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.

**21. ISSUED CAPITAL**

41,340,562 ordinary shares fully paid	<u>14,564,836</u>	14,219,836	<u>14,564,836</u>	14,219,836
<b>Ordinary share capital</b>				
Balance at the beginning of the financial year	<u>14,219,836</u>	12,539,836	<u>14,219,836</u>	12,539,836
750,000 ordinary shares issued on 1 October 2009 on acquisition of Academies Australasia College Pte. Limited. The shares are held in escrow for 12 months to 30 September 2010.	345,000	-	345,000	-
16,800,000 convertible notes converted to ordinary shares on 10 January 2008	-	1,680,000	-	1,680,000
Balance at the end of the financial year	<u>14,564,836</u>	14,219,836	<u>14,564,836</u>	14,219,836

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

For the year ended 30 June 2010

**21. ISSUED CAPITAL (continued)**

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.

The number of shares authorised is equal to the number of shares issued. Shares have no par value.

b. Capital Management.

Management controls the capital of the group in order to maintain a good debt to equity ratio, provide the shareholders with adequate returns and ensure that the group can fund its operations and continue as a going concern.

The group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the group's capital by assessing the group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There were no changes in the Group's capital management procedures during the year.

	CONSOLIDATED GROUP		PARENT ENTITY	
Note	2010	2009	2010	2009
	\$	\$	\$	\$

**22. LEASING COMMITMENTS**

**Lease purchase commitments**

Payable – minimum lease payments

Not later than one year		<b>23,306</b>	39,119	-	-
Later than one year but not later than five years		<b>7,593</b>	25,815	-	-
Minimum lease payments		<b>30,899</b>	64,934	-	-
Less future finance charges		<b>1,885</b>	5,313	-	-
Present value of minimum lease payments	19a	<b>29,014</b>	59,621	-	-

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 consolidated group.

**Operating Lease commitments**

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

Not later than one year		<b>2,423,381</b>	1,246,689	-	-
Later than one year but not later than five years		<b>5,133,347</b>	4,913,677	-	-
Later than five years		<b>1,369,881</b>	2,350,958	-	-
		<b>8,926,609</b>	8,511,324	-	-

The consolidated group leases property under operating leases expiring from 1 year to 7 years. Lease payments comprise a base amount plus an incremental rental, based on either movement in the Consumer Price Index or minimum percentage increase criteria.



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

For the year ended 30 June 2010

**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

As at 30 June 2010 these facilities had been repaid.

**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.

**Contingent Assets**

Proceedings previously commenced in 2003 against the Company and its subsidiary Mayrana Pty Ltd by Keith Franklin Kennett and K.F. Kennett Nominees Pty Ltd (collectively 'Kennett') and Myong Ho Pak in the Industrial Relations Commission have been determined favourably for the Company at both first instance and on appeal to the Full Court of the Industrial Relations Commission. The proceedings have resulted in twelve separate judgments being delivered by the Industrial Relations Commission.

At first instance Her Honour Justice Schmidt found that the contract for the purchase of Excelsior College was not unfair and that there was no basis for any orders being made against the Company or Mayrana. There was an accompanying claim in respect of alleged employment offers to Messrs Kennett and Pak with respect to which Her Honour made an order that Mr Pak was entitled to the sum of \$1,707.00. There was no money order in favour of Mr Kennett.

Costs orders were made that Kennett and Mr Pak pay the Company's and Mayrana's costs of the proceedings on a party-party basis up to September 2007 and on an indemnity basis from that time forward. The Company and Mayrana have been ordered to pay Messrs Kennett's and Pak's costs of the jurisdictional argument that was run in November 2006.

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

For the year ended 30 June 2010

**23. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

**Contingent Assets (continued)**

Mr Kennett appealed to the Full Court of the Industrial Relations court and that appeal was dismissed on 24 May 2010 and the first instance judgement was confirmed, with Mr Kennett ordered to pay Company's costs of the appeal.

Mr Kennett has now filed another summons in the Supreme Court of New south Wales – Court of Appeal, seeking a judicial review of the Industrial Relations Commission proceedings, challenging the orders made and the jurisdiction of the Industrial Relations Commission.

These further appeal proceedings are listed for hearing before the Court of Appeal on 8 November 2010.

As with all litigation, the valuation of the Company's claim and likelihood of recovery of costs orders cannot be quantified for it to be recognised as an asset. The Company's litigation costs were more than \$500,000, paid over the last six financial years. The recovery of these costs (or some part of them) is, at this stage, not entirely clear, and is subject to further legal action.

**24. SEGMENT REPORTING**

	FASTENERS		EDUCATION		CONSOLIDATED	
	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$
<b>Primary reporting – Business segments</b>						
<b>Revenue</b>						
External sales	7,333,683	7,425,411	10,393,868	9,501,201	17,727,551	16,926,612
Other revenue	1,523	1,567	394,260	139,159	395,783	140,726
	<b>7,335,206</b>	<b>7,426,978</b>	<b>10,788,128</b>	<b>9,640,360</b>	<b>18,123,334</b>	<b>17,067,338</b>
Unallocated revenue					32,286	26,806
<b>Total revenue</b>					<b>18,155,620</b>	<b>17,094,144</b>
Segment result	1,165,558	598,242	2,263,775	2,815,225	3,429,333	3,413,467
Unallocated expenses net of unallocated revenue					(1,055,510)	(977,376)
<b>Profit from ordinary activities before income tax</b>					<b>2,373,823</b>	<b>2,436,091</b>
<b>Segment assets</b>	<b>6,955,586</b>	<b>6,312,046</b>	<b>4,855,507</b>	<b>2,996,141</b>	<b>11,811,093</b>	<b>9,308,187</b>
Unallocated					1,931,107	2,569,233
Total assets					<b>13,742,200</b>	<b>11,877,420</b>
<b>Segment liabilities</b>	<b>891,351</b>	<b>837,932</b>	<b>2,293,224</b>	<b>1,927,386</b>	<b>3,184,575</b>	<b>2,765,318</b>
Unallocated					1,105,614	976,612
Total liabilities					<b>4,290,189</b>	<b>3,741,930</b>
<b>Acquisition of non-current segment assets</b>	<b>57,447</b>	<b>58,167</b>	<b>316,169</b>	<b>57,898</b>	<b>373,616</b>	<b>116,065</b>
<b>Depreciation and amortisation of segment assets</b>	<b>64,892</b>	<b>111,014</b>	<b>115,285</b>	<b>107,547</b>	<b>180,177</b>	<b>218,561</b>

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

For the year ended 30 June 2010

**24. SEGMENT REPORTING (continued)**

**Business segments**

Major products/services of business segments:

Fasteners	Manufacture, import and sale of fasteners
Education	Training and education services

**Geographical information**

The consolidated group operates in Australia and Singapore. The revenues and non-current assets of the consolidated group are as follows:

<b>Geographic Location</b>	Australia	Singapore
Revenues from External Customers	\$16,988,035	\$1,167,585
Non-current assets	\$5,343,572	\$159,788

**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.

	<b>CONSOLIDATED GROUP</b>		<b>PARENT ENTITY</b>	
	2010	2009	2010	2009
	\$	\$	\$	\$

**25. CASH FLOW INFORMATION**

**a. Reconciliation of cash flow from operations with profit after income tax**

Profit after income tax	<b>1,657,856</b>	1,757,536	<b>1,926,969</b>	1,710,832
Non-cash flows in profit (loss)				
Amortisation	<b>129,823</b>	119,287	<b>117,919</b>	118,031
Depreciation	<b>180,337</b>	229,369	<b>12,064</b>	12,064
Deferred tax on revaluation	<b>(188,262)</b>	-	<b>(188,262)</b>	-
Loan to controlled entity re-instated	-	-	<b>(548,613)</b>	(12,499)
Dividend from controlled entity	-	-	-	(2,274,581)
Other	<b>(290,000)</b>	(290,000)	<b>(290,000)</b>	(290,000)
Net loss on disposal of plant and equipment	<b>593</b>	16,231	-	223
Write-downs to recoverable amounts	<b>27,173</b>	5,725	-	-
Unrealised foreign exchange movement	<b>(6,557)</b>	-	-	-
Changes in assets and liabilities				
(Increase)/decrease in trade and other receivables	<b>(232,697)</b>	552,942	<b>(110,495)</b>	(52,141)
(Increase)/decrease in inventories	<b>(69,639)</b>	(102,293)	-	-
(Increase)/decrease in other current assets	<b>(8,133)</b>	181,189	<b>(10,267)</b>	573
(Increase)/decrease in deferred tax assets	<b>439,235</b>	678,555	<b>439,235</b>	678,555
Increase/(decrease) in trade and other payables	<b>(250,817)</b>	(1,174,932)	<b>234</b>	(67,225)
Increase/(decrease) in tax payables	<b>411,404</b>	-	<b>411,404</b>	-
Increase/(decrease) in provisions	<b>42,801</b>	37,303	<b>7,370</b>	28,488
Cash flow from operations	<b>1,843,117</b>	2,010,912	<b>1,767,558</b>	(147,680)

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

For the year ended 30 June 2010

	CONSOLIDATED GROUP		PARENT ENTITY	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>25. CASH FLOW INFORMATION (continued)</b>				
<b>b. Credit Standby Arrangements with Banks</b>				
Credit facility	<b>1,500,000</b>	1,500,000	<b>1,300,000</b>	1,300,000
Amount utilised	-	-	-	-
	<b>1,500,000</b>	1,500,000	<b>1,300,000</b>	1,300,000

The major facilities are summarised as follows:

*Bank overdrafts*

Bank overdraft facilities are arranged with the general terms and conditions being set and agreed to annually

Interest rates are variable and subject to adjustment

*Commercial bill facility*

\$1,300,000 variable interest rate facility expires on 31 August 2011.

**c. Loan Facilities**

Loan facilities	<b>1,400,000</b>	1,400,000	-	-
Amount utilised	-	-	-	-
	<b>1,400,000</b>	1,400,000	-	-

*Cash flow finance facility*

The cash flow finance facility expires on 31 August 2011.

The consolidated group has not breached any borrowing requirements.

**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 group, the results of those operations, or the state of affairs of the consolidated group in subsequent financial years.

The financial report was authorised for issue on 31 August 2010 by the board of directors.

**27. RELATED PARTY TRANSACTIONS**

**Directors' transactions with the Company and the consolidated group**

Details of Directors' remuneration are set out in the Remuneration Report section of the Directors' Report. Directors are reimbursed for expenses incurred by them on behalf of the consolidated group.

Academies Australasia College Pte. Limited has Directors' loans totalling \$166,918 owing to Kim Soon Ng. The loans are unsecured and interest-free.

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

For the year ended 30 June 2010

**27. RELATED PARTY TRANSACTIONS (continued)**

**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 and leases.

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**

The interest rate risk has been managed by the consolidated group by reducing and in most cases eliminating interest bearing debt. Stand by facilities has been set with a combination of fixed and floating rate possibilities. There is no set policy as to the mix of interest rate exposures.

**Foreign currency risk**

The consolidated group is exposed to foreign currency risk on its purchase of products and the sale of training and education courses to international students and on the translation of its foreign subsidiaries. The consolidated group had not hedged foreign currency transactions as at 30 June 2010. 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 managing the debtors portfolio actively and maintaining effective monitoring and collection policies.

**Price risk**

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

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

For the year ended 30 June 2010

**28. FINANCIAL INSTRUMENTS (continued)**

**b. Financial Instruments**

**i. Interest Rate Risk**

The consolidated group'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:

	Note	Weighted average interest rate	Floating interest rate	Fixed interest maturing in:		Non-Interest bearing	Total
			\$	1 year or less	1 to 5 years	\$	\$
				\$	\$		
<b>2010</b>							
<i>Financial assets</i>							
Cash and cash equivalents	9	2.10%	2,410,166	-	-	-	2,410,166
Trade and other receivables	10	-	-	-	-	2,432,339	2,432,339
			<u>2,410,166</u>	<u>-</u>	<u>-</u>	<u>2,432,339</u>	<u>4,842,505</u>
<i>Financial liabilities</i>							
Trade and other payables	18	-	-	-	-	2,858,515	2,858,515
Loans - Directors	19	-	-	-	-	166,918	166,918
Lease purchase agreements	19	9.18%	-	21,575	7,439	-	29,014
			<u>-</u>	<u>21,575</u>	<u>7,439</u>	<u>3,025,433</u>	<u>3,054,447</u>

	Note	Weighted average interest rate	Floating interest rate	Fixed interest maturing in:		Non-Interest bearing	Total
			\$	1 year or less	1 to 5 years	\$	\$
				\$	\$		
<b>2009</b>							
<i>Financial assets</i>							
Cash and cash equivalents	9	2.77%	1,912,289	-	-	-	1,912,289
Trade and other receivables	10	-	-	-	-	1,774,327	1,774,327
			<u>1,912,289</u>	<u>-</u>	<u>-</u>	<u>1,774,327</u>	<u>3,686,616</u>
<i>Financial liabilities</i>							
Trade and other payables	18	-	-	-	-	2,610,772	2,610,772
Lease purchase agreements	19	11.75%	-	35,348	24,273	-	59,621
			<u>-</u>	<u>35,348</u>	<u>24,273</u>	<u>2,610,772</u>	<u>2,670,393</u>

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

For the year ended 30 June 2010

**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:

	<b>CONSOLIDATED GROUP</b>		<b>PARENT ENTITY</b>	
	2010	2009	2010	2009
	\$	\$	\$	\$
<b>United States Dollars</b>				
Amounts payable	<b>105,856</b>	83,424	-	-

**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:

<b>AASB Standard</b>	<b>Nature of Change in Accounting Policy and Impact</b>	<b>Application Date of the Standard</b>	<b>Application Date for the Entity</b>
AASB 9: <i>Financial Instruments</i>	Not yet determined	1 January 2013	1 July 2013
AASB 124: Related Party Disclosures	No change expected	1 January 2011	1 July 2011

All other pending amendments to the Standards issued have no application to the entity.

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

For the year ended 30 June 2010

**30. COMPANY DETAILS**

The registered office of all companies in the consolidated group 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

**Academies Australasia College Pte. Limited**

51 Middle Road  
Singapore  
188959

\* \* \*



## DIRECTORS' DECLARATION

The directors of the Company declare that:

1. the financial statements and notes, set out on pages 17 to 47, are in accordance with the Corporations Act 2001 including:
  - (i) complying with Section 296 of the Corporations Act 2001; and
  - (ii) giving a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the Company and consolidated group.
2. the Chief Executive Officer and Chief Financial Officer have each declared that:
  - (i) the financial records of the company and the consolidated group 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  
Director



Christopher Campbell  
Director

31 August 2010

## **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 group), which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, 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 report comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

#### *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.

#### *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.

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 judgement, 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. 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.

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 have given the directors of the Company a written auditor's independence declaration, a copy of which is included in the directors' report.

*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 group's financial position as at 30 June 2010 and of their financial performance and their cash flows for the year ended on that date; and
  - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations); and
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

**Report on the Remuneration Report**

We have audited the Remuneration Report of Garratt's Limited included in pages 12 to 13 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report based on our audit conducted in accordance with Australian Auditing Standards.

*Auditor's Opinion*

In our opinion the Remuneration Report of Garratt's Limited for the year ended 30 June 2010 complies with section 300A of the *Corporations Act 2001*.



PILOT PARTNERS



MICHAEL TRAYNOR

31 August 2010

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 30 August 2010 were:

<u>Shareholder</u>	<u>No. of Shares Held</u>	<u>%</u>
Mr Chiang Meng Heng <sup>a</sup>	24,941,886	60.33
Mr Christopher Elmore Campbell <sup>b</sup>	7,137,407	17.26
Jilcy Pty Ltd Jilcy Super Fund A/C	6,657,407	16.10
Eng Kim Low	3,779,126	9.14

<sup>a</sup> Includes 3,779,126 shares held by Eng Kim Low

<sup>b</sup> Includes 6,657,407 shares held by Jilcy Pty Ltd Jilcy Super Fund A/C and 476,000 shares held by Bankura Pty Ltd Campbell Family Trust A/C

**VOTING RIGHTS**

**Ordinary Shares**

At 30 August 2010 there were 264 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 30 AUGUST 2010**

	<u>Registered Name</u>	<u>No. Shares</u>	<u>%</u>
1	Mr Chiang Meng Heng	21,162,760	51.19
2	Jilcy Pty Ltd Jilcy Super Fund A/C	6,657,407	16.10
3	Eng Kim Low	3,779,126	9.14
4	Vasek Fasteners Pty Ltd Premier Screw Super A/C	1,553,529	3.76
5	Schleuderer Nominees Pty Limited	700,000	1.69
6	Chio Tee Tan	600,000	1.45
7	Citicorp Nominees Pty Limited	520,000	1.26
8	Bankura Pty Ltd Campbell Family Trust A/C	476,000	1.15
9	Mrs Gail Leslie Storey	444,476	1.08
10	Ms Anthea Judith Drescher	444,475	1.08
11	Frank Kwong-Shing Wong	380,000	0.92
12	Kim Soon Ng	300,000	0.73
13	Bowes & Brown Pty Ltd	257,261	0.62
14	Thia Dowsey	225,000	0.54
15	May Chiak Elaine Ng	225,000	0.54
16	Wheen Finance Pty Ltd	208,000	0.50
17	Mrs Gail Leslie Storey	207,200	0.50
18	Mr James Crosthwaite	178,800	0.43
19	Mr Lim Sen Yap	166,362	0.40
20	Coolangatta Holdings Pty Limited Coolangatta Hlds S/Fund A/C	161,600	0.39
		<u>38,646,996</u>	<u>93.48</u>

**HOLDING RANGE (SHAREHOLDERS) AS AT 30 AUGUST 2010**

<u>Range</u>	<u>No. Holders</u>	<u>Total No. Shares</u>	<u>%</u>
1 - 1,000	61	45,459	0.11
1,001 - 5,000	100	279,386	0.68
5,001 - 10,000	35	264,393	0.64
10,001 - 100,000	45	1,716,881	4.15
100,001 +	23	39,034,443	94.42
	<u>264</u>	<u>41,340,562</u>	<u>100.00</u>

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## OFFICES AND OFFICERS

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### DIRECTORS

Neville Thomas Cleary	Chairman (Independent & Non-Executive)
Christopher Elmore Campbell	Group Managing Director
Chiang Meng Heng	Director (Non-Executive)
Dr John Lewis Schlederer	Director (Independent & Non-Executive)

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**COMPANY SECRETARY** Stephanie Ann Noble

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### REGISTERED OFFICE

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

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

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### 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

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### STOCK EXCHANGE

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

ASX Code: GRT

# GARRATT'S GROUP

