

Rules 4.1, 4.3

# Appendix 4D

## Half yearly report

Name of Entity	Gregory Australia Limited
ABN	40 084 068 673
Financial Year Ended	31 December 2006
Previous Corresponding Reporting Period	31 December 2005

### Results for Announcement to the Market

	\$	Percentage increase /(decrease) over previous corresponding period
Revenue from continuing operation	14,206,692	174.5%
Profit from continuing operations after tax attributable to members	(100,795)	(143.1%)
Net Profit for the period attributable to members	(100,795)	(143.1%)
<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
Final Dividend	0.00	0.00
Interim Dividend	Nil	Nil
Previous corresponding period		
Record date for determining entitlements to the dividends (if any)	Not Applicable.	
<b>Brief explanation of any of the figures reported above necessary to enable the figures to be understood:</b>		
<p>Percentage increase/(decrease) compared to previous corresponding period is impacted by the acquisition of PNE and its controlled entities and Impart Special Products Pty Ltd since the previous corresponding period..</p>		

The half yearly report is to be read in conjunction with the most recent annual financial report.

Directors have not recommended payment of an interim dividend.

### NTA Backing

	Current Period	Previous corresponding period
Net tangible asset backing per ordinary security	0.12cents	0.24cents

**Control Gained Over Entities Having Material Effect**

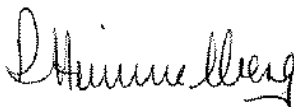

Name of entity	Impart Special Products Pty Ltd
Date control gained	01/07/2006
Profit / (loss) from continuing operations since the date in the current period on which control was acquired	22,794
Profit / (loss) from continuing operations of the controlled entity (or group of entities) for the whole of the previous corresponding period	255,403

**Audit/Review Status**

<b>This report is based on accounts to which one of the following applies:</b> (Tick one)			
The accounts have been audited	<input type="checkbox"/>	The accounts have been subject to review	YES
The accounts are in the process of being audited or subject to review	<input type="checkbox"/>	The accounts have not yet been audited or reviewed	<input type="checkbox"/>
<b>If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:</b>			
Not Applicable.			
<b>If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:</b>			
Not Applicable.			

**Attachments Forming Part of Appendix 4D**

Attachment #	Details
1	Interim Financial Report

<b>Signed By (Director/Company Secretary)</b>	
<b>Chairman</b>	
<b>Date</b>	28 February 2007

## **DIRECTORS' REPORT**

### **Directors**

The names of persons who were directors of Gregory Australia Limited during the whole of the half-year and up to the date of this report are:

- Richard Sealy
- Tony Noun
- David Richards
- Robyn Himmelberg

### **Review of Operations**

As shareholders are aware, Gregory Australia Limited and PNE Electronics Pty Limited merged towards the end of the last financial year. This was a significant step for the Company because of the size of each of the two entities. Therefore, the period of operations to 31 December 2006 is the first full reporting period for the merged entity.

We are pleased to report that with the exception of Opentec Solutions Pty Limited, the operating entities traded profitably for the half year.

The Commercial Furniture division, Gregory Commercial Furniture (GCF), has this financial year being going through substantive product rationalisation and pricing review. This, coupled with an appropriate level of expenditure control, has resulted in sales for the 6 months being up 7% on last year and more importantly a healthy return to profitability with a strong net profit after tax result for the half year of \$625,796.

Should the proposed acquisition of Damba Furniture be approved at the forthcoming Extraordinary General Meeting, the results for the second half of this financial year will also include part of Damba Furniture's results. It is anticipated that with the savings that will result from the closure of the Damba Seven Hills factory, further product rationalisation and other consolidation initiatives, Damba will also become a positive and significant contributor to the overall profits of GCF.

The Electronics division, PNE Electronics (PNE) has continued its long history of strong sales and good profits. Sales for the half year for this division, including Impart Special Products, are up by 17% over the same period last year, with net profit after tax for the half year of \$523,219. Again, this was an excellent result when considering the fact that our most recent acquisition, Impart, did not contribute to the profits of PNE as well as was expected. This lack of contribution is attributed to the considerable disruption to that business as a result of the physical move of Impart into new premises and the amalgamation of the entity into PNE. However early indications are that Impart will have a stronger second half result and will therefore contribute at the expected level to the overall results of PNE for this financial year.

It is important to note that for PNE, this period has been one of product development. Especially of PNE branded products, which are showing promise and positive outcomes. We have been particularly pleased that the "Safe Zone" in road warning system was selected by the RTA for trial under a tender process and PNE is currently installing it in a number of school zone sites that will be used to evaluate its effectiveness for use as part of the school safety program. PNE has also moved from the development phase into the production phase of its own

advanced air-conditioning system and soft start motor control with encouraging sales being achieved of both products.

Our third trading division, Opentec Solutions (Opentec), has not so far performed well this year as sales for this type of product are generally cyclical and therefore occur unevenly throughout the year. However, considerable effort has been devoted to the design of new value-added products to broaden the product range and the potential markets for Opentec on an international level, so as to overcome the episodic nature of its earnings. This process will be ongoing and it is anticipated that the first rewards of this work will occur in the second half of this financial year.

Regrettably, the high overhead costs of operating the parent company were considerable and therefore caused the slight overall loss of the Group for the half year to 31 December 2006. These costs are a factor of a growing company and the cost of compliance required for an ASX listed entity. Obviously these costs will come into proportion as the company attains its optimal size and profitability, which will be aided by the acquisition of Damba Furniture and Alpha Aviation in the forthcoming months. In addition, the amortisation of intangibles for the half year was \$468,000 which together with the costs of assimilating Impart contributed to the negative impact on the results being reported for this period.

The directors believe that the overall loss of \$100,759 for the half year was a good outcome when one takes into consideration what has been required to amalgamate all of these entities into the one Group. We are confident that the efforts of rationalisation and amalgamation of the first half of this financial year will result in an overall profit for the full year ending 30 June 2007 in the order of \$2m to \$2.5m net profit after tax.

#### **Dividends**

The Directors do not recommend the payment of a dividend. A dividend of \$606,208 was paid during the 6 months ended 31 December, 2006, being part payment of dividend previously declared..

#### **Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included following the director's report.

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



Tony Noun  
SYDNEY

28<sup>th</sup> of February 2007



**Chartered Accountants  
& Advisers**

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**DECLARATION OF INDEPENDENCE BY I K FERGUSSON  
TO THE DIRECTORS OF GREGORY AUSTRALIA LIMITED**

To the best of my knowledge and belief for the half year ended 31 December 2006, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

**I K FERGUSSON**  
Partner

**BDO**

Dated Sydney, this 28<sup>th</sup> day of February 2007



Gregory Australia Limited  
Income Statement  
For the half year ended 31 December 2006

	31 Dec 2006 \$	31 Dec 2005 \$
Revenue from continuing operations	14,206,692	5,174,975
<b>Revenue from continuing operations</b>	<b>14,206,692</b>	<b>5,174,975</b>
Cost of Sales	9,821,406	3,213,175
R&D Engineering	764,868	529,091
Marketing Expense	1,501,854	215,769
Finance Admin & Board Expense	1,667,581	835,349
Depreciation & Amortisation Expense	593,695	27,000
Borrowing Costs	1,517	-
<b>(Loss) / Profit from continuing operation before income tax expense</b>	<b>(144,229)</b>	<b>354,591</b>
Income tax benefit / (expense)	43,434	(120,713)
<b>(Loss)/ Profit from continuing operation after income tax expense</b>	<b>(100,795)</b>	<b>233,878</b>
<b>Net (loss) / profit attributable to members of Gregory Australia Limited</b>	<b>(100,795)</b>	<b>233,878</b>
<b>Total changes in equity other than those resulting from transactions with owners as owners</b>	<b>(100,795)</b>	<b>233,878</b>
Basic (loss) / earnings per share (cents per share)	(0.002)	0.006

The above Income Statement should be read in conjunction with the accompanying notes.

Gregory Australia Limited  
Balance Sheet  
As at 31 December 2006

	31 Dec 2006 \$	30 June 2006 \$
<b>CURRENT ASSETS</b>		
Cash assets	1,844,554	5,040,718
Receivables	5,107,144	5,155,891
Inventories	4,212,041	3,427,570
Prepayments	417,185	140,914
<b>TOTAL CURRENT ASSETS</b>	<b>11,580,924</b>	<b>13,765,093</b>
<b>NON-CURRENT ASSETS</b>		
Plant and equipment	2,208,453	2,124,640
Deferred tax assets	1,172,572	1,312,506
Intangible assets	5,847,019	4,469,397
<b>TOTAL NON-CURRENT ASSETS</b>	<b>9,228,044</b>	<b>7,906,543</b>
<b>TOTAL ASSETS</b>	<b>20,808,968</b>	<b>21,671,636</b>
<b>CURRENT LIABILITIES</b>		
Payables	4,771,344	5,257,625
Interest-bearing liabilities	10,510	10,510
Current tax liabilities	-	98,204
Provisions	984,780	778,362
<b>TOTAL CURRENT LIABILITIES</b>	<b>5,766,634</b>	<b>6,144,701</b>
<b>NON-CURRENT LIABILITIES</b>		
Interest bearing liabilities	27,385	33,352
Deferred tax liabilities	1,273,259	987,198
Provisions	291,816	298,687
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>1,592,460</b>	<b>1,319,237</b>
<b>TOTAL LIABILITIES</b>	<b>7,359,094</b>	<b>7,463,938</b>
<b>NET ASSETS</b>	<b>13,449,874</b>	<b>14,207,698</b>
<b>EQUITY</b>		
Contributed equity	11,545,683	11,545,683
Retained profits	1,500,273	2,258,097
Reserves	403,918	403,918
<b>TOTAL EQUITY</b>	<b>13,449,874</b>	<b>14,207,698</b>

The above Income Statement Position should be read in conjunction with the accompanying notes.

Gregory Australia Limited  
Statement of Cash Flows  
For the half year ended 31 December 2006

	31 Dec 2006 \$	31 Dec 2005 \$
<b>Cash flows from operating activities</b>		
Receipts from customers	14,314,612	5,939,427
Payments to suppliers and employees	(14,896,255)	(5,429,515)
Interest received	81,742	45,750
Interest and other costs of finance paid	(6,673)	-
Income taxes paid	(15,887)	(64,020)
Net cash (outflow)/ inflow from operating activities	<u>(522,461)</u>	<u>491,642</u>
<b>Cash flows from investing activities</b>		
Payment for purchase of shares	(1,852,538)	(112,500)
Payments for purchase of property, plant and equipment	(208,990)	(30,293)
Proceeds from sale of property, plant and equipment	-	-
Net cash (outflow) from investing activities	<u>(2,061,528)</u>	<u>(142,793)</u>
<b>Cash flows from financing activities</b>		
Loan to related parties	-	(180,000)
Repayment of Loans from related parties	-	(100,000)
Repayment of lease liabilities	(5,967)	-
Dividends paid	(606,208)	(294,000)
Net cash (outflow) from financing activities	<u>(612,175)</u>	<u>(574,000)</u>
<b>Net increase / (decrease) in cash held</b>	(3,196,164)	(225,151)
Cash at beginning of period	5,040,718	3,605,417
<b>Cash at end of period</b>	<u>1,844,554</u>	<u>3,380,226</u>

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

**Gregory Australia Limited**  
**Statement of Change in Equity**  
**For the half year ended 31 December 2006**

	<b>Dec 2006</b>	<b>Dec 2005</b>
	\$	\$
<b>Total equity at the beginning of the period</b>	<u>14,207,698</u>	<u>5,779,957</u>
(Loss)/ Profit for the period	(100,795)	233,878
<b>Total recognised income and expense for the period</b>	<u>(100,795)</u>	<u>233,878</u>
Transactions with equity holders in their capacity as equity holders:		
Dividends provided for or paid	(657,029)	(294,000)
<b>Total transactions with equity holding</b>	<u>(657,029)</u>	<u>(294,000)</u>
<b>Total equity at the end of the half-year</b>	<u>13,449,874</u>	<u>5,719,835</u>

*The above statement of changes in Equity should be read in conjunction with the accompanying notes.*

**Gregory Australia Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2006**

**NOTE 1. Basis of Preparation of Half Year Financial Statements**

This general purpose financial report for the half year ended 31 December 2006 has been prepared in accordance with Australian Accounting Standard 134: Interim Financial Reporting, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

This interim financial report has also been prepared on the basis of historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. The concept of accrual accounting has been adopted in the preparation of the interim financial report.

This interim report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2006 and any public announcements made by Gregory Australia Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The accounting policies adopted are consistent with those applied in the 30 June 2006 annual report and corresponding interim period.

**Gregory Australia Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2006**

**NOTE 2. Contingent Liabilities**

There have been no changes in contingent liabilities or contingent assets since the last annual reporting date, 30 June 2006.

**NOTE 3. Business Combination**

Name of Business	Impart Special Products Pty Ltd
Description of Business	Designers & manufacturers of electronic controls for Emergency Vehicles
Date of Acquisition	1 <sup>st</sup> of July 2006
Percentage of Company Acquired	100%
Profit for 6 months ended 31 <sup>st</sup> December, 2006	\$22,794

Total purchase consideration	1,852,538
Net assets acquired (see below)	432,430
Deferred Tax Liability arising on acquisition	(426,032)
Total Intangibles	1,846,140
Represented by:	
Goodwill	426,032
Intellectual Property	1,420,108

**Details of Net Assets Acquired**

**Assets**

Cash	137,475
Inventory	249,294
Receivables	343,181
Fixed assets	81,585
Total assets	811,535

**Liabilities**

Trade creditors	138,021
Other creditors	53,878
Provision for tax	61,198
GST payable	4,222
Provision for employee benefits	121,786
Total liabilities	379,105

<b>Net Assets Acquired</b>	<b>432,430</b>
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The initial accounting for this business combination has been determined provisionally pending completion of formal business valuations.

**Gregory Australia Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2006**

**Note 4 Segment Information**

(a) Description of segments

The Group's primary reporting format is business segments and its secondary reporting format is geographical segments.

*Business segments*

The consolidated entity is organised into the following divisions by product and service type.

- Marketing and manufacture of office furniture
- Design and manufacture of electronic components

The Group operates in one geographical area being Australia

<b>2006</b>	<b>Office Furniture</b>	<b>Electronic Products</b>	<b>Intersegment eliminations/ Unallocated</b>	<b>Consolidated</b>
	\$	\$	\$	\$
Sales to external customers	7,531,755	6,490,929	-	14,022,684
Inter-segment sales	-	570,395	(570,395)	-
<b>Total sales revenue</b>	<b>7,531,755</b>	<b>7,061,324</b>	<b>(570,395)</b>	<b>14,022,684</b>
Other revenue/income	58,147	84,583	41,278	184,008
<b>Total segment revenue/income</b>	<b>7,589,902</b>	<b>7,145,907</b>	<b>(529,117)</b>	<b>14,206,692</b>
<b>Result</b>				
Segment result	627,286	670,313	(1,441,828)	(144,229)
Unallocated expense	-	-	-	-
<b>Profit/(Loss) before income tax</b>	<b>627,286</b>	<b>670,313</b>	<b>(1,441,828)</b>	<b>(144,229)</b>
Income tax benefit	-	-	43,434	43,434
<b>Net profit for the year</b>	<b>627,286</b>	<b>670,313</b>	<b>(1,398,394)</b>	<b>(100,795)</b>
Segment Assets	7,742,677	11,778,119	1,288,172	20,808,968
Segment Liabilities	3,007,471	4,678,873	(327,250)	7,359,094
Depreciation and amortisation	360,050	233,419	226	593,695

In 2005 the group operated in one business and one geographically segment, being design and manufacture of electronic components in Australia.

**Gregory Australia Limited**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**For the half year ended 31 December 2006**

**Note 5. Events Subsequent to Reporting Date**

**Acquisition of Alpha Aviation**

On 21st August 2006, Gregory Australia Limited announced that it has entered into a conditional agreement to purchase all the shares of a New Zealand based aircraft manufacturing company, Alpha Aviation Limited. Having now successfully completed both the legal due diligence and the rendering of an Independent Experts Report, the matter will be presented at an Extraordinary General Meeting of the company in April 2007 for consideration by and voting on by the shareholders of the company. The effective date of the transaction subject to shareholder approval will be 1st July 2007.

**Acquisition of Damba Furniture Pty Limited Australia and New Zealand**

At last years Annual General Meeting it was announced that Gregory Australia Limited would acquire all the shares in Damba Furniture Pty Limited in Australia and the business, assets and certain liabilities of Damba Furniture Limited in New Zealand. This offer was accepted by the vendors of Damba on 5th February 2007. Having now successfully completed both the legal, accounting and management due diligence the shareholders of the company will be asked at an Extraordinary General Meeting of the company in April 2007 to consider the issue of 3.3 million ordinary shares to the vendors as part of the consideration in the transaction. The effective date of the transaction is 1st April, 2007.

**Gregory Australia Limited**

**Declaration by Directors**

The Directors declare that the financial statements and notes of the company as set out on pages 1 to 8

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) give a true and fair view of the Company's financial position as at 31 December 2006 and of its performance as represented by the results of its operations and cash flows, for the half year ended on that date.

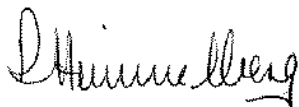
In the Director's opinion:

- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) 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:



Tony Noun  
Director



Robyn Himmelberg  
Director

SYDNEY

28<sup>th</sup> February, 2007



**Chartered Accountants  
& Advisers**

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**INDEPENDENT REVIEW REPORT  
TO THE MEMBERS OF GREGORY AUSTRALIA LIMITED**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Gregory Australia Limited, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the disclosing entity and the entities it controlled at the half-year end or from time to time during the half-year in order for the disclosing entity to lodge the half-year financial report with the Australian Securities and Investments Commission.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the disclosing entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

*Auditor's Responsibility*

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the disclosing entity's financial position as at 31 December 2006 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Gregory Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

*Independence*

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Gregory Australia Limited on 28 February 2007, would be in the same terms if provided to the directors as at the date of this auditor's review report.





*Conclusion*

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Gregory Australia Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and Corporations Regulations 2001.

**BDO**  
Chartered Accountants

**I K FERGUSSON**  
Partner

Dated Sydney, this 28<sup>th</sup> day of February 2007