



*With the acquisition of Pluto,  
Gregory Industries is now,  
more than ever,  
a leader in work place  
furniture solutions.*





The Pluto acquisition  
was the most significant  
and promising development  
this year

Gregory and Pluto are divisions of Gregory Industries Limited, a public company listed on the Australian Stock Exchange. Combined, the company has evolved into a vertically integrated operation that manufactures, markets and distributes a diverse range of quality commercial furniture both locally and internationally.

The Gregory range has come a long way from the first design over 15 years ago. From the first prototype developed by physiotherapist, Peter Gregory, the Gregory chair quickly developed into a seat with two different densities of seating material, to the worldwide patented Dual Density Posture Support System used today. The system is recognised by medical and OH&S professionals as providing the best possible seating solution for the modern office. Many of Australia's top 100 companies now use Gregory as either their primary office chair or as an aid for staff with back or work related injuries.

Pluto, established in 1913 to supply components and materials to the furniture industry, has established itself as specialist supplier of quality product with a comprehensive range which includes workstations and seating for all commercial applications in the corporate, education, government and healthcare industries.

The joining of Gregory and Pluto will give the combined company a stronger product range and with its increased sales force greater opportunities to grow in the core Sydney, Melbourne and Canberra markets. In addition, combining manufacturing, marketing and distribution functions will improve efficiencies and increase resources for R&D and innovation. Our quality assurance accreditation covers all aspects of manufacture and installation.

*Our mission is to make our  
client's workplace a better environment  
by providing them with superior  
commercial furniture solutions.*



*The Pluto acquisition offers a highly complementary expansion of the Gregory furniture ranges and considerable operational synergy*

Kingsley Munday  
Chairman

Dear Shareholders,

It is with great pleasure that your Directors present this year's annual report and financial accounts.

The year was a challenging one for the Company due to the events of September 11 and a 230,000 square meter reduction in occupied Australian CBD office space. The market contraction, while adversely affecting Gregory Industries' results, provided a significant opportunity for the Company in the form of the acquisition of Pluto Commercial Furniture.

Revenue for the Company fell marginally by 1.9% to \$9.54 million. This fall together with the acquisition costs of the Pluto business adversely impacted net profit after tax. The Directors have resolved to maintain the dividend of 1 cent per share fully franked, payable on the 18th October 2002 to all shareholders on the register as at the 20th September 2002.

The Pluto acquisition offers a highly complementary expansion of the Gregory furniture ranges and considerable operational synergies due to Pluto's light engineering capability. The merger of Gregory and Pluto will now provide both organisations with an expanded distributor network and showrooms in Sydney, Melbourne and Canberra. Customers will also benefit from the expanded Gregory Industries range of products offering commercial, office, visitor, hospitality and education seating, workstations and health and aged care products.

#### Key Financials

A\$000's	2001/02
Revenue	\$9,543
EBITDA	\$1,011
NPAT	\$264
Basic EPS	2.2c
NTA	21.0c
Return on Net Assets	5.2%

continued over

chairman & managing director's report (continued)

Pluto has a significant innovation capability, an example of which is the Gambro chair. This product is a sophisticated cross between a bed and a chair that will be used by patients during extended periods of therapy. Gambro proposes to launch the chair on the international market.

Gregory Industries is built around the philosophy of producing products with ergonomic design that provide for the well being of the body. The acquisition of Pluto has strengthened this range of products and Directors believe that the effect of the merger of Pluto should at least double revenues and produce a significant improvement in profits for the 2003 financial year.

It is the intention of your Board to continue to search for appropriate opportunities to expand the Gregory Industries business both organically and through acquisition. Directors have over the last year, made a strategic assessment of the opportunities available. It is the aim of management to use the Company's conservatively geared Statement of Financial Position and its public company listing to make further acquisitions that will enhance our competitive advantage and strategic position.

Your Directors thank the employees for their hard work and dedication over the last year and the shareholders of the Company for their support during the same time. Whilst the efforts of the past year have not been reflected in the net profit your Directors are confident that the milestones reached have laid the fundamental building blocks to underpin a positive outlook for the coming year.



Kingsley Munday  
Chairman



Andrew Davidson  
Managing Director



*Whilst we remain somewhat cautious for the forthcoming year we do expect to more than double revenues and significantly increase profits in the 2003 financial year with the full integration of Pluto.*



Andrew Davidson  
Managing Director

## corporate governance

The Directors' overriding objective is to increase shareholder value within an appropriate framework, which protects the rights and enhances the interests of shareholders, and ensures the Company is properly managed. The function of the Board of Directors has been clearly defined in the Company's Statement of Corporate Governance Principles and includes responsibility for:

- Approval of corporate strategies and the annual budget
- Monitoring financial performance including approval of the annual and half-yearly financial reports and liaison with the Company's auditors
- Appointment of, and assessment of the performance of, the Managing Director
- Monitoring managerial performance, and
- Ensuring the significant risks facing the company have been identified and appropriate and adequate control, monitoring and reporting mechanisms are in place.

The Directors are committed to the principles underpinning best practice in corporate governance, applied in a manner, which is most suited to the Company. This is supported by an overriding organisation-wide commitment to the highest standards of legislative compliance and ethical behaviour. A description of the company's main corporate governance practices is set out below.

### The Board of Directors

The Board has adopted corporate governance policies, which are summarised below. The Board is responsible for the governance of Gregory Industries including its strategic development and the direction and control of the operations of Gregory Industries. The Chairman and Non-Executive Directors of Gregory Industries will regularly review the performance of the Board to ensure that the Board continues to have a mix of skills and experience necessary for the conduct of the activities of Gregory Industries.

Directors, in carrying out their duties, may, after prior consultation with the Chairman, seek independent legal and accounting advice, at the expense of the Company concerning any aspect of the Company's operations or undertakings.

While the Board retains overall responsibility, it has recently established a number of committees to assist it in carrying out its responsibilities. Such committees include the Audit Committee and the Human Resources Committee.

### Audit Committee

Gregory Industries Audit Committee comprises the Financial Controller and all Directors. Where considered appropriate, Gregory Industries external auditors and Gregory Industries management are invited to attend meetings. The Audit Committee is intended to be the focal point of communications between the Board, Gregory Industries management and the external auditors.

The main responsibilities of the Audit Committee are to:

- Review and report to the Board on the annual report, the annual and half-year financial reports and all other financial information published by the Company or released in the market
- Assist the Board in reviewing the effectiveness of the organisation's internal control environment covering:
  - effectiveness and efficiency of operations
  - reliability of financial reporting
  - compliance with applicable laws and regulations
- Recommend to the Board the appointment, removal and remuneration of the external auditors, and review the terms of their engagement, and the scope and quality of the audit

The Audit Committee has authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

### Human Resources Committee

Gregory Industries Human Resources Committee comprises the Non-Executive Chairman, the Managing Director and one Non-Executive Director. The Human Resources Committee is responsible for reviewing and making recommendations to the Board regarding the compensation arrangements for the Directors and the senior management of Gregory Industries (including incentive plans and other benefit plans, if any) and service contracts. It is also responsible for considering general remuneration policies and practices, recruitment and termination policies and superannuation requirements.

The level of Non-Executive Directors' fees is to be reviewed annually by the Board following the review by the Chairman and the Managing Director and will take into consideration additional time required for involvement in various committees.





Gregory  
Industries  
Limited

**PLUTO**

## corporate directory

### Directors

Kingsley A Munday, non-executive chairman  
Andrew Davidson, managing director  
Peter G Gregory, non-executive director  
Andrew R Ford, non-executive director  
Richard Sealy, non-executive director

### Company Secretary and Registered Office

Jonathan T C Lange  
125-131 Cowpasture Road  
Wetherill Park NSW 2164

### Share Registry

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

### Auditors

BDO Chartered Accountants & Advisors  
Level 19, 2 Market Street  
Sydney NSW 2000

### Solicitors

Finn Roache  
Level 4, 88 George Street  
Sydney NSW 2000



Kingsley A Munday



Andrew Davidson



Peter G Gregory



Andrew R Ford



Richard Sealy

## Financial Report for the year ended 30 June 2002

gregory industries limited  
acn 084 068 673

## directors' report

for the year ended 30 June 2002

Your Directors submit the financial report of the Company for the year ended 30 June 2002.

### Directors

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

Andrew Davidson (Appointed 14.1.02)	Andrew Ford
Peter Gregory	Ian Penfold (Resigned 28.9.01)
Kingsley Munday	Richard Sealy (Appointed 28.5.02)

All Directors were in office from the beginning of the financial year until the date of this report, unless otherwise stated. Ian Penfold resigned as a Managing Director on 28th September 2001 and Andrew Davidson was appointed to the position on 14th January 2002. Richard Sealy was appointed as a Director on 28th May 2002.

### Dividends

A final dividend for 2000/01 of \$0.01 per share was paid on 12th October 2001. A final dividend for 2001/02 of \$0.01 per share has been recommended by the Directors and will be paid on 18th October 2002.

### Principal Activities

The principal activity of the Company during the financial year was the marketing and manufacture of commercial furniture. On 1st May 2002 the Company acquired the business of Pluto Commercial Furniture.

### Review of Operations

The results for the Company after providing for income tax for the financial year amounted to a profit of \$263,779 (2001: \$544,428).

### 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 and the state of affairs of the Company in subsequent financial years.

### Likely Development and Expected Results

The likely developments in the operations of the Company and the expected results of those operations in subsequent financial years are as follows:

The acquisition of Pluto Commercial Furniture has expanded Gregory's range of products and together with operational synergies should lead to a doubling of revenues and a significant improvement in profits for 2002/03.

Further information as to likely developments in the operations of the Company and the expected results of those operations in subsequent financial years has not been included in this report because the Directors believe, on reasonable grounds, that to include such information would be likely to result in unreasonable commercial 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.

### Information on Directors

#### Director

#### Experience and Special Responsibilities

##### Kingsley Munday

##### Non-Executive Chairman

Kingsley is a business consultant with extensive management experience in both large corporations and private SME's. He was the co-founder and Chairman of the publicly listed Comet Satellite and Cable Limited, Australia's largest satellite communications installation company. He also founded Aminco Australia, one of the largest merchandise licensees for the Sydney 2000 Olympic Games. Kingsley had a distinguished career in the TNT/Ansett Groups, where he held the posts of Managing Director of a Hong Kong based airline, and General Manager of Comet Express, Australia's largest express freight company. He is also a Director of Data-Cast.Net Limited, Power Air Dynamics Limited & National Security Installations Pty Ltd.

##### Andrew Davidson

##### Managing Director

Andrew holds a degree in Engineering and postgraduate business qualifications. He has a strong record of leadership at public company CEO level extending over nine years, including the restructure and successful IPO of APS Chemicals Ltd. Andrew has extensive experience in sales, marketing, operations, strategic planning and acquisitions, gained in Australia, Asia, U.K. and Europe with leading companies including CSR, Hoechst, Harrison and Crosfield Plc and WattyL.

##### Peter Gregory

##### Non-Executive Director and Founder

Peter is a qualified physiotherapist and was responsible for the unique patented "dual density" Gregory chair. His expertise was developed through large corporate consultancy in the areas of ergonomic design and solutions for large company workstation environments.

##### Andrew Ford

##### Non-Executive Director

Andrew was admitted as a solicitor of the Supreme Court (NSW) in 1987 and prior to commencing as a sole practitioner worked for two well-known national law firms. Experienced in corporate and company officer advice, commercial and property law, Andrew was intimately involved in the float of Gregory Industries Limited and has previous public company board experience.

##### Richard Sealy

##### Non-Executive Director

Richard has acted as Managing Director and Financial Director of a number of public and private companies in Australia and New Zealand before setting up his own advisory firm focused on providing financial advisory and management services to public companies and high net worth individuals. Richard has been instrumental in numerous mergers, acquisitions and public debt and equity issues. He has extensive expertise in the corporate and legal structures of companies when embarking on mergers, acquisitions, fund raising and reconstructions.

**directors' report**  
for the year ended 30 June 2002

**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	Shares	Options
Peter Gregory	-	3,400,000	600,000
Peter Gregory	Gregory International Pty Ltd	900,000	-
Kingsley Munday	Jervis Holding Pty Ltd	10,000	-
Richard Sealy	R M & P Sealy Superannuation Fund	20,000	-

Richard Sealy is also a Director of Hammersmith Holdings Limited, which owns 1,554,448 ordinary shares.

**Share Options - Unissued Shares**

As at the date of this report, there were 1,000,000 unissued ordinary shares in 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
Kingsley Munday	13	13
Andrew Davidson	7	7
Andrew Ford	13	13
Peter Gregory	13	9
Richard Sealy	2	2
Ian Penfold	4	4

The Company has an Audit Committee and a Human Resources Committee. The Audit Committee met as part of the Board meetings in February and August 2002. The Human Resources Committee met as part of the Board meeting in June 2002.

**Directors' and Other Officers' Emoluments**

Details of the nature and amount of each element of the emolument of each Director of the Company and each of the most highly remunerated officers of the Company are set out as follows:

Director or Other Officer	Base Pay \$	Non-Cash Benefits \$	Super \$	Allowances \$
<b>Director</b>				
Kingsley Munday	18,750	-	1,500	88,979
Andrew Davidson	108,333	-	8,667	-
Andrew Ford	25,000	-	2,000	7,500
Peter Gregory	37,499	2,600	3,000	7,500
Richard Sealy	4,167	-	333	2,500
Ian Penfold	65,854	3,175	9,265	-
<b>Officer</b>				
Jonathan Lange	111,539	3,050	10,721	-

**Directors and Auditors 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. The 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 to 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 part to any such proceedings during the year.

**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 additional information section of this annual report.



Kingsley Munday  
Chairman



Andrew Davidson  
Director

Dated 6th September 2002  
Sydney, NSW

**statement of financial performance**  
for the year ended 30 June 2002

	NOTE	2002 \$	2001 \$
Revenue from Ordinary Activities	2	9,543,042	9,728,469
Cost of sales of goods	3(a)	(4,873,025)	(5,330,122)
Distribution expenses		(363,184)	(343,373)
Sales and marketing expenses		(974,555)	(703,330)
Manufacturing expenses		(947,807)	(800,006)
Administration expenses		(1,856,252)	(1,539,366)
Borrowing cost expenses	3(a)	(94,948)	(109,622)
		<b>(9,109,771)</b>	<b>(8,825,819)</b>
Profit from Ordinary Activities before Income Tax Expense		<b>433,271</b>	<b>902,650</b>
Income tax expense	4	169,492	358,222
Profit from Ordinary Activities after Income Tax Expense		<b>263,779</b>	<b>544,428</b>
Net profit attributable to members of Gregory Industries Limited		<b>263,779</b>	<b>544,428</b>
<b>Total Changes in Equity Other Than Those Resulting from Transactions with Owners as Owners</b>		<b>263,779</b>	<b>544,428</b>
Basic Earnings Per Share	9	2.2 cents	4.9 cents
Diluted Earnings Per Share	9	2.2 cents	4.8 cents

The accompanying notes form part of this financial report

**statement of financial position**  
for the year ended 30 June 2002

	NOTE	2002 \$	2001 \$
<b>Current Assets</b>			
Cash assets	10	664,655	717,386
Receivables	12	2,234,285	1,637,340
Inventories	13	1,415,840	733,081
Other assets	17	271,173	135,437
<b>Total Current Assets</b>		<b>4,585,953</b>	<b>3,223,244</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	14	937,562	460,015
Tax assets	15	166,353	117,331
Intangible assets	16	2,470,317	2,248,697
Other assets	17	1,338,750	1,423,750
<b>Total Non-Current Assets</b>		<b>4,912,982</b>	<b>4,249,793</b>
<b>Total Assets</b>		<b>9,498,935</b>	<b>7,473,037</b>
<b>Current Liabilities</b>			
Payables	18	2,367,016	1,443,162
Interest-bearing liabilities	19	300,633	249,529
Tax liabilities	21	121,502	199,483
Provisions	20	403,851	201,443
<b>Total Current Liabilities</b>		<b>3,193,002</b>	<b>2,093,617</b>
<b>Non-Current Liabilities</b>			
Interest-bearing liabilities	19	1,144,328	651,220
Provisions	20	65,691	20,806
<b>Total Non-Current Liabilities</b>		<b>1,210,019</b>	<b>672,026</b>
<b>Total Liabilities</b>		<b>4,403,021</b>	<b>2,765,643</b>
<b>Net Assets</b>		<b>5,095,914</b>	<b>4,707,394</b>
<b>Equity</b>			
Contributed equity	22	4,320,819	4,070,819
Retained profits	23(a)	775,095	636,575
<b>Total Equity</b>	24	<b>5,095,914</b>	<b>4,707,394</b>

The accompanying notes form part of this financial report

**statement of cash flows**  
for the year ended 30 June 2002

	NOTE	2002	2001
		\$	\$
<b>Cash Flows from Operating Activities:</b>			
Receipts from customers		9,739,225	10,341,947
Payments to suppliers and employees		(8,798,326)	(8,782,236)
Interest received		25,609	7,939
Dividend received		-	180
Interest and other costs of finance paid		(94,948)	(109,622)
Income tax paid		(224,444)	(357,471)
<b>Net Cash Provided by Operating Activities</b>	<b>11(b)</b>	<b>647,116</b>	<b>1,100,737</b>
<b>Cash Flows from Investing Activities:</b>			
Proceeds - sale of property, plant and equipment		49,892	-
Proceeds - sale of investments		-	328
Payment for acquisition of business	11(c)	(1,091,713)	-
Payment for property, plant and equipment		(22,975)	(103,114)
<b>Net Cash Used in Investing Activities</b>		<b>(1,064,796)</b>	<b>(102,786)</b>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from borrowings		1,300,000	-
Repayment of borrowings		(819,054)	(241,998)
Dividends paid		(115,997)	-
<b>Net Cash Provided by (Used in) Financing Activities</b>		<b>364,949</b>	<b>(241,998)</b>
<b>Net increase (decrease) in cash</b>		<b>(52,731)</b>	<b>755,953</b>
Cash at the beginning of the financial period		717,386	(38,567)
<b>Cash at the End of the Financial Period</b>	<b>11(a)</b>	<b>664,655</b>	<b>717,386</b>

The accompanying notes form part of this financial report

**notes to and forming part of the accounts**  
for the year ended 30 June 2002

**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. The financial report has 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 accruals accounting has been adopted 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. Revenue from the rendering of a service is recognised upon the delivery of the service to the 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 consolidated entity 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.

**Note 1: Statement of Accounting Policies** (continued)

**(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 a fair value. Transaction costs arising on the issue of equity instruments are recognised directly in equity.

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 provision 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.

**Note 1: Statement of Accounting Policies** (continued)

**(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 diminishing value 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 & equipment 5 – 33%
- leased plant & equipment 25 - 33%
- leasehold improvements 4 – 5%

**(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.

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.

**notes to and forming part of the accounts**  
for the year ended 30 June 2002

**Note 1: Statement of Accounting Policies** (continued)

**(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 the 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 consolidated entity 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.

**(m) Employee Entitlements**

Provision is made for the Company's liability for employee entitlements 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 entitlements expected to be settled within one year have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at their nominal amount, as this amount is considered to be not materially different to the present value of the estimated future cash outflows to be made for those entitlements. The contributions made to superannuation funds by the Company are charged against profits when due.

**(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 2002

	NOTE	2002	2001
		\$	\$
<b>Note 2: Revenues</b>			
<b>Revenue from Operating Activities:</b>			
Sales revenue		9,338,300	9,519,768
Service revenue		125,100	141,497
Dividends	3(b)	-	180
Interest	3(b)	25,609	10,736
Proceeds on disposal of non-current assets		49,892	-
Other		4,141	55,960
		<b>9,543,042</b>	<b>9,728,141</b>
<b>Revenue from Non-Operating Activities:</b>			
Proceeds on disposal of non-current investments		-	328
		-	<b>328</b>
<b>Total Revenue</b>		<b>9,543,042</b>	<b>9,728,469</b>

**Note 3: Profit from Ordinary Activities**

Profit from ordinary activities has been determined after:

**(a) Charging as an expense**

<b>Cost of Sales of Goods</b>	<b>4,873,025</b>	<b>5,330,122</b>
Interest paid/payable to:		
- Director-related entities	-	13,832
- Other persons	74,687	70,185
Finance lease charges	20,261	25,605
<b>Total Borrowing Costs</b>	<b>94,948</b>	<b>109,622</b>
Depreciation of non-current assets:		
- Plant and equipment	140,588	70,951
<b>Total Depreciation</b>	<b>140,588</b>	<b>70,951</b>

notes to and forming part of the accounts  
for the year ended 30 June 2002

	NOTE	2002	2001
		\$	\$
<b>Note 3: Profit from Ordinary Activities</b> (continued)			
Amortisation of non-current assets:			
- Capitalised leased assets		118,792	128,891
- Goodwill		124,452	121,456
- Royalty prepayment, patents, and licences		98,392	98,393
<b>Total Amortisation Expense</b>		<b>341,636</b>	<b>348,740</b>
Other provisions:			
- Employee entitlements		144,344	121,039
<b>Total Other Provisions</b>		<b>144,344</b>	<b>121,039</b>
<b>Net Bad and Doubtful Debts Expense</b>	5	<b>61,451</b>	<b>31,652</b>
Operating lease rentals			
- Minimum lease payments		379,058	359,734
<b>Total Operating Lease Rentals</b>		<b>379,058</b>	<b>359,734</b>
<b>Foreign Currency Translation Losses</b>		<b>-</b>	<b>1,015</b>
<b>Research and Development Costs</b>		<b>14,215</b>	<b>9,776</b>
<b>(b) Crediting as income:</b>			
Dividends from:			
- Other corporations		-	180
<b>Total Dividends</b>		<b>-</b>	<b>180</b>
Interest revenue from:			
- Other persons		25,609	10,736
<b>Total Interest Revenue</b>		<b>25,609</b>	<b>10,736</b>
Net gain on disposal of assets:			
- Plant and equipment		15,003	-
<b>Total Net Gain on Disposal of Assets</b>		<b>15,003</b>	<b>-</b>

notes to and forming part of the accounts  
for the year ended 30 June 2002

	NOTE	2002	2001
		\$	\$
<b>Note 4: Income Tax</b>			
<b>(a) The prima facie tax payable on the operating profit is reconciled to the income tax provided for in the accounts as follows:</b>			
Prima Facie Tax Payable on Operating Profit Before Income Tax Calculated @ 30% (2001: 34%)		129,981	306,901
Tax effect of permanent differences:			
Add:			
- Amortisation of goodwill		37,336	41,295
- Non deductible amortisation		4,018	4,554
- Adjustment to future income tax benefit for change in Company tax rate from 34% to 30% in 2001.		-	5,015
- Other non deductible expenses		1,270	457
		<b>42,624</b>	<b>51,321</b>
Less:			
- Overprovision of income tax in prior year		(3,113)	-
		<b>(3,113)</b>	<b>-</b>
<b>Income Tax Expense Attributable to Profit from Ordinary Activities</b>		<b>169,492</b>	<b>358,222</b>
<b>(b) Income tax expense comprises:</b>			
Current income tax provision		185,205	395,837
Future income tax benefit		(12,600)	(37,615)
Over provision in prior year		(3,113)	-
		<b>169,492</b>	<b>358,222</b>

notes to and forming part of the accounts  
for the year ended 30 June 2002

NOTE	2002	2001
	\$	\$
<b>Note 5: Net Bad and Doubtful Debts Expense</b>		
Bad debts written off to Statement of Financial Performance:		
- Trade debtors	1,451	-
	1,451	0
Transfer to provision for doubtful debts:		
- Trade debtors	60,000	31,652
	60,000	31,652
<b>Net Bad and Doubtful Debts Expense</b>	<b>61,451</b>	<b>31,652</b>

**Note 6: Remuneration and Retirement Benefits**

(a) Directors' remuneration

Income paid or payable to all directors of the entity by the entity and any related parties.

396,622	335,558
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Number of directors whose income from the entity and any related parties was within the following bands:

	No.	No.
\$0 - \$9,999	1	-
\$20,000 - \$29,999	-	2
\$30,000 - \$39,999	1	-
\$50,000 - \$59,999	1	-
\$60,000 - \$69,999	-	1
\$70,000 - \$79,999	1	-
\$100,000 - \$109,999	1	-
\$110,000 - \$119,999	1	-
\$210,000 - \$219,999	-	1

(b) Executive remuneration note:

Remuneration received or due and receivable by executive officers of the entity, from the entity and any related parties, whose income is \$100,000 or more.

125,310	129,352
---------	---------

Number of executive officers whose income was within the following bands:

	No.	No.
\$120,000 - \$129,999	1	1

notes to and forming part of the accounts  
for the year ended 30 June 2002

NOTE	2002	2001
	\$	\$
<b>Note 7: Remuneration of Auditors</b>		
Remuneration of the auditor of the entity for:		
- Auditing or reviewing accounts	52,495	29,205
- Other services	30,387	3,350
	82,882	32,555

**Note 8: Dividends Paid and Proposed**

Ordinary Shares

Final dividend of \$0.01 (2001: \$0.01) per fully paid share paid/payable

125,259	116,000
---------	---------

Franked @ 30% - \$0.01 cents per share (2001:\$0.01 cents)

Total Dividends Provided for or Paid	125,259	116,000
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Franked Dividends

Franking credits available for subsequent financial years

1,338,300	1,365,045
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The above amount represents the balance as at the end of the financial year, adjusted for:

- Franking credits that will arise from the payment of a current tax liability
- Franking debits that will arise from the payment of proposed dividends
- Franking credits that will arise from the receipt of dividends receivable, and
- Franking credits that may be prevented from being distributed in subsequent financial years.

**Note 9: Earnings Per Share**

Reconciliation of earnings used in calculating earnings per share

Basic earnings per share	2.2 cents	4.9 cents
Net profit	263,779	544,428
<b>Earnings Used in Calculating Basic Earnings per Share</b>	<b>263,779</b>	<b>544,428</b>

Weighted Average Number of Ordinary Shares used in Calculating Basic and Alternative Earnings per Share	11,754,744	11,060,822
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notes to and forming part of the accounts  
for the year ended 30 June 2002

NOTE	2002	2001
	\$	\$
<b>Note 9: Earnings per Share</b> (continued)		
Diluted earnings per share	2.2 cents	4.8 cents
Net profit	263,779	544,428
Earnings Used in Calculating Diluted Earnings per Share	263,779	544,428
<hr/>		
Weighted Average Numbers of Ordinary Shares used in Calculating Diluted Earnings per Share	11,888,077	11,089,393
<hr/>		
Reconciliation of weighted average number of shares used in calculating diluted earnings per share to basic earnings per share		
Basic earnings per share weighted number of ordinary shares	11,754,744	11,060,822
Options over ordinary shares	133,333	28,571
Weighted average number of ordinary shares used in calculating diluted earnings per share	11,888,077	11,089,393

Information Concerning the Classification of Securities

(a) Options

Options granted throughout the year are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share. Details relating to the options are set out in Note 22.

(b) 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 shares	No. of shares
Options over ordinary shares	600,000	800,000

**Note 10: Cash Assets**

Cash on hand	700	400
Cash at bank	663,955	716,986
<b>Total Cash Assets</b>	<b>664,655</b>	<b>717,386</b>

notes to and forming part of the accounts  
for the year ended 30 June 2002

NOTE	2002	2001
	\$	\$
<b>Note 11: Reconciliation of Cash</b>		
(a) Cash at the end of the financial period as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:		
Cash on hand	10	700
Cash at bank	10	663,955
<b>Balance per Statement of Cash Flows</b>	<b>664,655</b>	<b>717,386</b>
<hr/>		
(b) Reconciliation of cash flow from operations		
Profit from ordinary activities after income tax	263,779	544,428
Non-cash flows in profit from ordinary activities		
Amortisation	3(a)	341,635
Depreciation	3(a)	140,588
(Net gains)/losses on sale of property, plant and equipment	(15,003)	-
Increase/(decrease) in tax payable	(77,981)	58,103
Increase in FITB	(49,028)	(57,352)
	<b>340,211</b>	<b>420,442</b>
<hr/>		
Changes in assets and liabilities		
(Increase)/decrease in trade debtors	(596,945)	(276,750)
(Increase)/decrease in prepayments	(135,736)	(3,518)
(Increase)/decrease in inventories	(6,096)	161,520
Increase/(decrease) in provisions	69,912	7,226
Increase/(decrease) in trade creditors and accruals	711,991	247,389
	<b>43,126</b>	<b>135,867</b>
<hr/>		
<b>Net Cash Provided by Operating Activities</b>	<b>647,116</b>	<b>1,100,737</b>
<hr/>		
(c) Acquisition of businesses		
The business of Pluto Commercial Furniture was acquired on 30th April 2002.		
Purchase price	1,553,576	-
Cash consideration	1,303,576	-
Amount due under contract of sale	211,863	-
<b>Cash Outflow</b>	<b>1,091,713</b>	<b>-</b>

**notes to and forming part of the accounts**  
for the year ended 30 June 2002

	NOTE	2002	2001
		\$	\$
<b>Note 11: Reconciliation of Cash</b> (continued)			
Other assets and liabilities held at acquisition date:			
Inventories		676,663	-
Property, plant and equipment		685,574	-
Intangibles		359,464	-
Provisions		(168,125)	-
		<u>1,553,576</u>	<u>-</u>

**(e) Non-cash financing and investing activities**

The Company issued 925,926 shares @ 27 cents as part of the payment for Pluto Commercial Furniture.

**(f) Credit standby arrangements with banks**

Credit facility	200,000	300,000
Amount utilised	-	-
<b>Unused Credit Facility</b>	<b>200,000</b>	<b>300,000</b>

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 30th April 2002 and at no time during the financial year was the Company in breach of the credit limit.

**(g) Loan facilities**

Loan facilities	1,283,333	628,320
Amount utilised	1,283,333	628,320
<b>Unused Loan Facilities</b>	<b>-</b>	<b>-</b>

The major facilities are summarised as follows:

- The loan facility of \$983,333 has a fixed term of 5 years and is repaid by monthly instalments of principal and interest. The interest rate on the facility is fixed quarterly and is subject to adjustment.

- The loan facility of \$300,000 has no expiry and is interest only. The interest rate on the facility is fixed quarterly and is subject to adjustment.

**notes to and forming part of the accounts**  
for the year ended 30 June 2002

	NOTE	2002	2001
		\$	\$
<b>Note 12: Receivables</b>			
<b>Current</b>			
Trade debtors		2,333,064	1,674,795
Provision for doubtful debts		(100,000)	(40,000)
		<u>2,233,064</u>	<u>1,634,795</u>
Amounts receivable from:			
- Director-related entities		1,221	2,545
		<u>1,221</u>	<u>2,545</u>
<b>Total Current Receivables</b>		<b>2,234,285</b>	<b>1,637,340</b>

**Note: 13 Inventories**

<b>Current</b>			
Raw materials and stores at cost		1,098,121	603,887
Provision for obsolescence		(20,000)	(50,000)
		<u>1,078,121</u>	<u>553,887</u>
Work in progress at cost		105,199	-
Provision for obsolescence		-	-
		<u>105,199</u>	<u>-</u>
Finished goods at cost		232,520	179,194
Provision for obsolescence		-	-
		<u>232,520</u>	<u>179,194</u>
<b>Total Current Inventories</b>		<b>1,415,840</b>	<b>733,081</b>

**Note 14: Property, Plant and Equipment**

Owned plant and equipment			
At cost		1,175,952	367,614
Less accumulated depreciation		(346,283)	(123,942)
		<u>829,669</u>	<u>243,672</u>

notes to and forming part of the accounts  
for the year ended 30 June 2002

	NOTE	2002	2001
		\$	\$
<b>Note 14: Property, Plant and Equipment</b> (continued)			
Capitalised leased plant and equipment			
At cost		256,440	415,632
Less accumulated amortisation		(148,547)	(199,289)
		107,893	216,343
<b>Total Property, Plant and Equipment</b>		<b>937,562</b>	<b>460,015</b>

Reconciliation of Property, Plant and Equipment

	Owned plant and equipment	Leased plant and equipment	Total
Carrying amount at start of year	243,672	216,343	460,015
Additions	32,056	63,266	95,322
Disposals	(13,559)	(30,410)	(43,969)
Acquisitions through acquisitions of entities or operations	685,574	-	685,574
Depreciation/amortisation	(140,588)	(118,792)	(259,380)
Transfers	22,514	(22,514)	-
Carrying Amount at End of Year	829,669	107,893	937,562

**Note 15: Tax Assets**

Non-Current			
Future income tax benefit	(a)	166,353	117,331
<b>Total Non-Current Tax Assets</b>		<b>166,353</b>	<b>117,331</b>

(a) The future income tax benefits is made up of the following estimated tax benefits:

- Timing differences		166,353	117,331
		166,353	117,331

**Note 16: Intangible Assets**

Goodwill at cost		2,788,580	2,429,116
Less accumulated amortisation		(385,228)	(260,776)
		2,403,352	2,168,340

notes to and forming part of the accounts  
for the year ended 30 June 2002

	NOTE	2002	2001
		\$	\$
<b>Note 16: Intangible Assets</b> (continued)			
Patents at cost		100,000	100,000
Less accumulated amortisation		(33,035)	(19,643)
		66,965	80,357
<b>Total Intangible Assets</b>		<b>2,470,317</b>	<b>2,248,697</b>

**Note 17: Other Assets**

Current			
Prepayments		271,173	135,437
<b>Total Current Other Assets</b>		<b>271,173</b>	<b>135,437</b>
Non-Current			
Prepayments		1,338,750	1,423,750
<b>Total Non-Current Other Assets</b>		<b>1,338,750</b>	<b>1,423,750</b>

**Note 18: Payables**

Current			
Unsecured Liabilities:			
Trade creditors		1,595,081	1,144,568
GST payable		101,405	88,563
Other creditors and accruals		670,530	210,031
<b>Total Current Payables</b>		<b>2,367,016</b>	<b>1,443,162</b>

**Note 19: Interest-Bearing Liabilities**

Current			
Secured Liabilities:			
Bank loans		200,000	149,914
Lease liabilities	26	100,633	99,615
<b>Total Current Interest-Bearing Liabilities</b>		<b>300,633</b>	<b>249,529</b>

notes to and forming part of the accounts  
for the year ended 30 June 2002

	NOTE	2002	2001
		\$	\$

**Note 19: Interest-Bearing Liabilities** (continued)

Non-Current			
Secured Liabilities:			
Bank loans		1,083,333	478,406
Lease liabilities	26	60,995	172,814
<b>Total Non-Current Interest-Bearing Liabilities</b>		<b>1,144,328</b>	<b>651,220</b>

(a) Securities

**Bank Loans**

The bank loan is 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 7.04% on \$983,333 repayable over 5 years and 7.11% on \$300,000 repayable at the end of 5 years.

**Lease Liabilities**

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%.

**Note 20: Provisions**

Current			
Dividends		125,259	116,000
Employee entitlements	(a)	278,592	85,443
<b>Total Current Provisions</b>		<b>403,851</b>	<b>201,443</b>
Non-Current			
Employee entitlements	(a)	65,691	20,806
<b>Total Non-Current Provisions</b>		<b>65,691</b>	<b>20,806</b>

(a) Aggregate Employee Entitlement Liability		344,283	106,249
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**Employee numbers**

Number of employees at reporting date		74	36
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notes to and forming part of the accounts  
for the year ended 30 June 2002

	NOTE	2002	2001
		\$	\$

**Note 21: Tax Liabilities**

Current			
Income tax		121,502	199,483
<b>Total Current Tax Liabilities</b>		<b>121,502</b>	<b>199,483</b>

**Note 22: Contributed Equity**

(a) Share capital

	Notes	2002 Shares	2001 Shares	2002 \$	2001 \$
Ordinary shares					
Fully paid	(b)	12,525,926	11,600,000	4,320,819	4,070,819

(b) Movements in ordinary share capital

Details	Date	Number of Shares	Issue Price	\$
Opening balance	01/07/01	11,600,000		4,070,819
Issue to Pluto Commercial Furniture (Aust) Pty Ltd	30/04/02	925,926	\$0.27	250,000
<b>Closing Balance</b>	<b>30/06/02</b>	<b>12,525,926</b>		<b>4,320,819</b>

(c) Terms and conditions

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.

(d) Equity instruments issued as purchase consideration

The Company issued 925,926 ordinary shares at \$0.27 each to Pluto Commercial Furniture (Aust) Pty Ltd as part of the consideration for the purchase of the business of Pluto Commercial Furniture. The price of the shares issued was calculated at a 10% discount to the quoted sell price during the week prior to settlement.

notes to and forming part of the accounts  
for the year ended 30 June 2002

NOTE	2002	2001
	\$	\$

**Note 22: Contributed Equity** (continued)

(e) Share options

At 30 June 2002 there were 1,000,000 unissued ordinary shares for which options were outstanding, comprising of:

- (i) 600,000 options granted to Peter Gregory to accept ordinary shares at an exercise price of 50c. The option is exercisable on or before 1 July 2004.
- (ii) 200,000 options granted to Ian Penfold to accept ordinary shares at an exercise price of 18c. The option is exercisable on or before 1 July 2005.
- (iii) 200,000 options granted to Ian Penfold to accept ordinary shares at an exercise price of 18c. The option is exercisable on or before 31 August 2006.

**Note 23: Reserves and Retained Profits**

(a) Retained profits

Retained profits at the beginning of the financial year	636,575	208,147
Net profit attributable to members	263,779	544,428
Dividends provided for or paid	(125,259)	(116,000)

<b>Retained Profits at the End of Financial Year</b>	<b>775,095</b>	<b>636,575</b>
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**Note 24: Total Equity**

Total equity at the beginning of the financial year	4,707,394	3,878,966
Total changes in equity recognised in the Statement of Financial Performance	263,779	544,428
Transactions with owners as owners:		
- Contributions of equity, net of transaction costs	250,000	400,000
- Dividends paid/proposed	(125,259)	(116,000)

<b>Total Equity at End of Financial Year</b>	<b>5,095,914</b>	<b>4,707,394</b>
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notes to and forming part of the accounts  
for the year ended 30 June 2002

**Note 25: Financial Instruments**

(a) Interest Rate Risk Exposure

The Company's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and financial liabilities is set out below:

	Note	Floating Interest Rate	1 year or less	Over 1 to 5 years	More than 5 years	Non- Interest Bearing	Total
30 June 2002		\$	\$	\$	\$	\$	\$
<b>Financial Assets</b>							
Cash and deposits	10	663,955	-	-	-	700	664,655
Receivables	12	-	-	-	-	2,234,285	2,234,285
		663,955	-	-	-	2,234,985	2,898,940

Weighted average interest rate 3.3%

**Financial Liabilities**

Bank loans	19	-	200,000	1,083,333	-	-	1,283,333
Trade and other creditors	18	-	-	-	-	2,367,016	2,367,016
Lease liabilities	19	-	100,633	60,995	-	-	161,628
		-	300,633	1,144,328	-	2,367,016	3,811,977

Weighted average interest rate 7.1% 7.1%

<b>Net Financial Assets/ (Liabilities)</b>	<b>663,955</b>	<b>(300,633)</b>	<b>(1,144,328)</b>	<b>-</b>	<b>(132,031)</b>	<b>(913,037)</b>
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notes to and forming part of the accounts  
for the year ended 30 June 2002

**Note 25: Financial Instruments** (continued)

	Note	Floating Interest Rate	1 year or less	Over 1 to 5 years	More than 5 years	Non- Interest Bearing	Total
30 June 2001		\$	\$	\$	\$	\$	\$
<b>Financial Assets</b>							
Cash and deposits	10	716,986	-	-	-	400	717,386
Receivables	12	-	-	-	-	1,637,340	1,637,340
		716,986	-	-	-	1,637,740	2,354,726

Weighted average interest rate 4.1%

**Financial Liabilities**

Bank loans	19	-	149,914	478,406	-	-	628,320
Trade and other creditors	18	-	-	-	-	1,443,162	1,443,162
Lease liabilities	19	-	99,615	172,814	-	-	272,429
		-	249,529	651,220	-	1,443,162	2,343,911

Weighted average interest rate 9.6% 9.6%

<b>Net Financial Assets/ (Liabilities)</b>		<b>716,986</b>	<b>(249,529)</b>	<b>(651,220)</b>	<b>-</b>	<b>194,578</b>	<b>10,815</b>
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**(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.

At balance date the Company had concentrations of credit risk on trade debtors due from customers, which was mitigated by the fact several of the major customers have "blue chip" or government status.

**(c) Net fair value**

The carrying amounts of cash and non-interest bearing monetary financial assets and liabilities (eg receivables and payables) approximate net fair value.

notes to and forming part of the accounts  
for the year ended 30 June 2002

	NOTE	2002	2001
		\$	\$

**Note 26: Capital and Leasing Commitments**

**(a) Finance Lease Commitments**

Payable:			
Not later than one year		111,256	119,645
Later than one year but not later than five years		66,452	184,015
Minimum lease payments		177,708	303,660
Less future finance charges		(16,080)	(31,231)
<b>Total Lease Liabilities</b>		<b>161,628</b>	<b>272,429</b>

Represented by:

Current liability	19	100,633	99,615
Non-current liability	19	60,995	172,814
		<b>161,628</b>	<b>272,429</b>

**(b) Operating lease commitments**

Non-cancellable operating leases contracted for but not capitalised in the financial statements:

Payable:			
Not later than one year		519,580	379,952
Later than one year but not later than five years		1,067,082	887,546
<b>Commitments not Capitalised in the Financial Statements</b>		<b>1,586,662</b>	<b>1,267,498</b>

Included in the above commitments is GST amounting to \$144,191, which will be recoverable from the Australian Taxation Office.

**Note 27: Contingent Liabilities**

Details and estimates of maximum amounts of contingent liabilities are as follows:

Bank guarantee in favour of Pluto Commercial Furniture (Aust) Pty Ltd relating to inventory purchases	266,667	-
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**Note 28: 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 and the state of affairs of the Company in subsequent financial years.

**notes to and forming part of the accounts**  
for the year ended 30 June 2002

**Note 29: Related Party Transactions**

**Director-Related Transactions**

**(a) Directors:**

The names of persons who were directors of Gregory Industries Limited at any time during the financial year are:

Mr Kingsley Munday	Mr Peter Gregory
Mr Andrew Davidson	Mr Richard Sealy
Mr Andrew Ford	Mr Ian Penfold

**(b) Transactions with directors and director-related entities**

**Share Transactions**

The aggregate number of shares and share options of Gregory Industries Limited acquired by directors and/or director-related entities during the financial year were as follows:

	No.	No.
Ordinary shares	20,000	1,600,000
Options over ordinary shares	200,000	200,000

Mr Richard Sealy is a director of a Company, Hammersmith Holdings Limited, which acquired 1,554,448 ordinary shares during the financial year.

The aggregate number of shares and share options of Gregory Industries Limited disposed of by directors and/or director-related entities during the financial year were as follows:

	No.	No.
Ordinary shares	-	100,000

The aggregate number of shares and share options of Gregory Industries Limited held directly, indirectly or beneficially by directors and/or director-related entities at balance date are as follows:

	No.	No.
Ordinary shares	4,330,000	4,310,000
Options over ordinary shares	600,000	900,000

**Other Transactions with Directors and Director-Related Entities**

Transaction Type	\$	\$
Rent	300,111	306,282
Consulting fees	15,000	30,000
Interest	-	13,832
Licence fees	2,650	2,573

**notes to and forming part of the accounts**  
for the year ended 30 June 2002

**Note 29: Related Party Transactions** (continued)

Aggregate amounts receivable from/payable to directors and their director-related entities at balance date, excluding loans:

	\$	\$
Current Assets	1,221	2,545
Current Liabilities	4,859	3,487

**Note 30: Segment Reporting**

**Business Segments**

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

**Geographical Segments**

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

**Note 31: Additional Disclosures**

Gregory Industries Limited is a public Company incorporated in Australia and domiciled in NSW.

**Address of Registered Office** 125-131 Cowpasture Road  
Wetherill Park NSW 2164

**Principal Places of Business** Gregory Commercial Furniture  
125-131 Cowpasture Road  
Wetherill Park NSW 2164

Pluto Commercial Furniture  
29 Waldheim Road  
Bayswater VIC 3153

**additional information for listed companies**  
for the year ended 30 June 2002

**(a) Distribution of equity securities**

Analysis of numbers of equity security holders by size of holding:

	Ordinary shares	
	Shares	Options
0 to 1,000	23	-
1,001 to 5,000	258	-
5,001 to 10,000	100	-
10,001 to 100,000	108	-
100,001 and above	12	2
	<b>501</b>	<b>2</b>

There were 62 holders of less than a marketable parcel of ordinary shares.

**(b) Equity security holders: Twenty largest quoted equity security holders**

The names of the twenty largest holders of equity securities are listed below:

Name of Holder	Ordinary shares	
	Number held	% of issued shares
Mr Peter Gregory	3,400,000	27.15
Hammersmith Holdings Limited	1,554,448	12.41
Gregory International Pty Ltd	900,000	7.19
Invia Custodian Pty Ltd	650,000	5.19
Mr Donald James Miller	170,000	1.36
Colvic Pty Ltd	148,000	1.19
Mr & Mrs Bryan Francis Miller	132,000	1.05
W Brooks Investments Pty Ltd	125,000	1.00
Mr Wallace Reginald Gibson	112,000	0.89
Mr & Mrs John Ronald Jones	110,000	0.88
Saflac Enterprises Pty Ltd	104,000	0.83
Margaret Eggesfield	100,000	0.80
Mr & Mrs Richard Eggesfield	100,000	0.80
Faaborg Pty Ltd	100,000	0.80
Ian Bryan & Associates Pty Ltd	100,000	0.80
Mr & Mrs Thomas James Reid	100,000	0.80
Mrs Ah See Tan	80,000	0.64
Mr & Mrs Bougen & Mr Peter Speakman	76,950	0.61
Granic Pty Ltd	71,144	0.57
Memhum Pty Ltd	70,000	0.56
	<b>8,203,542</b>	<b>65.52%</b>

**additional information for listed companies**  
for the year ended 30 June 2002

	Number on issue	Number of holders
<b>Unquoted Equity Securities</b>		
Options issued to directors	600,000	1
Options issued to other parties	400,000	1
	<b>1,000,000</b>	<b>2</b>

**(c) Substantial holdings**

Substantial holders in the Company are set out below:

	Ordinary shares
Mr Peter Gregory	3,400,000
Hammersmith Holdings Limited	1,554,448
Gregory International Pty Ltd	900,000
Invia Custodian Pty Ltd	650,000

**(d) Voting rights**

One vote is attached to each fully paid ordinary share.

**(e) Restricted securities**

The Company has no restrictions on any of its securities as at 30 June 2002.

**directors declaration**  
for the year ended 30 June 2002

In the opinion of the Directors of:

- (a) the financial report and notes set out on pages 14 to 41:
  - (i) give a true and fair view of the financial position of the Company as at 30 June 2002 and the performance as represented by the results of its operations and its cash flows for the financial year ended on that date; and
  - (ii) are in accordance with the Corporations Act 2001 and comply with accounting standards and the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
- (b) at the date of this declaration 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:



Kingsley Munday  
Chairman

Dated 6th September 2002  
Sydney, NSW



Andrew Davidson  
Director

**independant audit report to the members of  
gregory industries limited**

**Scope**

We have audited the financial report of Gregory Industries Limited for the financial year ended 30 June 2002 as set out on pages 14 to 42. The Company's directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on them to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements in Australia and other statutory requirements so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

**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 2002 and of its performance for the year ended on that date; and
  - ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.



BDO  
Chartered Accountants



R D GOODMAN  
Partner

Dated at Sydney this 6th day of September 2002

Liability limited by the Accountants' Scheme, approved under the Professional Standards Act 1994 (NSW)



*Our Objective is to create an environment that actually makes people look forward to coming to work, feel comfortable while they are there and be able to leave at the end of the day with energy to spare for other activities.*

The cross fertilisation of ideas coupled with the positive interaction between Gregory and Pluto will make this objective a reality.





*Your Wellbeing.*

*Our Reputation.*

*We take both seriously.*

**Gregory Commercial Furniture**

125-131 Cowpasture Road  
Wetherill Park NSW 2164  
T. 02 9756 1099

**Pluto Commercial Furniture**

29 Waldheim Road  
Bayswater VIC 3153  
T. 03 9729 5655

**Melbourne Showroom**

69 York Street  
South Melbourne VIC 3205  
T. 03 9696 2555

**Canberra Showroom**

2/66 Maryborough Street  
Fyshwick ACT 2609  
T. 02 6280 5563

[www.gregorychairs.com.au](http://www.gregorychairs.com.au)  
[www.plutofurniture.com.au](http://www.plutofurniture.com.au)

