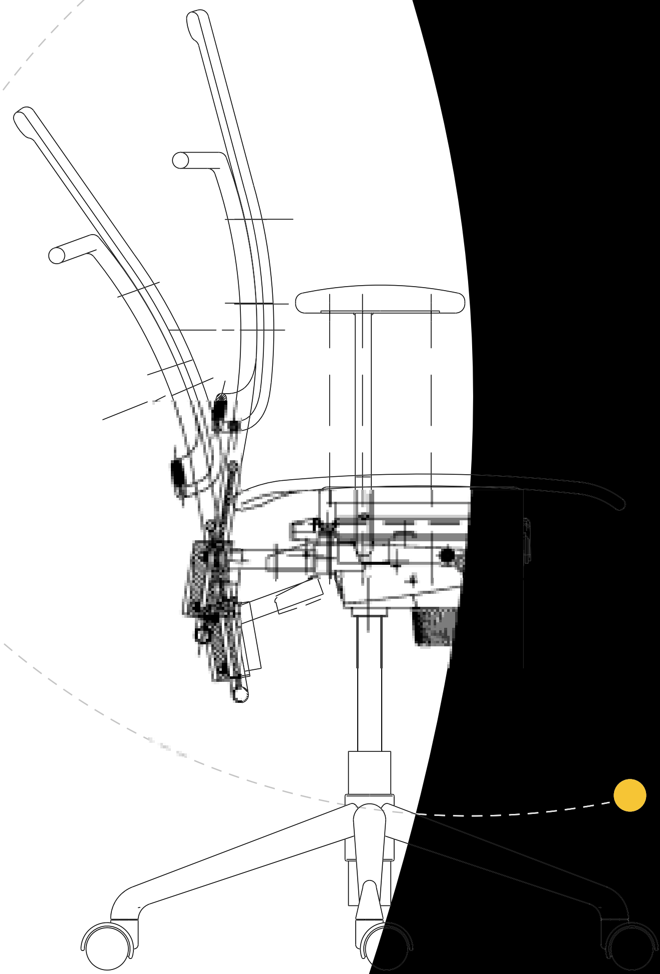
Gregory
Industries
Limited

PLUTO

GREGORY INDUSTRIES LIMITED ANNUAL REPORT 2003

ABN 40 084 068 673



ergonomic to the core

Richard Sealy - Chairman

*We are now confident that Gregory + Pluto equals one company with a shared vision and culture of being "**Ergonomic to the Core**".*

Financial Results

A$000's	2003	2002
Revenue	13,443	9,543
EBITDA	828	1,011
NPAT	119	264
Earnings per Share	0.9 cents	2.2 cents
NTA per Share	23.1 cents	21.0 cents
Return on Net Assets	2.3%	5.2%

Dear Shareholders,

This financial year was the most testing our company has experienced.

Your directors and the management team had the particularly difficult task of integrating Pluto in a market environment that was the worst that has been seen since our company was publicly listed.

Many of our competitors were forced to implement draconian measures simply to survive and the approach by many in the industry to getting business was to take it at any cost, even at a loss, which further downgraded the market.

At Gregory we made a number of decisions that we believe have strategically placed our company in a position to capitalise on the improvement in the market that commenced earlier this calendar year.

In particular we:

- Did not discount or cheapen our products;
- Focused on improving the cost structure and in particular re engineering our products while not compromising quality;
- Carefully integrated Pluto so that the Gregory culture and vision was understood and accepted by all; and
- Increased the allocation of funds to marketing, making a conscious decision to reposition our company as the major manufacturer/supplier of truly ergonomic commercial office products in Australia.

Despite the extreme difficulties faced by most commercial furniture manufacturers in this last financial year, we were able to return a profit of $119,311 after tax for the 2002/2003 financial year.

We are now confident that *Gregory + Pluto* equals one company with a shared vision and culture of being **"Ergonomic to the Core".**

In response to shareholders requests at our last Annual General Meeting we have produced a new corporate profile for our company that explains our philosophy and vision and also shows the products and capabilities of our company.

The corporate profile will be distributed amongst customers and the investment community so that they have the opportunity to appreciate the qualities and potential of our company.




REVIEW OF OPERATIONS

Integration of Pluto Commercial Furniture

As with many acquisitions the easy part is acquiring the company and the difficult part is bringing the people together so that they ultimately share the same philosophies, visions and culture. The acquisition of Pluto was no different and it soon became evident that:

- There were significant skills and "cultural" issues to be overcome before the combined sales teams could effectively cross sell the product ranges;
- Management at Pluto was constrained as a result of the previous management no longer being there on a day to day basis;
- A number of the Pluto products required redesign; and
- There was a general difficulty in integrating the overall corporate culture of the two companies.

We found that there was considerable work to be done in the area of record keeping and documentation of procedures and this led to additional pressure on the Gregory management team. There was also the inevitable one off expenses associated with settling in a new acquisition that severely impacted the earnings of our company as a whole.

A General Manager (Sales) Southern Region has now been appointed who will also be responsible for the management of the Pluto factory. This will relieve some of the pressure on our existing management team.

The benefits from the cross sell are now being seen, with direct Gregory brand sales into Victoria having more than doubled in comparison to the previous year while direct Pluto brand sales into NSW have commenced.

We are now finally satisfied that we have achieved the integration of the two companies and that the sales teams, production, accounting and reporting are all operating efficiently.

Marketing

In past years, investment in marketing has been cut to maximise short term profits and therefore your directors made a decision to rebuild the marketing programme for our company. This included upgraded advertising and an enhanced media relations programmes.

Innovations included the company hosting the first of a series of Ergonomics Breakfast Seminars in March 2003. Speakers explained the benefits of ergonomics in the work place and how using ergonomic furniture could lead to a reduction in workplace insurance claims and increased productivity. The Ergonomic Breakfast was a significant success with much valuable and positive feedback for our sales team.

As part of the integration of Pluto a significant upgrade to the *Gregory + Pluto* website was initiated. The website now incorporates Pluto and has been made more user friendly so that Architects and Designers can download information about our company and products.

Our company had a large stand at COMFIA, which was held in May 2003 in Melbourne. We presented for the first time *Gregory + Pluto* and had as our central theme "Ergonomic to the Core". This show was particularly important as it emphasised our commitment to Victoria in line with the acquisition of Pluto. We also took the opportunity to launch a number of new products, the first for several years.

Sales

The challenge for the management team in the last financial year was in particular the building of the selling and planning skills of the sales teams in NSW and Victoria. There was considerable change in the team in both states with significant restructuring required.

Many of our major corporate customers reduced their purchasing budgets and rather than lose sales we undertook a comprehensive recovery, trade-in and refurbishment programme for these customers.

In February 2003 we noticed an improvement in the market and some excellent orders have started to flow from organisations such as Clayton Utz, Department of Conservation, NRMA and the Australian Bureau of Statistics.

At this stage we are experiencing much improved sales, which is not necessarily the experience of other manufacturers in the industry. This is an encouraging sign that the decision to maintain the marketing budget despite the downturn in the market will reap benefits in the coming year.

Products and Production

In the last financial year, management implemented "Project Source" which was a major drive to reduce the cost of componentry to the company. Much has been achieved, the benefits of which we will see in the coming year.

The added flexibility of the Pluto production facilities which added the ability for the company to do bending, welding, metal stamping, painting and toolmaking greatly enhanced the vertical integration of our company. In particular the skills of the Pluto research and development team has made the X-chair a reliable and tested product so that it has now become a market reality.

There was considerable activity in product development and as a result our company launched 14 new products last financial year compared to no new products in the year before and only one in the year before that.

New products launched were:

- 4 new chairs in the Avia Range imported from Talin in Italy;
- The Upgraded Formula 50 Workstation from Pluto;
- A mobile free standing office screen compatible with the Formula 50 Workstation;
- 3 new types of Mobile Folding Table; and
- The Matrix, the first totally new range (4 chairs) released to the market by Gregory in over three years.

The Gambro long procedure chair manufactured by Pluto and used in Australia in the healthcare sector, particularly by dialysis patients, was launched by Gambro onto the international market.

Financial Results

The financial results did not reflect the effort and dedication of the management team but is a credible result taking all the circumstances that faced our company in the last financial year.

A number of specific charges substantially reduced the final result including one off items associated with the Pluto integration and a number of redundancies of $85,000 and the failure of a major distributor which resulted in our company taking a loss of $128,000.

Management and staff worked diligently at containing costs while simultaneously trying to improve sales. Expenses were reduced by 15.7% on budget and included a voluntary reduction of 10% of the remuneration paid to the management team and the directors for a period of 6 months. The Board thanks management and staff for their hard work and diligence throughout the year.

While there was a contribution to revenue by Pluto, the contribution to net profit after tax was negligible and it is fair to say that Pluto did not, last financial year, realise the expectations of the directors.

THE COMING YEAR

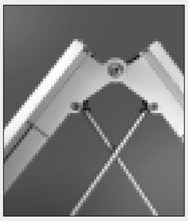
The initiatives taken by the directors and the management team started to show their benefit as could be seen by the improvement in the results for the second half of the 2002/2003 financial year.

We believe that this trend will continue and that the forthcoming year should be a significant improvement on the one just past. The key drivers will be the new product launches, the investment in marketing and our cost savings programs.

Richard Sealy
Chairman

Andrew Davidson
Managing Director



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 Director 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 established an Audit Committee to assist it in carrying out its responsibilities.

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 on the organisations 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

Gregory Industries human resources issues are dealt with by the whole Board. These include the compensation arrangements for the Directors and the senior management of Gregory Industries (including incentive plans and other benefit plans, if any), service contracts, 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.

Financial Statements
for the year ended 30 June 2003

GREGORY INDUSTRIES LIMITED ABN 40 084 068 673

Your directors submit the financial statements of the company for the year ended 30 June 2003.

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	Andrew Ford (Resigned 19/11/02)
Richard Sealy	Kingsley Mundey (Resigned 19/11/02)
Peter Gregory	

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

DIVIDENDS

A final dividend for 2001/02 of $0.01 per share was paid on 18th October 2002. The Board have resolved that no dividend will be paid for 2002/03.

PRINCIPAL ACTIVITIES

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

REVIEW OF OPERATIONS

The results for the company after providing for income tax for the financial year amounted to a profit of $119,311 (2002: $263,779).

A comprehensive review of operations is contained in the Chairman and Managing Directors Report section of this annual report.

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:

With improved market conditions the directors of Gregory Industries Limited expect the company will fully realise the benefits of the Pluto acquisition resulting in increased revenue and profits in 2003/04.

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
Richard Sealy	*Non-Executive Chairman* 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.
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 & 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.

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	Bungan Nominees Pty Ltd	4,300,000	600,000
Richard Sealy	R M & P Sealy Superannuation Fund	20,000	-
Andrew Davidson		23,000	-

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
Richard Sealy	10	10
Andrew Davidson	10	10
Peter Gregory	10	9
Kingsley Mundey	4	4
Andrew Ford	4	3

The Company has an Audit Committee. The Audit Committee met as part of the Board meetings in February and August 2003.

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 Officer	Base Pay	Non-Cash Benefits	Super	Allowances	Total
	$	$	$	$	$
Director					
Richard Sealy	31,417	-	2,828	6,250	40,495
Andrew Davidson	229,875	-	20,458	-	250,333
Peter Gregory	31,417	-	2,828	6,250	40,495
Kingsley Mundey	10,417	-	938	15,417	26,772
Andrew Ford	10,417	-	938	6,250	17,605
Officer					
Jonathan Lange	119,532	10,204	14,059	-	143,795

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 party 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 Corporate Governance section of this annual report.

Richard Sealy
Chairman

Andrew Davidson
Director

Sydney, NSW
Dated 26 August 2003

	Note	2003 $	2002 $
Revenue from ordinary activities	2	13,442,962	9,543,042
Cost of sales of goods	3(a)	(7,300,824)	(4,873,025)
Distribution expenses		(470,218)	(363,184)
Sales & Marketing expenses		(1,690,664)	(974,555)
Manufacturing expenses		(1,443,247)	(947,807)
Administrative expenses		(2,183,072)	(1,856,252)
Borrowing cost expenses	3(a)	(108,265)	(94,948)
		(13,196,290)	(9,109,771)
Profit from ordinary activities before income tax expense		246,672	433,271
Income tax expense	4	127,361	169,492
Profit from ordinary activities after income tax expense		119,311	263,779
Net profit attributable to members of Gregory Industries Limited		119,311	263,779
Total changes in equity other than those resulting from transactions with owners as owners		119,311	263,779
Basic Earnings Per Share		0.9 cents	2.2 cents
Diluted Earnings Per Share		0.9 cents	2.2 cents

The accompanying notes form part of this financial report

	Note	2003 $	2002 $
Current Assets			
Cash assets	10	417,179	664,655
Receivables	12	1,765,976	2,234,285
Inventories	13	1,645,577	1,415,840
Tax assets	15	3,254	-
Other assets	17	330,613	271,173
Total Current Assets		4,162,599	4,585,953
Non-Current Assets			
Receivables	12	20,000	-
Property, plant & equipment	14	862,511	937,562
Tax assets	15	123,824	166,353
Intangible assets	16	2,317,493	2,470,317
Other assets	17	1,253,750	1,338,750
Total Non-Current Assets		4,577,678	4,912,982
Total Assets		8,740,177	9,498,935
Current Liabilities			
Payables	18	1,872,713	2,367,016
Interest-bearing liabilities	19	240,792	300,633
Tax liabilities	21	-	121,502
Provisions	20	179,298	403,851
Total Current Liabilities		2,292,803	3,193,002
Non-Current Liabilities			
Interest-bearing liabilities	19	1,115,182	1,144,328
Tax liabilities	21	40,295	-
Provisions	20	76,672	65,691
Total Non-Current Liabilities		1,232,149	1,210,019
Total Liabilities		3,524,952	4,403,021
Net Assets		5,215,225	5,095,914
Equity			
Contributed equity	22	4,320,819	4,320,819
Retained profits	23(a)	894,406	775,095
Total Equity	24	5,215,225	5,095,914

The accompanying notes form part of this financial report

	Note	2003 $	2002 $
Cash Flows From Operating Activities:			
Receipts from customers		15,076,107	9,739,225
Payments to suppliers and employees		(14,487,833)	(8,798,326)
Interest received		23,081	25,609
Interest and other costs of finance paid		(108,265)	(94,948)
Income tax paid		(169,293)	(224,444)
Net cash provided by operating activities	11(b)	333,797	647,116
Cash Flows From Investing Activities:			
Proceeds - sale of property, plant and equipment		6,675	49,892
Payment for acquisition of business	11(c)	(211,863)	(1,091,713)
Payment for property, plant and equipment		(161,839)	(22,975)
Net cash used in investing activities		(367,027)	(1,064,796)
Cash Flows From Financing Activities:			
Proceeds from borrowings		231,885	1,300,000
Repayment of borrowings		(320,872)	(819,054)
Dividends paid		(125,259)	(115,997)
Net cash provided by (used in) financing activities		(214,246)	364,949
Net decrease in cash		(247,476)	(52,731)
Cash at the beginning of the financial period		664,655	717,386
Cash at the end of the financial period	11(a)	417,179	664,655

The accompanying notes form part of this financial report

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.

(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.

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (continued)

(d) Acquisition of Assets (continued)

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.

(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%

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (continued)

(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.

(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.

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (continued)

(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.

(p) Changes to Accounting Policy

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.

Change in accounting policy for providing of dividends

The above policy was adopted on 1st July 2002 to comply with AASB 1044 "Provisions, Contingent Liabilities and Contingent Assets". In previous years, provision was also made for dividends to be paid out of retained profits at the end of the financial year where the dividend was proposed, recommended or declared between the end of the year and the completion of the financial report.

An adjustment of $125,259 was made against the retained profits at the beginning of the financial year to reverse the amount provided at 30 June 2002 for the proposed final dividend for that year that was recommended by the directors between the end of the financial year and the completion of the financial report. This reduced the current provisions and total liabilities at the beginning of the financial year by $125,259 with corresponding increases in net assets, retained profits, total equity and total dividends provided for or paid during the current financial year.

The restatements set out below of retained profits, provisions and total dividends provided for or paid during the year show the information that would have been disclosed had the new accounting policy always been applied.

	Note	2003 $ (Restated)	2002 $ (Restated)
(p) Changes to Accounting Policy (continued)			
Restatement of retained profits			
Retained profits as previously reported at beginning of financial year	25(b)	775,095	636,575
Change in accounting policy for providing for dividends		125,259	116,000
Restated retained profits at the beginning of the financial year		900,354	752,575
Net profit attributable to members of Gregory Industries Limited		119,311	263,779
Total available for appropriation		1,019,665	1,016,354
Dividends provided for or paid		(125,259)	(116,000)
Restated retained profits at the end of the financial year		**894,406**	**900,354**
Restatement of current provisions			
Carrying amount as previously reported at end of the financial year	20	179,298	403,851
Adjustment for change in accounting policy for providing for dividends		-	(125,259)
Restated carrying amount at end of financial year		**179,298**	**278,592**
Restatement of total dividends provided for or paid			
Previously reported at end of financial year	28	125,259	125,259
Adjustment for change in accounting policy		-	(9259)
Restated total dividends provided for or paid during the financial year		**125,259**	**116,000**

	Note	2003 $	2002 $

NOTE 2: REVENUES

	Note	2003 $	2002 $
Revenue from operating activities:			
Sales revenue		13,156,352	9,338,300
Service revenue		218,859	125,100
Interest	3(b)	23,081	25,609
Proceeds on disposal of non-current assets		6,675	49,892
Other		37,995	4,141
		13,442,962	9,543,042

NOTE 3: PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities has been determined after:

(a) Charging as an expense

	Note	2003 $	2002 $
Cost of sales of goods		7,300,824	4,873,025
Interest paid/payable to:			-
- Other persons		94,974	74,687
Finance lease charges		13,291	20,261
Total borrowing costs		108,265	94,948
Depreciation of non-current assets:			-
- Plant and equipment		155,632	140,588
Total depreciation		155,632	140,588
Amortisation of non-current assets:			
- Capitalised leased assets		79,749	118,792
- Goodwill		139,432	124,452
- Royalty prepayment, patents, and licences		98,392	98,392
Total amortisation expense		317,573	341,636
Other provisions:			
- Employee entitlements		219,787	144,344
Total other provisions		219,787	144,344
Net bad and doubtful debts expense	5	55,845	61,451
Operating lease rentals			
- Minimum lease payments		559,324	379,058
Total operating lease rentals		559,324	379,058
Research and development costs		10,616	14,215

	Note	2003 $	2002 $

NOTE 3: PROFIT FROM ORDINARY ACTIVITIES (continued)

(b) Crediting as income:

	Note	2003 $	2002 $
Interest revenue from:			
- Other persons		23,081	25,609
Total interest revenue		23,081	25,609
Net gain on disposal of assets:			
- Plant and equipment		5,166	15,003
Total net gain on disposal of assets		5,166	15,003

NOTE 4: INCOME TAX

(a) The prima facie tax payable on the operating profit is reconciled to the income tax provided for in the accounts as follows:

	Note	2003 $	2002 $
Prima facie tax payable on operating profit before income tax calculated @ 30%		74,002	129,981
Tax effect of permanent differences:			
Add:			
- Amortisation of goodwill		41,830	37,336
- Non deductible amortisation		4,018	4,018
- Underprovision of income tax in prior year		5,471	-
- Other non deductible expenses		2,040	1,270
		53,359	42,624
Less:			
- Overprovision of income tax in prior year		-	(3,113)
		-	(3,113)
Income tax expense attributable to profit from ordinary activities		127,361	169,492

(b) Income Tax Expense Comprises:

	Note	2003 $	2002 $
Current income tax provision		39,063	185,205
Future income tax benefit		42,532	(12,600)
Deferred income tax liability		40,295	-
Under provision in prior year		5,471	-
Over provision in prior year		-	(3,113)
		127,361	169,492

	Note	2003 $	2002 $
NOTE 5: NET BAD AND DOUBTFUL DEBTS EXPENSE			
Bad debts written off to Statement of Financial Performance:			
- Trade debtors		105,949	1,451
		105,949	1,451
Bad debts recovered			
- Trade debtors		(104)	-
		(104)	-
Transfer to/(from) Provision for Doubtful Debts:			
- Trade debtors		(50,000)	60,000
		(50,000)	60,000
Net bad and doubtful debts expense		55,845	61,451

NOTE 6: REMUNERATION AND RETIREMENT BENEFITS

(a) Directors' Remuneration

	2003	2002
Income paid or payable to all directors of the entity by the entity and any related parties.	375,700	396,622
Number of directors whose income from the entity and any related parties was within the following bands:		
	No.	No.
$0 - $9,999	-	1
$10,000 - $19,999	1	-
$20,000 - $29,999	1	-
$30,000 - $39,999	-	1
$40,000 - $49,999	2	-
$50,000 - $59,999	-	1
$70,000 - $79,999	-	1
$100,000 - $109,999	-	1
$110,000 - $119,999	-	1
$250,000 - $259,999	1	-

(b) Executive Remuneration Note:

	2003	2002
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.	143,795	125,310

	Note	2003 $	2002 $

NOTE 6: REMUNERATION AND RETIREMENT BENEFITS (continued)

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

	2003 No.	2002 No.
$120,000 - $129,999	-	1
$140,000 - $149,999	1	-

NOTE 7: REMUNERATION OF AUDITORS

	2003 $	2002 $
Remuneration of the auditor of the entity for:		
- Auditing or reviewing accounts	56,914	52,495
- Other services	4,696	30,387
	61,610	82,882

NOTE 8: DIVIDENDS PAID AND PROPOSED

	2003 $	2002 $
Ordinary Shares		
Final dividend of $0.01 per fully paid share paid 18 October 2002 recognised as a liability at 30 June 2002 but adjusted against retained profits at the beginning of the financial year on the change in accounting policy for providing for dividends (refer Note 1 (p)) – franked at 30%	125,259	125,259
Total dividends provided for or paid	125,259	125,259
Franked Dividends		
Franking credits available for subsequent financial years	631,072	515,461

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.

Under legislation that took effect on 1 July 2002, the amount recorded in the franking account is the amount of Australian income tax paid, rather than franking credits based on after tax profits, and amounts debited to that account in respect of dividends paid after 30 June 2002 are the franking credits attaching to those dividends rather than the gross amount of the dividends. In accordance with this legislation, the franking credits available at 30 June 2002 for the entity of $1,202,941 based on after tax profits were converted so that the opening balance on 1 July 2002 reflected tax paid amounts of $515,546 as shown in the comparative above.

	Note	2003 $	2002 $

NOTE 9: EARNINGS PER SHARE

Reconciliation of earnings used in calculating earnings per share

		2003	2002
Basic Earnings Per Share		0.9 cents	2.2 cents
Net profit		119,311	263,779
Earnings used in calculating basic earnings per share		119,311	263,779
Weighted average number of ordinary shares used in calculating basic and alternative earnings per share		12,525,926	11,754,744
Diluted Earnings Per Share		0.9 cents	2.2 cents
Net profit		119,311	263,779
Earnings used in calculating diluted earnings per share		119,311	263,779
Weighted average numbers of ordinary shares used in calculating diluted earnings per share		12,625,926	11,888,077

Reconciliation of weighted average number of shares used in calculating diluted earnings per share to basic earnings per share

		2003	2002
Basic earnings per share weighted number of ordinary shares		12,525,926	11,754,744
Options over ordinary shares		100,000	133,333
Weighted average number of ordinary shares used in calculating diluted earnings per share		12,625,926	11,888,077

Information concerning the classification of securities

(a) Options

Options granted during each 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	600,000

NOTE 10: CASH ASSETS

	2003	2002
Cash on hand	1,200	700
Cash at bank	415,979	663,955
Total Cash Assets	417,179	664,655

NOTE 11: RECONCILIATION OF CASH

(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:

	Note	2003 $	2002 $
Cash on hand	10	1,200	700
Cash at bank	10	415,979	663,955
Balance per Statement of Cash Flows		**417,179**	**664,655**

(b) Reconciliation of Cash Flow From Operations

	Note	2003 $	2002 $
Profit from ordinary activities after income tax		119,311	263,779
Non-cash flows in profit from ordinary activities			
Amortisation	3(a)	317,573	341,635
Depreciation	3(a)	155,632	140,588
Net gain on sale of property, plant and equipment		(5,166)	(15,003)
Decrease in tax payable		(121,502)	(77,981)
Increase in DITL		40,295	-
(Increase)/decrease in FITB		42,529	(49,028)
		548,672	340,211
Changes in assets and liabilities			
(Increase)/decrease in trade & term debtors		445,055	(596,945)
Increase in prepayments		(59,440)	(135,736)
Increase in inventories		(229,737)	(6,096)
Increase/(decrease) in provisions		(88,313)	69,912
Increase/(decrease) in trade creditors and accruals		(282,440)	711,991
		(214,875)	43,126
Net cash provided by operating activities		**333,797**	**647,116**

(c) Acquisition of Businesses

The business of Pluto Commercial Furniture was acquired on 30th April 2002.

	Note	2003 $	2002 $
Purchase price		-	1,553,576
Cash consideration		211,863	1,303,576
Amount due under contract of sale		-	(211,863)
Cash outflow		**211,863**	**1,091,713**

Other assets and liabilities held at acquisition date:

	Note	2003 $	2002 $
Inventories		-	676,663
Property, plant & equipment		-	685,574
Intangibles		-	359,464
Provisions		-	(168,125)
		-	1,553,576

	Note	2003 $	2002 $

NOTE 11: RECONCILIATION OF CASH (continued)

(e) Non-Cash Financing and Investing Activities

The company issued 925,926 shares @ 27 cents on 30th April 2002 as part of the payment for Pluto Commercial Furniture.

(f) Credit Standby Arrangements With Banks

	2003 $	2002 $
Credit facility	350,000	200,000
Amount utilised	-	-
Unused credit facility	**350,000**	**200,000**

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

(g) Loan Facilities

	2003 $	2002 $
Loan facilities	1,264,667	1,283,333
Amount utilised	1,264,667	1,283,333
	-	-

The major facilities are summarised as follows:

- The loan facility of $766,667 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 $498,000 is repayable on demand or 1st May 2007, whichever is earlier. 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.

NOTE 12: RECEIVABLES

	2003 $	2002 $
Current		
Trade debtors	1,815,866	2,333,064
Provision for doubtful debts	(50,000)	(100,000)
	1,765,866	2,233,064
Amounts receivable from:		
- Director-related entities	110	1,221
	110	1,221
Total Current Receivables	**1,765,976**	**2,234,285**
Non-Current		
Other debtors	20,000	-
Total Non-Current Receivables	**20,000**	**-**

	Note	2003 $	2002 $

NOTE 13: INVENTORIES

		2003 $	2002 $
Current			
Raw materials and stores at cost		1,267,094	1,098,121
Provision for obsolescence		(30,000)	(20,000)
		1,237,094	1,078,121
Work in progress at cost		113,429	105,199
Provision for obsolescence		-	-
		113,429	105,199
Finished goods at cost		295,054	232,520
Provision for obsolescence		-	-
		295,054	232,520
Total Current Inventories		1,645,577	1,415,840

NOTE 14: PROPERTY, PLANT AND EQUIPMENT

		2003 $	2002 $
Plant and Equipment			
Owned plant and equipment			
At cost		1,407,554	1,175,952
Less accumulated depreciation		(607,072)	(346,283)
		800,482	829,669
Total Owned Plant and Equipment		800,482	829,669
Capitalised leased plant and equipment			
At cost		154,695	256,440
Less accumulated amortisation		(92,666)	(148,547)
		62,029	107,893
Total Leased Plant and Equipment		62,069	107,893
Total Plant and Equipment		862,511	937,562
Total Property, Plant and Equipment		862,511	937,562

Reconciliation of Property, Plant and Equipment

	Owned Plant and Equipment	Leased Plant and Equipment	Total
Carrying amount at start of year	829,669	107,893	937,562
Additions	127,955	33,885	161,840
Disposals	(1,510)	-	(1,510)
Depreciation/amortisation	(155,632)	(79,749)	(235,381)
Carrying amount at end of year	800,482	62,029	862,511

	Note	2003 $	2002 $

NOTE 14: PROPERTY, PLANT AND EQUIPMENT (continued)

Change in Depreciation Policy

The directors have reviewed the carrying values of all plant and equipment following the acquisition of the Pluto Furniture business and have determined it is appropriate to change the depreciation policy from diminishing value to the straight line method to ensure that these assets will be more accurately depreciated over their estimated useful lives. This change in method has resulted in a decrease of $134,317 in depreciation expense for the current period. The company did not own the Pluto business over the prior period, so direct comparisons of expenses for the two periods (including depreciation expenses) are not possible.

NOTE 15: TAX ASSETS

	Note	2003 $	2002 $
Current			
Prepaid income tax		3,254	-
Total Current Tax Assets		3,254	-
Non-Current			
Future income tax benefit	(a)	123,824	166,353
Total Non-Current Tax Assets		123,824	166,353

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

	2003 $	2002 $
- Timing differences	123,824	166,353
	123,824	166,353

NOTE 16: INTANGIBLE ASSETS

	2003 $	2002 $
Goodwill at cost	2,788,580	2,788,580
Less accumulated amortisation	(524,660)	(385,228)
	2,263,920	2,403,352
Patents/trademarks/licences at cost	100,000	100,000
Less accumulated amortisation	(46,427)	(33,035)
	53,573	66,965
Total Intangible Assets	2,317,493	2,470,317

NOTE 17: OTHER ASSETS

	2003 $	2002 $
Current		
Prepayments	330,613	271,173
Total Current Other Assets	330,613	271,173
Non-Current		
Prepayments	1,253,750	1,338,750
Total Non-Current Other Assets	1,253,750	1,338,750

	Note	2003 $	2002 $

NOTE 18: PAYABLES

	Note	2003 $	2002 $
Current			
Unsecured liabilities:			
Trade creditors		1,391,147	1,595,081
GST Payable		79,216	101,405
Other creditors and accruals		402,350	670,530
Total Current Payables		1,872,713	2,367,016

NOTE 19: INTEREST-BEARING LIABILITIES

	Note	2003 $	2002 $
Current			
Secured liabilities:			
Bank loans		200,000	200,000
Lease liabilities	26	40,792	100,633
		240,792	300,633
Total Current Interest-Bearing Liabilities		240,792	300,633
Non-Current			
Secured liabilities:			
Bank loans		1,064,667	1,083,333
Lease liabilities	26	50,515	60,995
		1,115,182	1,144,328
Total Non-Current Interest-Bearing Liabilities		1,115,182	1,144,328

(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 6.98% on $766,667 repayable over 5 years and 6.98% on $498,000 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

	Note	2003 $	2002 $
Current			
Dividends		-	125,259
Employee entitlements	(a)	179,298	278,592
Total Current Provisions		179,298	403,851
Non-Current			
Employee entitlements	(a)	76,672	65,691
Total Non-Current Provisions		76,672	65,691

	Note	2003 $	2002 $
NOTE 20: PROVISIONS (continued)			
(a) Aggregate Employee Entitlement Liability		255,970	344,283
Employee Numbers			
Number of employees at reporting date		58	74
NOTE 21: EMPLOYEE BENEFITS			
Included in other creditors – current	18	41,108	33,866
Provision for employee entitlements – current	20	179,298	278,592
Provision for employee entitlements – non current	20	76,672	65,691
Total Employee Benefits		297,078	378,149
NOTE 22: TAX LIABILITIES			
Current			
Income tax		-	121,502
Total Current Tax Liabilities		-	121,502
Non-Current			
Deferred income tax liability		40,295	-
Total Non-Current Tax Liabilities		40,295	-

NOTE 23: CONTRIBUTED EQUITY

(a) Share Capital

	Note	2003 Shares	2002 Shares	2003 $	2002 $
Ordinary shares					
Fully paid	(b)	12,525,926	12,525,926	4,320,819	4,320,819

(b) Movements In Ordinary Share Capital

Details	Date	Number of Shares	Issue Price	$
Opening balance	01/07/02	12,525,926		4,320,819
Closing balance	30/06/03	12,525,926		4,320,819

(c) Terms & 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.

	Note	2003 $	2002 $

NOTE 23: CONTRIBUTED EQUITY (continued)

(d) Equity Instruments Issued As Purchase Consideration

On 30th April 2002, 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. Part of the purchase consideration remained unpaid as at 30 June 2002 and this balance was settled during the current financial year.

(e) Share Options

At 30 June 2003 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 30 June 2004.

(ii) 200,000 options granted to Ian Penfold to accept ordinary shares at an exercisable 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 24: RESERVES AND RETAINED PROFITS

Retained Profits

	2003 $	2002 $
Retained profits at the beginning of the financial year	775,095	636,575
Net profit attributable to members	119,311	263,779
Dividends provided for or paid	-	(125,259)
Retained profits at the end of financial year	894,406	775,095

NOTE 25: TOTAL EQUITY

	2003 $	2002 $
Total equity at the beginning of the financial year	5,095,914	4,707,394
Total changes in equity recognised in the Statement of Financial Performance	119,311	263,779
Transactions with owners as owners:		
- Contributions of equity, net of transaction costs	-	250,000
- Dividends paid/proposed	-	(125,259)
Total equity at end of financial year	5,215,225	5,095,914

NOTE 26: 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 2003							
Financial Assets							
Cash and deposits	10	415,979	-	-	-	1,200	417,179
Receivables	12	-	-	-	-	1,765,976	1,765,976
		415,979	-	-	-	1,767,176	2,183,155
Weighted average interest rate		3.5%					
Financial Liabilities							
Bank loans	19	-	200,000	1,064,667	-	-	1,264,667
Trade and other creditors	18	-	-	-	-	1,872,713	1,872,713
Lease liabilities	19	-	40,792	50,515	-	-	91,307
		-	240,792	1,115,182	-	1,872,713	3,228,687
Weighted average interest rate			7.0%	7.0%			
Net financial assets/(liabilities)		415,979	(240,792)	(1,115,182)	-	(105,537)	(1,045,532)
30 June 2002							
Financial Assets							
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%			
Net financial assets/(liabilities)		663,955	(300,633)	(1,144,328)	-	(132,031)	(913,037)

	Note	2003 $	2002 $

NOTE 26: FINANCIAL INSTRUMENTS (continued)

(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.

NOTE 27: CAPITAL AND LEASING COMMITMENTS

(a) Finance Lease Commitments

	Note	2003 $	2002 $
Payable:			
Not later than one year		46,783	111,256
Later than one year but not later than five years		55,340	66,452
Minimum lease payments		102,123	177,708
Less future finance charges		(10,816)	(16,080)
Total lease liabilities		91,307	161,628
Represented by:			
Current liability	19	40,792	100,633
Non-current liability	19	50,515	60,995
		91,307	161,628

(b) Operating Lease Commitments

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

	2003 $	2002 $
Payable:		
Not later than one year	588,076	519,580
Later than one year but not later than five years	669,694	1,067,082
Commitments not capitalised in the financial statements	1,257,770	1,586,662

Included in the above commitments is GST amounting to $114,308, which will be recoverable from the Australian Taxation Office.

NOTE 28: CONTINGENT LIABILITIES

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

	2003 $	2002 $
Bank guarantee in favour of Pluto Commercial Furniture (Aust) Pty Ltd relating to inventory purchases.	-	266,667

NOTE 29: 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.

	Note	2003 $	2002 $

NOTE 30: RELATED PARTY TRANSACTIONS

Director-Related Transactions

Directors:

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

Mr Richard Sealy
Mr Kingsley Mundey
Mr Andrew Davidson
Mr Andrew Ford
Mr Peter Gregory

(a) 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	23,000	20,000
Options over ordinary shares	-	200,000

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	-	-

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	4,343,000	4,330,000
Options over ordinary shares	600,000	600,000

The above figure does not include 10,000 ordinary shares held indirectly by Mr Kingsley Mundey who ceased to be a director during the financial year.

(b) Other Transactions With Directors and Director-Related Entities

Transaction Type		
Rent	290,150	300,111
Consulting fees	-	15,000
Licence fees	2,994	2,650

The above figures relate to transactions with entities associated with Mr Peter Gregory.

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

Current assets	110	1,221
Current liabilities	2,994	4,859

NOTE 31: 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 32: 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
Share Registry	Computershare Investor Services Pty Limited Level 3, 60 Carrington Street Sydney NSW 2000

(a) Distribution of Equity Securities

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

	Ordinary Shares	
	Shares	Options
0 to 1,000	24	-
1,001 to 5,000	235	-
5,001 to 10,000	90	-
10,001 to 100,000	96	-
100,001 and above	13	2
	458	2

There were 63 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:

	Ordinary Shares	
Name of Holder	Number Held	% Of Issued Shares
Bungan Nominees Pty Ltd	4,300,000	34.33
Hammersmith Holdings Limited	1,554,448	12.41
Invia Custodian Pty Ltd	667,500	5.33
Mr Colin Weekes	223,700	1.79
Mr & Mrs Richard Egglesfield	200,000	1.60
Mr Donald James Miller	200,000	1.60
Mr & Mrs Bryan Francis Miller	132,000	1.05
Mr & Mrs Bougen & Mr Peter Speakman	125,250	1.00
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
Faaborg Pty Ltd	100,000	0.80
Ian Bryan & Associates Pty Ltd	100,000	0.80
Parnell Holdings Limited	100,000	0.80
Mr & Mrs Thomas James Reid	100,000	0.80
Mrs Ah See Tan	80,000	0.64
Memhum Pty Ltd	70,000	0.56
Granic Pty Ltd	69,556	0.56
Mr Brian Kearns	66,300	0.53
	8,539,754	68.20%

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

(c) Substantial Holdings

Substantial holders in the company are set out below:

	Ordinary Shares
Bungan Nominees Pty Ltd	4,300,000
Hammersmith Holdings Limited	1,554,448
Invia Custodian Pty Ltd	667,500

(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 2003

In the opinion of the directors of:

(a) The financial report and notes set out on pages 12 to 35:

(i) Give a true and fair view of the financial position of the company as at 30 June 2003 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:

Richard Sealy
Chairman

Andrew Davidson
Director

Sydney, NSW
Dated 26 August 2003

BDO
Chartered Accountants
& Advisers

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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 2003.

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.

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 2003 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

RD GOODMAN
Partner

Dated at Sydney this 26th day of August 2003.

Richard Sealy

Andrew Davidson

Peter G Gregory

DIRECTORS

Richard Sealy, Non-Executive Chairman
Andrew Davidson, Managing Director
Peter G Gregory, Non-Executive Director

COMPANY SECRETARY AND REGISTERED OFFICE

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

SHARE REGISTRY

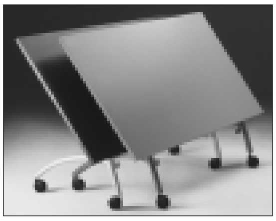
Computershare Investor Services Pty Limited
Level 3, 60 Carrington Street
Sydney NSW 2000

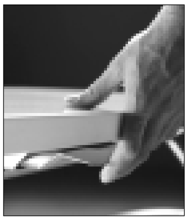
AUDITORS

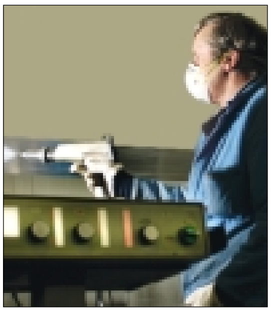
BDO Chartered Accountants & Advisors
Level 19, 2 Market Street
Sydney NSW 2000

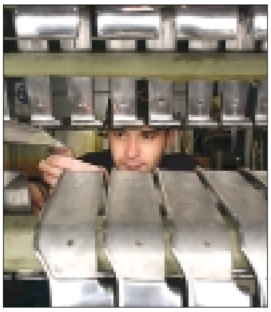
SOLICITORS

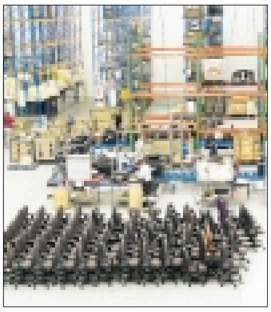
Finn Roache
Level 4, 88 George Street
Sydney NSW 2000











www.gregorychairs.com.au
www.plutofurniture.com.au

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Wetherill Park NSW 2164
T. 02 9756 1099

Pluto Commercial Furniture
29 Waldheim Road
Bayswater VIC 3153
T. 03 9729 5655

Sydney Showroom
Suite 2, Level 5
111 Pacific Highway
(Forecourt of AGL Centre)
North Sydney NSW 2060
T. 02 9929 3329

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

Gregory Industries Limited

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ergonomic to the core