

**THIS DOCUMENT IS IMPORTANT AND REQUIRES
YOUR IMMEDIATE ATTENTION**

**IF YOU ARE IN ANY DOUBT ABOUT THE ACTION YOU SHOULD TAKE,
PLEASE CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT OR
OTHER PROFESSIONAL ADVISER**

Proposed Acquisition by

**GREGORY AUSTRALIA LIMITED
ACN 084 068 673**

Of

**PNE INDUSTRIES PTY LIMITED
ACN 002 877 312**

NOTICE OF EXTRAORDINARY GENERAL MEETING

Incorporating

**INFORMATION MEMORANDUM
INDEPENDENT EXPERT'S REPORT
and
PROXY FORM**

GREGORY
ergonomic to the core



**NOTICE OF AN EXTRAORDINARY GENERAL MEETING TO BE HELD
IN BEAUMONT ROOM, SHERATON ON THE PARK, 161 ELIZABETH STREET, SYDNEY
AT 10AM SYDNEY TIME ON 24TH APRIL 2006 IS INCLUDED**

**TO BE VALID, FORMS OF PROXY FOR USE AT THE MEETING MUST BE COMPLETED AND
RETURNED TO THE COMPANY NO LATER THAN 10 AM SYDNEY TIME ON 22ND APRIL 2006**

Table of Contents

KEY DATES

CHAIRMAN'S LETTER

NOTICE OF EXTRAORDINARY GENERAL MEETING

1. Resolutions
2. Notice Requirements for Resolutions
3. Voting Exclusion Statements
4. Determination of Membership and Voting Entitlement for the Purpose of the Meeting
5. Proxies

INFORMATION MEMORANDUM

1. Proposed Transaction
2. Overview of PNE
3. Overview of the Company
4. Risk Factors
5. Additional Information

- ANNEXURE 1 - Transaction Documents
ANNEXURE 2 - Material Contracts
ANNEXURE 3 - Independent Expert's Report
ANNEXURE 4 - Glossary

Key Dates

Date and time for lodgement of proxies	10 am on 22 April 2006
Date and time for determining eligibility to vote at the Meeting	5pm on 21 April 2006
Date and time of Meeting	10am on 24 April 2006
Anticipated Date of Completion of the Acquisition of PNE	24 April 2006

This Information Memorandum is dated 20 March 2006

IMPORTANT NOTICES

This Information Memorandum sets out information required to be considered by Shareholders for the General Meeting including, among other things, for the purposes of ASX Listing Rules 7.1, 10.1 and 11.1 and Section 611 (Exception 7) of the Corporations Act.

You should read this Information Memorandum in its entirety before making a decision as to how to vote at the General Meeting.

A copy of this Information Memorandum has been lodged with ASX.

Neither ASX nor any of its officers take any responsibility for the contents of this Information Memorandum. The fact that ASX may admit the Company to its official list or recommence quotation of its Shares after the acquisition of PNE is not to be taken in any way as an indication of the merits of the Company.

How To Vote

Your vote is important!

The acquisition of PNE can only be implemented if sufficient shareholders of the Company vote in favour of the acquisition.

The Resolutions to be considered by the Meeting are ordinary resolutions and must be approved by the majority of shareholders of the Company voting on each Resolution (in person or by proxy).

How to Vote

You may vote at the Meeting by attending the Meeting in person or by proxy.

Voting in Person

To vote in person you must attend the Meeting on 24 April 2006 at 10am in Beaumont Room, Sheraton on the Park, 161 Elizabeth Street, Sydney.

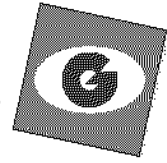
Voting by Proxy

If you wish to vote by proxy, the Company requests that you return the proxy form accompanying this Information Memorandum to the Company by 10 am on 22 April 2006.

You may return your proxy form to the Company by posting or delivering it to the relevant addresses set out in the form of proxy or by sending it by facsimile to (02) 9756 1009.

Enquiries

If you have any questions in relation to the acquisition of PNE please call John Scutt CEO of the Company on (02) 9756 1099.



www.gregoryaustralia.com.au

Chairman's Letter

20 March 2006

Dear Shareholder,

As you are aware from announcements to ASX, the Company is in the process of completing the acquisition of PNE Industries Pty Limited (PNE). The purpose of the enclosed Information Memorandum is to provide you with the necessary information to assist you in deciding whether to approve the transaction at the general meeting of the Company to be held on 24 April 2006.

This document contains the material information that needs to be considered by shareholders of the Company with respect to this transaction. This includes an Information Memorandum incorporating an Independent Expert's Report prepared by BDO Corporate Finance Pty Limited, which addresses the arguments for, and against the transaction. You should read this report carefully. I draw your attention to their conclusions and opinions concerning the acquisition of PNE, which is that, the consideration being paid by the Company is fair and reasonable to shareholders whose votes are not to be disregarded.

PNE is a leading Australian-owned and operated electronics engineering and manufacturing business, specialising in electronic control systems for OEM's. PNE creates solutions for products as diverse as air conditioners, environmental control systems, biomedical equipment, pool and spa pumps and chlorinators, "smart vending machines" and "smart safes". The same technology can be utilised on "smart" or automated furniture.

In considering the acquisition of PNE the Directors of the Company recognised that the business models of PNE and the Company are very similar. As with the Company, PNE designs the intellectual property of a product, has the product manufactured by external contractors, carries out light assembly and then sells the product on a business to business basis.

Both the Company and PNE conduct separate research and development facilities with common design processes and the acquisition of PNE will allow the two research and development facilities to be merged together to create a larger and more sophisticated design centre that will enable the Company to take advantage of any opportunities emerging within the commercial furniture industry worldwide, for the integration of traditional furniture design with electronics.

The Company already holds patented technology and an Australian Design Award for commercial furniture. The acquisition of PNE will provide the means for the Company to maintain this edge because of the increased strength of the combined research and development capability and the improved financial resources that will result from the acquisition.

PNE was established in 1984 and has remained consistently profitable over many years due to sound management practices and focussed business development strategies. PNE had revenue of \$9,372,000 in the year ended 30 June 2005. PNE will have no debt at the acquisition date. Further details about PNE are set out in the Information Memorandum.

It is proposed that the shareholders meeting will approve the following matters:

- the acquisition by the Company of all the issued shares and options in PNE and the proposed issue of 40,416,667 New Shares in the Company as consideration; and
- the election of Robyn Himmelberg and David Richards, two directors of PNE, as directors of the Company.

If approved, the result of the above would be that the Company will incorporate the operations of PNE into its business and the current shareholders of PNE would own 62% of the merged entity. The merged entity would be a well funded company with established businesses in a wide range of products and opportunities for growth.

Tony Noun and I have previously advised that because we are both shareholders and directors of PNE we have absented ourselves from all of the discussions and deliberations conducted by the independent directors of the Company on whether to acquire PNE. I can however advise that each of your independent Directors recommend the proposed acquisition of PNE.

If you are unable to attend the general meeting, please complete and return the proxy form at the back of this document.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Richard Sealy', with a horizontal line underneath.

Richard Sealy
Chairman

Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of all shareholders of Gregory Australia Limited (ACN 084 068 613) (**Company**) will be held in Beaumont Room, Sheraton on the Park, 161 Elizabeth Street, Sydney, New South Wales on 24 April 2006 at 10 am.

BUSINESS

The purpose of the Meeting is to consider the acquisition of PNE and all of the associated matters as described in the Information Memorandum and if thought fit, to pass ordinary Resolutions to enable the Company to acquire PNE.

An Information Memorandum, incorporating an Independent Expert's Report accompanies and forms part of this Notice of Meeting (**Notice**).

Terms used in this Notice, including in the resolutions set out below, have the same meaning as set out in the Glossary, which is contained in Annexure 4 of the Information Memorandum.

RESOLUTIONS

Resolution 1

Acquisition of shares in PNE Industries Pty Limited

That, subject to the passing of Resolutions 2, 3 and 4 set out in the Notice and for all purposes including, without limitation, ASX Listing Rules 10.1 and 11.1, the Company authorise and approve the acquisition of all the issued ordinary shares and options in PNE from the PNE Shareholders who include certain related parties of the Company and the change in the scale of activities of the Company resulting from the acquisition of all the issued ordinary shares and options in PNE on the terms set out in the PNE Share Purchase Agreement, as described in the Information Memorandum (**Information Memorandum**) and which accompanies the Notice.

Resolution 2

Issue of shares in Gregory Australia Limited

That, subject to the passing of Resolutions 1, 3 and 4 set out in the Notice and for all purposes including, without limitation ASX Listing Rule 7.1 and Section 611 (Exception 7) of the Corporations Act the Company authorise and approve the allotment and issue by the Company of 40,416,667 fully paid ordinary shares in the capital of the Company, representing a Relevant Interest of 62% of the issued share capital of the Company on Completion pursuant to the PNE Share Purchase Agreement, to parties identified in Section 1.1 of the Notice.

Resolution 3

Election of Robyn Himmelberg as a Director

That, subject to the passing of Resolutions 1, 2 and 4, the Company authorise and approve the appointment of Robyn Himmelberg as a Director of the Company at Completion.

Resolution 4

Election of David Richards as a Director

That, subject to the passing of Resolutions 1, 2 and 3, the Company authorise and approve the appointment of David Richards as a Director of the Company at Completion.

1. NOTICE REQUIREMENTS FOR RESOLUTIONS

Resolution 1

Resolution 1 refers to ASX Listing Rules 10.1 and 11.1 which requires shareholder approval, if required by the ASX, where a company proposes:

- (a) to acquire a substantial asset from a related party of the Company or a person whose relationship to the Company is such that ASX has the opinion that shareholder approval of the transaction should be provided. Richard Sealy and Tony Noun are both related parties of the Company for the purposes of Section 228 of the Corporations Act as they are both Directors of the Company. Associates of Richard Sealy hold 220,000 PNE Shares comprising 2.6% of the issued PNE Shares and 55,000 PNE Options comprising 0.8% of the issued PNE Options and Associates of Tony Noun hold 1,940,000 PNE Shares comprising 23.1% of the issued PNE Shares and 1,610,000 PNE Options comprising 22.8% of the issued PNE Options;
- (b) to make a significant change to the scale of its activities. The ASX has indicated that it requires the Company to obtain shareholder approval for the proposed change in the scale of its activities described in the Information Memorandum.

Resolution 2

Resolution 2 refers to ASX Listing Rule 7.1 and Section 611 (Exception 7) of the Corporations Act. Listing Rule 7.1 provides that the Company cannot issue or agree to issue equity securities (which include Shares) without Shareholder approval where the number of equity securities issued or agreed to be issued in the preceding 12 month period and the new issue exceeds 15% of the number of equity securities on issue at the beginning of the preceding 12 month period (increased by any issues undertaken in that period with Shareholder approval or under an exemption to Listing Rule 7.1). The New Shares to be issued to the PNE Shareholders as consideration for the purchase of the PNE Shares and the PNE Options exceed 15% of the number of equity securities on issue at the beginning of the preceding 12-month period. Accordingly, Shareholder approval is required for the issue of the New Shares.

Section 606 of the Corporations Act prohibits a person from acquiring a Relevant Interest in issued voting shares in the Company, which results in Voting Power of any person in the Company increasing from below 20% to more than 20%. The PNE Shareholders may be deemed to be Associates for the purposes of Section 12(2)(b) of the Corporations Act by virtue of their having together entered into the PNE Share Purchase Agreement. Accordingly, as a result of the issue of New Shares in the Company to the PNE Shareholders, the Voting Power of the PNE Shareholders in the Company may be deemed to exceed 20%. See Section 1.1(a)(iv) of this Notice for details. Section 611 of the Corporations Act permits an allotment of shares to a

person, which would result in that person's Voting Power in the Company increasing beyond 20% if that allotment receives shareholder approval. ASIC has issued Policy Statement 74 "Acquisitions Agreed to by Shareholders" which contains ASIC's views on the operation of Section 611 of the Corporations Act. ASIC Policy Statement 74 indicates, by way of guidelines, the type of information that should be provided to shareholders when asking them to vote on such a resolution. This information is set out in detail below and in the Information Memorandum.

Pursuant to ASIC Policy Statement 74, the Notice must include a report from an independent expert stating whether or not the purchase is "fair and reasonable" to the non-associated shareholders of the Company. The Company has engaged BDO Corporate Finance Pty Limited to prepare an Independent Expert's Report. In its report BDO Corporate Finance Pty Limited concludes that the transaction is fair and reasonable to the non-associated shareholders of the Company. A copy of the Independent Expert's Report, which Shareholders should read carefully, is contained in Annexure 3 to the Information Memorandum.

1.1 Notice Requirements for Resolutions 1 and 2

(a) Pursuant to Listing Rule 7.1:

(i) Maximum number of securities to be issued:

40,416,667 New Shares.

(ii) Date by which securities will be issued:

The New Shares will be issued on Completion and in any event no later than three months after the date of the Meeting.

(iii) Issue Price of securities:

The New Shares will be issued at a deemed issue price of \$0.30 each.

In this regard, your attention is drawn to the Independent Expert's Report in Annexure 3 to the Information Memorandum.

- (iv) Names of Allottees and number of New Shares to be issued to each Allottee together with the percentages of Shares to be held in the Company following Completion and the Voting Power of each Allottee before and after Completion:

Name	New Shares to be issued	%	Voting Power before Completion (including Associates)		Voting Power After Completion (including Associates)	
			Shares	%	Shares	%
REN Nominees Pty Limited*	9,333,333	14.2	1,932,500	7.6	11,265,833	17.2
Baldman Investments Pty Limited**	3,083,333	4.7	133,333	0.05	9,466,666	14.5
David Richards	6,250,000	9.5	133,333	0.05	9,466,666	14.5
Himmelberg Investments Pty Limited***	3,083,333	4.7	133,333	0.05	9,466,666	14.5
Robyn Himmelberg	6,250,000	9.5	133,333	0.05	9,466,666	14.5
Sealy Investments Pty Limited****	916,667	1.4	971,483	3.8	1,888,150	2.9
William Drayton	6,250,000	9.5	133,333	0.05	9,466,666	14.5
Draycom Investments Pty Limited	3,083,333	4.7	133,333	0.05	9,466,666	14.5
Mozart Holding Limited	916,667	1.4	1,900,000	7.5	2,816,667	4.3
Tabouli Holdings Pty Limited	416,667	0.6	Nil	Nil	416,667	0.6
Jimmy Chan	416,667	0.6	Nil	Nil	416,667	0.6
Carman Nominees Pty Limited	416,667	0.6	475,000	1.9	891,667	1.4
	40,416,667	61.7				

* A company associated with Tony Noun, an existing Director and a PNE Director

** A company associated with David Alexander Richards, a proposed Director of the Company and a PNE Director

*** A company associated with Robyn Himmelberg, a proposed Director of the Company and a PNE Director

**** A company associated with Richard Sealy, an existing Director and a PNE Director

The Voting Power of Baldman Investments Pty Limited includes the Voting Power of David Richards and vice versa. The Voting Power of Himmelberg Investments Pty Limited includes the Voting Power of Robyn Himmelberg and vice versa. The Voting Power of William Drayton includes the Voting Power of Draycom Investments Pty Limited and vice versa.

If the PNE Shareholders are deemed to be Associates for the purposes of Section 611 Exception 7 of the Corporations Act in the context of Completion, they will be deemed to have an aggregate Voting Power of 70%. Following Completion, their Voting Power will be in the percentages set out in Column 7.

(v) Terms of Securities:

The New Shares to be issued will rank equally with all other Shares on issue and in all other respects the rights and entitlements of the holders of the New Shares will be identical to the rights and entitlements of the holders of currently issued Shares.

(vi) The intended use of the funds:

No funds will be raised from the proposed issue of the New Shares. The consideration for such issue will be the transfer to the Company of all the PNE Shares and the PNE Options.

1.2 Voting Power

By virtue of Exception 7 of Section 611 of the Corporations Act, the Shareholders of the Company are required to be given all information known to the Company, and all information known to the PNE Shareholders and their Associates, that is material to the decision on how to vote on Resolution 2. This information includes.

- (a) the identity of the persons proposing to acquire the New Shares ("**Acquirors**") and their Associates;
- (b) the maximum extent of the increase in each Acquiror's Voting Power in the Company that would result from the acquisition;
- (c) the Voting Power that each Acquiror would have as a result of the acquisition;
- (d) the maximum extent of the increase in the Voting Power of each of the Acquiror's Associates that would result from the acquisition; and
- (e) the Voting Power that each of the Acquiror's Associates would have as a result of the acquisition.

This information is set out in the Table in Section 1.1 (a)(iv) of this Notice. Relevant matters are also described in the Independent Experts Report set out in Annexure 3.

1.3 Notice Requirements for Resolutions 3 and 4

Nil.

2. VOTING EXCLUSION STATEMENTS

RESOLUTION 1

The Company will disregard any votes cast on Resolution 1 by a person and their Associates who may obtain a benefit, except a benefit solely in the capacity of a Shareholder of the Company if the Resolution is passed. This includes, without limitation, Richard Sealy, Tony Noun and their Associates in the context of Listing Rule 10.1 and the PNE Shareholders and their Associates in the context of Listing Rule 11.1.

However, the Company need not disregard a vote on Resolution 1 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

RESOLUTION 2

The Company will disregard any votes cast on Resolution 2 by the person proposing to make the acquisition and their Associates and the person (if any) from whom the acquisition is to be made and their Associates. This includes, without limitation, the Directors and the PNE Shareholders.

However, the Company need not disregard a vote on Resolution 2 if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

3. DETERMINATION OF MEMBERSHIP AND VOTING ENTITLEMENT FOR THE PURPOSE OF THE MEETING

The Company has determined that for the purpose of determining a person's entitlement to vote at the Meeting, a person will be recognised as a Shareholder and the holder of Shares if that person is registered as a holder of those Shares at 5 pm Sydney time on 21 April 2006.

4. PROXIES

Please note that:

- (a) A Shareholder entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of the Shareholder.
- (b) Where the Shareholder is entitled to cast two (2) or more votes, the Shareholder may appoint two (2) proxies and may specify the proportion or number of votes each proxy is appointed to exercise.
- (c) If the Shareholder appoints two (2) proxies and the appointment does not specify the proportion or number of the Shareholders votes each proxy may exercise half of the votes. Any fractions of votes brought about by the apportionment of a proxy will be disregarded.
- (d) A proxy need not be a Shareholder.
- (e) Any instrument of proxy deposited or received at the registered office of the Company in which the name of the appointee is not filled in will be deemed to be given in favour of the chairman of the Meeting.
- (f) To be effective the instrument appointing a proxy (and power of attorney or other authority, if any, under which it is signed or a certified copy of the power of authority) must be deposited at the corporate office of the Company being 125-131 Cowpasture Road Wetherill Park, New South Wales, or be received by facsimile on facsimile number (02) 9756 1009 not less than 48 hours before the time for holding the Meeting or for the holding of any adjournment of the adjourned meeting with respect to the Meeting.

A form of proxy accompanies this notice.

By order of the Board



John Scutt
Secretary
Date: 20 March 2006

Information Memorandum

This Information Memorandum has been prepared to assist Shareholders of the Company with their consideration of the Resolutions proposed for the Extraordinary General Meeting of Gregory Australia Limited ACN 084 068 673 to be held at 10am 24 April 2006 in Beaumont Room, Sheraton on the Park, 161 Elizabeth Street, Sydney.

1. PROPOSED TRANSACTION

1.1 Overview of Proposed Transaction

The Company has entered into an agreement (“**PNE Share Purchase Agreement**”), brief particulars of which are summarised in Annexure 1, to purchase all the issued ordinary shares in PNE (“**PNE Shares**”) and all the issued options to acquire PNE Shares (“**PNE Options**”).

It is a condition precedent to the completion of the acquisition of the PNE Shares and the PNE Options (“**Completion**”) that the Shareholders of the Company authorise and approve the Resolutions set out in the Notice.

The consideration payable for the PNE Shares and the PNE Options by the Company will be the issue of 40,416,667 New Shares to the PNE Shareholders.

1.2 Associates of PNE Shareholders

The Company has been advised by the PNE Shareholders that the following PNE Shareholders or their Associates currently hold the following numbers of Shares in the Company:

Shareholder	Number of Shares	Number of Options
Mrs Debra Noun [†]	1,057,500	Nil
REN Nominees Pty Limited	700,000	Nil
Innovative Management Pty Limited*	175,000	Nil
Sealy Investments Pty Limited as trustee for RM & P Sealy Superannuation Fund	35,000	Nil
Hammersmith Holdings Limited ^{††}	836,483	Nil
EM Karsten and PR Speakman as trustees for the Sealy Education Trust ^{**}	50,000	50,000
EM Karsten and PR Speakman as trustees for the Rarangi Trust ^{**}	50,000	50,000
Mozart Nominees Limited	1,900,000	100,000
Carman Nominees Pty Ltd	475,000	Nil
Rimelton Pty Ltd ^{***}	400,000	Nil

- * Associates of REN Nominees Pty Limited and Tony Noun, (a director of both PNE and the Company), which is a PNE Shareholder.
- ** Associates of Sealy Investments Pty Limited and Richard Sealy, (a director of both PNE and the Company), which is a PNE Shareholder.
- *** Associate of Robyn Himmelberg, David Richards and William Drayton (Robyn Himmelberg and David Richards being PNE Directors and proposed Directors of the Company), who are PNE Shareholders.

Robyn Himmelberg and David Richards will be appointed as Directors of the Company if the acquisition of PNE is approved, and will together hold Relevant Interests in 18,933,332 (29.0%) Shares in the Company.

1.3 Independent Directors' Recommendations

Richard Sealy and Tony Noun were not considered to be independent Directors in the context of the proposed transaction as they are directors of both PNE and the Company and through their Associates are shareholders of both companies. The independent Directors unanimously recommend the proposed acquisition of PNE, having considered the potential advantages for Shareholders, for the following reasons:

- The proposed acquisition of PNE would bring together the capital and resources required to execute more effectively a number of operational and corporate initiatives that will build on the merged company's position in both the commercial furniture and electronics industries in Australia and New Zealand through:
 - a consolidation and strengthening of the Company's and PNE's management resources - the management of PNE has had a successful track record in the electronics industry having operated its respective businesses since 1985;
 - an increase in the cash resources available to expand the Company's and PNE's current businesses;
 - a strengthening of the balance sheet of the Company through higher cash reserves, increased assets and the elimination of all debt;
 - increasing the size of the Company's business so as to make better use of the cost of maintaining the listed entity;
 - diversification of the revenue streams to areas complimentary with the commercial furniture industry thereby reducing the financial impact of the current seasonal nature of sales for the Company; and
 - cross marketing opportunities within the clients of both PNE and the Company.

- The business models of PNE and the Company are very similar as outlined below:
 - The business model used by the Company is that it designs intellectual property for a product, has the componentry made by external contractors and then carries out light assembly before marketing the product on a business to business basis;
 - PNE, while being categorised as an electronics manufacturer, does not operate in the same way as traditional electronics manufacturers. As with the Company, PNE designs the intellectual property of a product, has the product manufactured by external contractors, carries out light assembly and then sells the product on a business to business basis;
 - Both the Company and PNE conduct separate research and development facilities with common design processes and the acquisition will allow the two research and development facilities to be merged together to create a larger and more sophisticated design centre that will enable the Company to take advantage of any opportunities emerging within the commercial furniture industry worldwide for the integration of traditional furniture design with electronics.

For the above reasons, the Directors believe that the proposed merger of the Company and PNE's resources will result in the creation of an innovative and competitive company operating in the commercial office furniture and electronics sectors in Australia with the consequent benefits for Shareholders of the Company.

The Company already holds patented technology and an Australian Design Award for commercial furniture. The acquisition of PNE will enable the Company to integrate electronics with commercial furniture through the strength of the combined research and development capability.

PNE had revenue of \$9,372,000 in the year ended 30 June 2005. PNE will have no debt at the date of Completion.

The independent Directors are of the view that the merged company should be more attractive to the investment community as it will be larger than at present, have improved financial capability, a greater number of shares available for trading and a more developed business.

The independent expert, BDO Corporate Finance Pty Limited, has formed the opinion that the proposed acquisition of PNE is fair and reasonable to the Company's shareholders whose votes are not to be disregarded.

The independent Directors consider that potential disadvantages are as follows:

- Should the Shareholders not approve the acquisition of PNE then the opportunity to merge with PNE, a highly regarded and historically profitable business, will be lost to the Company; and
- A potential disadvantage of Shareholders approving the acquisition of PNE is that their interests in the Company will be diluted with the current Shareholders of the Company owning 38% of the enlarged group. In the absence of the acquisition of PNE proceeding, it is likely

that the Company would need to diversify its current channels of business and product range and this would almost certainly result in some considerable dilution to Shareholders.

1.4 Responsibility Statement

The PNE Directors have provided the information contained in Sections 2, 3.5 and 4 (as it relates to the electronics industry) and the statement of financial position of PNE for the last 3 financial years and as at 31 December 2005 in Section 2.5. They have also provided other information about the PNE Group, which has been attributed to them in this Information Memorandum. Whilst the Company has undertaken due diligence on PNE, it has relied upon this information provided by the PNE Directors.

2. OVERVIEW OF PNE

2.1 History of PNE

In the early 1980's the cost of making small volume runs in Singapore for the Australian market became very expensive. This provided the opportunity for the establishment of a local Australian manufacturing company that could build products more cheaply, with better quality and make significant profits.

PNE was established in 1984 by David Richards (30%) Robyn Himmelberg (30%), Bill Drayton (30%) and Print N Etch Manufacturing Co of Singapore (10%). All of the shareholders had extensive experience over many years in the electronics industry.

In 1999 Print N Etch Manufacturing Co ceased to have a shareholding in PNE and the three Australian shareholders purchased their interest so that each held one-third of the shares in PNE.

Over the years, the Company has developed a sound business model that does not include direct manufacturing but rather the design of products and then the purchase and supply of material and subcontracting to assemblers. The finished product is then tested by PNE in-house before being finally assembled and shipped out to customers.

In 2003 it was decided that PNE should adopt a strategy for future expansion. However, during the planning it was realised by the shareholders that the existing capital was not large enough to carry out expansionary activities. This led to PNE seeking external investors and the consequent expansion of its shareholder base.

In 2005 PNE raised \$3,000,000 to finance the acquisition of an Australian production facility, which did not proceed to completion. Later in 2005 PNE had the opportunity to acquire the business of Opentec Pty Limited a company specialising in the manufacture of ruggedised computers and PDA's. The purchase of the business of Opentec Pty Limited was completed on 8 March 2006.

2.2 The Business of PNE

OVERVIEW

PNE is a leading Australian-owned and operated electronics engineering and manufacturing business. PNE's ability to create intellectual property that adds considerable value to its customers' final product has helped it establish a leadership role in the Australian OEM industry.

Since developing the safety cut-out switch for the steam iron in 1985, PNE has created a multitude of control systems that have been used by hundreds of thousands of Australian and overseas users. Today, PNE is one of the largest designers and manufacturers of electronic control systems in Australia with an ability to deliver world-class innovations to Australian and global manufacturers – manufacturers such as the Company.

PNE has created solutions as diverse as control systems for air-conditioners, gas heaters, pool pumps, spas, salt chlorinators and solar heaters, earth-leakage protection systems for domestic appliances, soft-start/over-voltage protection circuitry for domestic and industrial equipment, control and management systems for variable electronic road signs, and integrated electronic control, management, data-logging and communications systems for vending machines and intelligent safes and electronic controlling of ergonomic furniture.

Today, PNE's award-winning designs, patented technologies and considerable electronics design and research and development ability continues to help many OEMs stay ahead of their competition by making their products more fully featured, more reliable, easier to use, and safer.

It is PNE's innovative ability, which will help the Company to compete effectively in the worldwide trend to incorporate innovative electronic devices in office furniture thereby improving the comfort and ergonomic nature of working environments for the benefit of those who occupy them. This is particularly relevant here, where PNE's involvement in so many areas of control electronics and novel solutions can be implemented with experiences gained in other fields.

"Inspired Technology Solutions"

With many of PNE's customers' products invariably being described as 'Best of Breed', or 'Australian Innovation at its Best', the innovation and inspiration that got PNE started continues to be the hallmark of its custom-designed and manufactured solutions, and part and parcel of its customers' success.

THE BUSINESS

Turnkey Design and Manufacturing Services

The PNE core business is the design and manufacture of electronic control systems for equipment manufacturers. Whether the customers create air-conditioners, gas heaters, food vending machines, commercial clothes presses or floor polishers, PNE's solutions help deliver the functionality they envisioned for their products.

Off-the-Shelf Control and Monitoring Solutions

When an application doesn't warrant a custom-engineered and manufactured solution, PNE has a range of standard designs that can be quickly

customised, or supplied direct out-of-the-box, to address a range of control or monitoring applications for commercial, industrial or mining applications. From customisable touch-screen control panels, to motor/compressor control boards, to appliance thermostats, to monitoring and remote control devices, these products offer feature-rich solutions without the custom development time or costs.

Contract Electronics Manufacturing

When an application simply needs a reliable, competitive contract electronics manufacturer to produce sub-assemblies to a customer's own designs, PNE's many years experience of producing low-to-medium volume specialty product lines locally or high-volume commodity lines offshore is yet another way PNE can add value to a customer's products ensuring they get to market on time and on budget.

Bringing a Customer's Innovations to Life

While most of PNE's customers are OEMs few of the customers that benefit from PNE's design and manufacturing experience are manufacturers of electronics products.

PNE has earned a reputation amongst new inventors and industrial designers, as a development partner, which is focussed on nurturing Australian innovation.

SOME OF THE PNE PRODUCTS

PNE makes far too many products to review each and every one of them. This selection of products demonstrates the breadth and innovation of PNE's manufacturing ability.

Air-Conditioning Systems

PNE has more than ten years experience designing and manufacturing fully featured remote controls and main system control boards for Australian designed and manufactured evaporative air coolers and reverse cycle air-conditioners. From single compressor, single zone systems, to multi-compressor, split, ducted and multi-zone systems, and PNE's innovations help ensure leading brands remain ahead in this very competitive market.

Precision Commercial Environmental Control Systems

PNE's extensive experience of domestic air-conditioners was brought to bear in creating a solution for commercial buildings and computer rooms, where precision control and management of temperature and humidity were critical. PNE's environmental controls incorporate easy-to-use touch screen interfaces and powerful diagnostic and data-logging facilities.

Gas Heaters

When an Australian manufacturer of domestic and commercial gas heaters wanted to create the world's lowest 'oxides-of-nitrogen' (compounds created as a by-product of burning natural gas) emission heater in a move to capture a market niche, they turned to PNE to create the control system that would deliver the features they needed. With features such as 'intelligent' gas control to regulate room temperature and optimise gas usage, and a safety cut-out system that turns the heater off if room oxygen levels become depleted, or if the heater is knocked over, this customer's range of flue-less gas room heaters has been an Australian design award winner.

Pool Heating and Chlorination

PNE created the control system for the world's first 'solar strip absorption' pool heater. The controllers PNE developed and manufacture are both simple to use and robust. PNE's experience in this area has resulted in many solutions for pool and spa manufacturers.

Banking: Business Change Station

When a manufacturer of 'smart' cash safes wanted to create a range of self-serve money changing machines, they turned to PNE for the design innovations needed to make their products. The resulting smart card operated ATM-style note-for-coin change machines allow users to change large denomination notes for rolls of coins (and small denomination notes) without ever having to stand in a bank queue. This unique banking machine, which is being rolled out by banks in Australia and New Zealand, offers fast self-service outside banking hours.

Transport: Variable Electronic Signs

While variable traffic signs are nothing new, PNE added a user-friendly operator interface to the variable sign control and management system that was developed for a major toll road project in Brisbane. Designed from the ground up, PNE's system features automatic luminosity control, self-diagnostics and reporting systems, as well as a simple PC application that allow operators to generate text or graphics via a keyboard (for simple text) or more complex graphics via an intuitive pixel mapping system.

Retail (Food and Beverage): Food Vending Machine

When an Australian company patented a new hot food vending system, they needed a unique set of control and management electronics to bring their concept to life. Because it involved the vending of freshly cooked food, they needed to be able to monitor remotely all aspects of the freezing and cooking processes to ensure the satisfaction and safety of customers, as well as the peace-of-mind of the retailers who leased the machines. From the simple user control panel and menu system, to GPRS-enabled remote stock and status monitoring, this solution exemplifies PNE's skills in helping OEMs deliver innovative products to market.

Healthcare: Hospital Sanitiser

In intensive and aged care institutions the safe emptying and sanitising of bedpans is of major concern to healthcare workers. Therefore, a leading Australian healthcare operator chose PNE to develop control systems for their heavy-duty sanitisers that addressed the failings of many other imported products. With features such as electric door openers, safety interlocks, and automatic cleaning cycle control this essential behind-the-scenes service is now faster and more efficient and safer for operators, helping make this customer's range an industry leader. This has led to a range of intensive care equipment such as blanket warmers and irrigation fluid equipment controls that require precise performance.

2.3 Opentec International Pty Limited

Opentec International Pty Limited (**Opentec**) is an Australian owned and operated company with a history of design innovation. On 8 March 2006, Opentec completed the purchase of the Opentec business (see below for a summary of this business), which it has been operating under licence since September 2005.

The Opentec products are used in the defence, industry, emergency services and field service/support environments, these products incorporate features developed expressly for Australian conditions; features that make the range more versatile and more durable than most "toughened" commercial-grade products on the market.

Opentec's focus is the delivery of solutions for applications as diverse as asset management, GIS (Geographical Information Systems), security and access control, field operations management and mobile field personnel communications. Whether these are customer applications, or solutions from one of Opentec's innovative strategic partners, the aim is to provide world-class solutions offering superior performance and flexibility.

The Australian Department of Defence has around 2000 Openfire Rugged Portable Computers in use around Australia, and as part of the peacekeeping operations it has deployed approximately 200 units in East Timor. The Australian Military operate in some of the harshest environmental conditions in the world and as such rely heavily on the durability and reliability of their deployable computer equipment.

Research and Development

Opentec's continual work with the Australian Military, ongoing research and development commitment and ability to customise products ensures that the latest portable computing technology is available in a rugged format that enables defence organisations to process secure military data while operating in harsh environmental conditions.

Product and Environment

Opentec's product range includes the Openfire Series of Rugged Portable Computers and Rugged Vehicle Computers designed to withstand adverse environmental conditions - vibration, shock, water, dust, sand, humidity and salt spray.

These requirements include operating in areas that exhibit extremely fine dust, high humidity levels and extreme heat, combined with the handling and treatment issues that go along with deployable Military computer equipment

Since the grant of the Opentec licence, the PNE business model has added considerably to the market position of Opentec by applying sound management practices, together with exploring innovative cross-business synergies.

2.4 PNE Management Team

David Richards

David Richards obtained his degree in Electrical Engineering in 1983. He was an electronics development engineer with General Electric before becoming Engineering Manager in an associated company set up to undertake design and manufacture of electronic controls in appliances utilising the latest microcomputer technology.

This gave the basis for David to form PNE based upon carrying out the design and marketing in Australia, manufacturing in Singapore and later Malaysia. David as a founding member of PNE was and still is Managing Director of PNE and its subsidiary companies. David has many years of design and manufacturing experience in electronics and electromechanical

devices both here in Australia and overseas, particularly Asia. David has developed a highly technical marketing skill that enables PNE to obtain opportunities to develop and supply to many of the top Australian OEM manufacturers.

Robyn Himmelberg

A founding member of PNE, Robyn has over 25 years experience in the operation of electronic engineering and manufacturing, having helped to create and build a sustainable business model through an era of rapid technological and economic change. Robyn's background is in accounting; administration and customer relations, along with a broad knowledge of operations within the manufacturing environment, which will help to strengthen the operations and strategic direction of the Company. Robyn is a member of NIA, AIM and AICD.

2.5 Financial Information

The following table sets out the PNE historical consolidated statement of financial performance for the years ended 30 June 2003, 30 June 2004 and 30 June 2005 and for the six-month period ending 31 December 2005.

	Actual Year to 30 June 2003	Actual Year to 30 June 2004	Actual Year to 30 June 2005	Actual 6 Months to 31 December 2005
Revenue	7,775,893	9,031,351	9,372,145	5,153,829
EBITDA	885,317	1,274,128	539,996	310,031
Depreciation & amortisation	45,366	42,916	50,046	27,000
Interest income	11,341	45,804	110,676	84,887
Operating earnings before tax	851,292	1,277,016	594,626	367,918
Tax expense	172,465	247,645	34,636	68,883
Operating profit after tax	678,826	1,029,371	559,990	299,035
Less non-recurring restructuring costs (net of income tax)	NIL	NIL	NIL	NIL
Net profit	678,826	1,029,371	559,990	299,035

The above financial table for the 2003, 2004 and 2005 financial years has been audited but the financial statement for the six-month period ended 31 December 2005 is unaudited.

3. OVERVIEW OF THE COMPANY

3.1 Business

The Company has become known over the past 18 years for high quality commercial office furniture. With a design philosophy expressed as 'Ergonomic to the core' our aim is to maintain our leadership in innovative and high quality commercial furniture solutions for the corporate, government and healthcare sectors as we continue to expand our portfolio of high quality commercial furniture. Today we have three core brands:



The Company's vision is evolving rapidly with important production facilities changes, key people changes, information system changes and culture and branding strategies. One key initiative is the expansion of the seating ranges available through the Company.



The Company has become the exclusive licensed distributor of Boss Design in Australia and New Zealand. Established in the United Kingdom in 1983, Boss Design has strong credibility with the architect and designer communities of Europe and the United Kingdom. The collaboration with Boss Design will bring the Company to the forefront of innovative commercial design solutions. By combining innovative designs with immaculate upholstery detailing, Boss Design seating provides luxury pieces with the features and styles of some of Europe's leading cutting edge furniture designers. Boss Design clients include HSBC, The Royal Bank of Scotland, Barclays Bank, British Airways, Bentley and Hilton International.

The new designer collection, launched in Australia on 1 March 2006, is expected to contribute to new business growth in 2006 and beyond. Under an exclusive manufacturing and distribution license agreement with Boss Design, the Company will be producing its new Boss Design product line from the Bayswater factory. The production capacity of the plant will be increased over the coming months to meet the expected demands for the Boss Design range.

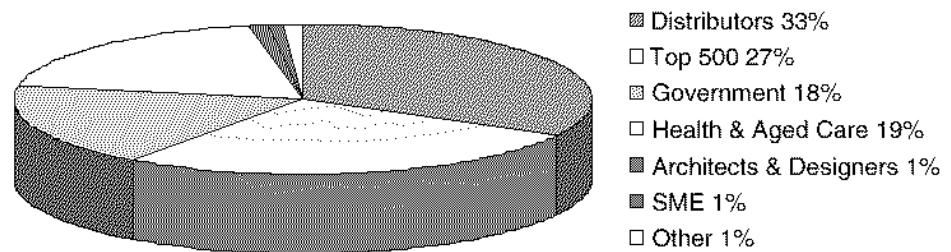
This partnership with Boss Design will be an integral aspect of the Company's growth in 2006 and beyond.

Market Analysis

The Company has a number of key market sectors that drive its sales growth. The Company has a range of distributors who form the largest customer base, closely followed by the Top 500 companies, Government, Health and Aged Care clients. Although the architect and designer community only represents a small percentage of the Company's client base, they are the influencers when it comes to the Top 500 corporate projects.

Projected Market Sectors 2006

Source: Budget 2005-6



Distributors

The Company has a range of distributor profiles. Much of the Company's sales generation involves the Company's interactive website, joint telemarketing programs for national distributors and cross promotions with shared resources.

National – Corporate Express and OfficeMax; multi office locations, Showrooms in capital cities, many sales staff, market through large catalogues and customer databases, have many product categories and preferred suppliers.

Metro – approximately 20 companies; market specialists with limited showroom presence, few strong sales people, fewer products, and small catalogue distribution, more and more business conducted through internet websites, small number but sometimes large individual customers.

Local – approximately 40 individuals; generally occupational health and safety providers and physiotherapists; no showroom, usually own office, no catalogue but increasing use of website, can have large customers based on relationships, only one sales staff.

The Company's distributors are encouraged to maintain consistent branding and to work with the Company on joint business leads and customers. Increasingly the distributors are looking for support from the Company with their showroom upgrades, product brochures, point of sale material, trial chairs, floor stock and staff product education.

Top 500 Corporate

The Company has developed a high profile within the major corporate community in Australia since inception. The objective is to grow this sector of the Company's business in 2006. Generally, the profile of these clients is that they have the ability and resources to manage their own selection processes for their commercial office furniture needs.

This category of client is focused on reducing occupational health and safety risks that can lead to substantial savings in workers compensation claims. In many instances these large-scale corporate office furniture projects will be influenced externally by architects and designers and internally by ergonomic committees.

Government

Sales are mainly driven by the Company's participation in NSW Government Contract 123 for Office Furniture that has been recently renewed to 2009 and associated activities including responses to official tenders. The Government sector currently represents a significant sector to increase the Company's sales.

Health and Aged Care

Management has been working to lift the Company's profile within the health and aged care community in Australia with the introduction of the "Atlas" product range and the objective is to grow this sector of the Company's total business. This market covers private hospitals, public hospitals, and aged care and nursing home facilities across Australia. The Company's major opportunities and therefore its focus will be the larger corporate private hospitals such as Affinity, Ramsay Healthcare and Healthscope.

Architects and Designers

This sector, although small in direct sales to the Company, is very influential in the decision making process for large projects and tenders in the Top 500 Corporate sector particularly. Although ergonomics and occupational health and safety factors are becoming increasingly important for the Top 500 Corporate market, they are not the only major criteria for selection. Office furniture design continues to be a major factor in the selection process and within the architects and designers community.

The fact that architects and designers are regular travellers to the international office furniture trade shows means they are very aware of latest design and technology advances. It is important to realize that marketing can only take the Company so far in terms of latest trends in office furniture design hence the introduction of the "Boss Design" product range under an exclusive Distribution Agreement for Australia and New Zealand has been an important part of the corporate strategy to secure a larger section of the architect and designer market.

SME and Other

This market sector is important to the Company but the Company does not have the resources to market effectively across Australia directly to the SME sector. Accordingly the Company has decided that the most effective way to manage its SME profile is through working closely with the Company's distributors and promoting the Company through its distributor's catalogues.

3.2 Financial Information including Pro forma Balance Sheet as at 31 December 2005

The pro forma statement of financial position as at 31 December 2005 is set out below reflecting the acquisition of PNE by the Company.

	The Company \$('000)	PNE \$('000)	Merger Adjustments \$('000)	Pro forma \$('000)
Cash	803	3,380	1,202	5,385
Receivables	2,049	1,869		3,918
Inventories	1,556	1,440		2,996
Other	238	30		268
Current Assets	4,646	6,719	1,202	12,567
Property plant & equipment	766	960		1,726
Goodwill on Consolidation	1,985		⁽²⁾ (510)	1,475
Other	850	599	(293)	1,156
Non Current Assets	3,601	1,559	(803)	4,357
Total Assets	8,247	8,278	399	16,924
Accounts Payable	1,838	1,713		3,551
Provisions	319	592		911
Borrowings	894		(781)	113
Total Liabilities	3,051	2,305	(781)	4,575
Net Assets	5,196	5,973	1,180	12,349
Share capital	5,196	5,973	⁽¹⁾ 1,180	12,349
Total Shareholders Equity	5,196	5,973	1,180	12,349

⁽¹⁾ Issue of 40,416,667 New Shares in the Company at 30 cents.

⁽²⁾ Goodwill on consolidation of PNE by the Company and other merger adjustments.

The following assumptions have been made:

- (a) the Company issues 40,416,667 New Shares, at a deemed issue price of 30 cents per share to the PNE Shareholders, such issue representing 62% of the Shares in the Company on Completion under the PNE Share Purchase Agreement;
- (b) as at 31 December 2005, PNE was a wholly owned subsidiary of the Company; and

- (c) transaction expenses relating to the acquisition of PNE (including stamp duty) of \$225,000.
- (d) transaction expenses relating to the placement of 7,764,666 Shares (see section 5.3), at an issue price of 30 cents per Share is \$120,000.
- (e) the repayment of a Bankwest loan of \$781,000 from the proceeds of the placement.

The pro forma balance sheet is provided for illustrative purposes only and does not reflect the assets and liabilities of the Company or PNE on Completion under the PNE Share Purchase Agreement.

3.3 Capital Structure

3.3.1 Prior to and following acquisition of PNE

On Completion under the PNE Share Purchase Agreement, the capital structure of the Company and the percentage of Shares and Options to be held by the existing Shareholders of the Company and the PNE Shareholders are expected to be as follows:

Shares	Number	Percentage Held
Current Shares on Issue	25,086,198	38%
New Shares to PNE Shareholders	40,416,667	62%
Total number of Shares after Completion	65,502,865	100%
Options		
Current Options on Issue	200,000	100%
New Options to PNE Shareholders	Nil	Nil
Total number of Options after Completion	200,000	100%

3.3.2. Major shareholders

The holders (and their Associates) of more than 5% of the Shares in the Company and Options following the proposed acquisition of PNE will be as follows:

Name	Entity/Related Party	Shares		Options
		Number	%	Number
Tony Noun	Mrs Debra Noun	1,057,500	17.1	Nil
Tony Noun	REN Nominees Pty Limited	10,033,333	17.1	Nil
Tony Noun	Innovative Management Pty Limited	175,000	17.1	Nil
David Richards	David Richards	6,250,000	14.4	Nil
David Richards	Baldman Investments Pty Limited	3,083,333	14.4	Nil
David Richards	Rimelton Pty Limited	133,333	14.4	Nil
Robyn Himmelberg	Robyn Himmelberg	6,250,000	14.4	Nil
Robyn Himmelberg	Himmelberg Investments Pty Limited****	3,083,333	14.4	Nil
Robyn Himmelberg	Rimelton Pty Limited	133,333	14.4	Nil
William Drayton	William Drayton	6,250,000	14.4	Nil
William Drayton	Draycom Investments Pty Limited	3,083,333	14.4	Nil
William Drayton	Rimelton Pty Limited	133,333	14.4	Nil
Peter Gregory	Bungan Nominees Pty Limited	4,800,000	7.3	Nil
Barry Coleman	Fourth Estate Holdings Limited	3,333,000	5.1	Nil

3.4 Share Price Information

The table below sets out a summary of details of trading in the Company's Shares on the ASX for the period from 1 July 2005 to 31 January 2006.

	Share Price (c)			Volume (000)
	High	Low	Last	
July 2005	24.5	24.5	24.5	Nil
August 2005	24.0	24.0	24.0	1
September 2005	30.0	24.0	30.0	54
October 2005	29.0	23.0	25.0	68
November 2005	30.0	20.0	25.0	359
December 2005	33.0	29.0	33.0	269
January 2006	32.0	32.0	32.0	20

3.5 Directors and Proposed Directors

The current Directors of the Company are Richard Sealy, John Scutt, Tony Noun, Peter Gregory, Bruce Hansen and Janet Sayer. If Shareholders of the Company approve the acquisition of PNE, Robyn Himmelberg and David Richards will be appointed as Directors.

Bruce Hansen and Janet Sayer being Directors of the Company will resign on or about Completion. Backgrounds of the proposed new Directors are set out in section 2.4 .

3.6 Prospects for the Company following acquisition of PNE

3.6.1 Overview

The merged entity of PNE and the Company will continue to trade under the name Gregory Australia Limited (ASX code: GIL). It is intended that the core businesses of the Group and the PNE Group will continue to operate and that there will be emphasis on the synergies between them.

3.6.2 Growth of Existing Operations

It is planned to invest in working capital and marketing to increase the size of the businesses of the merged entity through organic growth. The Company may also consider further acquisitions if appropriate opportunities present themselves.

3.6.3 Funding

The merged entity is expected to have substantial cash immediately following Completion. The Directors and the PNE Directors therefore consider that the merged entity will have sufficient cash to achieve its business objectives. Accordingly, it is not proposed that there will be any further injection of capital following Completion and therefore the Company will not raise further funding in the next three months by way of debt or equity issue.

3.6.4 Transfer of Property

There is no proposal to transfer any property from the PNE Shareholders (or from any party associated with them) to the Company beyond that described in this Information Memorandum.

3.6.5 Redeploy Fixed Assets

There is no intention by the Company or the PNE Shareholders to redeploy the fixed assets of the Company.

3.7 Dividend Policy

The Company's ability to pay dividends depends on such factors as the earnings, taxation and financial position of the merged entity. It is the current intention of the Directors to pay dividends to Shareholders as and when the profitability and liquidity of the Company's operations allow but the Directors can give no assurance regarding the timing, amount or level of franking of any such dividends.

3.8 Employees

The Directors and the PNE Directors do not propose to amend the terms of employment of any present employees of the merged entity. However, the significant expansion of activities of the merged entity as a result of the acquisition of PNE may require redeployment of some key staff to assist in the business operations of the merged entity.

4. RISK FACTORS

The Directors wish to advise the Shareholders of the Company that the Company will be subject to various risk factors if the acquisition of PNE is authorised and approved. Notwithstanding that some of these risks are present with the Company's existing business some of these risk factors include:

General

PNE business activities are subject to risk factors both specific to its business activities and of a general nature. Individually or in a combination these may affect the future operating performance of PNE and the value of an investment in the Company.

Some of these factors can be mitigated by appropriate commercial action, but many are outside of the control of PNE and cannot be mitigated. There can be no guarantees that PNE will achieve its stated objectives.

The principal risk factors include, but are not limited to, the following:

Exchange Risks

The Company's business involves importing a significant number of components from various countries overseas and this activity will increase as a result of the acquisition of the PNE Group. Therefore, the risks associated with exchange rate change and interest rate change may affect the cost of the componentry that the Company imports.

Liquidity Risks

Liquidity is a reference to how much cash and cash equivalent the Company has available. The management of the Company monitors liquidity carefully by regular review of various performance indicators and cash flows.

Operational Risks

Operational risks are those associated with the day-to-day operation of the Company. The integration of the PNE systems to ensure reliable information gathering, checking and monitoring processes will be essential for management to monitor operational risks. There is always a risk in any acquisition that the synergies of combining administrative systems may not eventuate.

Outsourcing Risks

Both PNE and the Company adopt a policy to outsource externally much of the manufacture of their componentry and the provision of some services. Some of the outsourcing risk is due to "Exchange Risk" when components are sourced overseas. However, the quality and reliability of these services must be assured to guarantee the effective and efficient operation of the Company. The Company is therefore vulnerable to the performance and the financial viability of its external outsourcers.

Product Liability Risk

All manufacturing companies face a product liability risk. When dealing with the general public there is always a chance that one of the Company's products may fail and cause damage or injury. The Company maintains comprehensive product liability insurance and does not have any threatened or known action from an event of this nature. However, should there be an action it would be a considerable distraction to the management of the Company that could impact the performance of the Company. The PNE Directors have confirmed that they too maintain comprehensive product liability insurance and do not have any threatened or known action from an event of this nature.

Fraud Risk

It is not possible to completely eliminate the risk of fraud. However, the Directors of the merged entity will ensure that across the Group reporting systems are implemented and/or strengthened to help the Company to operate in a manner such that fraud, theft and corruption are difficult to commit, likely to be detected and guaranteed to result in the retributive actions against the guilty party.

Human Resource Risks

The success of the Company will depend on its ability to continue to have access to the services of highly qualified personnel. The loss of key staff from PNE could have a material adverse effect on the Company. The Company is fortunate that David Richards and Robyn Himmelberg, the executive directors of PNE have agreed to remain as executive directors of the merged Company.

There is a risk that a key employee may terminate his or her employment with PNE for reasons, which may include resignation, illness or death. The Directors believe that this risk has been partially mitigated by the Company holding Keyman Insurance policies for relevant executives and Directors. The Company and/or PNE also have entered into restraints with certain key employees to prevent them competing with the merged entity after they have ceased to be an employee.

A very serious risk that any manufacturing company faces is the risk from injury to an employee. The Directors are very aware of this risk and have implemented appropriate safety regimes, which are constantly monitored and reviewed. However, the climate is such that if an injury occurs in the workplace the Company will more than likely face some form of legal action.

Environmental Risks

The Company is very conscious of the environment and the impact that its products and manufacturing processes have upon it. The Company is always looking for better ways to produce its products that are more environmentally friendly. PNE shares this philosophy. However, there is always a risk that at some time one of the Company's processes or products will cause damage to the environment and that the Company will be held responsible for that damage.

Investment Risks

There are general risks associated with any investment in the stock market. The value of the Company's Shares may rise or fall depending on a range of factors and stock market conditions that are unrelated to the financial performance of the Company. Therefore, if a Shareholder decides to sell Shares in the Company, the amount received may be higher or lower than the amount of the original investment.

The stock market price of Shares in the Company has remained somewhat stable over the past 12 months. It is possible that the market price of the Shares will fluctuate in the future and that announcements by the Company may have a significant effect on the market price of the Shares.

Shareholders should also be aware that because of thin trading in the Company's Shares the sale of a substantial number of Shares in the Company could depress the market price or, alternatively the purchase of a substantial number of Shares could increase the market price.

Litigation

There is always the risk of litigation against any company. The Directors have in place procedures and policies to attempt to limit this risk. At the date of the Notice, there is no known litigation, threatened or otherwise against the Company or PNE.

Government Policies and Legislation

The Company may be affected by changes in Government policies and legislation, including those relating to the commercial furniture manufacturing industry, the electronics industry, property, the environment, taxation, the regulation of trade practices and competition, research and development grants and other incentive schemes.

Change of Control

Changes in shareholdings in the Company could result in changes of control of the board of Directors or of management, which could affect and change the strategic direction of the Company. It should be noted that on Completion of this transaction there will be a change in the shareholding of the Company such that the control of the Company will have changed hands.

Technology

PNE is reliant upon technology to carry on its business. There is a risk that new or alternative technologies may become available which may give competitors an advantage or require the Company to undertake significant unplanned expenditure in order to maintain its market competitiveness.

Increased competition

The market in which the Company and PNE operate is highly competitive with a number of competitors operating in each of the market segments in which they operate. Future consolidation of both the commercial furniture and electronics markets may see larger competitors emerge that may threaten the current market share held by the Company and PNE.

Product licences

PNE designs and manufactures products in accordance with licence and manufacturing agreements that are held with a number of customers some of which are non-exclusive. There is a risk that other licensees may be appointed.

Integration

The success of the ongoing business of the Company will depend on the integration of the businesses of PNE with the businesses of the Company and realising the expected synergies.

Material contracts

Further information about material PNE contracts is set out in Annexure 2. There is a risk that the contractual arrangements may terminate for reasons beyond the control of the Directors (for example, the insolvency of the contracting party), which may result in a significant reduction in earnings of PNE.

5. ADDITIONAL INFORMATION

5.1 Related Party Transactions

As at the date of this Information Memorandum, the number of securities in the Company, which are held by or on behalf of each Director or proposed Director and their related interests are:

Director	Entity/Related Party	Shares	Options
Richard Sealy	Hammersmith Holdings Limited	836,483	Nil
Richard Sealy	Sealy Investments Pty Limited - RM & P Superannuation Fund	35,000	Nil
Richard Sealy	EM Karsten and PR Speakman – Rarangi Trust	50,000	50,000
Richard Sealy	EM Karsten and PR Speakman – Sealy Education Trust	50,000	50,000
John Scutt	The Lindfield Partners Pty Limited –J Scutt Family Trust	418,000	Nil
John Scutt	The Lindfield Partners Pty Limited –Seyone Superannuation Fund	600,000	Nil
Tony Noun	Mrs Debra Noun	1,057,500	Nil
Tony Noun	REN Nominees Pty Limited	700,000	Nil
Tony Noun	Innovative Management Pty Limited	175,000	Nil
Peter Gregory	Bungan Nominees Pty Limited	4,800,000	Nil
Bruce Hansen	Mrs Belinda Hansen	91,260	Nil
Bruce Hansen	BC Hansen	8,750	Nil
Janet Sayer	Nil	Nil	Nil
Robyn Himmelberg	Rimelton Pty Limited	400,000	Nil
David Richards	Rimelton Pty Limited	400,000	Nil

Apart from the securities listed above and any interest which may arise under the PNE Share Purchase Agreement none of the Directors has any interest in the securities of the Company or an entity associated with the Company.

The Company is not aware of any related party transactions requiring disclosure in this Information Memorandum other than as set out below or elsewhere in this Information Memorandum:

1. John Scutt is an executive director of the Company and receives remuneration in accordance with an executive service agreement dated 17 May 2004. As at the date of this Information Memorandum the salary package is \$210,000 p.a. with a further performance based bonus of \$50,000. The contract is subject to a three-month notice period either way.
2. Peter Gregory is the landlord of the Wetherill Park facility, the principal place of business of the Company and has a property lease continuing for a further 5 years. The current annual rental is \$353,800 including GST and subject to CPI % increases annually with market review of rents every second year.
3. Rimelton Pty Ltd, a company owned by Robyn Himmelberg and David Richards is the landlord of two of the PNE facilities, the principal place of business of PNE. The current annual rental is \$105,600 including GST and subject to CPI % increases annually with market review of rents every second year.

Except as set out above, no amount has been paid or agreed to be paid and no benefit has been given or agreed to be given to a Director or proposed Director to induce them to become or to qualify as a Director or for services provided in connection with the formation or promotion of the Company or in the property acquired or proposed to be acquired by it.

Except as set out above or elsewhere in this Information Memorandum, no Director or proposed Director has, or in the last two years has had, an interest in the formation or promotion of the Company or in property to be acquired by the Company in connection with its formation or promotion.

5.2 Consents

BDO Corporate Finance Pty Limited has given and before lodgement of this Information Memorandum has not withdrawn its consent to being named in this Information Memorandum as the independent expert and to the inclusion of its Independent Experts Report in this Information Memorandum.

5.3 No Capital Raising

Except for the placement completed on 20 February 2006 and a rights issue completed on 24 November 2005, the Company has not raised any capital for the 3 months before the date of issue of this Information Memorandum and the Directors believe that the Company will not need to raise any capital for 3 months after the date of this Information Memorandum.

5.4 Supplementary Information Memorandum

A supplementary Information Memorandum will be issued if the Company becomes aware of any of the following between the date of issue of this Information Memorandum and the date the Company's securities are reinstated after the Meeting:

- A material statement in this Information Memorandum is false or misleading;
- There is a material omission from this Information Memorandum;
- There has been a significant change affecting a matter included in this Information Memorandum; and
- A significant new matter has arisen and it would have been required to be included in this Information Memorandum.

Annexure 1

Summary of Transaction Documents

Set out below is a summary of the terms of the transaction documents relevant to the acquisition of PNE and associated documents that have been executed or will be executed on Completion:

1. PNE Share Purchase Agreement

By an agreement dated 4 February 2006, the Company has agreed to buy from the PNE Shareholders all the PNE Shares and the PNE Options. In consideration for the purchase, the PNE Shareholders will receive Shares in the Company representing 62% of the Shares in the Company at Completion under the PNE Share Purchase Agreement. The PNE Shareholders are entitled to a dividend equal to 60% of the net profits of the PNE Group for the period from 1 July 2005 to the date of Completion, such amount to be payable following the date of Completion.

On Completion under the PNE Share Purchase Agreement, the Company must procure the appointment of two nominees of the PNE Shareholders to the Board of Directors of the Company, being Robyn Himmelberg and David Richards. The PNE Share Purchase Agreement also contemplates the resignation of two existing Directors.

Completion is conditional on approval of the acquisition of PNE by the Shareholders of the Company, there being no material adverse change affecting the Group or the PNE Group, completion by each party of due diligence on the other to its satisfaction, the satisfaction of such other conditions as may be required by any regulatory authority and other matters.

The PNE Share Purchase Agreement terminates if any condition is not fulfilled or waived by 31 March 2006, a party commits a material breach of the PNE Share Purchase Agreement which is unremedied after 10 Business Days after notice of the breach is served on the party, or an insolvency event occurs with respect to a party. By a Deed of Variation dated 14 March 2006, the PNE Share Purchase Agreement was amended to extend the date of Completion to 24 April 2006 or such other date PNE and GAL may agree. Completion will be with effect from 31 March 2006.

The PNE Shareholders and the PNE Directors have given representations and warranties customary for a share purchase agreement.

Annexure 2

Material Contracts

The following is a summary of the more important provisions of each material contract entered into by or affecting PNE.

API Security Service Agreement

PNE and API Security Pty Limited ("**API**") are parties to an agreement for the provision of services dated 4th November 2005, which provides the basis upon which PNE may provide design services to API. From time to time API will approach PNE and request that PNE provide design services for a particular project. The services fall into two categories being:

1. The design and engineer and fully tested designs for computers and electronic componentry; and
2. The modification to existing API products.

With respect to the first type of service, PNE will be deemed to have provided the quote for the provision of design services and for the manufacturing of the relevant product. On submission by API to PNE of the first order, PNE and API will be deemed to have entered into a Manufacturing Agreement.

PNE is entitled to charge a fee calculated at the rate of \$125 per hour for the first type of services and at \$150 per hour for the second type of services, such charges to be reviewed annually.

This Agreement is terminable by either party on notice if the other party commits a fundamental breach, fails to correct a remedial breach after having been given 30 days notice to do so or is the subject of certain insolvency events.

Manufacturing Agreement

API and PNE are parties to a Manufacturing Agreement dated 4th November 2005 pursuant to which API has contracted PNE to design certain products, which API requires it to manufacture.

Pursuant to the Agreement, PNE must manufacture certain control systems for Cash Handling products detailed in the Schedule in the volumes contained in orders made from time to time. In return, PNE will receive prices for the quantities of the relevant products set out in a manufacturing fee schedule to the Agreement. The manufacturing fee is reviewable annually and is subject to negotiation taking into account labour costs, cost of raw materials, overall costs of technology and general economic indicators.

PNE is required to provide a warranty on the manufactured products for a period of one year following delivery of the same to API.

The term of the Agreement is for so long as API requires the manufacturing of products under the Agreement and PNE has the capacity to manufacture the same.

Commonwealth of Australia Endorsed Supply Arrangement Head Agreement

Opentec and the Commonwealth of Australia represented by the Department of Finance and Administration are parties to an endorsed Supply Arrangement Head Agreement dated 24 January 2006 under which Opentec is authorised to enter into contracts with Commonwealth and State Government Departments for the supply of information and communications technology products and services.

The term of the Agreement is until 30 September 2007 unless the Agreement is terminated by either party on 14 days notice to the other. The performance by Opentec of its obligations under the Agreement is guaranteed by PNE. To date, Opentec has entered into a contract pursuant to this Agreement with the Department of Defence, which will be completed prior to Completion.

Crete Systems Distribution Agreement

Opentec and Crete Systems Inc ("**Crete**") are parties to an Agreement dated 9 February 2006 for the distribution of a "**Ruggedised**" range of portable computing equipment and peripherals in Australia and New Zealand on an exclusive basis. Opentec also has the right to market and sell the products throughout the Middle East (excluding Israel) provided the sales are effected from Australia and subject to Crete at any time on not less than 90 days written notice to Opentec varying this right.

Orders placed by Opentec will be effected by PNE and PNE will be required to pay for such orders.

All products distributed by Opentec under this Agreement are subject to a 12 month warranty from Crete and Crete is the owner of all intellectual property.

The term of this Agreement is for such period as the parties may agree unless a party provides 90 days notice of termination to the other party.

Annexure 3
Independent Expert's Report



**FINANCIAL SERVICES GUIDE
AND
INDEPENDENT EXPERT'S REPORT**

GREGORY AUSTRALIA LIMITED

27 February 2006



**BDO Corporate Finance
Pty Limited**
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ABN 91 003 946 030

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FINANCIAL SERVICES GUIDE

Dated 27 February 2006

BDO Corporate Finance Pty Ltd ABN 91 003 946 030 ("BDO Corporate Finance" or "we" or "us" or "ours" as appropriate) has been engaged to issue general financial product advice in the form of a report to be provided to you.

1 FINANCIAL SERVICES GUIDE

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ("FSG"). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees. This FSG includes information about:

- Who we are and how we can be contacted;
- The services we are authorised to provide under our Australian Financial Services Licence, Licence No: 244345;
- Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- Any relevant associations or relationships we have; and
- Our complaints handling procedures and how you may access them.

2 FINANCIAL SERVICES WE ARE LICENSED TO PROVIDE

We hold an Australian Financial Services Licence which authorises us to provide general financial product advice to retail and wholesale clients in the following classes of financial products:

- Derivatives limited to old law securities, options contracts and warrants;
- Debentures, stocks or bonds issued or proposed to be issued by a government;
- Interests in managed investment schemes excluding investor directed portfolio services;
- Securities; and
- Superannuation

We provide financial product advice by virtue of an engagement to issue a report in connection with a financial product of another person. Our report will include a description of the circumstances of our engagement and identify the person who has engaged us. You will not have engaged us directly but will be provided with a copy of the report as a retail client because of your connection to the matters in respect of which we have been engaged to report.

Any report we provide is provided on our own behalf as a financial services licensee authorised to provide the financial product advice contained in the report.

3 GENERAL FINANCIAL PRODUCT ADVICE

In our report we provide general financial product advice, not personal financial product advice, because it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice. Where the advice relates to the acquisition or possible acquisition of a financial product, you should also obtain a product disclosure statement relating to the product and consider that statement before making any decision about whether to acquire the product.

4 FEES, COMMISSIONS AND OTHER BENEFITS THAT WE MAY RECEIVE

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees will be agreed on an hourly basis or as a fixed amount depending on the terms of the agreement.



Liability limited by a scheme approved under Professional Standards Legislation

BDO is a national association of separate partnerships and entities.

Except for the fees referred to above, neither BDO Corporate Finance, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

5 REMUNERATION OR OTHER BENEFITS RECEIVED BY OUR EMPLOYEES

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report.

6 REFERRALS

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

7 ASSOCIATIONS AND RELATIONSHIPS

From time to time BDO Corporate Finance or BDO and/or BDO related entities may provide professional services, including audit, tax and financial advisory services, to financial product issuers in the ordinary course of its business.

8 COMPLAINTS RESOLUTION

8.1 INTERNAL COMPLAINTS RESOLUTION PROCESS

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, BDO Corporate Finance, GPO Box 2551, Sydney NSW 2001.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

8.2 REFERRAL TO EXTERNAL DISPUTE RESOLUTION SCHEME

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Industry Complaints Service Limited ("FICS"). FICS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

BDO Corporate Finance is a member of the FICS Complaints Handling Tribunal No. F3819.

Further details about FICS are available at the FICS website www.fics.asn.au or by contacting them directly via the details set out below.

Financial Industry Complaints Service Limited

PO Box 579
Collins Street West
MELBOURNE VIC 8007

Toll free: 1300 780 808
Facsimile: (03) 9621 2291

9 CONTACT DETAILS

You may contact us using the details set out at the top of our letterhead of this FSG.



**GREGORY AUSTRALIA LIMITED
INDEPENDENT EXPERT'S REPORT
TABLE OF CONTENTS**

1	INTRODUCTION	1
2	SUMMARY AND OPINION	1
	2.1 FAIRNESS	1
	2.2 REASONABLENESS	2
	2.3 CONCLUSION	2
3	OUTLINE OF THE TRANSACTION	2
	3.1 SHARE PURCHASE AGREEMENT	2
	3.2 PRO-FORMA GAL CAPITAL STRUCTURE POST TRANSACTION.....	3
4	REPORT REQUIREMENTS	3
	4.1 CORPORATION ACT REQUIREMENTS	3
	4.2 LISTING RULE REQUIREMENTS	3
5	BASIS OF EVALUATION	4
	5.1 REGULATORY GUIDELINES	4
	5.2 ADOPTED BASIS OF EVALUATION	4
6	PROFILE OF GAL	5
	6.1 HISTORY	5
	6.2 CAPITAL STRUCTURE	5
	6.3 EXCLUSIVE LICENSE AGREEMENT WITH BOSS DESIGN	6
	6.4 HISTORICAL BALANCE SHEETS	6
	6.5 HISTORICAL INCOME STATEMENTS	7
7	PROFILE OF PNE	7
	7.1 HISTORY	7
	7.2 CAPITAL STRUCTURE	8
	7.3 OPTION TO ACQUIRE OPENTEC	8
	7.4 HISTORICAL BALANCE SHEETS	9
	7.5 HISTORICAL INCOME STATEMENTS	10
8	SELECTED VALUATION APPROACHES	10
	8.1 GAL.....	10
	8.2 PNE.....	11
	8.3 SURPLUS ASSET.....	11
	8.4 FUTURE EVENTS.....	11



9	VALUATION OF GAL	12
9.1	ASX MARKET VALUATION	12
9.2	NET ASSET VALUATION.....	13
9.3	VALUATION SUMMARY OF GAL.....	13
10	VALUATION OF PNE	14
10.1	OVERVIEW OF FME METHODOLOGY.....	14
10.2	DETERMINATION OF FME	14
10.3	CAPITALISATION MULTIPLE.....	17
10.4	FME VALUATION	19
10.5	SURPLUS ASSETS	19
10.6	VALUATION SUMMARY OF PNE.....	20
11	Comparison of Value of PNE Acquired to Consideration Offered	20
11.1	VALUE OF CONSIDERATION	20
11.2	VALUE OF PNE SHARES BEING ACQUIRED BY GAL SHAREHOLDERS	20
11.3	COMPARISON OF VALUE OF CONSIDERATION TO VALUE ACQUIRED	21
12	POSITION IF THE TRANSACTION IS APPROVED	21
12.1	ADVANTAGES OF ACCEPTING THE TRANSACTION	21
12.2	DISADVANTAGES OF ACCEPTING THE TRANSACTION	23
13	Position Of Gal Shareholders if Transaction Is Not Approved	24
13.1	NO CURRENTLY AVAILABLE ALTERNATIVE	24
13.2	LIMITED AVAILABLE WORKING CAPITAL.....	24
13.3	POTENTIAL FUTURE DILUTION FROM ADDITIONAL CAPITAL RAISINGS	24
14	SOURCES OF INFORMATION	24
15	INDEPENDENCE	25
16	QUALIFICATIONS	25
17	DISCLAIMERS AND CONSENTS	25
18	INDEMNITY	26
Appendix A	Valuation Methodologies	27



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27 February 2006

The Directors
Gregory Australia Limited
125 -131 Cowpastures Road
WETHERILL PARK NSW 2164

Dear Sirs

INDEPENDENT EXPERT'S REPORT – GREGORY AUSTRALIA LIMITED

1 INTRODUCTION

BDO Corporate Finance Pty Limited ("**BDO Corporate Finance**") has been engaged by Gregory Australia Limited ("**GAL**") to prepare an Independent Expert's Report ("**the Report**") to express an opinion as to whether or not GAL's proposed acquisition of 100% of the issued shares and options in PNE Industries Pty Limited ("**PNE**") ("**the Transaction**") is fair and reasonable to the non-associated shareholders of GAL ("**GAL Shareholders**").

Our Report is to be included in the Notice of Extraordinary General Meeting incorporating the Information Memorandum ("**Notice of Meeting**") to be sent to GAL Shareholders to assist them in deciding whether to accept or reject the Transaction.

2 SUMMARY AND OPINION

As set out in our basis of evaluation in Section 5, our opinion has been arrived at after consideration of all circumstances relevant to the Transaction. The relevant factors in this assessment are set out below.

2.1 FAIRNESS

In Section 11 of this Report we have considered the value of PNE being acquired and how that compares to the value of the consideration being offered under the Transaction. The results of our analysis are summarised in the table below.

	Section	Low \$'000	High \$'000
Consideration Offered	11.1	4,044	4,666
Value of PNE Acquired	11.2	4,294	4,538



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Services Legislation

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partnerships and entities.

Advisers to growing businesses

2.2 REASONABLENESS

In Section 12 of this Report, we have considered the respective advantages and disadvantages of approving the Transaction. These are summarised below.

ADVANTAGES AND DISADVANTAGES OF ACCEPTING THE TRANSACTION			
Section	Advantages	Section	Disadvantages
12.1.1	Improved Liquidity of Shares	12.2.1	Dilution of Shareholding and Loss of Control
12.1.2	Increase in Working Capital	12.2.2	Potential Future Dilution Due to Additional Capital Raisings
12.1.3	Potential Cost Savings and Synergies from Joint Operations	12.2.3	Change in Investment Profile
12.1.4	Increase in Size and Scale of Business	12.2.4	Loss of Independent Directors
12.1.5	Diversification of Earnings		
12.1.6	Change in Investment Profile		

We have also taken into consideration the position of GAL Shareholders if the Transaction is not approved (Section 13).

2.3 CONCLUSION

Having considered the analysis summarised in Sections 2.1 and 2.2 in our opinion we believe that, on balance, the benefits to GAL Shareholders of the Transaction outweigh the disadvantages. Accordingly, we believe that the Transaction is **Fair and Reasonable**.

3 OUTLINE OF THE TRANSACTION

3.1 SHARE PURCHASE AGREEMENT

On 4 February 2006, GAL entered into a Share Purchase Agreement to purchase all of the issued ordinary shares in PNE ("**PNE Shares**") and all of the issued options ("**PNE Options**") for consideration of \$12,125,000 (being 40,416,667 shares at \$0.30). The consideration offered will represent approximately 62% of the shares in GAL at completion of the acquisition ("**Completion**"). The principal terms of the Transaction include the following:

- Entitlement of the shareholders of PNE ("**PNE Shareholders**") to a dividend equal to 60% of the consolidated net profits for the period from 1 July 2005 to the date of Completion of PNE, Opentec International Pty Limited ("**Opentec**"), PNE Technologies Pty Limited and Inventis Pty Limited.
- Appointment of Robyn Himmelberg and David Richards to the Board of Directors of GAL on Completion;
- Resignation of two existing Directors of GAL;
- Completion is conditional on approval of the acquisition of PNE by GAL Shareholders; and
- Termination of the Share Purchase Agreement if any condition is not fulfilled or waived by 31 March 2006.

Full details of the Share Purchase Agreement are included in the Information Memorandum.

3.2 PRO-FORMA GAL CAPITAL STRUCTURE POST TRANSACTION

The following table sets out the pro-forma capital structure of GAL assuming the Transaction is approved.

GAL Capital Structure	Section	Shares 000	%
Total Number of GAL Shares on Issue pre Transaction	6.2.1	25,086	38%
Number of Shares Issued under the Transaction	3.1	40,417	62%
Total Number of Consolidated Shares on Issue post Transaction		65,503	100%

4 REPORT REQUIREMENTS

4.1 CORPORATION ACT REQUIREMENTS

Policy Statement 74 ("PS74") issued by the Australian Securities Investment Commission ("ASIC") deals with "Acquisitions Agreed to by Shareholders" which contains ASIC's views on the operation of Section 611 of the Corporations Act.

Section 611 permits an allotment of shares to a person which would result in that person's voting power in the company increasing beyond 20% if that allotment receives shareholder approval.

Under the Transaction, PNE Shareholders may be deemed to be associates for the virtue of Section 12(2)(b) of the Corporations Act by virtue of having together entered in the Share Purchase Agreement. Accordingly, as a result of the issue of Shares under the Transaction, the voting power of the PNE Shareholders in GAL may be deemed to exceed 20%.

PS74 indicates the type of information that should be provided to shareholders when asking them to vote on such a resolution. It states that the obligation to supply GAL Shareholders with all information that is material can be satisfied by the directors of GAL, by either:

- Undertaking a detailed examination of the Transaction themselves, if they consider that they have sufficient expertise; or
- By commissioning an Independent Expert's Report.

The independent expert's report should provide an opinion by the expert stating whether or not the terms and conditions in relation to the Transaction are fair and reasonable to non-associated GAL Shareholders.

4.2 LISTING RULE REQUIREMENTS

ASX Listing Rule 10.1 requires that a listed entity must obtain shareholders' approval before it acquires a substantial asset, when the consideration to be paid on the acquisition constitutes more than 5% of the equity interest of that entity at the date of the last audited accounts.

Listing Rule 10.1 applies where the vendor of the relevant assets is a related party of the listed entity.



Listing Rule 10.10.2 requires the Notice of Meeting for GAL Shareholders' approval to be accompanied by a report by an independent expert expressing their opinion as to whether the transaction is fair and reasonable to GAL Shareholders whose votes are not to be disregarded in respect of the Transaction.

Accordingly, the Directors of GAL have requested BDO Corporate Finance to provide this Report.

5 BASIS OF EVALUATION

5.1 REGULATORY GUIDELINES

In determining whether the Transaction is "fair and reasonable", we have had regard to the views expressed by ASIC in their PS74 and Practice Notes 42 and 43.

Under PS74, "fair and reasonable" is a single concept and is assessed in all circumstances of the Transaction. Such consideration includes a comparison of the likely advantages and disadvantages for GAL Shareholders if the Transaction is accepted with the advantages and disadvantages to the GAL Shareholders if it is not accepted.

5.2 ADOPTED BASIS OF EVALUATION

BDO Corporate Finance considers that a report and analysis undertaken using the concepts of fair and reasonable as expressed in PS74 is consistent with determining whether the Transaction is fair and reasonable for the GAL Shareholders.

Having regard to the above, we have completed this analysis as follows:

- A comparison between the value of consideration paid by GAL and the value of PNE that existing GAL Shareholders will acquire under the Transaction (fairness);
- An investigation into other significant factors (other than value) to which GAL Shareholders might give consideration (reasonableness); and
- Consideration of the likely position of GAL Shareholders if the Transaction is rejected (reasonableness).

We have assessed that in all cases the advantages and disadvantages of rejecting the Transaction are the inverse of accepting the Transaction. Thus, for simplicity and ease of the evaluation of the Transaction we have set out the significant factors in Section 12 only in the context of accepting the Transaction.

6 PROFILE OF GAL

6.1 HISTORY

GAL, a manufacturer and supplier of commercial furniture, has been listed on the Australian Stock Exchange ("ASX") since April 1999.

GAL has the following major product groups:

- Gregory: a range of ergonomic seating (including patented Dual Density Posture Support range), tables and workstations;
- Pluto: a range of affordable chairs, tables, stackable models and lounges designed for corporate, office, education, hospitality and entertainment sectors; and
- Atlas: a range of furniture for the health and aged care market with highly specialised requirements.

6.2 CAPITAL STRUCTURE

6.2.1 Ordinary Shares

GAL's current share structure prior to the Transaction is set out below.

GAL Share Structure	Number of Shares	
	000	\$'000
Ordinary Share Capital as at 30 June 2005	14,376	4,913
Exercise of ordinary Share Options ¹	200	36
Rights Issue in November 2005	2,746	808
Ordinary Share Capital prior 2006 Issue	17,322	5,757
2 nd Supplementary Placement closed 20 February 2006 ²	7,764	2,329
Pro-forma Share Capital post 2006 Issue	25,086	8,086

Source: Audited Financial Report for the year ended 30 June 2005 and Supplementary Offer Documents dated 10 November 2005 and 5 January 2006.

Note: 1 200,000 ordinary share options were exercised in July 2005 (Section 6.2.3).

2 As discussed in Section 6.2.2 below, management has issued 7.8 million shares at \$0.30 (being \$2.3 million) under the 2nd Supplementary Offer Statement dated 5 January 2006.

6.2.2 Supplementary Share Issue

On 14 October 2005, GAL announced the entitlement for ordinary shareholders to purchase three shares per every four shares held under the Supplementary Offer Statement dated 10 November 2005. The subscription price for the rights issue was \$0.30. Approximately 10.9 million shares were offered to shareholders with the intention of raising approximately \$3.3 million.

On 25 November 2005, Management advised that the rights issue to GAL Shareholders, which closed on 24 November 2005, resulted in a subscription for 2.7 million shares. At \$0.30 per share, the total capital raised was approximately \$0.8 million, resulting in a shortfall consideration of approximately \$2.4 million.

On 5 January 2006, GAL released a 2nd Supplementary Offer Statement to place 8.1 million shares at \$0.30 per share which has been closed on 20 February 2006. Under this share placement GAL issued 7.8 million shares issued at \$0.30 each (being approximately \$2.3 million), representing 95.4% of the shares on offer.

6.2.3 Ordinary Share Options

As at 30 June 2005 there were 400,000 options on issue with an exercise price of \$0.18 each. 200,000 of these options were exercised on 1 July 2005. The remaining 200,000 options on issue will expire on 31 August 2006.

For the purpose of this Report we have ignored the possibility of conversion as the number of shares to be issued from the options is considered immaterial.

6.3 EXCLUSIVE LICENSE AGREEMENT WITH BOSS DESIGN

In addition to the brands summarised in Section 6.1, GAL has entered into an exclusive manufacturing and distribution license agreement with Boss Design in Australia and New Zealand. Under this agreement, GAL will be producing its new Boss Design product line from 1 March 2006 onwards.

6.4 HISTORICAL BALANCE SHEETS

GAL's historical Balance Sheets are set out below:

GAL	As At 30 June 2004 \$000	As At 30 June 2005 \$000	As At 31 December 2005 \$000
Current Assets			
Cash assets	628	30	803
Receivables	2,677	2,954	2,049
Inventories	1,442	1,373	1,556
Tax assets	-	47	85
Other Assets	334	232	190
Total Current Assets	5,081	4,636	4,683
Non Current Assets			
Receivables			
Property plant & equipment	903	751	766
Tax assets	160	830	830
Intangible assets	2,165	2,012	2,005
Prepayments	1,169	-	-
Total Non Current Assets	4,397	3,593	3,601
Total Assets	9,478	8,229	8,284
Current Liabilities			
Payables	1,939	2,420	1,838
Interest bearing liabilities	269	243	239
Provisions	250	202	237
Tax liabilities	137	16	-
Total Current Liabilities	2,595	2,881	2,314
Non Current Liabilities			
Interest bearing liabilities	1,065	787	655
Provisions	77	65	74
Tax liabilities	69	45	45
Total Non Current Liabilities	1,211	897	774
Total Liabilities	3,806	3,778	3,088
Net Assets	5,672	4,451	5,196
Equity			
Contributed equity	4,321	4,949	5,756
Retained Profits/(Accumulated losses)	1,351	(498)	(560)
Total Equity	5,672	4,451	5,196

Source: Audited Financial Reports for the years ended 30 June 2004 and 2005 and un-audited management accounts for the 6 months ended 31 December 2005.

6.5 HISTORICAL INCOME STATEMENTS

GAL's historical Income Statements are summarised below:

GAL	Year ended 30 June 2003 S'000	Year ended 30 June 2004 S'000	Year ended 30 June 2005 ¹ S'000
Revenue from operating activities	13,443	15,041	15,440
Operating Expenses			
Cost of goods sold	(7,301)	(8,095)	(8,739)
Distribution expenses	(470)	(563)	(655)
Sales & marketing expenses	(1,691)	(1,649)	(2,118)
Manufacturing expenses	(1,443)	(1,586)	(1,976)
Administrative expenses	(2,183)	(2,309)	(4,227)
Borrowing costs expense	(108)	(97)	(118)
Total operating expenses	(13,196)	(14,299)	(17,833)
Profit/(Loss) before income tax	247	742	(2,393)
Income tax benefit/(expense)	(127)	(285)	668
Profit/(Loss) after income tax	120	457	(1,725)

Source: Audited Financial Reports for the years ended 30 June 2003 to 2005

Note 1: The results for the year ended 30 June 2005 were impacted by one-off costs associated with the integration of the Pluto business and re-organisation of its Bayswater facility (\$430,000), the write-off obsolete inventories and brochures (\$560,000) and the write-off of intangible assets relating to overseas prepaid royalties (\$1,170,000) that had diminished in realisable value. GAL also incurred expenditure (\$330,000) in respect of information systems upgrades. These adjustments to the net profit before tax for the year ended 30 June 2005 would result in a normalized profit before tax of approximately \$97,000.

7 PROFILE OF PNE

7.1 HISTORY

PNE is a privately Australian owned business that was established in 1984. PNE's core business is the design and manufacture of electronic control systems for Original Equipment Manufacturers ("OEM's"). PNE's business model includes design of products and then the purchase and supply of material and subcontracting to assemblers. The finished product is then tested by PNE in-house before being finally assembled and shipped out to customers.

PNE has created control systems for the following products:

- air-conditioners;
- gas heaters;
- pool pumps, spas, salt chlorinators and solar heaters;
- earth-leakage protection systems for domestic appliances; and
- soft-start and over-voltage protection circuitry for domestic and industrial equipment.

PNE has further developed integrated electronic control, management, data-logging and communications systems for vending machine and electronic road signs and has designed intelligent safes and electronic controlling of ergonomic furniture.

In early 2004, PNE hired two non-executive directors to assist with corporate governance, mergers and acquisitions and business development.

At the start of 2005 PNE raised \$3 million to finance the acquisition of an Australian production facility, which did not eventuate. Since September 2005, PNE has had the opportunity to acquire the business of Opentec (Section 7.3).

7.2 CAPITAL STRUCTURE

7.2.1 Ordinary Shares

The PNE Group's current share structure prior Transaction is summarised below:

PNE Group Share Structure	Number of Shares	
	000	\$'000
Ordinary Share Capital	8,400	3,768

Source: Management accounts for the 6 months ended 31 December 2005, and Share Purchase Agreement

7.2.2 Share Options

As at the date of this Report, PNE has approximately 7 million PNE Options on issue, with the exercise price ranging from \$1.0 to \$1.25. We have ascribed no value to the PNE Options under the Transaction due to the nature of the terms of the options.

7.3 OPTION TO ACQUIRE OPENTEC

In September 2005, Opentec International Pty Limited ("**Opentec**") (formerly known as PNE (Aust) Pty Limited), Opentec Pty Limited ("**Licensor**") and two other parties entered into a Deed of Licence and Grant of Option ("**Deed**") pursuant to which Opentec was granted a licence to operate the business of the Licensor and an option to acquire the same.

Under the Deed, Opentec is required to pay a licence fee each month equal to interest payments payable by the Licensor to its bank in the relevant month on its overdraft. The principal sum of which is capped at the date of the Deed.

Prior to expiry of the licence term, Opentec is entitled to acquire the business of the Licensor for a sum of \$1 million subject to certain reductions provided under the Deed. Opentec has the right on not less than 7 days notice in writing to the Licensor to terminate the licence and the options on the occurrence of certain events.

At the date of this Report, Opentec has not exercised the option to acquire the Licensor's business, however, Opentec has already started to operate the business from 1 September 2005 and has taken over all of the Licensor's employees.

The original business of Opentec was established by the Licensor in 1992. The Opentec business delivers ruggedness mobile computing solutions for applications as asset management, Geographical Information Systems ("**GIS**"), security and access control, field operations management and mobile field personnel communications. Their products are primarily used in defence (e.g. openfire rugged portable computers by the Australian Military), industry, emergency services and field service/support environments.

7.4 HISTORICAL BALANCE SHEETS

Historical Balance Sheets for PNE as at 30 June 2004 and 2005 and Consolidated Balance Sheet (PNE and Opentec) as at 31 December 2005 are set out below:

PNE	As At 30 June 2004 \$'000	As At 30 June 2005 \$'000	Consolidated As At 31 December 2005 \$'000
Current Assets			
Cash assets	1,476	3,605	3,380
Receivables	1,647	1,640	1,899
Inventories	942	1,161	1,440
Total Current Assets	4,065	6,406	6,719
Non Current Assets			
Property plant & equipment	834	857	960
Deferred tax asset	154	173	173
Investments ¹	-	122	426
Total Non Current Assets	988	1,152	1,559
Total Assets	5,053	7,558	8,278
Current Liabilities			
Payables	1,406	1,434	1,569
Provisions	-	84	592
Other	175	-	144
Total Current Liabilities	1,581	1,518	2,305
Non Current Liabilities			
Provisions	190	183	-
Total Non Current Liabilities	190	183	-
Total Liabilities	1,771	1,701	2,305
Net Assets	3,282	5,857	5,973
Equity			
Contributed equity	793	3,768	3,768
Reserves	286	286	286
Retained profits	2,203	1,803	1,919
Total Equity	3,282	5,857	5,973

Source: Audited Financial Reports for the years ended 30 June 2004 and 2005 and un-audited consolidated management accounts for the 6 months ended 31 December 2005, incorporating Opentec revenue and expenses from 30 September 2005 onwards.

Notes: 1 During the year ended 30 June 2005 PNE invested in GAL Shares. These shares were initially recorded on the balance sheet at cost. However in the 30 June 2005 accounts the value of this investment was written down by \$57,500. Management has advised that the shares in GAL have been sold at original cost prior to the Transaction.

7.5 HISTORICAL INCOME STATEMENTS

Historical Income Statements for PNE for the years ended 30 June 2003 to 2005 are set out below:

PNE	Year Ended 30 June 2003	Year Ended 30 June 2004	Year Ended 30 June 2005 ¹
	\$'000	\$'000	\$'000
Revenue from operating activities	7,776	9,031	9,372
Operating Expenses			
Changes in inventories of finished good and work in progress	-	245	219
Raw materials and consumables used	(4,135)	(4,384)	(4,539)
Employee benefits expense	(1,538)	(2,129)	(2,793)
Depreciation expense	(45)	(43)	(50)
Borrowing costs expense	(15)	(4)	-
Advertising & promotional expense	-	(5)	(51)
Freight	-	(236)	(246)
Insurance	-	(102)	(122)
Provision for diminution value of investments	-	-	(58)
Rental & operating lease expense	-	(161)	(183)
Acquisition costs	-	-	(111)
Other expenses from ordinary activities	(1,192)	(935)	(843)
Total operating expenses	(6,925)	(7,754)	(8,777)
Profit before income tax	851	1,277	595
Income Tax Expense	(172)	(248)	(35)
Profit after income tax	679	1,029	560

Source: Audited Financial Reports for the years ended 30 June 2003 to 2005

Note 1: For a discussion of the reduction of the net profit before and after tax from the year ended 30 June 2004 to 30 June 2005 refer to Section 10.2.

8 SELECTED VALUATION APPROACHES

Valuation methodologies commonly used for valuing assets and businesses are summarised at **Appendix A**.

Our selected valuation methodologies are set out below.

8.1 GAL

For valuing the shares in GAL we have considered the observed market price for GAL as traded on the ASX and the net assets valuation methodology.

We have not selected the discounted cash flow ("DCF") or future maintainable earnings ("FME") valuation methodology to value GAL Shares for the following reasons:

- The DCF methodology could not be applied due to the non-availability of reliable medium to long term forecast cash flows.
- GAL has generated a net loss before tax of \$2.4 million and a normalised net profit before tax of \$0.1 million in the year ended 30 June 2005 (refer to footnote in Section 6.5). Further, GAL has made a net loss before tax of approximately \$0.1 million in the 6 months ended 31 December 2005.

Historical results to 31 December 2005 do not incorporate any potential earnings from the exclusive manufacturing and distribution license agreement with Boss Design (Section 6.3). As GAL will not generate any earnings from its Boss distribution rights before 1 March 2006 and management has not provided any forecasts for the 6 months ending 30 June 2006 or beyond that date, we are not able to reliably value the distribution rights. Given the current loss situation and the unavailability of reliable earnings forecasts to support a 'maintainable' net profit going forward, we believe it is not appropriate to use the FME methodology to value the shares in GAL.

The detailed valuation of GAL is included in Section 9.

8.2 PNE

We have selected the FME valuation methodology for valuing the shares in PNE after considering the following:

- The DCF methodology could not be applied due to the non-availability of reliable medium to long term forecast cash flows;
- PNE's business is well established and has been operating for a number of years;
- The PNE business would be considered to have a non-finite life; and
- The business requires small and relatively consistent amounts of ongoing capital expenditure.

Given that PNE will be part of a listed entity, for the purposes of this Report we have valued PNE as if it was a listed entity. The full details of the valuation are included in Section 10.

8.3 SURPLUS ASSET

Companies may hold surplus assets that are not used in normal operating activities. As we have adopted the NTA valuation methodology for GAL, any surplus assets have already been included in the valuation (Section 9.1).

Surplus assets of PNE have been identified and valued separately from the main operating activities (Section 10.5).

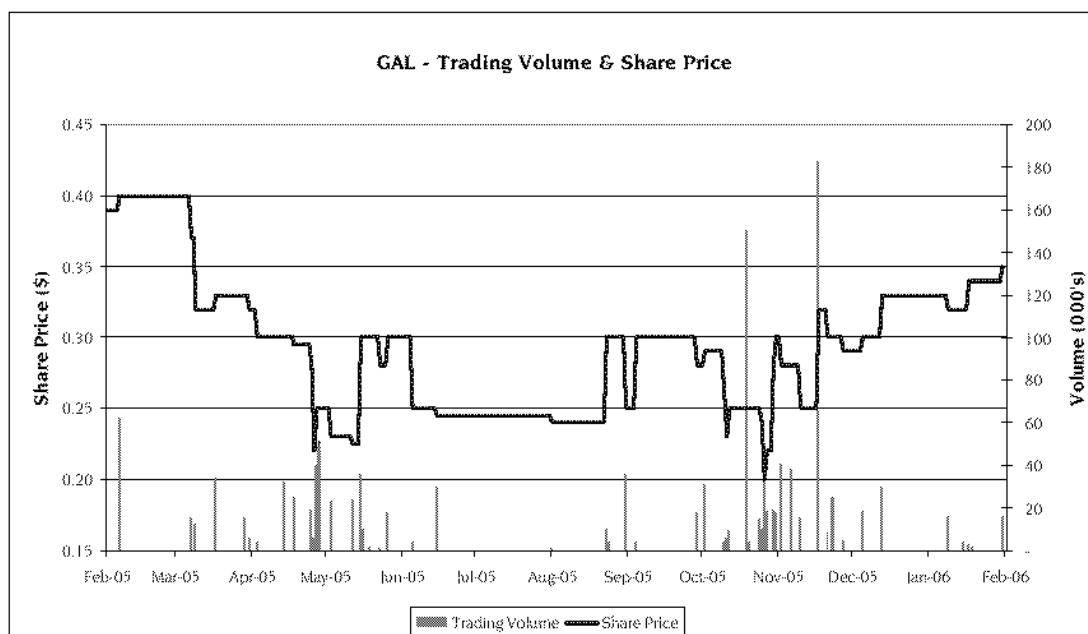
8.4 FUTURE EVENTS

The businesses of GAL and PNE to be considered in both valuations are those that existed at the date of this Report. Future growth potential, which may result from new activities, business initiatives and the like, are not within the scope of our valuations.

9 VALUATION OF GAL

9.1 ASX MARKET VALUATION

The following chart provides a summary of the monthly weighted average trading prices and volumes in GAL shares over the 12 month period to 15 February 2006:



Source: Bloomberg

The daily price of GAL Shares from 16 February 2005 to 15 February 2006 ranged from a high of \$0.40 on 21 February 2005 to a low of \$0.20 on 10 November 2005. Over the 12 months to 15 February 2006, approximately 1.26 million shares have been actively traded on 54 days.

To provide further analysis of the market prices for GAL shares, we have also considered the weighted average market price over a 30, 60 and 90 day period to 4 November 2005, being the date the potential PNE acquisition was announced to the ASX.

	4 Nov 2006	30 days	60 days	90 days
Closing price	\$0.25			
Weighted Average Share Price		\$0.26	\$0.26	\$0.26

9.2 NET ASSET VALUATION

We have also determined the net asset value of GAL as at the date of this Report by making the following adjustments to the reported net assets as at 31 December 2005.

Net Asset Valuation	Section	\$'000
Net Assets ⁽¹⁾	6.3	5,196
Adjustments:		
Add: Supplementary Share Issue	9.2.1	2,329
Less: Costs related to Supplementary Share Issue	9.2.1	(120)
Adjusted Net Assets		7,405

Note 1: Net Assets have been sourced from un-audited management accounts for the 6 months ended 31 December 2005 and included intangible assets of approximately \$2 million as at 31 December 2005. The fair value of the intangibles is not considered to be impaired as at 31 December 2005.

9.2.1 Supplementary Share Issue and Related Issue Costs

As discussed in Section 6.2.2, GAL has raised approximately \$2.3 million in relation to the 2nd supplementary placement by the closing date 20 February 2006. As the raised share capital less issue costs in relation to this placement has not been included in the net assets as at 31 December 2005, we have adjusted the net tangible assets accordingly.

9.2.2 Net Asset Valuation Of GAL

The net asset value per share of GAL is summarised below:

	Section	
Adjusted Net Assets (\$'000)	9.2	7,405
Total Number of GAL Shares on Issue pre Transaction (000)	3.2	25,086
Net Assets per Share (\$) (Rounded)		\$0.30

9.3 VALUATION SUMMARY OF GAL

Having considered the value resulting from the weighted average price of GAL Shares prior to the company's merger announcement to the ASX (Section 9.1) and the net asset valuation (Section 9.2.2), we have assessed the GAL's equity value to be in the following range.

	Section	Low	High
Value per GAL Share		\$0.26	\$0.30
Total Number of GAL Shares on Issue pre Transaction (000)	3.2	25,086	25,086
Total GAL Value (\$'000)		6,522	7,526

10 VALUATION OF PNE

10.1 OVERVIEW OF FME METHODOLOGY

In accordance with our valuation approach set out in Section 8.2, we have selected the FME methodology to value PNE. The FME Methodology requires consideration of the following factors.

10.1.1 Determination of an Appropriate Level of Maintainable Earnings

The determination of an appropriate level of FME requires assessment of:

- The historical and forecast operating results,
- Items of income and expenditure, that are non recurring, not on commercial terms, or related to surplus assets; and
- Any other known factors likely to affect the future operating performance of the business existing at the valuation date.

10.1.2 Selection of an Appropriate Capitalisation Multiple

In deciding what multiple range to use, assessment must be made of:

- Comparable companies;
- The extent and nature of competition in the industry,
- Quality of earnings, future growth opportunities, and
- Relative risk compared to other investments

10.2 DETERMINATION OF FME

The FME valuation of PNE has been based on adjusted net profit after tax. In determining the estimated FME, we considered actual operating results for the years ended 30 June 2004 and 30 June 2005 and consolidated earnings (PNE and Opentec) for the 6 months ended 31 December 2005.

Management have not provided forecasts for the 6 months ending 30 June 2006. Considering that PNE, according to management, has not historically shown any cyclical fluctuations during a financial year and that PNE's half-year 2006 adjusted net profit shows a consistent trend compared to the previous year we believe that it is appropriate to annualise the 6-months consolidated results to 31 December 2005.

To determine FME, items of revenue or expenditure of an abnormal or non-recurring nature (which are not considered to be sustainable in the future) need to be adjusted from historical and forecast financial information. The normalisation adjustments we have considered are set out below.

Section	Actual Year Ended 30 June 2004 \$'000	Actual Year Ended 30 June 2005 ¹ \$'000	Actual 6 Months Ended 31 Dec 2005 \$'000	'Annualised' 6 Months Ended 31 Dec 2005 \$'000	
Net profit before tax	1,277	595	368	736	
Adjustments:					
Interest Revenue	10.2.1	(50)	(111)	(85)	(170)
Provision for diminution of value of investments	10.2.2	-	58	-	-
Acquisition costs	10.2.3	-	111	-	-
Redundancy costs	10.2.4	-	100	-	-
Market rent	10.2.5	(47)	(48)	(24)	(48)
Loss from Opentec Business	10.2.6	-	-	176	352
Total Adjustments		(97)	110	67	134
Adjusted net profit before tax		1,180	705	435	870
Less: Notional Tax	10.2.8	(236)	(141)	(87)	(174)
Adjusted net profit after tax		944	564	348	696
Weighting	10.2.8	-	40%	-	60%
Weighted FME					643

Note 1: We have discussed with PNE management the decrease in the adjusted net profit before tax from the year ended 30 June 2005 when compared to the previous year (\$475,000) and have been advised that significant additional ongoing costs were incurred in respect of the restructuring of the marketing department (\$175,000), the appointment of a production planner (\$60,000) and directors' fees (\$84,000).

Following our review of historical financial information and discussions with management of PNE, we have determined that the following normalisation adjustments should be made in assessing the FME of PNE.

10.2.1 Interest Revenue

PNE has generated interest revenue from surplus cash during the years ended 30 June 2004 and 2005, and the 6 months ended 31 December 2005. As the surplus cash has been treated as surplus asset for the purpose of this valuation (Section 10.5), the interest received on the cash amount has been excluded from operating income.

10.2.2 Provision for Diminution of Value of Investments

As at 31 December 2005 PNE held shares in GAL that were written down during the year ended 30 June 2005 (Section 7.4). As this investment is considered non-core and has been transferred at cost prior Transaction (Section 10.5.2), we have added back this expense to PNE's net profit.

10.2.3 Acquisition Costs

Subsequent to an unsuccessful acquisition (Section 7.1), PNE has incurred acquisition costs in the year ended 30 June 2005, which are considered to be non-recurring. We have therefore excluded this amount from PNE's operating results.

10.2.4 Redundancy Costs

Management has advised that PNE has incurred redundancy costs during the year ended 30 June 2005 in relation to the appointment and subsequent redundancy of a manufacturing manager who was hired in anticipation of the acquisition of a contract manufacturer (Section 7.1). As these are considered to be one-off expenses, we have excluded the amount from PNE's net profit.

10.2.5 Market Rent Adjustment for Property

PNE owns an office in Caringbah, NSW, which has been valued separately to the underlying business (Section 10.5.3). For the purpose of this valuation we have therefore adjusted the net profit before tax by including a market rent expense for these premises which PNE would have to pay if it did not own the property.

We have been provided with a rental valuation report dated 22 November 2005 which estimates the current net market rent at \$48,300 per annum.

In order to determine the approximate market rent for the years ended 30 June 2004 and 2005 we have considered the relevant Consumer Price Index ("CPI") rate as follows:

Item	\$000
Net Market Rent per annum as at 22 November 2005 ¹	48
Net Market Rent for the year ended 30 June 2005 after CPI Adjustment ²	48
Net Market Rent for the year ending 30 June 2004 after CPI Adjustment ²	47

Notes: 1 Valuation Report prepared by Macquarie Bell Pty Limited, Valuation Property Consultants, dated 22 November 2005.

2 According to the Australian Bureau of Statistics, CPI for NSW from 30 June 2004 to 30 June 2005 was approximately 2.5%

10.2.6 Loss From Opentec Business

The consolidated net profit before tax for the 6 months ended 31 December 2005 includes a net loss from the Opentec business generated over the 3 months from 30 September to 31 December 2005. As Opentec is considered to be in its establishment phase over this period we believe that it is appropriate to exclude the generated loss from the consolidated earnings.

10.2.7 Taxation

Tax has been calculated at a notional tax rate of 20% of the adjusted net profit after tax amount. We have adopted a rate lower than the standard company tax rate of 30% as PNE has a history of lower tax rates mainly due to the tax benefits of research and development expenditure.

10.2.8 Applied Weighting

In determining the FME for PNE we have applied weightings to the adjusted net profit after tax and have taken into account the following factors:

- We recognise that the earnings of the 6 months ended 31 December 2005 which have been annualised to reflect the year ending 30 June 2006 are not subject to review or audit. According to our discussions with management, the annualised 2006 net profit is considered to be maintainable. We therefore believe a 60% weighting should be applied to these results. We

note that due to the unavailability of management forecasts the historical results do not include any earnings from the Opentec business (Section 7.3). We are therefore unable to reliably estimate the additional value resulting from this new business.

- We have placed a 40% weighting on the year ended 30 June 2005, as these earnings represent the most accurate and reliable results available at the date of this Report. We understand that PNE has incurred extensive expenses in relation to the unsuccessful acquisition of a contract manufacturer in 2005 (Section 7.1), however, we have identified and considered any potential normalisation adjustments to the net profit before tax. We therefore assume that the adjusted profit after tax for the year ended 30 June 2005 reflects PNE's business development going forward.

10.3 CAPITALISATION MULTIPLE

10.3.1 Selection of the Multiple

The selection of an appropriate earnings multiple to apply to the FME is ultimately a matter of judgement, reflecting both expected returns from investments in the relevant industry and the expected risks in achieving those returns.

In selecting the price earnings ("PE") multiple, we considered all Australian and overseas listed companies in the electronic components – semiconductor sector.

10.3.2 Listed Comparable Companies

The following table sets out the PE Multiples of applicable comparable companies:

Comparable Company	Note	Country	Market Capitalisation ⁽¹⁾ S'Million	Current PE Multiple ⁽²⁾
Mosaid Technologies Inc	i.	Canada	318	14.4
Huan Hsin Holdings Limited	ii	Singapore	194	9.9
LSI Logic Corporation	iii.	USA	4,991	23.0
STMicroelectronics N.V.	iv.	France	17,998	23.9
Kontron AG	v.	Germany	730	22.3

Source: Bloomberg

- Notes**
- 1 Market capitalisation has been determined based on the share price as at 15 February 2006. The amount has been translated into Australian dollars using the domestic currency to Australian Dollar exchange rate as at 15 February 2006.
 - 2 The current PE multiples for the companies have been based on the net profit of the closest year end available to 15 February 2006.
 - 3 We have also considered the Canadian company ATI Technologies Inc and the Malaysian company Unisem (M) BHD. Both companies have been strongly involved in merger and acquisition activities during the year 2005, which has influenced their current share price and may be the cause of their inflated forecast PE multiples of around 60. We have therefore excluded those companies from our comparable company analysis.

Details of the comparable companies have been provided below.

- i. **MOSAID Technologies Incorporated** designs, manufactures, markets, and supports memory test systems for the engineering test requirements of memory chip manufacturers. The Company also designs advanced memory chips. MOSAID sells its products around the world.
- ii. **Huan Hsin Holdings Limited** manufactures and supplies electronics and electrical products and components to OEM's. The Group's operations also include wire and cable, mould, moulded plastic products and finished products assembly, metal stamping, printed circuit board (PCBs), and surface mould technology (SMT) assembly.
- iii. **LSI Logic Corporation** designs, develops, manufactures, and markets integrated circuits and storage systems. The Company offers products and services for a variety of electronic systems applications that are marketed to original equipment manufacturers in the networking, telecommunications and wireless, computers, consumer products, and storage industries.
- iv. **STMicroelectronics N.V. (France)** designs, develops, manufactures, and markets semiconductor integrated circuits and discrete devices. The Company's products are used in the telecommunications, consumer electronics, automotive, computer, and industrial sectors. Geographically, customers are located in North America, Europe, and the Asia/Pacific region.
- v. **Kontron AG** develops, produces and markets embedded computer boards. The Company provides its products to original equipment manufacturers, systems integrators, and other end-users in high-tech industries such as telecommunications, industrial automation, mobile computing, and the Internet.

10.3.3 Adopted Multiple

Based on the above, we have selected a multiple range of 10.5 to 11.5 after consideration of the following factors:

- The range of PE multiples observed in identified comparable companies;
- Relativity of PNE to the identified comparable companies in terms of market capitalisation, size and scale of its operations. We note that all identified comparable companies, especially STMicroelectronics N.V. and LSI Logic Corporation, are considerably larger than PNE. We would therefore assume that those comparable companies trade at a higher PE multiple than PNE.
- Relativity of PNE to the identified comparable companies in terms of business segmentation and diversification. In contrast to PNE which currently only supplies to the Australian market, the majority of the identified comparable companies are selling their products on a global basis. Further, PNE generates approximately 90% from sales to its 8 key customers. Due to their larger business segmentation, diversification and client base, we assume that the comparable companies are able to achieve greater economies of scale and are less risk averse than PNE which would justify their higher PE multiples.

10.4 FME VALUATION

By applying the FME determined at Section 10.2, and the capitalisation multiple range determined at Section 10.3.3, the following equity value range for the listed equivalent of PNE is derived:

	Section	Low \$'000	High \$'000
FME	10.2	643	643
Capitalisation Multiple	10.3.3	10.5	11.5
PNE Value (Before Surplus Asset)		6,752	7,395

10.5 SURPLUS ASSETS

10.5.1 Overview

Entities may own assets which are surplus to their main operating activities. These should be valued separately to the underlying business.

10.5.2 Surplus Cash

Management have advised that PNE held cash at bank of approximately \$3.4 million as at 31 December 2005 which is considered to be surplus to PNE's main operations.

In addition to cash at bank, PNE held 0.8 million shares in GAL as at 31 December 2005 which have been sold for an amount of approximately \$0.3 million in February 2006 prior to completion of the Transaction (Section 10.2.2). As such, this investment has been converted to surplus cash.

We also note that PNE has been granted an option to acquire the Opentec business (Section 7.3). As future earnings relating to this business have not been recognised we do not believe it is appropriate to adjust surplus cash should the option be exercised.

Management have advised that the dividend to which PNE Shareholders are entitled to under the Share Purchase Agreement for the period from 1 January 2006 to Completion (Section 3.1) will be paid out of PNE's generated net profit generated during that period.

10.5.3 Office Premises

As discussed in Section 10.2.5 we have treated the property in Caringbah owned by PNE as a surplus asset for the purpose of this valuation. We have been provided with an independent short-form valuation report prepared by Commonwealth Bank of Australia dated 25 January 2006 which estimates the current market value of the property at approximately \$0.9 million.

10.5.4 Valuation Summary Of Surplus Assets

The estimated value of PNE's surplus assets as at the date of this Report is set out below.

Surplus Assets	Section	\$'000
Surplus Cash	10.5.2	3,672
Office Premises in Caringbah	10.5.3	875
Total Surplus Assets		4,547

10.6 VALUATION SUMMARY OF PNE

Based on the value of the listed equity value determined at Section 10.4 and surplus assets determined at Section 10.5, PNE's equity value is determined as follows.

	Section	Low \$'000	High \$'000
PNE Value (Pre Surplus Assets)	10.4	6,752	7,395
Add: Surplus Assets	10.5.4	4,547	4,547
Total PNE Value		11,299	11,942

11 COMPARISON OF VALUE OF PNE ACQUIRED TO CONSIDERATION OFFERED

In accordance with our adopted basis of evaluation set out in Section 5.2 and the proposed capital structure of GAL assuming the Transaction is approved (Sections 3.1 and 3.2) we have considered the value of the consideration offered by GAL under the Transaction (i.e. 62% of GAL) to the value of assets in PNE being acquired (i.e. 38% of PNE).

11.1 VALUE OF CONSIDERATION

The consideration offered is outlined below:

	Section	Low \$'000	High \$'000
GAL's Equity Value	9.3	6,522	7,526
Consideration Offered (62% of GAL's Equity Value)		4,044	4,666

11.2 VALUE OF PNE SHARES BEING ACQUIRED BY GAL SHAREHOLDERS

As noted in Section 3.2, under the Share Purchase Agreement GAL will issue 40,416,667 shares to PNE Shareholders, which represents approximately 62% of the total number of consolidated shares on issue post Transaction. Subsequently, GAL Shareholders will own approximately 38% of the post-transaction group. Therefore PNE's equity value range acquired by GAL Shareholders is as follows:

	Section	Low \$'000	High \$'000
PNE Equity Value	10.6	11,299	11,942
PNE Equity Value acquired by GAL Shareholders (38%)		4,294	4,538

11.3 COMPARISON OF VALUE OF CONSIDERATION TO VALUE ACQUIRED

A comparison of PNE's equity value to the consideration offered by GAL is provided below:

	Section	Low \$'000	High \$'000
Consideration Offered	11.1	4,044	4,666
PNE's Equity Value Acquired by GAL Shareholders	11.2	4,294	4,538

In respect to our valuations of GAL and PNE at Sections 9.3 and 10.6, we note the following in regard to the comparison shown above:

- Management has not provided any forecasts for the 6 months ending 30 June 2006 for either GAL or PNE. We are therefore unable to ascribe any value to the Boss Design distribution rights (Section 6.3) or to determine any risk factors arising from this new business. Consequently, the valuation of GAL's equity does not incorporate any earnings or risks arising from the distribution rights and therefore excludes any value attached to the distribution rights.
- We are further unable to estimate the value of the Opentec business (Section 7.3) or the business risks of Opentec. Consequently, the valuation of PNE's equity does not include any value of the Opentec business. We note that management expects the acquired business to significantly contribute to PNE's revenue and profit growth in the 2nd quarter of the 2006 financial year.

In order to assess whether the Transaction is fair and reasonable to GAL Shareholders, we have therefore also assessed the advantages and disadvantages of the Transaction as a whole as set out in Section 12 below.

12 POSITION IF THE TRANSACTION IS APPROVED

In accordance with our basis of evaluation (Section 5.2) we have investigated other significant factors to which GAL Shareholders might give consideration prior to approving the Transaction. The matters we have considered are outlined below.

12.1 ADVANTAGES OF ACCEPTING THE TRANSACTION

12.1.1 Improved Liquidity Of Shares

Subsequent to the Transaction, there will be a greater number of shares in GAL on issue and therefore increased market capitalisation. This could potentially increase the liquidity in trading in GAL shares. This represents an advantage to GAL Shareholders, especially when considering the low liquidity of GAL Shares in the past 12 months (Section 9.1).

12.1.2 Increase In Working Capital

As at 31 December 2005 PNE held \$3.7 million in cash, including cash received from the sale of GAL Shares prior to the Transaction (Section 10.5.2). The surplus cash has not been specifically allocated, however, the increase in working capital should assist GAL and PNE in growing their operations, which represents an advantage to GAL Shareholders.

However, under the terms the Deed for the Opentec business, if PNE decides to exercise the option to acquire the business it must pay approximately \$1 million.

12.1.3 Potential Cost Savings And Synergies from Joint Operations

GAL and PNE currently conduct separate Research and Development (“R&D”) facilities with common design processes. Management have advised that GAL’s acquisition of PNE may result in the merger of the two R&D facilities to create a larger and more sophisticated design centre. The existence of such synergies would represent an advantage to GAL Shareholders and approving the Transaction.

However, we have not been provided with a detailed estimate of the potential cost savings mentioned above. We are therefore unable to determine whether these potential synergies can be considered a material advantage to GAL Shareholders.

12.1.4 Increase in Size and Scale of Business

The current size of GAL’s operations is quite small in comparison to other listed vehicles. In addition to any perceived synergies between the operations of GAL and PNE, the increased size of GAL’s business (if the Transaction is approved) will assist with covering the impact of maintaining the costs of a listed vehicle. If the Transaction is approved the size and scale of the business operations of GAL will increase.

This is considered to be an advantage to GAL Shareholders of approving the Transaction.

12.1.5 Diversification of Earnings

The acceptance of the Transaction will result in GAL Shareholders increasing the diversification of earnings sources through the introduction of PNE activities.

Diversification of income is often considered beneficial in reducing any potential adverse financial impacts from exposure to only one income source.

This may be considered an advantage to GAL Shareholders as it may protect Shareholders from the current seasonal nature of sales for GAL’s existing operations.

12.1.6 Change in Investment Profile

If the Transaction is approved, GAL Shareholders will no longer hold an investment solely in a manufacturer and supplier of commercial furniture. Upon Completion of the Transaction GAL will be a diversified investment with operation in the following sectors:

- Commercial Furniture (GAL’s existing business);
- Electronic systems for OEM (PNE’s core business); and
- Ruggedness Mobile Computing Systems (Opentec).

The change in investment profile may be considered an advantage to those shareholders who wish to change their investment profile in such a way.

However, GAL Shareholders should also consider the exposure to the risks associated with this change in investment profile (Refer Section 12.2.3).

12.2 DISADVANTAGES OF ACCEPTING THE TRANSACTION

12.2.1 Dilution Of Shareholding And Loss Of Control

If the Transaction is accepted, approximately 40 million additional shares will be issued to PNE Shareholders. GAL Shareholders will consequently have an interest in 38% of the combined group. This represents a disadvantage to GAL Shareholders, as their current interest in GAL will be diluted. However, based on the current illiquidity of GAL Shares, this is not considered to be a significant disadvantage to GAL Shareholders.

12.2.2 Potential Future Dilution Due to Additional Capital Raisings

If the Transaction is approved, the consolidated entity's future activities may require additional funding. It is possible that GAL Shareholders' interests may be further diluted if they do not participate in future capital raisings, or if the terms of such raisings create dilution to GAL Shareholders. This is a disadvantage to GAL Shareholders.

12.2.3 Change in Investment Profile

As stated at Section 12.1.6, if the Transaction is approved the investment profile of GAL Shareholders will change. As a result GAL Shareholders will be exposed to the risks attached to the operations of PNE and Opentec.

This change in investment profile may be considered a disadvantage to GAL Shareholders who do not want to be exposed to the sectors that PNE operate in or who do not wish to change their investment profile in such a way.

12.2.4 Loss of Independent Directors

According to the ASX Principles of Good Corporate Governance, an independent director is a non-executive director and is not (or otherwise directly associated with) a substantial shareholder (that is holding at least 5% of the issued capital) of the company.

A condition of the Transaction is the resignation of two existing directors of GAL who are identified in the Information Memorandum as Janet Sayer and Bruce Hansen (Section 3.1). Should the Transaction be completed another independent director, Tony Noun will become a substantial shareholder leaving the Chairman Richard Sealy as the only independent director of GAL. Post Transaction the Board of the managed entity will comprise 6 directors, including 4 of which will be significant shareholders (2 also being executives) and 3 of which will be executives.

The lack of independent directors (in the immediate term) is considered to be a disadvantage to GAL Shareholders.



13 POSITION OF GAL SHAREHOLDERS IF TRANSACTION IS NOT APPROVED

We have considered the position of GAL Shareholders if the Transaction is rejected and have taken into account the following in this assessment.

13.1 NO CURRENTLY AVAILABLE ALTERNATIVE

Management have considered options in the past to increase shareholder value. However, management has advised that the Transaction is currently the only option being seriously considered by the directors at the time. Therefore if the Transaction is not approved there would be no immediate change to GAL's operations.

13.2 LIMITED AVAILABLE WORKING CAPITAL

If the Transaction is approved, GAL would still have access to the funds raised under the supplementary placement of approximately \$2 million (Section 6.2.2). These funds are available to finance future business initiatives for GAL. However, this amount is limited to the extent that GAL can raise future capital.

13.3 POTENTIAL FUTURE DILUTION FROM ADDITIONAL CAPITAL RAISINGS

As stated above, the current working capital available to GAL is limited. If the Transaction is not approved the future activities of GAL may require further capital raisings. This in turn may further dilute current GAL Shareholders' interests.

14 SOURCES OF INFORMATION

BDO Corporate Finance has referred to the following information for the purposes of preparing this Report:

- GAL Audited Financial Reports for the years end 30 June 2003 to 2005;
- GAL Management Accounts for the 6 months to 31 December 2005;
- PNE Financial Reports for the years ended 30 June 2004 and 2005;
- PNE Management Accounts for the 6 months to 31 December 2005;
- PNE 2005 Business & Marketing Plan, dated December 2004
- GAL Supplementary Offer Information Statements concerning rights issue and subsequent capital raisings, dated 10 November 2005 and 5 January 2006;
- Share Purchase of Agreement between GAL and PNE Shareholders dated 4 February 2006;
- Notice of Extraordinary General Meeting incorporating Information Memorandum;
- GAL Announcements to the ASX
- Bloomberg;
- MergerStat database information;
- BDO Stoy Hayword Private Company Price Index data from 2003 to 2005;
- Loneragan, Wayne. "The Valuation of Businesses, Shares and other Equity". 3rd Edition;
- Information available in the public domain; and
- Discussions with Directors and Management of GAL and PNE.

15 INDEPENDENCE

BDO Corporate Finance is entitled to receive a fee of approximately \$45,000 (excluding GST and reimbursement of out of pocket expenses) for completion of this Report. Except for this fee, BDO Corporate Finance has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this Report.

BDO Corporate Finance is wholly owned by BDO, a member of BDO International. Prior to accepting this engagement BDO Corporate Finance considered its independence with respect to GAL and any of their respective associates with reference to the ASIC Practice Note 42 "Independence of Expert's Reports". In BDO Corporate Finance's opinion it is independent of GAL and its respective associates.

BDO Corporate Finance and BDO do not have at the date of the Report, and have not had within the previous two years, any shareholding in or other relationship with GAL or any of its respective associates, except as the auditors of GAL.

The provision of our services is not considered a threat to our independence as auditors under Professional Statement F.1 – Professional Independence. The service provided has no material impact on the financial report of GAL.

Under the terms of the share purchase agreement, a draft of this Report was provided to the Directors of GAL and PNE and their advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

16 QUALIFICATIONS

BDO Corporate Finance has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing Rules of the ASX.

The persons specifically involved in preparing and reviewing this report were Ralph Goodman and Judith Ryan of BDO Corporate Finance. They have significant experience in the preparation of independent expert reports, valuations and merger and acquisitions advice across a wide range of industries in Australia.

17 DISCLAIMERS AND CONSENTS

This Report has been prepared at the request of GAL for inclusion in the Notice of Meeting incorporating an Information Memorandum which will be sent to all GAL Shareholders. GAL engaged BDO Corporate Finance to prepare an independent expert's report to consider the Transaction on behalf of shareholders.

BDO Corporate Finance hereby consents to this Report being included in the above Information Memorandum. Apart from such use, neither the whole nor any part of this Report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance.

BDO Corporate Finance takes no responsibility for the contents of the Information Memorandum other than this Report.



BDO Corporate Finance has not independently verified the information and explanations supplied to us, nor has it conducted anything in the nature of an audit of PNE or GAL. However, we have no reason to believe that any of the information or explanations so supplied are false or that material information has been withheld.

The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete.

The terms of this engagement are such that BDO Corporate Finance has no obligation to update this Report for events occurring subsequent to the date of this Report.

18 INDEMNITY

GAL has provided an indemnity to BDO Corporate Finance for any claims arising out of any misstatement or omission in any material or information provided to it in the preparation of this Report.

Yours faithfully

BDO CORPORATE FINANCE PTY LIMITED

RALPH GOODMAN
Director

JUDITH RYAN
Director



Appendix A
Valuation Methodologies

1 VALUATION METHODOLOGIES

Methodologies commonly used for valuing assets and businesses are as follows:

1.1 DISCOUNTED FUTURE CASH FLOWS

DCF valuations are applicable to all businesses and specifically ones that demonstrate the following characteristics:

- Limited lives
- Current growth
- Start-up phase
- Irregular cashflows

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows. Future cash flows are discounted to their present value at an appropriate discount rate. This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period. This is also discounted to its present value using the appropriate discount rate.

1.2 CAPITALISATION OF FUTURE MAINTAINABLE EARNINGS

The FME methodology is particularly applicable to businesses with relatively steady growth histories and forecast, regular capital expenditure requirements and non-finite lives.

This method places a value on the business by estimating the likely FME. The FME is then capitalised at an appropriate rate which reflects:

- Business outlook,
- Business risk,
- Investor expectations,
- Future growth prospects and
- Other entity specific factors.

This approach relies on the availability and analysis of comparable market data.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as EBIT or EBITDA. The capitalisation rate or earnings multiple is adjusted to reflect which FME base is being used.

1.3 NET TANGIBLE ASSET VALUE ON A GOING CONCERN BASIS

The NTA methodology is usually appropriate where the majority of assets consist of cash or passive investments, or the business is under performing. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall NTA valuation.

1.4 FUTURE MAINTAINABLE DIVIDENDS ("FMD METHODOLOGY")

The FMD Methodology applies particularly to minority holdings in private and unlisted public companies. This methodology places a value on a company based on expected future dividend streams.

The FMD Methodology is similar to the FME Methodology and requires an estimation of the future maintainable dividends, a required rate of return and expected rate of dividend growth.

1.5 QUOTED MARKET PRICE BASIS

Another alternative valuation approach that can be used in conjunction with or as a replacement for any of the above methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which securities are traded, recent prices at which securities are bought and sold can be taken as the market value per security. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a "deep" market in that security.

Annexure 4

GLOSSARY

The following is a glossary of various words and their means used in the Notice and Information Memorandum:

“**ASIC**” means Australian Securities and Investments Commission;

“**Associate**” has the meaning given by Division 2 of the Corporations Act;

“**ASX**” means Australian Stock Exchange Limited ACN 008 624 691;

“**BDO**” means BDO Corporate Finance Pty Limited;

“**Business Day**” means a day, other than a Saturday or Sunday, on which banks are open for general banking business in Sydney;

“**control**” has the meaning ascribed in Section 50AA of the Corporations Act;

“**Company**” means Gregory Australia Limited (ACN 084 068 673);

“**Completion**” means completion of the acquisition of PNE in accordance with the terms of the PNE Share Purchase Agreement;

“**Corporations Act**” means Corporations Act 2001 (Cth);

“**Director**” means a director of the Company;

“**Information Memorandum**” means the Information Memorandum incorporating the Independent Experts Report accompanying and forming part of the Notice;

“**Group**” means the Company and its Related Bodies Corporate;

“**Independent Expert’s Report**” means the independent expert’s report set out in Annexure 4 to the Information Memorandum;

“**Listing Rules**” means the listing rules issued and enforced by the ASX as amended from time to time;

“**Meeting**” means the extraordinary general meeting convened by the Notice;

“**New Shares**” means the Shares referred to in Paragraph 2 of the Notice;

“**Notice**” means the notice of extraordinary general meeting set out in this Information Memorandum;

“**OEM**” means Original Equipment Manufacturer;

“**Opentec**” means Opentec International Pty Limited ACN 003 054 304 (formerly PNE (Aust) Pty Limited);

“**Option**” means an option to acquire Shares in the capital of the Company;

“**PDA**” means a “Personal Data Administrator” device;

“**PNE**” means PNE Industries Pty Limited (ACN 002 877 312);

“**PNE Directors**” means Ross Wayne Carmen, Robyn Himmelberg, Tony Noun, David Alexander Richards and Richard Sealy;

“**PNE Group**” means PNE, Opentec, PNE Technologies Pty Limited ACN 078 959 887 and Inventis Pty Limited ACN 112 283 333;

“**PNE Options**” means all the issued options to acquire PNE Shares;

“**PNE Shares**” means all the issued shares in PNE;

“**PNE Share Purchase Agreement**” means the share purchase agreement between the Company, PNE and the PNE Shareholders dated 4 February 2006;

“**PNE Shareholders**” means the holders of all the issued share and option capital of PNE at the date of the PNE Share Purchase Agreement;

“**Related Body Corporate**” has the meaning ascribed to that term in section 50 of the Corporations Act;

“**Relevant Interest**” has the meaning given in Sections 608 and 609 of the Corporations Act;

“**Resolution**” means a resolution to be considered at the Meeting;

“**Share**” means an ordinary fully paid share in the issued capital of the Company;

“**Shareholder**” means the holder of a Share;

“**Subsidiaries**” has the same meaning as in Section 46 of the Corporations Act; and

“**Voting Power**” has the meaning given in Part 6.1 of the Corporations Act.

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