



Directors' Report

for the year ended 30 June 2004

The directors submit the financial statements of the Company for the year ended 30 June 2004.

DIRECTORS

The names of the directors of the Company in office during the financial year and until the date of this report are:

Richard Sealy	Bruce Hansen (Appointed 22/3/04)
Peter Gregory	Janet Sayer (Appointed 24/6/04)
Andrew Davidson (Ceased to be employed 22/3/04)	

All directors were in office from the beginning of the financial year until the date of this report, unless otherwise stated.

PRINCIPAL ACTIVITIES

The principal activity of the Company during the financial year was the marketing and manufacture of commercial furniture.

No significant change in the nature of these activities occurred during the year.

REVIEW OF OPERATIONS

The results for the Company after providing for income tax for the financial year amounted to a profit of \$457,122 (2003: \$119,311).

A comprehensive review of operations is contained in the Chairman and Chief Executive Officer's Reports.

SIGNIFICANT EVENTS AFTER BALANCE DATE

No matters or circumstances have arisen since the end of financial year, which have significantly affected or may significantly affect, the operations, results of operations or the state of affairs of the Company in subsequent financial years.

LIKELY DEVELOPMENT AND EXPECTED RESULTS

Likely developments in the operations of the Company and the expected results of those operations have not been included in this report as the directors believe, on reasonable grounds, that the inclusion of such information would be likely to result in unreasonable prejudice to the Company.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Company was not materially affected by any particular and significant environmental regulations of the Commonwealth or a State or Territory during the financial year.

DIVIDENDS

The Board have recommended payment of a dividend of \$0.01 per share (\$125,259) for the year ended 2003/04 which will be paid in the 2004/05 financial year.

Directors' Report

for the year ended 30 June 2004

INFORMATION ON DIRECTORS

Director **Experience and Special Responsibilities**

Richard Sealy Chairman and Non-Executive Director

Mr Sealy has over the last 25 years held positions as financial director, managing director or chairman of a number of public and private companies in Australia, New Zealand and the United Kingdom.

Mr Sealy brings to Gregory Industries Limited experience in developing and growing companies by applying good business practices and motivating people so that the companies become successful and profitable. He has an in depth knowledge in the corporate and legal structuring of entities when embarking on fund raising and acquisition activities and has been instrumental in numerous public and private debt and/or equity issues and mergers and acquisitions.

Peter Gregory Non-Executive Director

Mr Gregory, a qualified physiotherapist and original founder of Gregory Industries, has valuable experience and expertise gained over many years in the Company's core business of designing, manufacturing and distributing commercial furniture and in particular our well known range of ergonomic chairs. Mr Gregory is Chairman of the Company's Design and Development Committee.

Bruce Hansen Non-Executive Director

Mr Hansen joined the Board of Directors in the early part of this year, and has had a long association with both the Company and its products. Bruce has over twenty five years experience in engineering, manufacturing and project managing of products used for the military environments. Currently managing a number of projects for a multinational organisation, Bruce has worked for companies such as BAE Systems, GEC Marconi Australia, and Plessey Australia, and Amalgamated Wireless Australia (AWA).

Janet Sayer Non-Executive Director

Ms Sayer has a strong background and understanding of integrated business strategies and has held a number of senior positions including Managing Director of Telstra Payphone and Card Services; Managing Director of GTECH Australasia Corporation; has held senior executive and board positions within the hotel and travel industries. Her experience in marketing and contacts made over a number of years at high levels within industry will undoubtedly be of benefit to Gregory Industries.

Interests in the shares and options of the Company:

As at the date of this report the interests of the directors in the shares and options of the Company were:

Director	Entity/Related Party	Shares	Options
Peter Gregory	Bungan Nominees Pty Limited	4,300,000	-
Bruce Hansen	BC Hansen	5,000	-
Richard Sealy	Hammersmith Holdings Limited	1,554,448	-
Richard Sealy	RM & P Sealy Superannuation Fund	20,000	-
Richard Sealy	P Speakman and E Karsten	-	200,000



Directors' Report

for the year ended 30 June 2004

SHARE OPTIONS - Unissued shares

As at 30 June 2004, there were 1,000,000 unissued ordinary shares under options as follows:

- 600,000 options at an exercise price of \$0.50 expiring on 1 July 2004
- 200,000 options at an exercise price of \$0.18 expiring on 1 July 2005
- 200,000 options at an exercise price of \$0.18 expiring on 31 August 2006

Option holders do not have any right, by virtue of the option, to participate in any share issue of the Company or any related body corporate or in the interest issue of any other registered scheme.

DIRECTORS' MEETINGS

Director	Number Eligible to Attend	Number Attended
Richard Sealy	14	14
Andrew Davidson	10	10
Peter Gregory	14	14
Bruce Hansen	5	5
Janet Sayer	1	1

The Company has an Audit Committee. The Audit Committee met as part of the Board meetings in February and August 2004.

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

Disclosure relating to directors' and executive officers' emoluments has been included in Note 5 of the financial report.

DIRECTORS' AND AUDITOR'S INDEMNIFICATION

The Company has not, during or since the financial year-end, in respect of any person who is or has been an officer or an auditor of the Company or a related body:

- indemnified or made any relevant agreement for indemnifying against a liability, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings, with the exception of the following matters:

During or since the end of the financial year, the Company has paid premiums on behalf of each of the Directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of Director, other than conduct involving a wilful breach of duty in relation to the Company. Disclosure of the nature of the insurance cover and the amount of premium involved is prohibited by the contract itself.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Directors' Report

for the year ended 30 June 2004

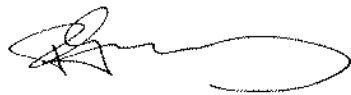
CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the directors of Gregory Industries Limited support and have adhered to the principles of corporate governance. The Company's Corporate Governance Statement is contained in the Corporate Governance section of this annual report.

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



Richard Sealy
Chairman



Peter Gregory
Director

Sydney, NSW

Dated 27 September 2004



Statement of Financial Performance

for the year ended 30 June 2004

	Note	2004	2003
		\$	\$
Revenue from ordinary activities	2	15,041,168	13,442,962
Cost of goods sold	3(a)	(8,094,516)	(7,300,824)
Distribution expenses		(562,681)	(470,218)
Sales and marketing expenses		(1,649,285)	(1,690,664)
Manufacturing expenses		(1,585,546)	(1,443,247)
Administrative expenses		(2,309,265)	(2,183,072)
Borrowing cost expenses	3(a)	(98,167)	(108,265)
		(14,299,460)	(13,196,290)
Profit from ordinary activities before income tax expense		741,708	246,672
Income tax expense relating to ordinary activities	4	284,586	127,361
Profit from ordinary activities after income tax expense		457,122	119,311
Net profit attributable to members of Gregory Industries Limited		457,122	119,311
Total changes in equity other than those resulting from transactions with owners as owners		457,122	119,311
Basic earnings per share	8	3.6 cents	0.9 cents
Diluted earnings per share	8	3.6 cents	0.9 cents

Statement of Financial Position

as at 30 June 2004

	Note	2004	2003
		\$	\$
Current assets			
Cash assets	9	627,993	417,179
Receivables	11	2,677,310	1,765,976
Inventories	12	1,442,328	1,552,050
Tax assets	14	-	3,254
Other assets	16	333,526	424,140
Total current assets		5,081,157	4,162,599
Non-current assets			
Receivables	11	-	20,000
Plant and equipment	13	903,036	862,511
Tax assets	14	159,958	123,824
Intangible assets	15	2,164,669	2,317,493
Other assets	16	1,168,750	1,253,750
Total non-current assets		4,396,413	4,577,578
Total assets		9,477,570	8,740,177
Current liabilities			
Payables	17	1,938,658	1,872,713
Interest-bearing liabilities	18	268,912	240,792
Provisions	19	250,242	179,298
Tax liabilities	20	136,887	-
Total current liabilities		2,594,699	2,292,803
Non-current liabilities			
Interest-bearing liabilities	18	1,064,687	1,115,182
Provisions	19	76,881	76,672
Tax liabilities	20	68,956	40,295
Total non-current liabilities		1,210,524	1,232,149
Total liabilities		3,805,223	3,524,952
Net assets		5,672,347	5,215,225
Equity			
Contributed equity	21	4,320,819	4,320,819
Retained profits	22	1,351,528	894,406
Total equity		5,672,347	5,215,225



Statement of Cash Flows

for the year ended 30 June 2004

	Note	2004	2003
		\$	\$
Cash flows from operating activities			
Receipts from customers		15,353,485	15,076,107
Payments to suppliers and employees		(14,649,982)	(14,487,833)
Interest received		23,558	23,081
Interest and other costs of finance paid		(98,167)	(108,265)
Income tax paid		(151,916)	(169,293)
Net cash provided by operating activities	10(b)	476,978	333,797
Cash flows from investing activities			
Proceeds from sale of plant and equipment		29,454	6,675
Payment for acquisition of business		-	(211,863)
Payment for plant and equipment		(58,758)	(161,839)
Net cash used in investing activities		(29,304)	(367,027)
Cash flows from financing activities			
Proceeds from borrowings		-	231,885
Repayment of borrowings		(236,860)	(320,872)
Dividends paid		-	(125,259)
Net cash used in financing activities		(236,860)	(214,246)
Net increase (decrease) in cash		210,814	(247,476)
Cash at the beginning of the year period		417,179	664,655
Cash at the end of the year period	10(a)	627,993	417,179

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

This financial report is a general purpose financial report prepared in accordance with the requirements of Australian Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Gregory Industries Limited is a listed public company, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Revenue

Revenue from the sale of goods is recognised upon delivery of the goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

(b) Income Tax

The Company adopts the liability method of tax effect accounting whereby the income tax expense shown in the Statement of Financial Performance is based on the profit from ordinary activities adjusted for any permanent differences.

Timing differences which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income are brought to account either as a deferred tax liability or a deferred tax asset described as future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefits.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by tax legislation.

(c) Foreign currency transactions and balances

Foreign currency transactions during the period are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable at balance date are converted at the rates of exchange ruling at that date. The gains or losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

(d) Acquisition of assets

The purchase method of accounting is used for all acquisitions of assets regardless of whether equity instruments or other assets are acquired. Cost is measured as the fair value of the assets given up, shares issued or liabilities undertaken as at the date of acquisition plus incidental costs directly attributable to the acquisition. Where equity instruments are issued in an acquisition, the value of the instruments is their market price as at the date of acquisition, unless the notional price at which they could be placed in the market is a better indicator of fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.



Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(d) Acquisition of assets

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of acquisition. The discount rate used is the incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

A liability for restructuring costs is recognised as at the date of acquisition of an entity or part thereof when there is a demonstrable commitment to a restructuring of the acquired entity and a reliable estimate of the amount of the liability can be made.

Goodwill is accounted for in accordance with Note 1(j). Where an entity or operation is acquired and the fair value of the identifiable net assets acquired, including the liability for any restructuring costs, exceeds the cost of the acquisition, the difference, representing a discount on acquisition, is accounted for by reducing proportionately the fair values of the non-monetary assets acquired until the discount is eliminated. Any remaining discount is recognised as revenue in the Statement of Financial Performance.

(e) Receivables

Trade debtors are recognised when the risks and rewards of ownership of the underlying sales transactions have passed to customers. This event usually occurs on delivery of inventories to customers. Trade debtors are recorded at nominal amounts. Credit terms are 30 days from end of month. Collectability of overdue accounts is assessed on an ongoing basis. Specific allowance is made for all doubtful accounts.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

(g) Plant and equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows, which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

The cost of fixed assets manufactured by the Company includes the cost of materials, direct labour and an appropriate proportion of fixed and variable overheads.

The depreciable amount of plant and equipment including capitalised leased assets, is depreciated on a straight-line basis over their estimated useful lives to the Company commencing from the time the asset is held ready for use. Leasehold improvements are amortised over the shorter of either the unexpired term of the lease or the estimated useful life of the improvements.

Estimates of remaining useful lives are reviewed on an annual basis. The depreciation rates used for each class of depreciable assets are:

- Plant and equipment 9 – 50%
- Leased plant and equipment 20 – 33%

(h) Leases

Leases of fixed assets where substantially the entire risks and benefits incidental to ownership of the asset, but not the legal ownership, are transferred to the Company are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(h) Leases (continued)

Leased assets are amortised on a straight-line basis over their estimated useful lives, where it is likely that the Company will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(i) Research and development

Research and development costs are charged to profit from ordinary activities as incurred or deferred where it is expected beyond any reasonable doubt that sufficient future economic benefits will be obtained so as to recover those deferred costs.

(j) Intangibles

Goodwill

Goodwill is initially recorded at the amount by which the purchase price for the business exceeds the fair value attributed to its net assets at the date of acquisition. Goodwill is amortised on a straight-line basis over a period of 20 years. The balances are reviewed annually and any balance representing future benefits for which the realisation is considered to be no longer probable is written off.

Patents

Significant costs associated with patents are deferred and amortised on a straight-line basis over the period in which their benefits are expected to be realised.

(k) Trade and other creditors

These amounts represent unpaid liabilities for goods received by and services provided to the Company prior to the end of the financial year. The amounts are unsecured and are normally settled within 60 days.

(l) Interest-bearing liabilities

Loans and debentures are carried at their principal amounts. Interest is accrued over the period it becomes due and is recorded as part of other creditors and accruals.

(m) Employee benefits

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. These benefits include wages and salaries, annual leave and long service leave. Sick leave is non-vesting and has not been provided for.

Employee benefits expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for these benefits.

The contributions made to superannuation funds by the Company are charged as expenses when incurred.

(n) Cash

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, deposits at call and money market investments that are readily convertible into cash.

(o) Comparative figures

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



Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(p) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

(q) Dividends

Provision is made for amounts of dividends declared, determined or publicly recommended by the directors on or before the end of the financial year but not distributed at balance date.

(r) Recoverable amount of non-current assets

The recoverable amount of an asset is the net amount expected to be recovered through the cash inflows and outflows arising from its continued use and subsequent disposal.

Where the carrying amount of a non-current asset is greater than its recoverable amount, the asset is written down to its recoverable amount. Where net cash inflows are derived from a group of assets working together, recoverable amount is determined on the basis of the relevant group of assets. The decrement in the carrying amount is recognised as an expense in net profit or loss in the reporting period in which the recoverable amount write-down occurs.

The expected net cash flows included in determining recoverable amounts of non-current assets have not been discounted to their present values.

(s) Adoption of Australian equivalents to International Financial Reporting Standards

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.

(i) 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.

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(s) Adoption of Australian equivalents to International Financial Reporting Standards (continued)

Business impacts (e.g. relationships with bankers, 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 others, 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.

(ii) 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 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.



Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

	Note	2004	2003
		\$	\$
NOTE 2: REVENUE FROM ORDINARY ACTIVITIES			
Revenue from operating activities			
Sales revenue		14,838,715	13,375,211
Interest - other parties		23,558	23,081
Other		149,441	37,995
Total revenue from operating activities		15,011,714	13,436,287
Revenue from non-operating activities			
Proceeds on disposal of non-current assets		29,454	6,675
Total revenue from non-operating activities		29,454	6,675
Total revenue from ordinary activities		15,041,168	13,442,962
NOTE 3: PROFIT FROM ORDINARY ACTIVITIES			
Profit from ordinary activities before income tax has been determined after:			
(a) Charging as an expense			
Cost of goods sold		8,094,516	7,300,824
Interest paid/payable to:			
- Other persons		87,050	94,974
Finance lease charges		11,117	13,291
Total borrowing costs		98,167	108,265
Depreciation of non-current assets:			
- Plant and equipment		166,859	155,632
Amortisation of non-current assets:			
- Leased plant and equipment		50,085	79,749
- Goodwill		139,432	139,432
- Royalty prepayment, patents and licences		98,392	98,392
Total amortisation		287,909	317,573
Net bad and doubtful debts expense		5,000	55,845
Rental expense on operating leases			
- Minimum lease payments		605,382	559,324
Research and development costs		4,127	10,616

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

	Note	2004	2003
		\$	\$
NOTE 3: PROFIT FROM ORDINARY ACTIVITIES (CONTINUED)			
(b) Revenue and net gains			
Net gain on disposal of non-current assets:			
- Plant and equipment		13,678	5,166
(c) Significant revenues			
The following significant revenue item is relevant in explaining the financial performance:			
Write back of credit balances - debtor accounts		118,315	
NOTE 4: INCOME TAX			
The prima facie tax payable on the operating profit is reconciled to the income tax provided for in the accounts as follows:			
Prima facie tax payable on operating profit before income tax calculated @ 30%		222,512	74,002
Tax effect of permanent differences:			
Add:			
- Amortisation of goodwill		41,830	41,830
- Non deductible amortisation		4,018	4,018
- Underprovision of income tax in prior year		16,226	5,471
- Other non deductible expenses		-	2,040
		62,074	53,359
Income tax expense attributable to profit from ordinary activities		284,586	127,361



Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

NOTE 5: DIRECTORS' AND EXECUTIVES' REMUNERATION

(a) Names and positions held of directors and specified executives in office at any time during the financial year are:

Directors

Mr R M Sealy	Chairman – Non-Executive	
Mr P G Gregory	Director – Non-Executive	
Mr A J Davidson	Managing Director – Executive	Ceased to be employed 22/3/04
Mr B C Hansen	Director – Non-Executive	Appointed 22/3/04
Ms J C Sayer	Director – Non-Executive	Appointed 24/6/04

Specified Executives

Mr J T C Lange	Company Secretary/Financial Controller	Resigned 9/1/04
Mr J D Maguire	Company Secretary/Financial Controller	Appointed 9/1/04 and redundant 31/8/04
Mr R Hyland	National Sales & Marketing Manager	Resigned 27/08/04
Mr J A Scutt	Chief Executive Officer	Appointed 17/5/04
Mr D J Bierwirth	National Sales & Marketing Manager	Appointed 1/03/04 and ceased to be employed 6/8/04

There were no other specified executives during the year.

(b) Specified Directors' remuneration

	Mr R M Sealy		Mr P G Gregory		Mr A J Davidson		Mr B C Hansen		Ms J C Sayer		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Primary benefits												
Directors' fees	43,333	37,667	40,526	37,667	-	-	11,231	-	769	-	95,859	75,334
Allowances	1,404	-	-	-	-	-	-	-	-	-	1,404	-
Salary	-	-	51,712	-	187,313	229,875	-	-	-	-	187,313	229,875
Consulting	-	-	9,692	-	-	-	-	-	-	-	9,692	-
Post employment benefits												
Superannuation contribution												
	3,900	2,828	4,519	2,828	16,477	20,458	1,011	-	69	-	25,976	26,114
Total	48,637	40,495	106,449	40,495	203,790	250,333	12,242	-	838	-	320,244	331,323

Included in the salary for Mr P G Gregory are payments made whilst acting Managing Director of \$51,712 and paid to Bungan Nominees Pty Ltd.

Included in consulting for Mr P G Gregory are payments made whilst Chairman of the Product Development Committee of \$9,692.

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

NOTE 5: DIRECTORS' AND EXECUTIVES' REMUNERATION (CONTINUED)

(c) Specified Executives' Remuneration

	Mr J T C Lange		Mr J D Maguire		M R Hyland		Mr J A Scutt		Mr D J Bierwirth		Total	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Primary benefits												
Salary	78,330	119,532	52,741	-	85,442	79,964	17,213	-	35,538	-	269,264	199,496
Allowances	-	-	-	-	-	1,712	-	-	-	-	-	1,712
Post employment benefits												
Superannuation contribution	6,839	14,059	4,747	-	7,596	9,298	5,026	-	2,913	-	27,121	23,357
Non-cash benefits	8,293	10,204	-	-	7,420	6,950	-	-	-	-	15,713	17,154
Total	93,462	143,795	57,488	-	100,458	97,924	22,239	-	38,451	-	312,098	241,719

(d) Number of options held by Directors or their related entities

	Balance 1.7.03	Granted as Remuneration	Options Exercised	Net Change Other	Balance 30.6.04	Total Vested & Exercisable 30.6.04
Directors						
Mr P G Gregory	600,000	-	-	-	600,000	600,000
Mr R M Sealy	200,000	-	-	-	200,000	200,000

The options owned by Mr R M Sealy were purchased and not issued as part of his remuneration.

Each option can be exercised for one ordinary share.

Each option does not carry any voting or earning right.

(e) Number of shares held by Directors and specified Executives or their related entities

	Balance 1.7.03	Received as Remuneration	Options Converted	Net Change Other*	Balance 30.6.04
Directors					
Mr P G Gregory	4,300,000	-	-	-	4,300,000
Mr R M Sealy	1,574,448	-	-	-	1,574,448
Mr A J Davidson	23,000	-	-	-	23,000
Specified Executives					
Mr D J Bierwirth	-	-	-	10,000	10,000
Mr J A Scutt	-	-	-	250,000	250,000

* Net change other refers to shares purchased during the financial year.



Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

NOTE 5: DIRECTORS' AND EXECUTIVES' REMUNERATION (CONTINUED)

(f) Retirement of specified Executives

Mr J TC Lange resigned 9/1/04

Mr J D Maguire redundant 31/8/04

Mr D J Bierwirth ceased to be employed 6/8/04

Mr R Hyland resigned 27/8/04

(g) Remuneration practices

The Company's policy for determining the nature and amount of emoluments of board members and senior executives of the Company is as follows:

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Any options not exercised before or on the date of termination lapse.

The group seeks to emphasise payments for results through providing various cash bonus reward schemes, especially, the incorporation of incentive payments based on the achievements of agreed Key Performance Indicators. The objective of the reward schemes is to both reinforce the short and long term goals of the Company and to provide a common interest between management and shareholders.

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

	Note	2004	2003
		\$	\$
NOTE 6: REMUNERATION OF AUDITORS			
Remuneration of the auditor of the Company for:			
- Auditing or reviewing the financial report		60,329	56,500
- Other services including prior year		8,246	5,109
		68,575	61,609
NOTE 7: DIVIDENDS PAID AND PROPOSED			
Ordinary shares			
Final fully franked ordinary dividend of nil cents per share (2003: \$0.01) franked at the tax rate of 30%			
		-	125,259
A dividend of 1 cent per share (\$125,259) was proposed after balance date and will be paid in 2005 financial year.			
Balance of franking account at year end adjusted for franking credits arising from payment of provision for income tax and dividends recognised as receivables, franking debits arising from payment of proposed dividends and franking credits that may be prevented from distribution in subsequent financial years.			
		782,988	631,072
NOTE 8: EARNINGS PER SHARE			
(a) Reconciliation of earnings to net profit			
Net profit		457,122	119,311
Earnings used in the calculation of basic and dilutive earnings per share		457,122	119,311
		No. of Shares	No. of Shares
(b) Weighted average number of ordinary shares used in calculating basic earnings per share			
		12,525,926	12,525,926
Weighted average number of options outstanding		103,093	100,000
Weighted average number of ordinary shares used in calculating dilutive earnings per share		12,629,019	12,625,926
(c) Classification of securities			
The following securities have been classified as potential ordinary shares and are included in determination of dilutive earnings per share:			
- options outstanding			



Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

	Note	2004	2003
		\$	\$
NOTE 8: EARNINGS PER SHARE (CONTINUED)			
(d) Potential ordinary shares not considered dilutive			
The following potential ordinary shares are not considered dilutive as at the reporting date, and therefore have not been included in the calculation of dilutive earnings per share:			
		No. of Options	No. of Options
Options over ordinary shares		600,000	600,000
NOTE 9: CASH ASSETS			
Cash on hand		1,200	1,200
Cash at bank		476,793	415,979
Deposits at call		150,000	-
Total cash assets		627,993	417,179
NOTE 10: CASH FLOW INFORMATION			
(a) Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to items in the Statement of Financial Position as follows:			
Cash on hand	9	1,200	1,200
Cash at bank	9	476,793	415,979
Deposits at call	9	150,000	-
		627,993	417,179
(b) Reconciliation of cash flow from operations			
Profit from ordinary activities after income tax		457,122	119,311
Non-cash flows in profit from ordinary activities:			
Amortisation		287,909	317,573
Depreciation		166,859	155,632
Net gain on sale of property, plant and equipment		(13,678)	(5,166)

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

	Note	2004	2003
		\$	\$
NOTE 10: CASH FLOW INFORMATION (CONTINUED)			
(b) Reconciliation of cash flow from operations (continued)			
Changes in assets and liabilities			
(Increase)/decrease in trade & term debtors		(891,334)	445,055
Decrease/(increase) in prepayments		90,612	(59,440)
Decrease/(increase) in inventories		109,722	(229,737)
(Increase)/decrease in deferred tax assets		(32,880)	42,529
Increase/(decrease) in income taxes payable		136,887	(121,502)
Increase in deferred taxes payable		28,661	40,295
Increase/(decrease) in provisions		71,153	(98,313)
Increase/(decrease) in trade creditors and accruals		65,945	(282,440)
Net cash provided by operating activities		476,978	333,797
(c) Non-cash financing and investing activities			
During the year the Company acquired plant and equipment with an aggregate value of \$214,484 (2003: \$33,885) by means of finance leases. These acquisitions are not reflected in the Statement of Cash Flows.			
(d) Credit standby arrangements with banks			
Credit facility		350,000	350,000
Amount utilised		-	-
Unused credit facility		350,000	350,000
The major facilities are summarised as follows:			
The credit facility is represented by a bank overdraft, which has been arranged with a single Australian bank. The interest rate on the facility is variable and is subject to adjustment. The facility was put in place on 30 April 2002 and at no time during the financial year was the Company in breach of the credit limit.			
(e) Loan facilities			
Loan facilities		1,081,333	1,264,667
Amount utilised		1,081,333	1,264,667
Unused loan facilities		-	-



Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

	Note	2004	2003
		\$	\$
NOTE 10: CASH FLOW INFORMATION (CONTINUED)			
The major facilities are summarised as follows:			
- The loan facility of \$583,333 has a fixed term of 5 years and repaid by monthly instalments of principal and interest being completed by 1 May 2007. The interest rate on the facility is fixed quarterly and is subject to adjustment.			
- The loan facility of \$498,000 is repayable on 1 May 2007. The facility is interest only and the interest rate on the facility is fixed quarterly and is subject to adjustment. The facility is subject to renegotiation at the end of the term.			
Finance will be provided under all facilities provided the Company does not breach any borrowing requirements and the required financial ratios are met.			
(f) Acquisition of businesses			
The business of Pluto Commercial Furniture was acquired on 30th April 2002.			
Cash consideration paid		-	211,863
NOTE 11: RECEIVABLES			
Current			
Trade debtors		2,702,389	1,815,866
Provision for doubtful debts		(55,000)	(50,000)
		2,647,389	1,765,866
Amounts receivable from:			
- Director-related entities	26	9,921	110
- Other		20,000	-
		29,921	110
Total current receivables		2,677,310	1,765,976
Non-current			
Other debtors		-	20,000
Total non-current receivables		-	20,000

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

	Note	2004	2003
		\$	\$
NOTE 12: INVENTORIES			
Current			
Raw materials and stores at cost		1,055,317	1,173,567
Allowance for obsolescence		-	(30,000)
		1,055,317	1,143,567
Work in progress at cost		166,808	113,429
Allowance for obsolescence		(75,232)	-
		91,576	113,429
Finished goods at cost		295,435	295,054
Allowance for obsolescence		-	-
		295,435	295,054
		1,442,328	1,552,050
NOTE 13: PLANT AND EQUIPMENT			
Owned plant and equipment:			
At cost		1,422,625	1,407,554
Less accumulated depreciation		(746,017)	(607,072)
Total owned plant and equipment		676,608	800,482
Capitalised leased plant and equipment:			
At cost		309,088	154,695
Less accumulated amortisation		(82,660)	(92,666)
Total leased plant and equipment		226,428	62,029
Total plant and equipment		903,036	862,511

(a) Movements in carrying amounts

	Owned plant and equipment	Leased plant and equipment	Total
Carrying amount at start of year	800,482	62,029	862,511
Additions	58,758	214,464	273,242
Disposals	(15,773)	-	(15,773)
Depreciation/amortisation	(166,859)	(50,085)	(216,944)
Carrying amount at end of year	676,608	226,428	903,036



Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

	Note	2004	2003
		\$	\$
NOTE 14: TAX ASSETS			
Current			
Prepaid income tax		-	3,254
Non-current			
Future income tax benefit	(a)	159,958	123,824
(a) The future income tax benefit is made up of the following estimated tax benefits:			
- Timing differences		159,958	123,824
NOTE 15: INTANGIBLE ASSETS			
Goodwill at cost		2,788,580	2,788,580
Less accumulated amortisation		(664,092)	(524,660)
		2,124,488	2,263,920
Patents/trademarks/licences at cost		100,000	100,000
Less accumulated amortisation		(59,819)	(46,427)
		40,181	53,573
Total intangible assets		2,164,669	2,317,493
NOTE 16: OTHER ASSETS			
Current			
Prepayments		230,973	330,613
Advertising material		102,553	93,527
Total current other assets		333,526	424,140
Non-current			
Prepayments		1,168,750	1,253,750

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

	Note	2004	2003
		\$	\$
NOTE 17: PAYABLES			
Current			
Unsecured liabilities:			
Trade creditors		1,334,735	1,391,147
Other creditors and accruals		595,078	478,572
Amounts payable to:			
- Director-related entities	26	8,845	2,994
Total current payable		1,938,658	1,872,713
NOTE 18: INTEREST-BEARING LIABILITIES			
Current			
Secured liabilities:			
Bank loans		200,000	200,000
Lease liabilities	24	68,912	40,792
Total current interest-bearing liabilities		268,912	240,792
Non-current			
Secured liabilities:			
Bank loans		881,333	1,064,667
Lease liabilities	24	183,354	50,515
Total non-current interest-bearing liabilities		1,064,687	1,115,182

Securities

Bank loans – are secured by a first registered fixed and floating debenture charge over the assets, undertakings and uncalled capital of the Company. Interest is payable monthly in arrears at a rate currently of 7.74% on \$583,333 repayable over 5 years and 7.77% on \$498,000 repayable at the end of 5 years.

Lease liabilities – are secured by a charge over the underlying plant and equipment. Lease contract periods vary from between 3 and 4 years. Interest rates are fixed at inception of each contract and range between 7 and 19%.



Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

	Note	2004	2003		
		\$	\$		
NOTE 19: PROVISIONS					
Current					
Employee entitlements	(a)	250,242	179,298		
Non-current					
Employee entitlements	(a)	76,881	76,672		
(a) Aggregate employee benefits		327,123	255,970		
Employee numbers					
Number of employees at reporting date		72	58		
NOTE 20: TAX LIABILITIES					
Current					
Income tax		136,887	-		
Non-current					
Deferred income tax liability		68,956	40,295		
NOTE 21: CONTRIBUTED EQUITY					
(a) Share capital					
	Note	2004 Shares	2003 Shares	2004 \$	2003 \$
Ordinary shares					
Fully paid	(b)	12,525,926	12,525,926	4,320,819	4,320,819

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

	Note	2004	2003
		\$	\$
NOTE 21: CONTRIBUTED EQUITY (CONTINUED)			
(b) Terms & conditions			
<p>Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholder meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.</p>			
(c) Options			
<p>At 30 June 2004, there were 1,000,000 (2003: 1,000,000) unissued ordinary shares for which options were outstanding. For information relating to these share options held by directors and specified executives refer to Note 5(d).</p>			
NOTE 22: RETAINED PROFITS			
Retained profits			
Retained profits at the beginning of the financial year		894,406	775,095
Net profit attributable to members of the Company		457,122	119,311
Retained profits at the end of financial year		1,351,528	894,406

NOTE 23: FINANCIAL INSTRUMENTS

(a) Interest rate risk exposure

The Company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out on the next page:



Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

NOTE 23: FINANCIAL INSTRUMENTS (CONTINUED)

	Note	Floating interest rate	Fixed Interest Rate Maturing			Non-interest bearing	Total
			1 year or less	Over 1 to 5 years	More than 5 years		
		\$	\$	\$	\$	\$	\$
30 June 2004							
Financial assets							
Cash and deposits	9	476,793	150,000	-	-	1,200	627,993
Receivables	11	-	-	-	-	2,677,310	2,677,310
		476,793	150,000	-	-	2,678,510	3,305,303
Weighted average interest rate		5.3%	5.3%				
Financial liabilities							
Bank loans	18	1,081,333	-	-	-	-	1,081,333
Payables	17	-	-	-	-	1,938,658	1,938,658
Lease liabilities	18	-	68,912	183,354	-	-	252,266
		1,081,333	68,912	183,354	-	1,938,658	3,272,257
Weighted average interest rate		7.8%	11.0%	11.0%			
30 June 2003							
Financial assets							
Cash and deposits	9	415,979	-	-	-	1,200	417,179
Receivables	11	-	-	-	-	1,785,976	1,785,976
		415,979	-	-	-	1,787,176	2,203,155
Weighted average interest rate		3.5%					
Financial liabilities							
Bank loans	18	1,264,667	-	-	-	-	1,264,667
Payables	17	-	-	-	-	1,872,713	1,872,713
Lease liabilities	18	-	40,792	50,515	-	-	91,307
		1,264,667	40,792	50,515	-	1,872,713	3,228,687
Weighted average interest rate		7.0%	8.7%	8.7%			

(b) Credit risk exposure

Credit risk is the risk that counter parties to a financial asset will fail to discharge their obligations, causing the Company to incur a financial loss.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to all recognised financial assets is the carrying amount, net of any provisions for doubtful debts of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

	Note	2004	2003
		\$	\$
NOTE 23: FINANCIAL INSTRUMENTS (CONTINUED)			
(c) Net fair value			
The carrying amounts of cash and non-interest bearing monetary financial assets and liabilities (e.g. receivables and payables) approximate their net fair value.			
NOTE 24: CAPITAL AND LEASING COMMITMENTS			
(a) Finance lease commitments			
Payable:			
Not later than one year		93,407	46,783
Later than one year but not later than five years		218,942	55,340
Minimum lease payments		312,349	102,123
Less future finance charges		(60,083)	(10,816)
Total lease liability		252,266	91,307
Represented by:			
Current liability	18	68,912	40,792
Non-current liability	18	183,354	50,515
		252,266	91,307
(b) Operating lease commitments			
Non-cancellable operating leases contracted for but not capitalised in the financial statements			
Payable:			
Not later than one year		447,806	588,076
Later than one year but not later than five years		338,703	669,694
Commitments not capitalised in the financial statements		786,509	1,257,770
Included in the above commitments is GST amounting to \$71,298 (2003: \$114,308), which will be recoverable from the Australian Taxation Office.			
The operating lease amounts include three property leases and are non-cancellable leases.			
The Wetherill Park factory lease term is for 5 years and expires on 12/12/04. An option has been taken up to renew the lease for an additional 6 months from the above date of 12/12/04. The Bayswater factory lease term is for 5 years and expires 30/04/07. The South Melbourne showroom lease term is for 3 years and expires 22/7/05. Rent payments for each property are payable monthly in advance. Contingent rental provisions within each lease agreement require minimum lease payments to be increased by CPI.			



Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

	Note	2004	2003
		\$	\$
NOTE 25: EVENTS SUBSEQUENT TO BALANCE DATE			
No matters have arisen since the end of the financial year that have significantly affected or may significantly affect the operations, results of operations or the state of affairs of the Company in subsequent financial years.			
NOTE 26: RELATED PARTY TRANSACTIONS			
Transactions with Director-related entities			
Transactions were made on normal terms and conditions			
Transaction type			
Rent		298,330	290,150
Licence fees		9,199	2,994
Salary		51,712	-
The above figures relate to transactions with entities associated with Mr Peter Gregory.			
Aggregate amounts receivable from/payable to Director-related entities at balance date:			
Current assets	11	9,921	110
Current liabilities	17	8,845	2,994

NOTE 27: SEGMENT REPORTING

The Company operates predominantly in one business and geographical segment being the manufacture and sale of furniture throughout Australia.

NOTE 28: CONTINGENT LIABILITY

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.

NOTE 29: COMPANY DETAILS

Registered office and principle place of business

125-131 Cowpasture Road
Wetherill Park NSW 2164

Share Registry

Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

Directors' Declaration

for the year ended 30 June 2004

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 22 to 46, are in accordance with the Corporations Act 2001:

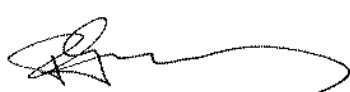
- (a) comply with Accounting Standards and the Corporations Regulations 2001, and
- (b) give a true and fair view of the financial position as at 30 June 2004 and of the performance for the year ended on that date of the Company.

2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Richard Sealy
Chairman



Peter Gregory
Director

Sydney, NSW

Dated 27 September 2004



Auditor's Report



Chartered Accountants
& Advisers

Level 19, 2 Market Street Sydney NSW 2000
GPO Box 2551 Sydney NSW 2001
Tel. +61 2 9286 5555 Fax +61 2 9286 5599
Email: bdosyd@bdosyd.com.au
www.bdo.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF GREGORY INDUSTRIES LIMITED

Scope

The Financial Report and Directors' Responsibility

The financial report comprises the statement of financial position, statement of financial performance, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for Gregory Industries Limited (the company), for the year ended 30 June 2004.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit Approach

We have conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgment, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.



Quality
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Auditor's Report



Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Gregory Industries Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2004 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.

BDO

Chartered Accountants

A handwritten signature in black ink, appearing to read 'E Psaltis'.

E Psaltis
Partner

Sydney, this 27th day of September 2004