

2004 COMMENTARY ON RESULTS

The past year was a year of great achievement and great change for the company.

The profit result for the financial year ended the 30th of June 2004 was \$457,122 an improvement on the last year's profit result of \$119,311 of 284%. This profit result was generated on revenue of \$15,041,000 an improvement on last year's revenue of 11.9%.

In May 2004 the Board appointed a new Chief Executive Officer, Mr John Scutt. John has strong skills in sales and marketing, which the company has lacked for sometime. Already the professionalism and experience that John has applied to the company is showing in considerably improved sales with the sales in June being at an all time record and contributing significantly to the final result.

With the company's greatly improved profit there will be a resumption of the dividend. The Board will be recommending a dividend of 1 cent per share be paid.

The forthcoming year will have many challenges for companies and boards. Not least of which will be the introduction of the new International Financial Reporting Standards (IFRS) and the recommendations from Corporate Law Economic Reform Programme (CLERP9). I do however feel that with the changes to the Board and management of this company, implemented in the later part of the last financial year will ensure that the company is now well equipped with the skills needed to oversee the business under its care and make fertile and insightful decisions about its future.

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

Richard Sealy
Chairman

PRELIMINARY FINAL REPORT GIVEN TO THE ASX UNDER LISTING RULE 4.3A

Name of entity

GREGORY INDUSTRIES LIMITED

ABN or equivalent reference

40 084 068 673

Reporting period

Financial Year ended 30/6/04

Previous corresponding period

Financial Year ended 30/6/03

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1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

A\$000's

Revenue from ordinary activities	up	11.9 %	to \$ 15,041
Profit(Loss) from ordinary activities after income tax attributable to members	up	284 %	to \$ 457
Net profit (loss) for the period attributable to members	up	284 %	to \$ 457

Dividends per Share	Amount per share	Franked amount per share at 30% tax
Final	1.0 cents	1.0 cents
Interim	0.0 cents	0.0 cents

The dividend relating to the 2001-02 year was declared after balance date.

No dividend was declared for the 2002-03 year, however payment of the 2001-02 dividend was made during 2002-03.

The directors have recommended a dividend of 1.0 cent per share for 2003-04 year which will be paid in 2004-05.

Explanations

The increase in profit is the result of several actions taken during the year to increase market penetration and ongoing focus on cost reductions in all areas of the business.

2. COMMENTARY ON RESULTS

Accounting Policies, Estimation Methods and Measurement Bases

There have been no changes in accounting policies, estimation methods and measurement bases since the last annual report.

Earnings Per Share

Basic earnings per share increased from 0.9 cents in 2002/03 to 3.6 cents in 2003/04.

Dividends Per Share (including buy backs)

The dividend relating to the 2001-02 year was declared after that years' balance date.

No dividend was declared for the 2002-03 year, however payment of the 2001-02 dividend was made during 2002-03.

The directors have recommended a dividend of 1.0 cent per share for the 2003-04 year with payment in 2004-05.

Significant Features of Operating Performance

There was continuing strong market acceptance of the company's ergonomic office products. Management changes during the year provided renewed emphasis on growth and new product development.

Segment Results

The company predominantly operates in the one business segment, this being the commercial furniture industry.

The company predominantly operates in the one geographical segment, this being Australia.

Performance Trends

The trading conditions were favourable during the second half of 2003-4 and this trend is expected to continue into 2004-5.

Other Factors

No other significant factors affected the performance during 2003-4.

3. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

	Current Period A\$'000	Previous corresponding period A\$'000
Revenue from ordinary activities - <i>refer 3.1 below</i>	15,041	13,443
Expenses from ordinary activities - <i>refer 3.2 below</i>	(14,201)	(13,088)
Borrowing Costs - <i>refer 3.6 below</i>	(98)	(108)
Share of net profits(losses) of associates and joint venture entities	0	0
Profit(Loss) from ordinary activities before tax	742	247
Income tax on ordinary activities	(285)	(128)
Profit(Loss) from ordinary activities after tax	457	119
Profit(Loss) from extraordinary items after tax - <i>refer 3.3 below</i>	0	0
Net profit(loss)	457	119
Net profit(loss) attributable to outside equity interests	0	0
Net profit(loss) for the period attributable to members	457	119

Non-Owner Changes in Equity		
Increase(Decrease) in revaluations reserves	0	0
Net exchange differences on translation of financial report of foreign controlled entity	0	0
Net amount of <u>each</u> revenue, expense or valuation adjustment, recognised directly in equity in accordance with an Accounting Standard	0	0
Net amount of <u>each</u> initial adjustment recognised directly in equity in accordance with transitional provisions of UIG Consensus Views	0	0
Total revenues, expenses and valuation adjustments attributable to members of the parent entity and recognised directly in equity	0	0
Total changes in equity other than those resulting from transactions with owners as owners	457	119

Basic Earnings Per Share	3.6 cents	0.9 cents
Diluted Earnings Per Share	3.5 cents	0.9 cents
Dividends Per Share	0.0 cents	1.0 cents

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

3.1 Revenue from Ordinary Activities

	Current Period A\$'000	Previous corresponding period A\$'000
Revenue from Sales	14,839	13,375
Revenue from Services		
Contract Revenue		
Interest Revenue	24	23
Rental Revenue		
Other relevant revenues		
- Proceeds on disposal of non-current assets	29	7
- Write back of credit balances - debtor accounts	118	0
- other	31	38
	15,041	13,443

3.2 Expenses from Ordinary Activities

	Current Period A\$'000	Previous corresponding period A\$'000
Cost of sales	8,095	7,301
Distribution expenses	563	470
Sales & Marketing expenses	1,649	1,691
Manufacturing expenses	1,585	1,443
Administrative expenses	2,309	2,183
Borrowing Cost expenses	98	108
Other expenses from ordinary activities (must be <= 10% of total expenses)	0	0
	14,299	13,196

Note: Included in the above expenses disclosed by function are depreciation and amortisation expenses amounting to \$459,771 for 2004 and \$473,205 for 2003.

3.3 Individually Significant Items

	Current Period A\$'000	Previous corresponding period A\$'000
	0	0
	0	0

3.4 Amortisation and Impairment Expenses

	Consolidated - Current period			Amount (after tax) attributable to members A\$'000
	Before tax A\$'000	Related tax A\$'000	Related outside equity interests A\$'000	
Amortisation of goodwill	139	0	0	139
Amortisation of other intangibles	98	(26)	0	72
Total amortisation of intangibles	237	(26)	0	211

3.5 Comparison of Half-Year Profits

	Current Period A\$'000	Previous corresponding period A\$'000
Consolidated profit(loss) from ordinary activities after tax attributable to members reported for the 1st half yearly report	364	8
Consolidated profit(loss) from ordinary activities after tax attributable to members for the 2nd half year	93	111

4. CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Current Period A\$'000	Previous corresponding period A\$'000
Current Assets		
Cash	628	417
Receivables	2,677	1,766
Inventories	1,442	1,552
Other financial assets	0	0
Tax Assets	0	3
Other - Prepayments	334	425
Total Current Assets	5,081	4,163
Non-Current Assets		
Receivables	0	20
Exploration and evaluation expenditure capitalised	0	0
Development properties (<i>mining entities</i>)	0	0
Investments accounted for using the equity method	0	0
Other financial assets	0	0
Property, plant and equipment (net)	903	862
Intangible assets (net)	2,165	2,317
Tax Assets	160	124
Other - Prepayments	1,169	1,254
Total Non-Current Assets	4,397	4,577
TOTAL ASSETS	9,478	8,740
Current Liabilities		
Payables	1,939	1,873
Interest-bearing liabilities	269	241
Tax liabilities	137	0
Provisions	250	179
Other -		0
Total Current Liabilities	2,595	2,293
Non-Current Liabilities		
Payables	0	0
Interest-bearing liabilities	1,065	1,115
Tax liabilities	69	40
Provisions	77	77
Other -		0
Total Non-Current Liabilities	1,211	1,232
TOTAL LIABILITIES	3,806	3,525
NET ASSETS	5,672	5,215

Equity

Capital/Contributed Equity

Reserves

Retained Profits/Accumulated Losses

Equity Attributable to Members of the Parent Entity

Outside equity interests in controlled entities

Total Equity

	4,321	4,321
	0	0
	1,351	894
	5,672	5,215
	0	0
	5,672	5,215

Preference Capital included as part of Capital/Contributed Equity above

	0	0
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NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**4.1 Consolidated Retained Profits**

Retained Profits (Accumulated Losses) at the beginning of the financial period

Net profit (loss) attributable to members

Net transfers from (to) reserves

Net effect of changes in accounting policies

Dividends and other equity distributions paid or payable

Retained Profits (Accumulated Losses) at the end of the financial period

	Current Period A\$'000	Previous corresponding period A\$'000
	894	775
	457	119
	0	0
	0	0
	0	0
	1,351	894

5. CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Current Period A\$'000	Previous corresponding period A\$'000
Cash flows related to operating activities		
Receipts from customers	15,353	15,076
Payments to suppliers and employees	(14,650)	(14,488)
Dividends received from associates	0	0
Other dividends received	0	0
Interest and other items of a similar nature received	24	23
Interest and other costs of finance paid	(98)	(108)
Income taxes paid	(152)	(169)
Other -	0	0
Net operating cash flows	477	334
Cash flows related to investing activities		
Payments for purchases of property, plant and equipment	(76)	(162)
Proceeds from sale of property, plant and equipment	29	6
Payments for purchases of equity investments	0	0
Proceeds from sale of equity investments	0	0
Loans to other entities	0	0
Loans repaid by other entities	0	0
Other - Payment for acquisition of business	0	(212)
Net investing cash flows	(47)	(368)
Cash flows related to financing activities		
Proceeds from issues of securities (shares, options etc)	0	0
Proceeds from borrowings	0	232
Repayment of borrowings	(219)	(321)
Dividends paid	0	(125)
Other -	0	0
Net financing cash flows	(219)	(214)
Net increase (decrease) in cash held	211	(248)
Cash at beginning of period - <i>refer 5.1 below</i>	417	665
Exchange rate adjustments to cash at beginning of period	0	0
Cash at end of period - <i>refer 5.1 below</i>	628	417

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

5.1 Reconciliation of Cash

	Current Period A\$'000	Previous corresponding period A\$'000
Cash on hand and at bank	478	417
Deposits at call	150	0
Bank overdraft	0	0
Other -	0	0
Total cash at end of period	628	417

5.2 Non-Cash Financing and Investing Activities

Finance lease acquisitions during the 2003 / 04 year amounted to \$214,486

OTHER NOTES TO THE CONDENSED FINANCIAL STATEMENTS

	Current Period	Previous corresponding period
6. NET TANGIBLE ASSETS PER ORDINARY SHARE (NTA backing)	28.0 cents	23.1 cents

7. DETAILS OF CONTROLLED ENTITIES

7.1 Control Gained Over Entities During the Period

Name of entity			
	not applicable		
Date control acquired, i.e. date from which profit(loss) has been calculated			
Profit (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) during the current period since the date on which control was	\$	\$	\$
Profit (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	\$	\$	\$

7.2 Loss of Control of Entities During the Period

Name of entity			
	not applicable		
Date of loss of control, i.e. date until which profit(loss) has been calculated			
Profit (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) during the current period to the date on which control was lost	\$	\$	\$
Profit (loss) from ordinary activities after extraordinary items and income tax of the controlled entity (or group of entities) for the whole of the previous corresponding period	\$	\$	\$
Contribution to consolidated profit (loss) from ordinary activities and extraordinary items from sale of interest leading to loss of control	\$	\$	\$

8. DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

8.1 Equity Accounted Associates and Joint Venture Entities

	%Ownership Interest		Contribution to Net Profit	
	Current Period %	Previous Corresponding Period %	Current Period A\$ '000	Previous Corresponding Period A\$ '000
not applicable				

8.2 Aggregate Share of Profits(Losses) of Associates and Joint Venture Entities

Group's Share of Associates and Joint Venture

Entities:

Profit(Loss) from ordinary activities before tax

Income tax on ordinary activities

Profit(Loss) from ordinary activities after tax

Extraordinary items net of tax

Net profit(loss)

Adjustments

Share of net profit(loss) of associates and joint venture entities

Current Period A\$ '000	Previous Corresponding Period A\$ '000
0	0
0	0
0	0
0	0
0	0
0	0
0	0
0	0

9. DIVIDENDS

9.1 Dividends per Share

Final

- current period

- previous corresponding period

Interim

- current period

- previous corresponding period

Amount per share	Franked amount per share at 30% tax	Amount per share of foreign source dividend
0 cents	0 cents	0 cents
1.0 cents	1.0 cents	0 cents
0 cents	0 cents	0 cents
0 cents	0 cents	0 cents

9.2 Total Dividends

Interim - paid/payable on

Final - paid/payable on

Current Period A\$ '000	Previous Corresponding Period A\$ '000
0	0
0	125
0	125

All dividends reflected as distributions above were paid during the period.

9.3 Dividend Reinvestment Plans

[include details of any dividend reinvestment plans in operation]

The last date for receipt of election notices for participation in any dividend reinvestment plans

not applicable

10. ACCOUNTING STANDARDS

Australian Accounting Standards have been used in compiling the information contained in this Appendix 4E.

Disclosure of issues relating to International Financial Reporting Standards (IFRS) are covered separately on the last two pages

11. OTHER INFORMATION REGARDING THE ACCOUNTS

11.1 The information contained in this Appendix 4E is based on accounts which (choose one):

- have been audited
- are in the process of being audited
- have not yet been audited

11.2 Audit Disputes or Qualifications

[if the accounts have not yet been audited and are likely to be subject to dispute or qualification, include a description of the likely dispute or qualification] none

[if the accounts have been audited and are subject to dispute or qualification, include a description of the dispute or qualification] not applicable

12. OTHER SIGNIFICANT INFORMATION

The company has received notice of a claim against it by its former Managing Director in relation to his departure from the Company. So far as the Directors are aware, no proceedings have been instituted at the date of this report. The company is therefore not able to determine the extent, if any, of its potential liability in respect of this claim.

AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs)

For years ending on or after 30 June 2006, all general purpose financial reports prepared in accordance with the requirements of Chapter 2M of the Corporations Act will be required to comply with Australian equivalents to International Financial Reporting Standards (IFRSs) instead of Australian Accounting Standards presently on issue. Comparative financial statements must also be presented in accordance with Australian equivalents to IFRSs for the year ending 30 June 2005.

(a) Management of the Transition Process

In order to facilitate this transition process, the company established a transition project team to report on a transition plan to the Board prior to completion of the annual accounts for 2003-04.

The company's transition process consists of 3 phases as follows:

- **Planning Phase**

This phase involves setting out the time table for transition and identifying differences in key accounting policies between current Australian Accounting Standards and the Australian equivalents to IFRSs to be adopted in future. It also involves an assessment of complex areas and a basic stocktaking of resources available to implement the process.

The planning phase has essentially been completed at 30 June 2004.

- **Diagnosis Phase**

Detailed training on specific Australian equivalents to IFRSs will be undertaken during this phase, particularly for staff directly involved in accounting functions.

The Diagnosis Phase also involves a more detailed analysis (than merely of key accounting policy differences) of measurement and disclosure impacts and preparatory work on revised statutory reporting templates. To ensure that quantitative information is available for AASB 1047 disclosures required at 30 June 2005, decisions will be taken on exemptions and options provided in AASB 1 "First Time Adoption of Australian equivalents to IFRSs" and detailed impairment testing will be performed on opening balance sheet carrying values of assets at 1 July 2004.

Business impacts (e.g. relationships with bankers and lenders and employees), accounting system changes, training and resource requirements will also be identified during this phase.

This phase has commenced and is due for completion by 30 June 2005.

- **Conversion Phase**

During this phase, changes required to accounting and reporting systems will be finalised and tested. Agreements with lenders will be renegotiated, where applicable, to ensure that the company is not prejudiced by the adoption of the new accounting framework. Extensive training will be undertaken during this phase to ensure that all employees, accounting personnel and other, who are impacted by the adoption of Australian equivalents to IFRSs are confident with new processes.

This phase is expected to be completed by 30 June 2005.

(b) Changes to Key Accounting Policies

The company has identified the following key differences in accounting policies that are expected to arise from adopting Australian equivalents to IFRSs.

Goodwill

Goodwill acquired in a business combination will not require amortisation, but instead be subject to impairment testing at least annually. If there is any impairment, it will be recognised immediately in the statement of financial performance. This will result in lower amortisation expenses, and therefore higher earnings on an annual basis, but increased volatility of results in the event of impairment.

Taxation

A “balance sheet” approach will be adopted under Australian equivalents to IFRSs, replacing the “statement of financial performance” approach currently used by Australian companies. The “balance sheet” method recognises deferred tax balances when there is a difference between the carrying value of an asset or liability, and its tax base. Any initial adjustments to calculate deferred tax assets and liability balances on transition using the new basis will be made through opening balances of retained earnings at 1 July 2004. Deferred tax asset and liability balances at 1 July 2004 can only be calculated once all other opening balance sheet amounts at have been finalised at that date.

Revenue on Disposal of Assets

Currently the company includes gross revenue received on disposal of assets as revenue. Under Australian equivalents to IFRSs, gains and losses on sale of assets will be recognised on a net basis in revenue, resulting in lower revenue being recorded by the company.

Impairment of Assets

The company currently assesses the amount of impairment of assets by determining the recoverable amount on the basis of undiscounted cash flows. Under Australian equivalents to IFRSs, the company will be required to determine the recoverable amount as the higher of fair value less costs to sell and value in use (which is determined using discounted cash flows). It is likely that this change in policy and basis for calculation will lead to more impairment losses being recognised and therefore greater volatility in future earnings. It is also likely that when discounting is initially applied on transition at 1 July 2004, impairment losses may need to be recognised on a large number of assets, resulting in a negative impact on opening balances of retained earnings at that date.
