
ANNOUNCEMENT TO THE ASX

Acquisition of the business of Damba Furniture in Australia and New Zealand

Sydney, 8 February 2007 ~ Gregory Australia Limited (ASX: GIL) is pleased to announce the execution of a *Business and Share Sale Agreement* for Gregory Commercial Furniture Pty Limited (GCF) to acquire the business and assets of Damba Furniture Limited (DFNZ) and all the shares on issue in Damba Furniture Pty Limited (DFAU).

The Damba Holdings Limited group (Damba) is a private commercial furniture company operating in Australia and New Zealand, currently with an annual turnover of approximately AU\$10 million. The Damba business has been trading since 1969 and has a loyal customer base in Australia and New Zealand consisting of a network of dealerships; architects and designers; project managers and many government departments which have listed Damba as a preferred supplier.

The acquisition of Damba, will almost double the existing commercial furniture business of Gregory Commercial Furniture Limited (GCF) and enhance profitability through:

- increased revenue from:
 - access to the New Zealand market;
 - making the Damba and Vibe product range available to GCF customers; and
- improved economies of scale including:
 - lower production overheads. It is planned to close Damba's Seven Hills factory during the first quarter of 2007; and to relocate and integrate DFAU's entire production process into the GCF Whetherill Park factory;
 - reduced office, management and administration costs by absorbing the majority of these functions into the existing GIL group;
 - greater purchasing power;
 - reduced transportation costs; and
 - a more streamlined sales and customer service team that is able to deliver a total solution to meet the present and future needs of our combined customer base.

The Agreement contains the usual terms and conditions found in agreements of this kind including the usual warranties and covenants in respect of the business, assets, and liabilities of DFNZ and DFAU. The particular terms and conditions, which may be of interest to the market, are as follows:

- **Consideration** ~ The consideration for the business and assets of DFNZ and the shares of DFAU will be:
 - the issue of 3,300,000 fully paid shares in GIL at an issue price of AUD\$0.55 per share. The value of this reflects the goodwill component of the overall business; plus

- the assumption of certain liabilities of DFNZ and the retirement and/or take-over of a debt facility to Westpac Banking Corporation of up to a maximum amount of NZ\$1,720,000. This amount reflects the anticipated overall value of the net assets being acquired at completion.

It is intended that the shares issued pursuant to the Agreement will be held in escrow for a period of 12 months.

- **Condition Precedent** ~ The Agreement is subject to a number of conditions precedent including, but not limited to:
 - The shareholders of GIL approving the issue of the shares at an EGM which is expected to be held in March 2007;
 - Due diligence of the business of DFNZ and DFAU being acceptable to GIL;
 - Certain key executives of Damba entering into employment agreements with GCF;
 - Formal approval of the transaction from Westpac Banking Corporation; and
 - GCF arranging an acceptable debt facility for the take-over or retirement of the Westpac Banking Corporation debt.
- **Acquisition of the Business and Assets of DFNZ** ~ GCF will acquire the business and certain of the assets of DFNZ including trade debtors, plant and equipment, inventory, trade names, intellectual property rights and goodwill. In conjunction with this, GCF will assume certain liabilities including trade creditors and employee entitlements associated with the offer of employment to most of the staff and certain executives of DFNZ.
- **Acquisition of the Shares of DFAU** ~ GCF will acquire all of the shares on issue in DFAU once all inter-company and bank borrowing has been extinguished.
- **Temporary Facility** ~ GIL has agreed that on execution of the Agreement it will provide a temporary facility of up to A\$300,000 to Damba Holdings Limited, which is repayable to Gregory on termination of the Agreement or the date of completion. This facility will be secured by way of a personal guarantee from three of the major shareholders and directors of Damba.
- **Date of Completion** ~ Subject to all the conditions precedent being met, it is anticipated that completion will take place on 2 April 2007.



Tony H Noun
Group Managing Director