Think gregory

04 annual report

Gregory Industries Limited
ACN 084 068 673

Contents

Think ahead

Gregory Industries is proud of its performance. But the future is even more important. Our forward thinking is encapsulated in our mission statement:

Gregory Industries aims to be the leader in innovative ergonomic design, standards and high quality manufacturing processes, to produce a comprehensive range of seating, workstations, tables and health care equipment that offers the highest quality ergonomic solutions for our customers by:

- Reducing occupational health and safety risks,
- Increasing staff productivity,
- Incorporating modern office design and finishes,
- Offering comprehensive product warranties, and
- Delivering great customer service.

Three targeted product ranges

Gregory Industries markets to three discrete target markets with three product ranges tailored to our end users' needs. All three will be marketed under the Gregory brand "umbrella".

These are:

- **Gregory range:** We offer a wide range of ergonomic seating headed by the patented Inca Chair, complemented by intelligently designed tables and workstations,
- **Pluto range:** Our range of fashion-based designs which targets the entertainment, education and mass-seating market with seating including stackable models and lounges,
- **Atlas range:** The health and aged care segment has highly specialised requirements. Our innovative new range of Atlas products will benefit both patients and staff.

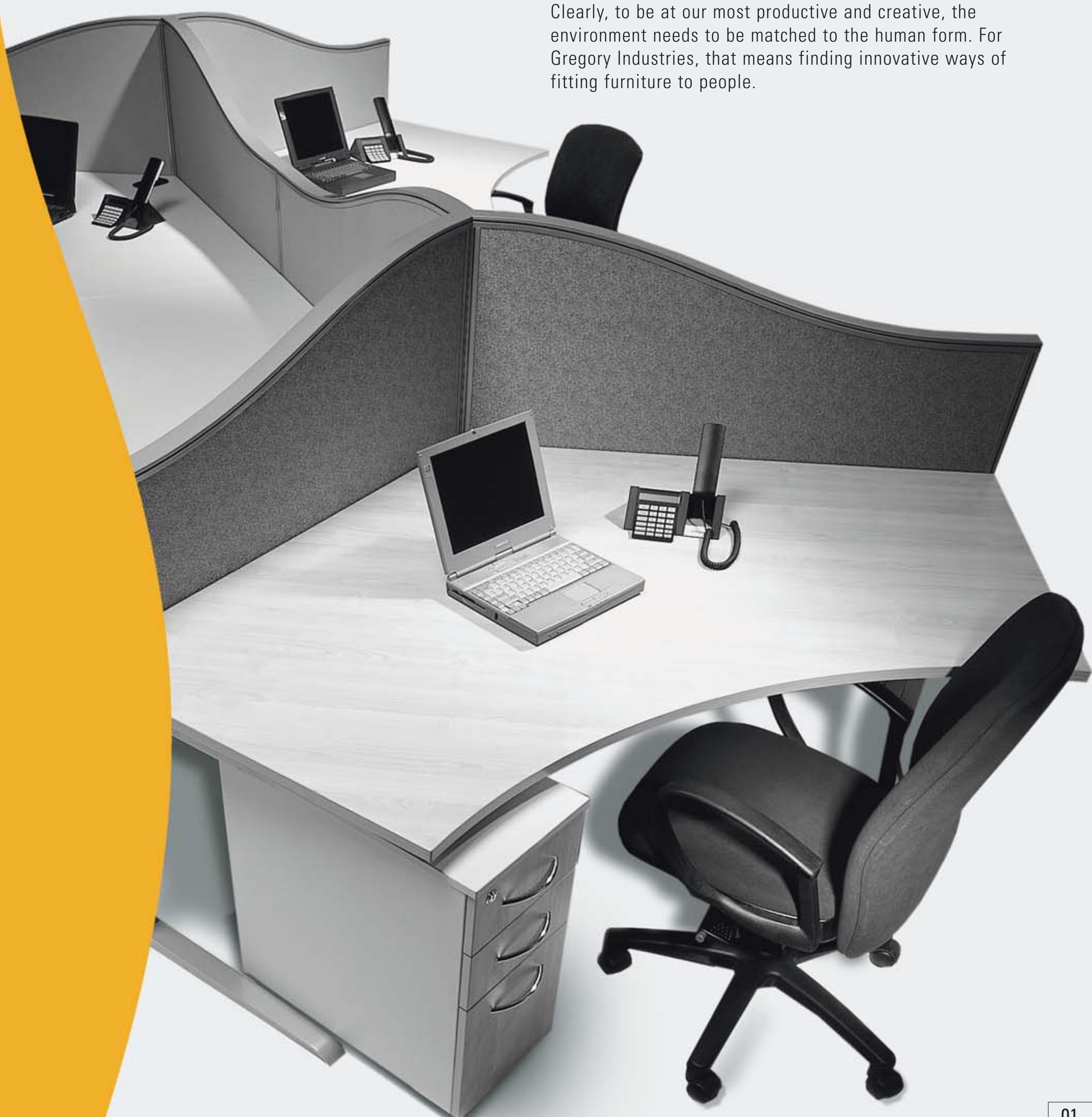
Ergonomic to the core

The core of Gregory Industries' growth has been the intelligent application of ergonomics.

Webster's New World Dictionary (College Edition) defines ergonomics as "the study of problems of people adjusting to their environment; especially the science which seeks to adapt work or working conditions to suit the worker."

With the average office worker spending about 80% of his or her time in a seated position, good posture is vital to ensure good health and well-being, increased productivity and the saving of lost man hours due to ill health, in particular back and neck pain, headaches, leg and feet problems.

Clearly, to be at our most productive and creative, the environment needs to be matched to the human form. For Gregory Industries, that means finding innovative ways of fitting furniture to people.

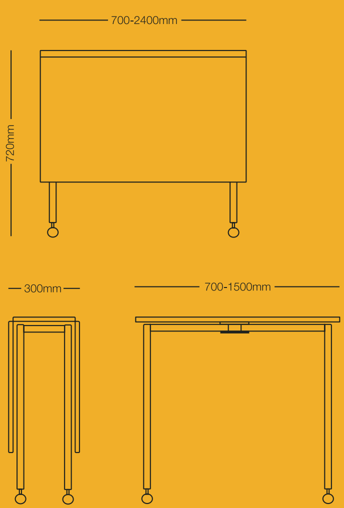


Think award winning design

Our commitment to protect the body at work has been recognised with a number of highly sought-after awards.

Our leadership in developing the dual density posture support system in office chairs has won Gregory three Australian design awards and international recognition in the form of The Best of Neocon, an American design award.

The DROP Table from the Gregory range of ergonomic tables has won the 2004 CFIAA Award (Commercial Furniture Industry Association of Australia) for Excellence in design and manufacture of commercial desks and storage systems and is a contender in this year's Australian Furniture of the Year Award.



Think productivity

Why is ergonomic design so important?

It's not just a matter of comfort. It's also a matter of hard-headed economic thinking.

Recent studies have shown that injury prevention, coupled with good ergonomic design in the workplace, will lower workers' compensation costs, reduce the number of workdays lost, and increase morale and productivity.

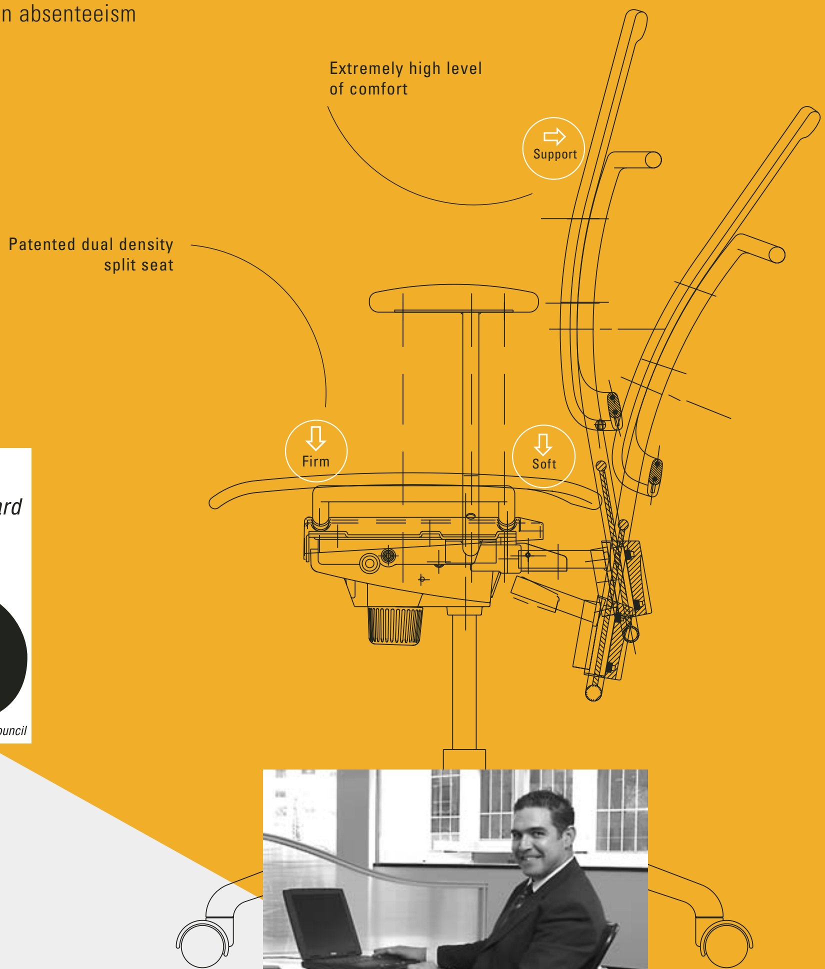
For example, physiotherapist Diane Russell and medical exercise specialist Vanessa Williams-Henke have reported that a program of physical re-education combined with the use of ergonomically designed furniture has led to impressive results:

- Australian Defence Industries, after a 12-week program, had saved $400,000 in claims,
- Baxter Healthcare reduced time lost to injuries from 20 to 3 over one year with a saving of 25% on insurance premiums,
- Johnson & Johnson enjoyed an 82% reduction in absenteeism and a 35% reduction in alternative duties.

The benefits aren't merely preventative. A year-long study of over 200 participants by Dr Ben Amick of the University of Texas Health Science Center, found that people who used an ergonomic chair and received ergonomics training achieved a 17.8% increase in productivity. Even more interestingly, those who received the training but not the chair showed no significant improvement.

Think better posture

Gregory Industries' leadership in ergonomics began when Company founder Peter Gregory, a physiotherapist, was commissioned to investigate injuries in the workplace. His research resulted in the patented dual density posture support system, which was recognised by occupational health and medical professionals as providing a superior seating solution for improved office efficiency. Good posture is maintained throughout the day; oxygen intake is improved; blood flow to the legs is increased; productivity and concentration is enhanced; and general health and well-being are improved.



Australian Design Award

Australian Design Council

Think performance

Dear Shareholders

It gives me great pleasure to present this year's Annual Report and financial results.

The past year was one of great achievement and great change for the Company.

In particular, I am pleased to say that, when I think of the last year, I think of "profit improvement". For the financial year ended 30 June, 2004, the Company recorded a profit of $457,122 which represents an improvement of 283% over the previous year's figure of $119,311. This outstanding performance is due entirely to the dedication and energy of our partners, staff, management and Board, all of whom I thank.

Among the most significant decisions made by the Board during the year was the appointment of a new Chief Executive Officer, John Scutt. John has strong skills in sales and marketing, which the Company has lacked for some time. Already, the professionalism and experience that John brings to the Company has led to considerably improved sales, with sales in June 2004, setting an all time record for the Company and contributing noticeably to the final result.

2004

1987

Richard Sealy - Chairman

"the company is now well equipped with the skills needed to oversee the business under its care and make fertile and insightful decision about its future"

John replaces Andrew Davidson who ceased to be employed by the Company as Managing Director in March 2004. During the period between his departure and the appointment of John Scutt, Peter Gregory ably stepped in as interim Managing Director and significantly improved a number of production processes in both the Sydney and Melbourne plants.

The Board has also appointed Bruce Hansen and Janet Sayer as directors of the Company. Bruce has an engineering background and assisted Peter Gregory in the early development of the Gregory "dual density" chair while Janet has extensive marketing and sales experience coupled with an impressive history of improving company performance. Both Bruce and Janet were appointed to fill casual vacancies and, being eligible to stand as directors, will offer themselves for re-election at the Annual General Meeting. I will also retire by rotation and, being eligible to stand as a director, will also offer myself for re-election.

The strengthening of the Board with two new independent directors is in line with the recently announced guidelines on good corporate governance. I am confident that the structure of the Board and senior management of the Company will provide the right mix of competencies and behaviours which will result in effective board process, optimal decision making and overall effectiveness of management.

With the increased size of the Board and the increased responsibilities of Directors comes the need to ensure that remuneration of directors is appropriate. I will therefore be recommending as a resolution at this year's Annual General Meeting that the directors' fees be increased to $250,000.

It is particularly pleasing to announce that, with the Company's greatly improved profit there will be a resumption of dividend. The Board will be recommending that a dividend of 1 cent per share be paid.

The final resolution which I will be recommending to shareholders will be a change in the name of the Company to "Gregory Australia Limited". This change is to be made in conjunction with marketing initiatives to create a national brand.

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

Richard Sealy
Chairman

Think growth

Gregory is on the way to achieving the synergies from the acquisition of Pluto Commercial Furniture. Our new "one company, one culture" philosophy is already paying dividends. That's the clear message from this year's results, and it's a very satisfactory message to be communicating in my first report to shareholders since assuming the Chief Executive Officer's role in May 2004.

Sales have increased from $13.4m to $14.8m. Whilst sales were increasing, we also made savings in the Company's cost structure through the restructuring of sales and operations teams. The result was a gratifying improvement in Net Profit After Tax, from $0.1m in 2003 to $0.45m in 2004.

We anticipate that further significant savings will be achieved in the coming year when we experience the benefits of the continuing reorganisation of the Company.

The strategic business objectives for the coming year will be to:

- Consolidate the branding of Gregory Industries as the leader in ergonomic office solutions,
- Continue to grow the business and increase our overall share of the office chair, workstation, tables and health care equipment markets in Australia and New Zealand,
- Undertake a continuous improvement of all processes in the business to reduce effective costs and increase productivity of operations, and
- Improve profitability and return on funds employed.

As already mentioned in the Chairman's Report, we have had a number of changes in personnel in 2004 that together with new initiatives outlined in this report will help us achieve further profitability improvements in 2004/5.

Factory operations – think integration

We have recently created a new position and appointed a National Operations Manager to raise the performance of both factories. Our aim is to introduce best practice assembly processes to our factories and improve productivity.

The development of the capability to manufacture and assemble the Gregory and Pluto product ranges at both our Wetherill Park and Bayswater factories will be a clear example of our integrated culture at work. This will allow us to become more responsive to market demand for our faster selling product ranges.

In conjunction with this change, we will measure profitability of product ranges with an upgrade of our costing procedures through the Company's information systems.

Cost control will also be targeted by upgrading the quality of purchasing staff and the adoption of a continuous improvement policy for component sourcing. We will also review freight and distribution contracts to ensure optimal pricing and distribution practices are adhered to.

A key commitment at an operational level is the extension of our environmental policy which aims to achieve 100% recyclable products. We plan to move from solvent based gluing to water based gluing in both Wetherill Park and Bayswater factories.

Product ranges – think diversity

Getting the product mix right is fundamental for any manufacturing based organisation. Reviewing the existing Gregory and Pluto product ranges, setting agreed sales strategies and defining market sectors for both ranges is a high priority. Our objective is to cover both the ergonomic and fashion oriented markets within the high-end and low-end price points.

We will be introducing a new line of Gregory chairs in 2005. The new chairs will reinforce the Gregory brand position of leadership in chair design in Australia.

We will also continue to develop our third range, Atlas Health and Aged Care products, catering to the hospital and aged care markets. This range has great potential to further accelerate our sales growth.

Sales – think dynamic

Our "one company, one culture" philosophy is already paying dividends in sales growth. To maximise sales opportunities, a national sales approach is being adopted and we will appoint a National Sales Manager and double the strength of our sales force.

Specific territories have been allocated in each of the major market segments including Health & Aged Care, Government and Top 500 Corporations.

As part of the overhauled sales structure, we will redefine our sales channel policy so as to support both distribution partners and direct sales. The aim is to avoid conflicts between channels which adversely affect sales. We see the maintenance of strong relationships with our distributors as being vital to the scalability of our business model.

Marketing – think awareness

In the coming year, Gregory will be introducing specific marketing initiatives designed to increase brand awareness in each of the key market sectors being targeted by our sales team.

To achieve this, we are developing new competencies within the organisation. Specialised staff will respond to government tenders. Enhanced telemarketing programs to major corporations will increase our awareness of future opportunities. Improved community liaison and the introduction of OH&S training services for our customers and distributors will reinforce the importance of ergonomics and our leadership in the field.

We also plan to quickly improve our use of online information services. Better search and feedback capability on the corporate website will enable both customers and partners to quickly access information they require.

Finally, we will continue to enhance our presence in the market through a range of corporate events including ergonomic information seminars, OH&S Workshops and participation in Office Design and Furniture Exhibitions around Australia.

32%
of ergonomic market share

200,000
chairs sold since 1987

72
employees nationally

John Scutt - Chief Executive Officer

"Ergonomic furniture is a rapidly growing industry, Gregory Industries, at the centre of this growth, holds enormous potential."

Think now and the future

Corporate resources – think depth

Another significant step towards the "one company" structure in recent months has been the introduction of the ARROW information systems to the Bayswater factory. As a result, it is now possible to produce a single information database for managing the business. However, the full benefits will be experienced when all reporting and staffing is aligned to the new procedures in the first half of the 2004-2005 financial year.

As staffing levels grow, we have also identified the need to strengthen our human resources capabilities and improve our ability to measure staff performance. Our aim is for Gregory Industries to be the employer of choice for all of our staff.

International sales – think regional

In the coming year we will continue to look beyond Australian shores for sources of business and profits. In particular, we will investigate options to sell our products ranges to the Asia Pacific markets.

Mergers and acquisitions – think expansion

The improvements to the operations of Gregory Industries outlined in this report are being made with strong organic growth in mind. Nevertheless, we will seek out new acquisition opportunities with the potential to grow the Company through further acquisitions in the coming year.

Think positive

It would be remiss of me not to conclude with a personal note of thanks to everyone at Gregory Industries for the support I have received since joining the Company. We have a tremendous team in place and great enthusiasm for, and belief in, the quality of the furniture we produce. I believe that working together we can achieve even greater things in the future. In reflecting the theme of this report, we have every reason to "think positive".

John Scutt
Chief Executive Officer

John Scutt - Chief Executive Officer

"we have every reason to think positive"

> Ergonomic Gregory chairs

> Ergonomic workstations

> Atlas health and aged care

> Pluto style and value

Think quality

Every Gregory, Pluto or Atlas product which leaves our factories must be made as well as it was designed. Our quality teams conduct ongoing checks to ensure standards are maintained. Many of our products are independently tested by the Australasian Furnishing Research and Development Institute to the appropriate Australian Standards to ensure they exceed the quality required to meet the rigorous demands of the commercial furniture environment.

Think 'top 100'

The most important approval of all has come from the marketplace: many of Australia's top 100 companies are customers using Gregory as their preferred office chair or as an aid for staff with back or work related injuries.

Gregory has also received important approvals from government. The Australian Federal Government endorses Gregory as a preferred supplier. In November 2000, Gregory was officially approved and appointed by the NSW State Government Contracts Control Board (a business unit of the NSW Department of Commerce) to provide ergonomic chairs under Contract Number 004/300 - Chairs, Office and General Purpose.

Think responsibility

At Gregory Industries, we take our responsibilities seriously. Not just our responsibility to shareholders, as important as they are. Our responsibility to the environment and the wider community is equally critical.

Quality System
Quality Endorsed Company
ISO/9002Lic0734
Standards Australia

We care about the office environment and also the wider environment we all share. At Gregory, we consider it our ethical obligation to consider all aspects of our products' impact on the environment throughout the entire product lifecycle. From sustainable production methods, reduction of waste and product selection through to the reuse of product components at the end of their lifespan, we are constantly looking for better ways of doing things.

Our responsibility to the community is also expressed in the very products we create. We consider the intricate harmony of the human body to be critical. We strive to preserve this balance, aiming to prevent the damage resulting from sitting incorrectly for long periods of time. Our approach is not simply to design a chair to support the human frame. We employ a holistic philosophy to design, extending ergonomics to encompass the individual's entire well-being.

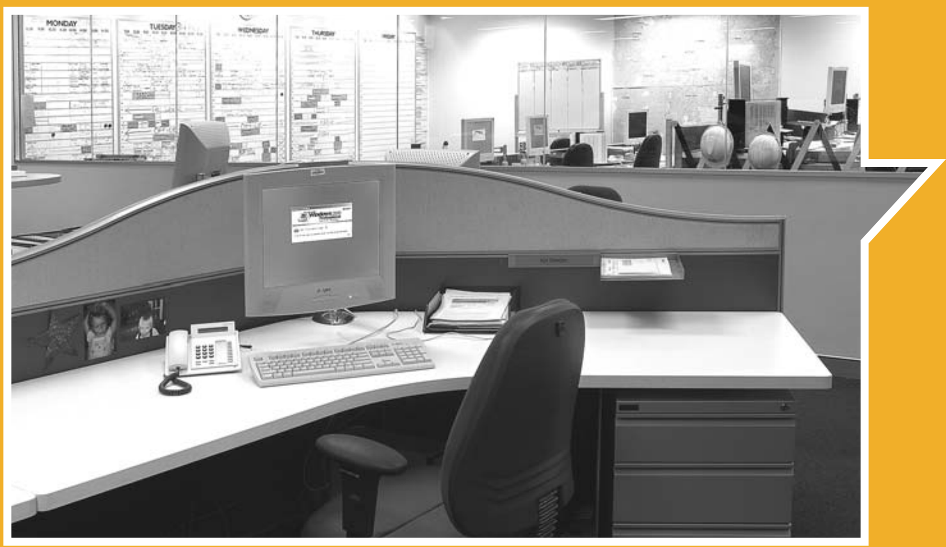
We are proud to be the only office chair manufacturer to have won the Australian Design Award; in fact, we have won three for our patented chair design. Our innovative philosophy has also been applied to a specialised range of mobile "no lift" folding tables; a streamlined, lighter workstation system; and healthcare products such as the long procedures chair used by dialysis patients, developed in conjunction with Gambro Pty Ltd.

furntech Australasian Furnishing Research & Development Institute MEMBER

Australian Government Endorsed Supplier Supporting Australian Business

An approved supplier under the NSW Government SCCB
Contract No. 300
1/1/2001 - 31/12/2004

Think about what others say



Andrew Christie

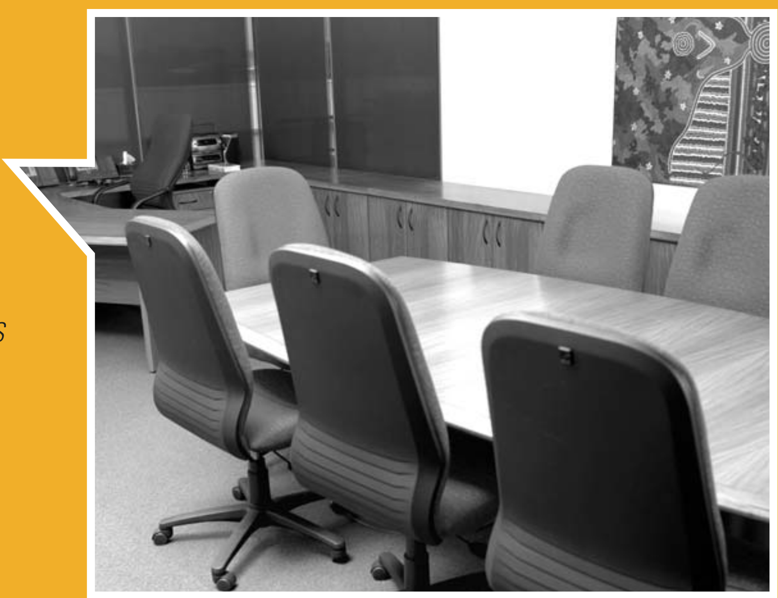
NSW Inspection Operations Manager, AQIS

"When looking for a supplier of ergonomic office chairs for our new office Gregory Industries provided us with chairs that met our requirements as well as providing us with a very professional service. When asked by clients about the Gregory chairs I can not recommend their chairs and service enough."

Gary Haines

Director Administrative Services,
Corporate Services,
NSW Department of Community Services

"We chose Gregory because after extensive evaluation considering price, quality and OHS issues, there was no comparison."



“A great partnership”

Bruce Goldingay
Chief Operating Officer, PKF Chartered Accountants & Business Advisers
"Comfort, style and productivity are high on PKF's agenda. A panel of our staff chose the Gregory solution and we have been delighted with the outcome."

Jamie Stokoe
Managing Director, Gambro Pty Ltd
"Pluto's expertise was critical to developing this product with us—it has been a great partnership."

Sheila Doshi
Clinic Manager,Gambro Dialysis Unit, Lindfield

Other valued testimonials

Distributor: Ergonomicoffice

Simon Greig, Ergonomicoffice Pty Limited
Gregory Distributor since 1989

“The Gregory Chair has become a recognised concept and brand that people now ask for by name.”

Distributor: Back Centre

Christine Croucher, Back Centre & Specialty Seating
Gregory Distributor since 1984

“Gregory Industries has continued to provide my business with a flagship range of seating options for my repeat customers - Gregory's reputation brings the customers back to us!”

Think corporate governance

The Directors of Gregory Industries Limited are committed to achieving the highest standard of corporate governance. Except where specified in this statement, the Company has adopted the ASX Corporate Governance Council's "**Principles of Good Corporate Governance and Best Practice Recommendations**".

Composition and Role of the Board of Directors

The Board is responsible for ensuring corporate governance standards and practices are maintained, providing guidance and direction to executive management and to set the overall strategic direction of the Company.

The Board may comprise from three to ten directors in accordance with the Company's constitution and currently consists of four non-executive directors. The Board has two independent directors. An independent director is principally defined as a director who:

- Is not a substantial shareholder;
- Has not held an executive position within the Company within the last three years;
- Has not held a position as a principal in any firm providing professional advice to the Company within the last three years;
- Has no material contractual relationship with the Company or group entity other than being a director; and
- Is free from any interest or other relationship which could be perceived to materially interfere with the director's ability to act in the best interests of the Company.

Independent directors at the date of reporting are Mr B Hansen and Ms J Sayer.

Mr R Sealy is the non-executive Chairman of the Company. Mr R Sealy is not considered an independent director as he is a director of Hammersmith Holdings Limited which is a substantial shareholder. Mr R Sealy has been Chairman of the Company since November 2002. The independent directors have been directors of the Company for less than a year and do not yet have the background or experience in the Company's affairs, at this time to be considered for the position of Chairman.

The Chairman annually reviews:

- The composition of the Board to ensure that the Board has the appropriate mix of expertise and experience;
- The performance of each director; and
- The approved remuneration levels for directors' fees as set by shareholders and how it is to be divided amongst the directors, currently non-executive directors are paid $40,000 per annum and the Chairman is paid $50,000 per annum.

The skills, experience, expertise and term of office held by each director are included in the Corporate Directory on page 52.

The role and code of conduct of the Board and senior executives is to:

- Establish the overall internal control framework over financial reporting, quality and integrity of personnel and investment appraisal;
- Establish and maintain appropriate legal and ethical standards in dealings with business associates, advisors and regulators, competitors, employees and any other stakeholders in the Company;
- Identify areas of significant business risk and implementing corrective action as soon as practicable after a risk has been identified;
- Ensure that the Company adheres to the ASX continuous disclosure requirements and rules of compliance.

Control of the Board and committee meeting agendas is vested in the Chairman of the Board or committee, where appropriate. Prior to each meeting all available information on matters to be discussed is provided to each of the directors or committee members with advice from external advisors as required.

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.

The directors must declare any conflict of interest when it arises and directors do not participate in discussion or resolutions pertaining to any matter in which the director has a material personal interest.

Non-executive directors are asked to commit no less than 20 days per year preparing and attending Board and committee meetings and performing associated corporate activities. The directors meet formally at east 11 times a year and at the Chairman's request, informally to discuss specific matters that may arise between scheduled meetings.

Apart from observing legal requirements, directors inform the Board of any proposed dealing in the Company's shares and are generally required to confine any such dealing (if otherwise appropriate) to a two week window following the release of quarterly reports or significant announcements.

Role of Shareholders

The Board aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. Information is communicated through the distribution of the annual report; half-yearly report; ASX reporting and calling a vote of shareholders on all proposed major changes in the Company which may impact on share ownership of rights.

In addition this Corporate Governance Statement and the annual report are posted on the Company's web site www.gregoryaustralia.com.au

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategy and goals.

Audit Committee

The Board has formally approved the constitution of an audit committee comprising Mr K Pitt and all the directors.

Due to the fact that the independent directors have been directors of the Company for less than a year the Board does not consider it practical or appropriate for the Audit Committee to at this stage have a majority of independent directors and therefore all directors serve on the Audit Committee. Once the independent directors have gained sufficient knowledge about the affairs of the Company one of the non-independent directors will resign form the Audit Committee.

The charter of the Audit Committee is to provide the link between the external auditors and the Board and carry out the following:

- Nominate the external auditors and review the adequacy of the scope and external audit arrangements;
- Review the accounting policies, practices and disclosure;
- Review the accuracy, timeliness and level of disclosure of the Company's published accounts; and
- Review compliance with the requirements of regulatory authorities.

The primary reporting line for the Company's external auditors is to the Chairman of the Audit Committee and currently this committee is chaired by Mr R Sealy. The Audit Committee met twice in February and August 2004 and all the then members of the Audit Committee attended the meetings.

The Board considers that at this stage of the Company's development it would not be cost effective to have a policy of rotating the auditors of the Company as the appointment of new auditors entails considerable cost and expense while new auditors familiarise themselves with the activities of the Company.

Design and Development Committe

The Board has formally approved the constitution of a Design and Development Committee comprising the Chairman Mr P Gregory and appropriate members of the senior management of the Company.

The development of new designs and products for the Company is considered a cornerstone of the Company's prosperity and the Design and Development Committee is therefore charged with the following tasks:

- To continually review the existing products and where necessary update their design;
- Locate new products and designs for the Company particularly with ergonomic qualities;
- Review methods for production of products and where possible improve methods and make cost savings without compromising the high standards of quality of the Company; and
- Ensure that all Intellectual Property of the Company is protected by patent and/or copyright and that no infringement of the Company's Intellectual Property has occurred.

The Design and Development Committee meets every month and the primary reporting to the Board is through the Committee's Chairman Mr P Gregory.

International Financial Reporting Standards Committee

The Board has established a committee to monitor the implementation of the Company's transition to IFRS reporting. The committee consists of Mr R Sealy, Ms J Sayer and Mr K Pitt who chairs the Committee.

Nominations and Remunerations Committee

At this stage of the Company's development the directors consider the establishment of a committee to consider Board nominations or a committee to determine the remuneration levels of directors and senior executives would contribute little to the effective management of these matters as the Company only has a small Board and few senior executives.

Consequently these issues are dealt with by the whole Board and where appropriate in consultation with the CEO. Advice is also provided by JML Australia Pty Limited a recognised recruitment firm located in Sydney. The matters considered include compensation arrangements for the senior management (including incentive plans and other benefit plans, if any), service contracts, general remuneration policies and practices, recruitment and termination policies and superannuation requirements.

Think corporate governance

Remuneration Practices

The Company's policy for determining the nature and amount of emoluments of directors, executive officers of the Company and senior executives of the Company is as follows:

- The remuneration is based on a number of factors, including particular experience and performance of the individual concerned and the overall performance of the Company; and
- Contracts for service between the Company and the specific directors, executive officers of the Company and senior executives are on a continuing basis, the terms of which are reviewed regularly by the Board.

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

Business Risk Management

The identification and management of risk inherent to the operation of the Company is managed by the CEO on a day to day basis. Where necessary the CEO will advise the Chairman of the Board or will, through the forum of regular board meetings bring matters before the Board collectively who will review, evaluate and deal with any matters arising in a manner that serves the best interest of the Company, its shareholders and stakeholders.

Executive Verifications

Mr J Scutt (CEO) and Mr K Pitt (CFO) have stated in writing to the Board that:

- The Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results are in accordance with relevant accounting standards;
- The statement given above is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and
- The Company's risk management and internal compliance and controls system is operating efficiently and effectively in all material respects.

Financial Statements for the year ended 30 June 2004

GREGORY INDUSTRIES LIMITED ACN 084 068 673

Directors' Report
for the year ended 30 June 2004

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

DIRECTORS

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

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

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

PRINCIPAL ACTIVITIES

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

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

REVIEW OF OPERATIONS

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

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

SIGNIFICANT EVENTS AFTER BALANCE DATE

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

LIKELY DEVELOPMENT AND EXPECTED RESULTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

DIVIDENDS

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

Directors' Report

for the year ended 30 June 2004

INFORMATION ON DIRECTORS

Director	Experience and Special Responsibilities
Richard Sealy	Chairman and Non-Executive Director Mr Sealy has over the last 25 years held positions as financial director, managing director or chairman of a number of public and private companies in Australia, New Zealand and the United Kingdom. Mr Sealy brings to Gregory Industries Limited experience in developing and growing companies by applying good business practices and motivating people so that the companies become successful and profitable. He has an in depth knowledge in the corporate and legal structuring of entities when embarking on fund raising and acquisition activities and has been instrumental in numerous public and private debt and/or equity issues and mergers and acquisitions.
Peter Gregory	Non-Executive Director Mr Gregory, a qualified physiotherapist and original founder of Gregory Industries, has valuable experience and expertise gained over many years in the Company's core business of designing, manufacturing and distributing commercial furniture and in particular our well known range of ergonomic chairs. Mr Gregory is Chairman of the Company's Design and Development Committee.
Bruce Hansen	Non-Executive Director Mr Hansen joined the Board of Directors in the early part of this year, and has had a long association with both the Company and its products. Bruce has over twenty five years experience in engineering, manufacturing and project managing of products used for the military environments. Currently managing a number of projects for a multinational organisation, Bruce has worked for companies such as BAE Systems, GEC Marconi Australia, and Plessey Australia, and Amalgamated Wireless Australia (AWA).
Janet Sayer	Non-Executive Director Ms Sayer has a strong background and understanding of integrated business strategies and has held a number of senior positions including Managing Director of Telstra Payphone and Card Services; Managing Director of GTECH Australasia Corporation; has held senior executive and board positions within the hotel and travel industries. Her experience in marketing and contacts made over a number of years at high levels within industry will undoubtedly be of benefit to Gregory Industries.

Interests in the shares and options of the Company:

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

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

Directors' Report
for the year ended 30 June 2004

SHARE OPTIONS - Unissued shares

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

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

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

DIRECTORS' MEETINGS

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

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

DIRECTORS' AND OTHER OFFICERS' EMOLUMENTS

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

DIRECTORS' AND AUDITOR'S INDEMNIFICATION

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

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

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

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

Directors' Report
for the year ended 30 June 2004

CORPORATE GOVERNANCE

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

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

Richard Sealy
Chairman

Peter Gregory
Director

Sydney, NSW

Dated 27 September 2004

Statement of Financial Performance

for the year ended 30 June 2004

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

The accompanying notes form part of these financial statements.

Statement of Financial Position
as at 30 June 2004

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

The accompanying notes form part of these financial statements.

Statement of Cash Flows

for the year ended 30 June 2004

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

The accompanying notes form part of these financial statements.

Notes to and Forming Part of the Accounts
for the year ended 30 June 2004

NOTE 1: STATEMENT OF ACCOUNTING POLICIES

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

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

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

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

(a) Revenue

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

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

(b) Income Tax

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

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

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

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

(c) Foreign currency transactions and balances

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

(d) Acquisition of assets

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

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(d) Acquisition of assets

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

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

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

(e) Receivables

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

(f) Inventories

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

(g) Plant and equipment

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

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

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

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

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

(h) Leases

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

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(h) Leases (continued)

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

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

(i) Research and development

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

(j) Intangibles

Goodwill

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

Patents

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

(k) Trade and other creditors

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

(l) Interest-bearing liabilities

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

(m) Employee benefits

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

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

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

(n) Cash

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

(o) Comparative figures

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

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

(p) Goods and Services Tax (GST)

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

(q) Dividends

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

(r) Recoverable amount of non-current assets

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

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

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

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

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

(i) Management of the transition process

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

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

Planning phase

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

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

Diagnosis phase

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

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

Notes to and Forming Part of the Accounts
for the year ended 30 June 2004

NOTE 1: STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

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

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

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

Conversion phase

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

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

(ii) Changes to key accounting policies

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

Goodwill

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

Taxation

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

Revenue on Disposal of Assets

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

Impairment of Assets

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

Notes to and Forming Part of the Accounts
for the year ended 30 June 2004

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

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

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

Notes to and Forming Part of the Accounts
for the year ended 30 June 2004

NOTE 5: DIRECTORS' AND EXECUTIVES' REMUNERATION

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

Directors

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

Specified Executives

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

Ther were no other specified executives during the year.

(b) Specified Directors' remuneration

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

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

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

Notes to and Forming Part of the Accounts
for the year ended 30 June 2004

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

(c) Specified Executives' Remuneration

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

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

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

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

Each option can be exercised for one ordinary share.

Each option does not carry any voting or earning right.

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

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

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

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

(f) Retirement of specified Executives

Mr J TC Lange resigned 9/1/04

Mr J D Maguire redundant 31/8/04

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

Mr R Hyland resigned 27/8/04

(g) Remuneration practices

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

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

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

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

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

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

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

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

	Note	2004	2003
		$	$
NOTE 10: CASH FLOW INFORMATION (CONTINUED)			
(b) Reconciliation of cash flow from operations (continued)			
Changes in assets and liabilities			
(Increase)/decrease in trade & term debtors		(891,334)	445,055
Decrease/(increase) in prepayments		90,612	(59,440)
Decrease/(increase) in inventories		109,722	(229,737)
(Increase)/decrease in deferred tax assets		(32,880)	42,529
Increase/(decrease) in income taxes payable		136,887	(121,502)
Increase in deferred taxes payable		28,661	40,295
Increase/(decrease) in provisions		71,153	(88,313)
Increase/(decrease) in trade creditors and accruals		65,945	(282,440)
Net cash provided by operating activities		**476,978**	**333,797**

(c) Non-cash financing and investing activities

During the year the Company acquired plant and equipment with an aggregate value of $214,484 (2003: $33,885) by means of finance leases. These acquisitions are not reflected in the Statement of Cash Flows.

	Note	2004	2003
(d) Credit standby arrangements with banks			
Credit facility		350,000	350,000
Amount utilised		-	-
Unused credit facility		**350,000**	**350,000**

The major facilities are summarised as follows:

The credit facility is represented by a bank overdraft, which has been arranged with a single Australian bank. The interest rate on the facility is variable and is subject to adjustment. The facility was put in place on 30 April 2002 and at no time during the financial year was the Company in breach of the credit limit.

	Note	2004	2003
(e) Loan facilities			
Loan facilities		1,081,333	1,264,667
Amount utilised		1,081,333	1,264,667
Unused loan facilities		-	-

Notes to and Forming Part of the Accounts
for the year ended 30 June 2004

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

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

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

(a) Movements in carrying amounts

	Owned plant and equipment	Leased plant and equipment	Total
Carrying amount at start of year	800,482	62,029	862,511
Additions	58,758	214,484	273,242
Disposals	(15,773)	-	(15,773)
Depreciation/amortisation	(166,859)	(50,085)	(216,944)
Carrying amount at end of year	**676,608**	**226,428**	**903,036**

Notes to and Forming Part of the Accounts
for the year ended 30 June 2004

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

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

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

Securities

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

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

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

	Note	2004	2003
		$	$
NOTE 19: PROVISIONS			
Current			
Employee entitlements	(a)	250,242	179,298
Non-current			
Employee entitlements	(a)	76,881	76,672
(a) Aggregate employee benefits		**327,123**	**255,970**
Employee numbers			
Number of employees at reporting date		72	58
NOTE 20: TAX LIABILITIES			
Current			
Income tax		136,887	-
Non-current			
Deferred income tax liability		68,956	40,295

NOTE 21: CONTRIBUTED EQUITY

(a) Share capital

	Note	2004 Shares	2003 Shares	2004 $	2003 $
Ordinary shares					
Fully paid	(b)	12,525,926	12,525,926	4,320,819	4,320,819

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

	Note	2004	2003
		$	$

NOTE 21: CONTRIBUTED EQUITY (CONTINUED)

(b) Terms & conditions

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.

(c) Options

At 30 June 2004, there were 1,000,000 (2003: 1,000,000) unissued ordinary shares for which options were outstanding. For information relating to these share options held by directors and specified executives refer to Note 5(d).

NOTE 22: RETAINED PROFITS

	Note	2004 $	2003 $
Retained profits			
Retained profits at the beginning of the financial year		894,406	775,095
Net profit attributable to members of the Company		457,122	119,311
Retained profits at the end of financial year		**1,351,528**	**894,406**

NOTE 23: FINANCIAL INSTRUMENTS

(a) Interest rate risk exposure

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

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

NOTE 23: FINANCIAL INSTRUMENTS (CONTINUED)

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

(b) Credit risk exposure

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

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

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

	Note	2004	2003
		$	$
NOTE 23: FINANCIAL INSTRUMENTS (CONTINUED)			
(c) Net fair value			
The carrying amounts of cash and non-interest bearing monetary financial assets and liabilities (e.g. receivables and payables) approximate their net fair value.			
NOTE 24: CAPITAL AND LEASING COMMITMENTS			
(a) Finance lease commitments			
Payable:			
Not later than one year		93,407	46,783
Later than one year but not later than five years		218,942	55,340
Minimum lease payments		312,349	102,123
Less future finance charges		(60,083)	(10,816)
Total lease liability		**252,266**	**91,307**
Represented by:			
Current liability	18	68,912	40,792
Non-current liability	18	183,354	50,515
		252,266	**91,307**
(b) Operating lease commitments			
Non-cancellable operating leases contracted for but not capitalised in the financial statements			
Payable:			
Not later than one year		447,806	588,076
Later than one year but not later than five years		338,703	669,694
Commitments not capitalised in the financial statements		**786,509**	**1,257,770**

Included in the above commitments is GST amounting to $71,298 (2003: $114,308), which will be recoverable from the Australian Taxation Office.

The operating lease amounts include three property leases and are non-cancellable leases.

The Wetherill Park factory lease term is for 5 years and expires on 12/12/04. An option has been taken up to renew the lease for an additional 6 months from the above date of 12/12/04. The Bayswater factory lease term is for 5 years and expires 30/04/07. The South Melbourne showroom lease term is for 3 years and expires 22/7/05. Rent payments for each property are payable monthly in advance. Contingent rental provisions within each lease agreement require minimum lease payments to be increased by CPI.

Notes to and Forming Part of the Accounts

for the year ended 30 June 2004

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

NOTE 27: SEGMENT REPORTING

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

NOTE 28: CONTINGENT LIABILITY

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

NOTE 29: COMPANY DETAILS

Registered office and principle place of business

125-131 Cowpasture Road
Wetherill Park NSW 2164

Share Registry

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

Directors' Declaration

for the year ended 30 June 2004

The Directors of the Company declare that:

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

   (a) comply with Accounting Standards and the Corporations Regulations 2001, and

   (b) give a true and fair view of the financial position as at 30 June 2004 and of the performance for the year ended on that date of the Company.

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

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

Richard Sealy
Chairman

Peter Gregory
Director

Sydney, NSW

Dated 27 September 2004

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 2004.

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

Audit Approach

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

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

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

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

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

Auditor's Report

BDO

Independence

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

Audit Opinion

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

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the company's financial position as at 30 June 2004 and of its performance for the year ended on that date; and

(ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

BDO
Chartered Accountants

E Psaltis

E Psaltis
Partner

Sydney, this 27th day of September 2004

Additional Information for Listed Companies

(a) Distribution of equity securities

Analysis of numbers of equity security holders by size of holding as at 18 August 2004:

	Ordinary Shares	
	Shares	**Options**
0 to 1,000	22	-
1,001 to 5,000	211	-
5,001 to 10,000	73	-
10,001 to 100,000	88	-
100,001 and above	14	1
	408	**1**

There were 31 holders of less than a marketable parcel of ordinary shares.

(b) 20 largest shareholders – ordinary shares

The names of the twenty largest holders of equity securities as at 18 August 2004 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
Mr & Mrs John McLeod Bougen & Mr Peter Speakman	423,250	3.38
Mozart Nominees Limited	400,500	3.20
The Lindfield Partners Pty Ltd	250,000	2.00
Mr & Mrs Richard Egglesfield	200,000	1.60
Mr Donald James Miller	200,000	1.60
W Brooks Investments Pty Ltd	155,000	1.24
Ellavile Holdings Pty Ltd	134,416	1.07
Ms Gail Gorham	125,000	1.00
Nupcone Pty Ltd	119,900	0.96
Mr & Mrs John Ronald Jones	110,000	0.88
East Coast Industrial Supplies Pty Ltd	100,000	0.80
Faaborg Pty Ltd	100,000	0.80
Ian Bryan & Associates Pty Ltd	100,000	0.80
Parnell Holdings Limited	100,000	0.80
Mrs Beverley Ruth Peken	100,000	0.80

Additional Information for Listed Companies

(b) 20 largest shareholders – ordinary shares (continued)

Name of Holder	Ordinary Shares Number Held	% of Issued Shares
Mr & Mrs Thomas James Reid	100,000	0.80
Mr & Mrs Scott John Salisbury	100,000	0.80
Zellhold Pty Ltd	100,000	0.80
	8,772,514	**70.07**

	Number on issue	Number of holders
Unquoted equity securities		
Options on issue	400,000	2
	400,000	**2**

(c) Substantial holdings

The names of the substantial shareholders listed in the Company's register as at 18 August 2004 are:

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

(d) Voting rights

Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

(e) Restricted securities

The Company has no restrictions on any of its securities as at 30 June 2004.

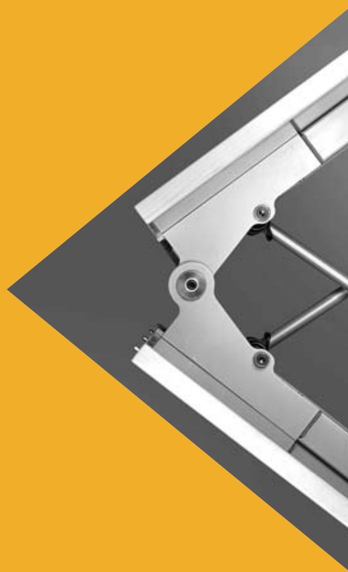
(f) Company Secretary

The name of the Company Secretary is Mr Kevin Pitt.

(g) Stock Exchange listing

Quotation has been granted for all ordinary shares of the Company on all Member Exchanges of the Australian Stock Exchange Limited.

Think corporate directory



Directors

Richard Sealy, CA, MAICD
Chairman and Non-Executive Director
(appointed Non-Executive Director 28 April 2002 and Chairman 19 November 2002)

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

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

Peter G Gregory, BSc Dip Phyt
Non-Executive Director
(appointed 7 April 1999)

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

Janet C Sayer, MBA, MAICD, MAITT
Non-Executive Director
(appointed 24 June 2004)

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

Bruce Hansen, Mechanical Engineering (Diploma)
Non-Executive Director
(appointed 22 March 2004)

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

Chief Executive Officer

John Scutt, BComm (hons) Newcastle, FAICD, FCPA, FAIM

Mr John Scutt joined Gregory Industries Limited in May 2004. John has over 30 years of strong business building skills with particular emphasis on sales and finance. Over the past 8 years John has gained extensive retail and government experience in CEO roles and has developed and grown companies through mergers and acquisitions. Prior to joining Gregory Industries John has worked for large Australian and multinational organisations including Austen & Butta Limited, Young & Rubicam Australia Pty Ltd, DFS Australia Pty Ltd, Allders International Pty Ltd, TVSN Limited, Ezishop.net Limited (own company) and CiTR Pty Ltd.

Company Secretary

Kevin Pitt, Assoc Dip Acc

Mr Kevin Pitt joined Gregory Industries Limited in October 2000 as Company Accountant. Kevin has over 25 years experience in manufacturing within corporate, statutory and private businesses, with skills developed to suit the specific needs of growing organisations. He has worked and supported all levels of management in various roles including system integration, management, financial and cost accounting for such companies as James Hardie, Boral and Southcorp. Kevin is close to completing studies through Charles Sturt University in obtaining a Bachelor of Business (Accounting).

Registered Office

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

Eakin McCaffery Cox
Level 34, St Martins Tower
31 Market Street
Sydney NSW 2000

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