

CHAIRMAN'S ADDRESS TO THE 7TH ANNUAL GENERAL MEETING 25TH NOVEMBER 2005

Ladies and Gentlemen

I would like to welcome you here today.

The past year was one of considerable change, as the Company underwent a re-evaluation of every part of its operations. The impact of this re-evaluation was the writing off of intangible assets which the directors considered no longer had value and the incurrence of considerable restructuring costs. Together, these amounted to \$2.7 million and led to the final result for the year, a loss of \$1.7 million.

This is certainly not the result that we planned, however it was one that was inevitable. For some years now, we have been trying to integrate the acquisition of Pluto within the Gregory business however there has been reluctance on the part of directors to make the really hard decisions that were finally made in the last financial year. In addition, with the introduction of the new International Financial Reporting Standards, the directors critically assessed the value of the intangible assets acquired by Gregory at its inception as a listed company.

These decisions resulted in the loss for the year and as shareholders will be aware the losses have continued through the first quarter of this year. The continuing losses are as a result of a slight downturn in sales, but more particularly the size of the business when compared with the cost of maintaining Gregory as a listed entity.

One of the objectives stated by the directors has been to make acquisitions to increase the size of the business, so as to spread the corporate costs over a bigger sales base and bring diversity to the business in a bid to smooth out the seasonal nature of the commercial furniture business. The acquisition of the **Boss Design**, **SoftCell**[™] and **Key Breaks** products and the proposal for the acquisition of **PNE Industries** should see this objective achieved in the near future.

The acquisition of the Boss Design product range for Australia and New Zealand will contribute significantly to increasing market share in the Architectural and Design sector thereby improving sales. Boss Design has strong credibility in the United Kingdom and European markets and is a leader in the Architectural and Design sector. Gregory intends to launch the Boss Design range in the New Year and to produce this range in the Bayswater plant in Melbourne.

The announcement yesterday of the signing of an exclusive manufacturing and distribution licence agreement for the patented SoftCell[™] seating system which was awarded an Australian **Designmark**® and the Key Breaks software programme developed to reduce the risk of injury from prolonged

sitting and keyboard strain, brings to Gregory a 5th brand range. The SoftCell™ system is currently the preferred seating system for a number of major Government departments and top 500 companies.

The proposed acquisition of PNE industries will provide diversification for Gregory by the acquisition of this excellent business and assets, which include in excess of \$3 million in free cash.

PNE is a leading Australian owned and operated electronics engineering and manufacturing business, specialising in the manufacture of electronic control systems. 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". PNE's ability to create intellectual property that adds considerable value to their customers' final product has helped them establish a leadership role in the Australian OEM industry. As suppliers of controls for consumer durables used by hundreds of thousands of Australians, their unique business model has helped them remain a strong local business, despite the industry trend to 'go offshore' for engineering and manufacturing.

There is a worldwide trend to integrate electronics into every aspect of our lives and this includes furniture. The directors believe that the proposed acquisition of PNE will provide the opportunity through which Gregory will be able to continue to be a leader in the development of innovative commercial furniture, by incorporating electronics to improve the comfort and ergonomic nature of working environments for the benefit of those who occupy them.

PNE has remained consistently profitable over many years due to sound management practices, a talented executive team and focussed business development strategies. As part of the Gregory Group, PNE should bring not only diversification, but an increased sales base over which to spread the corporate listing costs. It is expected that the combined Gregory Group should achieve sales in excess of \$30 million per annum in the first full year of operation.

The proposed acquisition of PNE is still subject to shareholder approval and this approval will be sought at a General Meeting of shareholders to be held early in the New Year. In the meantime the independent directors will work with our auditors to prepare an information memorandum and recommendation to shareholders on whether the acquisition is fair for all shareholders. Tony Noun and I who are directors and shareholders of PNE will not be involved in this work or in providing the recommendation to shareholders.

Last month Gregory launched a 3 for 4 pro-rata cash issue. The stated purpose for the use of the funds to be raised was for:

- The preparation and launch of the Boss Design range of products;
- The replenishment of working capital;
- The retirement of debt facilities provided by BankWest; and

- The facilitation of further business opportunities designed to diversify and strengthen the revenue base of Gregory.

I can advise that the cash issue has raised \$823,682. The directors believe that at 30 cents per share the issue was good value, particularly considering the prospects of the new product ranges and PNE Industries. It was therefore disappointing that the cash issue was not fully subscribed by Shareholders. Directors and their associated parties subscribed to \$798,234 of the amount raised, demonstrating their confidence in the business and in Gregory's future.

Later in the meeting directors will seek authority to place 8,136,601 ordinary shares which were not subscribed for in the cash issue. These shares will be placed with outside entities in an effort to widen the shareholding base and raise further capital to enable Gregory to meet its corporate objectives.

During the year under review your directors made a placement of shares to raise additional capital to pay for the cost of the restructuring. Most of these shares were taken up by entities associated with Tony Noun making him a substantial shareholder of Gregory. It was therefore decided by the directors that it would be appropriate to invite Tony to join the Board.

You will all have had a chance to review Tony's background as it appears in the Corporate Directory of the Annual Report. Tony has an impressive history in business and finance stretching back over more than 20 years and since joining the Board he has taken an active interest in the strategic direction of Gregory with his input proving invaluable. Tony is standing for re-election later in the meeting.

There will be two other re-elections put to the meeting. The first is for our CEO, John Scutt who joined the Board as an executive director earlier this year and Peter Gregory who comes up for re-election by normal rotation.

Towards the end of the meeting, shareholders will be asked to consider the recommendation of directors for the introduction of an Employee Share Option Plan. The directors believe that this sort of plan is essential for Gregory to attract and retain, top class executive talent that will be the key to the successful growth of Gregory in the future.

The rules relating to the proposed plan have been set out in a memorandum that was attached to the notice of meeting. In summary, these rules do not allow for non-executive directors to be eligible for the plan, only executives and executive directors.

The maximum number of options that may be issued under this plan will be 5% of the shares on issue in the Company at any time. Executives will be invited to join at the discretion of the non-executive directors, and at that time the terms of the options to be issued will be set, including the number, their exercise price and date.

I hope that you will support the directors' recommendation as this is an important tool to not only attract, but to retain the kind of executives needed to secure Gregory's future.

You have already seen a number of initiatives announced by the directors that will enhance the business of Gregory and finally provide the financial strength and increased size required of a listed company. It is not the intention of your directors to stop here and we will be actively searching for products and businesses that will provide sustained returns and diversification to produce stable and improving profits every year.

I will now hand you over to the CEO of the company Mr John Scutt but before I do, could I please ask you to withhold any questions that you may have until the appropriate times provided in the meeting.

You will have the opportunity to ask questions:

- straight after the CEO's address, where members can question directors on the management of the company as required by Section 250S of the *Corporations Act*; and
- during any discussion to the resolutions to be proposed at this meeting.