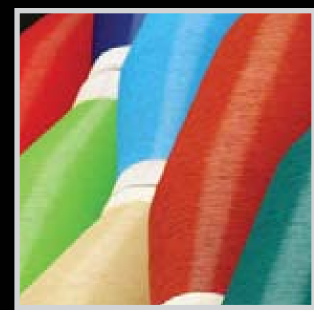
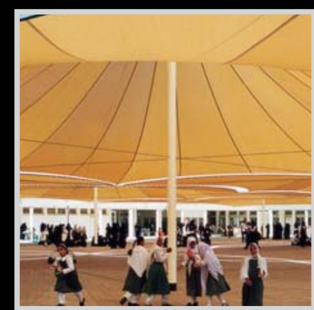
GALE PACIFIC LIMITED

ABN 80 082 263 778

BCA/GPL241

GALE PACIFIC LIMITED





ANNUAL REPORT 2004

GALE PACIFIC LIMITED

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WALMART THE HOME DEPOT BUNNINGS LOWE'S JOHN DANKS & SON PRAKTIKER MITRE 10 METRO SAM'S CLUB SUPERSPAN GLOBUS KELMATT AUSTRALIA ABC PRODUCTS ROCKLEA CANVAS J D & M J KNIGHT PORTCO NOLAN WAREHOUSES J A GRIGSON HARRIS SCARFE BHP COLLIERS ACADEMY TARPS PATCHS CANVAS MANUFACTURING SUN 'N SURF INTERNATIONAL MAXITRANS MANUFACTURING C E BARTLETT ICL TASMAN INSULATION AUSTRALIA DARLING DOWNS TARPAULINS ORCHARD SUPPLY HARDWARE THOR BUILDING PRODUCTS ABGAL DIXIELINE JAYLON INDUSTRIES BUNNINGS FRED MEYER N L PRODUCTS A MART HARVEY NORMAN RADINS CANVAS K MART STRATCO VISY PRICE COSTCO DAVID JONES PETS INTERNATIONAL WESTARP HOME HARDWARE MAGNET MART OASIS TENSION STRUCTURES

A YEAR OF EXPANSION

The Directors of Gale Pacific Limited, an Australian manufacturer and exporter of advanced polymer fabrics and related products, with subsidiaries in the United States of America (USA), Germany, United Arab Emirates (UAE) and the Peoples Republic of China, have pleasure in announcing a record full year result.

The Company continued its growth path following the acquisition of Jung Garten & Freizeit Vertriebsgesellschaft mbH (Jung) in Germany with growth in all offshore markets and improvements in our China operations.

Key performance indicators such as revenues, profit and earnings per share recorded strong growth.

The success in Gale developing an improved range of industrial fabrics has given the company confidence in recruiting key Product Category and Research and Development personnel in the USA and China respectively. This will strengthen and accelerate our entry into the industrial market in the USA and allow for the development of core products customised for the USA and European markets.

The Jung acquisition has brought with it access to major retailers in the home and garden segment in countries centred in south-east Germany. Jung, with its distribution expertise, will offer reliable and cost effective access for the Gale product range into Europe. In line with the Company's stated goals in last year's Annual Report, the acquisition of Jung has enabled the Company to establish a foothold into key European markets.

An increase in sales in the Middle East was also realised against targets set last year.

The Company continues to invest in the development of new products and commercialisation initiatives; these are covered in the Managing Director's Report and Review of Operations.

The new factory in Beilun, south of Shanghai, which will officially open in November, is now virtually complete. Most personnel and plant have already transferred to it from the temporary premises and as this facility comes on line there will be further opportunities for more efficient production.

In last year's Annual Report, we noted that the Company anticipated that by 30 June 2004, most value-added products would be sourced from the Gale Pacific China operation. I am pleased to announce that in line with this expectation, the Company now produces the majority of its products in China.

FINANCIAL PERFORMANCE

Gale Pacific generated an after-tax profit attributable to members of $7.004 million, an increase of 28.5% over the previous year's $5.451 million on revenues of $106.4 million ($84.6 million in prior year). This is an excellent result after absorbing one-time net costs of $1.3 million which predominately related to the acquisition and integration of the Jung operation and the utilisation of temporary premises in China.

Working capital management remains a key focus and operational cash flow amounted to $12.403 million after absorbing the one-time costs related to the Jung acquisition and temporary production facilities.

DIVIDENDS

The Directors have declared a fully franked final dividend of 4 cents per share payable on 18 October 2004, making a full year dividend of 7.5 cents per share fully franked representing 54% of after tax profits attributable to members. This is in accordance with the policy announced two years ago in which it was stated that the Company intended to pay out approximately 50-55% of after tax profits subject to the performance of acquisitions. The book's closure date for determining entitlements for the dividend is 27 September 2004. A dividend reinvestment plan is available to all shareholders.

OUTLOOK

The key objectives for the forthcoming financial year are:

- To grow the industrial fabrics product sales in the United States.
- To install the new manufacturing plant in the China facility and to improve its productivity.
- To upgrade extrusion equipment in Australia.
- To develop and bring to market a range of external extendable awnings.
- To complete at least two new business initiatives in the water conservation area.
- To capitalise on the European distributor network by expanding Jung products into the Benelux countries and France, and integrate Gale core products into the Jung network.

PEOPLE

I would like to express my appreciation to all our personnel and my fellow Board members for their contribution over the past year which has continued to see Gale Pacific being a growth business with a track record of successful integration of acquisitions.

I would also like to thank Dr Huw Davies for his contribution over the past three and a half years and welcome Mr George Richards who joined our Board in May 2004. Mr Richards brings with him extensive experience in the retail industry.

ANNUAL GENERAL MEETING

A notice of the annual general meeting for Monday 15 November 2004 commencing at 11.00am and a proxy form is enclosed with this report.

Executive Option Plan

The Company established an Executive Option Plan in November 2000, the rules of which were amended by resolution of the independant Directors in September 2004. The independent Directors have also resolved to recommend to shareholders that an allocation of options be made to the two Executive Directors, Mr Gary Gale, the Managing Director, and Mr Peter McDonald, the Chief Operating Officer.

The explanatory notes detailing the recent changes to the plan rules, the total number of options that may be issued under the plan, the terms applicable to the options, and the allocation of options to the two Executive Directors are contained in the notice paper accompanying this Annual Report. The independent Directors recommend that shareholders approve the requisite resolutions.

Re-election of Directors

Messrs Daryl Reilly and Peter McDonald retire as Directors by rotation in accordance with the constitution of the Company and, being eligible, offer themselves for re-election. Additionally Mr George Richards having been appointed to fill a casual vacancy retires in accordance with the constitution and, being eligible, offers himself for re-election. The Board endorses the re-election of these Directors.

THEO EVERSTEYN
CHAIRMAN
Dated: 24 September 2004

Artists impression of our new manufacturing facility in Beilun, China.

MANAGING DIRECTOR'S REPORT AND REVIEW OF OPERATIONS

for the year ended 30 June 2004

CONTINUATION OF ORGANIC GROWTH AUGMENTED BY A MAJOR ACQUISITION

I am pleased to report that Gale Pacific's world leading advanced polymer fabric range and related value-added products have again delivered a record result.

This 28.5% increase in earnings to $7.004 million has been achieved after the poor weather conditions of the Australian summer. In our half yearly report, we announced that the Australian season was slow due to poor summer weather conditions but nevertheless in line with the robust performance in the previous year when we experienced excellent summer weather. The expansion of our markets has shown our strategy on market diversity to be very sound. The Middle East grew some 40.0%, Europe over 100% (in Gale core products), both from modest volumes, and the USA by 16.9% when measured in their local currencies.

I am pleased to report that Gale Pacific's world leading advanced polymer fabric range and related value-added products have again delivered a record result.

Revenue for the year was up 25.8% to $106.4 million after adjusting for a further move away from independent contractors in China to our own operation, resulting in an elimination of the contractor fabric sales.

This has been a year of significant change within the group with the expansion of the Company's markets into Europe with the Jung acquisition, the continuing success of and investment in Cal-Shades' product range in the USA, and the emergence of benefits from the continuing investment in our manufacturing operations in China.

Examples of Gale Pacific's world leading advanced polymer fabrics range.

MANAGING DIRECTOR'S REPORT AND REVIEW OF OPERATIONS (cont'd)

for the year ended 30 June 2004

EUROPE / JUNG ACQUISITION

During February 2004 the Company completed the acquisition of Jung, a leading and well-respected supplier to major home improvement retailers in Germany, Austria, Switzerland and the Czech Republic.

The acquisition cost of €3.47 million (equating to $A6.4 million) was funded through a $15.2 million capital raising. The additional capital raised was used to fund working capital requirements, new product development initiatives and reduce gearing. Under a share placement to institutional investors the Company received $11.0 million, with the balance of $4.2 million coming from an underwritten share purchase plan. In total 5.83 million new shares were issued at a price of $2.60 each. We were very pleased that approximately two thirds of the Company's shareholder base participated in the share purchase plan.

Jung's results for the year have exceeded expectations, and the acquisition is enhancing Gale's earnings per share after taking into account capital raising to fund the Jung acquisition.

The Jung acquisition has already established Gale Europe with effective customer service, a distribution facility and strong established relationships with key German retailers. It has supplied Gale with a low risk platform from which to generate strong organic growth from Gale's product range in the large European market. The procurement expertise which the Company has gained through its China operations has delivered improved margins on Jung's established product lines.

The launch of Gale's products through the Jung network has been successfully implemented in several major German retailers and catalogue customers with excellent sell-through results. It is the Company's intention to progressively establish a customer base over 2004/05 through Jung in France, Holland, Belgium, Austria, Switzerland, Poland and Italy.

Gale has already established distributors for its products in England, Spain, Slovakia, Slovenia, Croatia, Serbia, Romania, Finland and Greece that will be serviced directly from Gale's manufacturing plant in China and will be supported through Gale Europe's customer service and distribution centre.

Earlier this month, the Company attended the Gafa/Spoga international trade show for garden related products. Senior representatives of Gale's operations in China, Australia, Dubai and our recently appointed European sales managers attended the trade show. The quality of our newly released product developments featuring our unique balcony awnings and privacy screens received extensive coverage in the garden industry and show media. It is also pleasing to note that the cooperation between our senior team in showing our worldwide customer base these new market defining product developments was complimented by local media representatives.

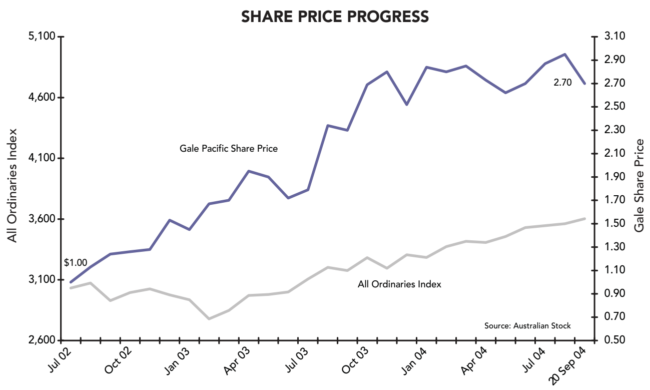
This trade show has delivered to Gale Europe significant opportunities throughout the entire product range. The Company is now focused on servicing these opportunities through the spring and summer of 2005 in Europe.

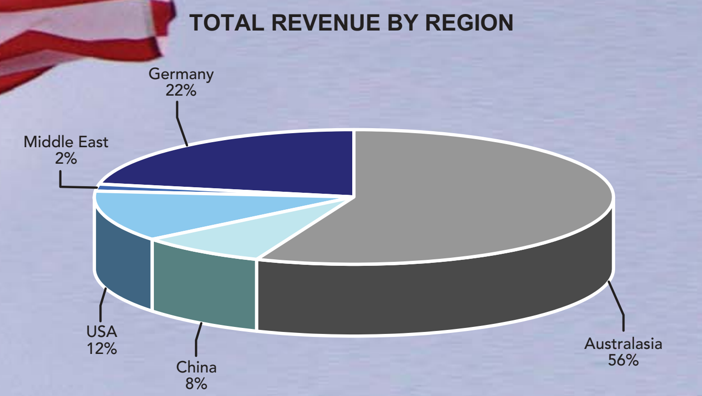
NEW PRODUCT DEVELOPMENTS AND INITIATIVES

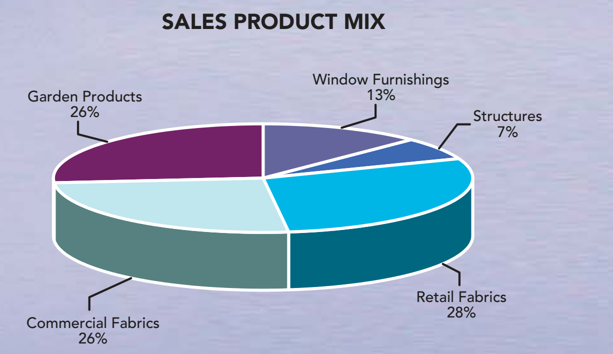
The Company continues to invest significant resources into the development of new business and product extensions within our range of existing products. The commitment to these developments has been stepped up a level to ensure all operating units are receiving adequate support and regional customisation of those enabling technologies we develop. During the year, China has experienced a dramatic increase in staffing in this area to complement our Australian team. China has delivered a large and unique expansion of our very successful window furnishing range which was launched at the European trade show at Cologne, Germany earlier this month.

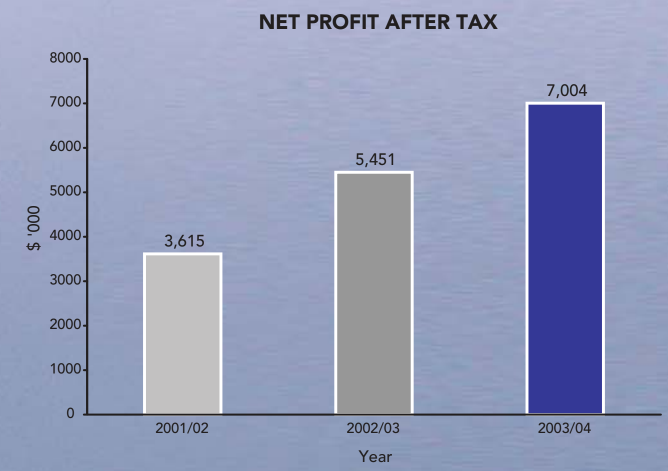
Further advancements continue at Gale with our commitment to products that both conserve water, an increasingly threatened resource, and also maintain the purity of potable water.

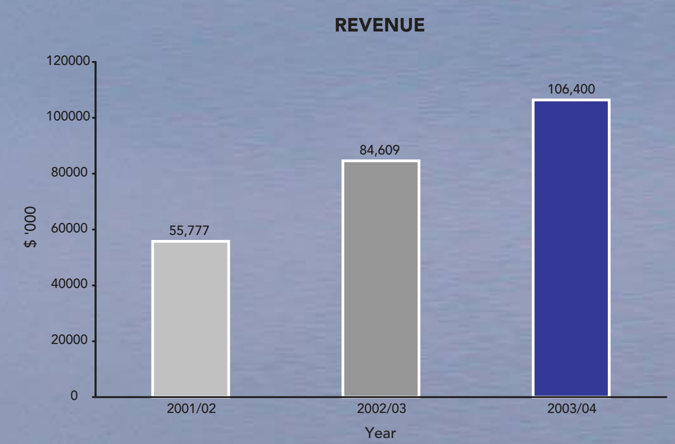
Gale has completed a range of flexible water pipe trials in Griffith NSW that are being monitored by the CSIRO. The Gale product is being developed as an alternative to rigid piping and open channel irrigation. We are sufficiently satisfied by the results and are developing the specifications of the product range. We are moving closer to the commercialisation of the opportunity with relevant parties.











Geographic expansion has successfully diversified the Company's revenue and profit streams.

The Company has introduced the "Water Worm", a flexible domestic water tank that satisfies the Government's tank rebate scheme for rainfall catchment. This product has the benefit over rigid tanks in that it can be located under the house or in the garden. This product has been introduced at selected stores.

The Company has now commercialised a new light weight tube for mine venting and has made significant advancements in the production of our anti-wick PVC replacement fabrics in the industrial area.

We have fully commercialised the Bioclip biological shearing nets and currently have received two orders each for 500,000 units for this product; it is now in production in our China operations.

MANAGEMENT

The Company has invested substantial time and funds in building and restructuring its management team to ensure the effective delivery of the Company's objective to be the market leader in each of its product categories in each of its markets.

The Company's worldwide management team is cognisant of the issues affecting our industry and adapting to the future challenges in the rapidly changing commercial environments in which the Company operates.

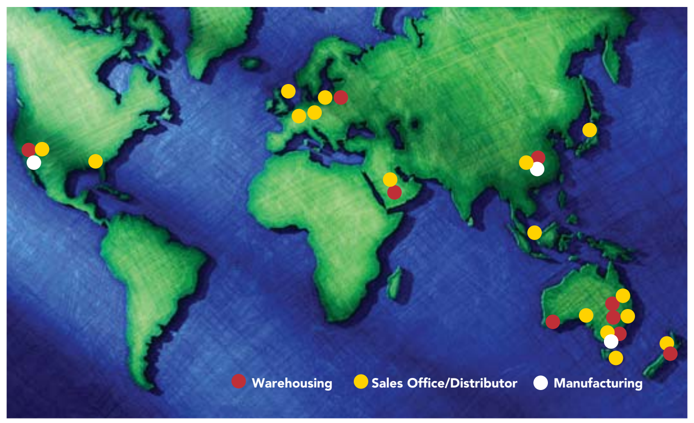
The Company is investing significant time and effort in preparing succession planning in all operations at all levels. This provides opportunities for advancement for Gale employees and enables the Company to attract high calibre staff. In view of the significant development of our international management team over the period I would like to introduce them to you.

Doug Whyte, Vice President – Sales and Marketing of our USA operation joined Gale in 2002 having held senior sales and marketing positions with Black & Decker and Ingersoll Rand servicing the hardware and home improvement channels in the USA. Doug has cemented our relationships with all major USA accounts and is building a strong sales and marketing team to capitalise on the ranging and marketing opportunities we have in this large and important market.

Elmar Jung, Co-founder of Jung and Managing Director - Gale Europe, Elmar has over the past 7 years built the business into one of the premier garden and outdoor leisure distributors to the central European market. Elmar maintains very close relationships with leading German retailers built up through Jung's exceptional service and product innovation. Over the past 6 months he has integrated Gale Europe and its Coolaroo branded products into Jung's traditional customer base. Mr Jung's in-depth knowledge of the past and current challenges within the European market is invaluable to Gale in planning and executing its further expansion in this region.

Emma Xu, Executive Director - China Operations. In 2002 when Emma joined the Company she was a senior lawyer based in Shanghai with Lehman Lee & Xu Lawyers. Emma has significant experience with start-up businesses and providing advice to offshore corporations in the establishment and restructuring of their Chinese operations. She successfully maintains the relationships the Company has with all government authorities and was responsible for the establishment of our corporation and management of all finance and administration functions in its initial stages as CFO. Early in 2004, Emma took on the position of Director on our Chinese board. In addition she is now responsible for sales and marketing functions interfacing with the local offices of offshore and local retailers. In these capacities she maintains a stable organisational platform on which Paul Cashion can manage our manufacturing operations.

Paul Cashion, General Manager Manufacturing - China Operations. Paul has had a very successful career in general management of textile operations throughout Australia, and recently joined us as General Manager Manufacturing of our Ningbo production facility. In the course of the last 6 months he has initiated significant technical upgrades to our operations and ensured a smooth transition to our new facility. Paul has adapted well to the Chinese environment and is supported significantly by Emma Xu and her team. Paul has built an excellent middle management team to effectively operate our new manufacturing facilities and manage the growth they are experiencing both now and into the future.



The Company continues to invest in exciting new technology and market areas.

Zafar Fakroddin joined Gale in 2002 to lead our Dubai operations. This business has grown its sales rapidly and significantly improved the performance of our Middle Eastern operations. Zaf comes from Chicago, USA as principal and as senior manager of a well respected Chicago trading organisation. Zaf is presently expanding the reach of our Dubai office which is currently trading in Eastern Europe and most of the GCC countries. Even through these difficult times within the region we were able to grow our business by some 40.0% last year.

I would like to take this opportunity to thank our former Chief Financial Officer, Mr Rod House, for his diligent efforts over the last two years. We wish him well.

UNITED STATES OF AMERICA

USD revenue in the USA increased by 16.9% on the previous year despite the loss of USD $0.870m in sales due to Kmart's Chapter 11 bankruptcy and subsequent restructure, eliminating the category from their stores. Sales to the Home Centres of Home Depot and Lowes grew significantly due to the strong performance of the Cal-Shades range.

We secured new business with Wal-Mart's Sams Club giving us an excellent base to build on for the future with this major retail account.

In implementing our industrial fabric marketing strategy we employed a highly skilled and experienced Industrial Sales & Marketing Manager to execute our plans. We have already secured a new national industrial fabric distributor late in the season developing a most promising base for future expansion in this market.

The Company has completed the integration of the Cal-Shades product range under the "Coolaroo" brand and also its financial and administrative systems. These changes have been very well received by our major retail partners. The Cal-Shades custom shade business has significantly grown during the year.

Good progress has been made on strengthening our USA management team in order that we can more aggressively attack the existing consumer markets and the emerging industrial opportunities in the USA. We have hired further sales and marketing personnel to expand our USA business.

MIDDLE EAST

Revenue growth in the region has been at a rapid rate. Revenues in USD were 40.0% ahead of last year, predominantly in our architectural fabrics range. With the rapid expansion of investment into the UAE infrastructure and leisure industries we have further opportunities for growth. We are fortunately located in the environment most insulated from the region's conflicts, however there are a number of challenges in developing these markets.

CHINA

In September 2003 the Company acquired the remaining 15% equity interest held by its joint venture partner and converted the business into a "Wholly Foreign-Owned Enterprise" in China.

Construction of the new manufacturing facility in Beilun is nearing completion for the November official opening. The facility is 32,000 square metres of factory, office and staff accommodation and with the significant growth in the northern hemisphere markets the additional production capacity and product sourcing options this facility provides will be of significant benefit over the medium term.

This will allow us to more than double the current manufacturing volumes.

FINANCE, BANKING AND CORPORATE GOVERNANCE

In line with the increasing globalisation of its operations, the Company is currently finalising the transition to a broader range of banking facilities with additional banking partners that have a greater presence in the overseas regions in which we operate. The Company has also increased the level of corporate governance in each jurisdiction by expanding the role and activities of local boards and ensuring open lines of communication with the parent Company board.

MANAGING DIRECTOR'S
REPORT AND REVIEW OF OPERATIONS (cont'd)
for the year ended 30 June 2004

CASH FLOW

The acquisition of Jung resulted in a significant improvement in operating cash flow from the prior year. This improvement was diminished by lower than anticipated sales in Australia resulting in marginally increased stock levels ($0.8m). In addition higher stock levels were maintained in the Company's European operation in advance of an anticipated rise in the price of steel.

OUTLOOK

The Company has positioned itself well for the medium term having well established skills in the world's most significant markets, namely the USA, Europe and China, while continuing to develop its important home market of Australia.

The investment by the Company in the last five years in market expansion, product development and cost reduction provides the basis for greater confidence in the Company's ability to continue to deliver consistent and significant growth in shareholder value.

OUR PEOPLE

The reduction in costs that the company presently enjoys and which are necessary for the maintenance and improvement of its competitive position could only have been made possible by the willing contribution, effort and sacrifice made by all members of the Gale team. Whilst I thank them all for their wonderful efforts we must all be aware that conditions in the market require us to continue our efforts to satisfy our customers. Maintaining customer service levels, managing costs and cash flow, continuing to improve technology and providing innovation for new products will allow access to new markets and continued growth opportunities into the future.

GARY S GALE
MANAGING DIRECTOR
Dated: 24 September 2004

This statement sets out the corporate governance practices that were in operation throughout the financial year for Gale Pacific Limited and its controlled entities ("the Company") and which substantially comply with the Australian Stock Exchange Corporate Governance Council recommendations.

1. BOARD OF DIRECTORS

1.1 Responsibilities

The role and responsibilities of the Board include the following:

- Setting and monitoring of objectives, goals and strategic direction for management with a view to maximising shareholder wealth.
- Accepting an annual budget and the monitoring of financial performance.
- Approving and monitoring the progress of major capital expenditure, capital management and acquisitions and divestments.
- Overseeing the Company's processes for disclosure and communications.
- Ensuring adequate internal controls exist and are appropriately monitored for compliance.
- Ensuring significant business risks are identified and appropriately managed.
- Maintaining the highest business standards and ethical behaviour.

In addition to matters expressly required by law to be approved by the Board, the powers specifically reserved for the Board are as follows:

- Selecting, appointing and reviewing the performance of the Chief Executive Officer and determining his/her terms of engagement and remuneration.
- Approval of transactions, expenditure or other matters in excess of discretionary authorities delegated to the Chief Executive Officer from time to time.
- Approval of significant changes in organisational structure.
- The issue of any securities or equity instruments.

In carrying out its responsibilities and powers, the Board recognises its overriding responsibility to act honestly, diligently and in accordance with the law in the best interests of the Company's shareholders while also having regard to the interests of its other stakeholders, including its customers and employees.

The Board periodically reviews the functions of management and the responsibilities of the Board.

1.2 Terms of Appointment

The Board has settled a form of letter of appointment to be provided to potential new non-executive directors which prescribes:

- Remuneration.
- The term of appointment, subject to shareholder approval.
- The expectation of the Board in relation to attending and preparing for all Board Meetings and other duties.
- Procedures for dealing with conflicts of interest.
- Trading policy governing dealings in the Company's securities.
- The availability of independent professional advice.

Non-executive directors are remunerated for their services from the maximum aggregated amount approved by shareholders for that purpose.

2. BOARD STRUCTURE AND COMPOSITION

2.1 Independence

At the date of this report, the Board comprises 3 non-executive independent directors and 2 executive directors. The Directors considered by the Board to constitute independent directors are: T. Eversteyn, D. Reilly and G. Richards. The test to determine independence which is used by the Company is whether a Director is independent of management and any business or other relationship with the group that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement. All of the non-executive directors are considered independent.

In reaching this conclusion, the Board specifically noted and sought advice with respect to the fact that Mr T. Eversteyn is the only non-executive director who has in the past three years, been a principal of an adviser to the Group. Up to April 2004, the Company's tax advisory firm was Bentleys MRI, a firm of which Mr T. Eversteyn, the Company's Chairman, is a partner. Bentleys MRI ceased providing tax advice to the Company in April 2004 and notwithstanding that Mr T. Eversteyn is a partner in this firm, the Board has concluded that he retains independence of character and judgement. The Board considers Mr Eversteyn's financial expertise to be important to the discharge of the duties of the Board and that accordingly his membership of the Board and the Audit Committee are appropriate.

The names of the Directors in office at the date of this Report, the year of appointment and their status as non-executive, independent or executive directors is set out on page 20 of the Directors' Report.

2.2 Chairman

The Chairman, Mr T. Eversteyn has been chairman of the Company since May 2004 and was, at the date of his appointment and continues to be, independent. The Chairman leads the Board and is responsible for the efficient organisation and conduct of the Board's functions.

2.3 Committees of the Board

The Board has established three permanent committees to assist in the execution of its responsibilities. These are the Nomination Committee, the Audit Committee, and the Remuneration Committee.

Nomination Committee

The Nomination Committee now consists of T. Eversteyn, G. Gale and D. Reilly. It reviews the performance of the committees of the Board and key executives on an ongoing basis and oversees the appointment and induction process for Directors. It reviews the composition of the Board and makes recommendations on the appropriate skill mix, personal qualities, expertise and diversity. When a vacancy exists or there is a need for particular skills, the Committee determines the selection criteria based on the skills deemed necessary. Potential candidates are identified by the Committee with advice from an external consultant.

Audit Committee

The primary role of the Audit Committee is to assist the Board in fulfilling its responsibilities relating to the accounting, internal control and reporting practices of the Company and its subsidiaries. The Audit Committee now consists of only non-executive, independent directors and it has an independent chairman who is not the chairman of the Board. Mr D. Reilly is the Chairman of the Audit Committee.

The Committee's responsibilities include:

- To recommend to the Board the appointment and dismissal of the external auditors and setting the appropriate fee.
- To evaluate the performance of the external auditors, including their independence and objectivity. The external audit engagement partner is not rotated; however the auditor's internal quality review processes including second partner review are accepted by the Committee.
- To review the annual and half-year financial reports and to ensure compliance with Australian Accounting Standards and generally accepted accounting principles.
- To monitor the establishment of an appropriate internal control framework, and appropriate ethical standards.
- To monitor the procedures to ensure compliance with the Corporations Act 2001 and the Australian Stock Exchange Listing Rules and all other regulatory requirements.
- To address any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Stock Exchange and financial institutions.

Whilst during the year the Managing Director was a member of the Audit Committee at the date of this report the Audit Committee consists of three independent non-executive directors, Mr T. Eversteyn, Mr D. Reilly and Mr G. Richards. The Committee has access to management and the external auditors. The Committee has adopted a formal charter.

Remuneration Committee

The Board has a Remuneration Committee consisting of two independent non-executive directors, Mr T. Eversteyn and Mr D. Reilly. The Committee meets once a year and as required.

The Remuneration Committee reviews the remuneration policies applicable to all Directors and Executive Officers on an annual basis and makes recommendations on remuneration packages and terms of employment to the Board. Remuneration packages, which consist of base salary, fringe benefits, incentive schemes (including performance-related bonuses and share option schemes), superannuation, and entitlements upon retirement or termination, are reviewed with due regard to performance and other relevant factors.

Payment of bonuses, stock options and other incentive payments are made at the discretion of the committee based predominantly on an objective review of the Company's financial performance, the individuals' achievement of stated financial and non financial targets and any other factors the committee deems relevant.

The Company's remuneration policy is designed to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Company's operations. The Remuneration Committee seeks the advice of external advisors in connection with the structure of remuneration packages.

Non-Executive Directors receive directors' fees and do not participate in performance based remuneration.

The payment of equity-based remuneration is made in accordance with thresholds set in plans approved by shareholders.

The Board is currently documenting the existing functions, roles and resposibilities of the committee.

3. ETHICAL AND RESPONSIBLE DECISION-MAKING

3.1 Ethical Standards

The Company's policy is that all Directors and staff maintain the highest ethical standards of conduct. Gale Pacific Limited is an equal opportunity employer.

The Company is in the process of documenting its code of conduct so as to guide the Directors, management and all staff as to the practices necessary to maintain confidence in the Company's integrity and the responsibility and accountability of individuals for reporting and investigating allegations of unethical practices. A summary of the main provisions of this code will be posted on the Company's web site as soon as it is available.

3.2 Share ownership and dealing

Directors and Executives may acquire or sell shares in the Company only under the following conditions:

- Between 1 and 14 days after either the release of the Company's half-year or annual results to the Australian Stock Exchange, the annual general meeting or any major announcement; and
- At all other times only with the approval of the Chairman, or in his absence, another non-executive director.
- Directors and Executives must disclose their trading in Company shares to the Board. The Company does not impose any restrictions of trading in the Company's securities on employees unless they are executives of the Company.

4. FINANCIAL REPORTING

4.1 Management Accountability

The Directors are committed to the preparation of financial statements that present a balanced and clear assessment of the Group's financial position and prospects. The Board requires the Managing Director and the Chief Financial Officer to state 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 and are in accordance with relevant accounting standards.

4.2 Audit Committee

The Audit Committee reviews the Company's half yearly and annual financial statements and makes recommendations to the Board. The role of the Committee in the preparation and reporting of the financial information of the Group is set out in principle 2.3 of this statement.

5. MARKET DISCLOSURE

The Company has established procedures designed to ensure compliance with Australian Stock Exchange Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. The Managing Director, the Chief Financial Officer and the Company Secretary are responsible for interpreting the Company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the Australian Stock Exchange. The purpose of the procedures for identifying information for disclosure is to ensure timely and accurate information is provided equally to all shareholders and market participants. The Company is in the process of documenting this policy.

6. SHAREHOLDER RIGHTS

The Board informs shareholders of all major developments affecting the Company's state of affairs as follows:

- The Annual Report is distributed to all shareholders, including relevant information about the operations of the consolidated entity during the year and changes in the state of affairs.
- The half-yearly report to the Australian Stock Exchange contains summarised financial information and a review of the operations of the consolidated entity during the period.

New consumer products are being developed using our fabrics for many new market applications.

- All major announcements to the Australian Stock Exchange are distributed to shareholders, and posted on the Company's website at www.galepacific.com.
- Proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders.
- The Board encourages full participation of shareholders at the annual general meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals.

The Company's auditor attends the annual general meeting.

7. RISK MANAGEMENT

The Board has responsibility for monitoring risk oversight and management and ensures that the Managing Director and the Chief Financial Officer report on the status of business risks through risk management programs aimed at ensuring risks are identified, assessed and appropriately managed.

Management has established and implemented a system for identifying, assessing, monitoring and managing material risk throughout the organisation. The Company's risk management procedures cover environment, occupational health and safety, property, financial reporting and internal control. The Company's risk management policy and internal compliance and control system is currently being documented and will be posted on the Company's web site as soon as it is available.

The Managing DIrector and the Chief Financial Officer are required to state to the Board in writing that the integrity of the financial statements is founded on a sound system of risk management and internal compliance and control and that the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

8. BOARD AND MANAGEMENT PERFORMANCE APPRAISAL

The Nomination Committee takes responsibility for evaluating the Board's performance and the Company's key executives. A performance evaluation for the Board and its members has taken place in the reporting period. The Board is currently reviewing the requirement for evaluation of the performance of each Director and the process for same, if any, to be formally adopted.

The Board is provided with the information it needs to efficiently discharge its responsibilities. The Board has a policy of enabling Directors to seek independent professional advice at the Company's expense, subject to estimated costs being approved by the Chairman in advance as being reasonable. All Directors have access to the Company Secretary and the appointment and removal of the Company Secretary is a matter for decision by the Board as a whole.

9. REMUNERATION

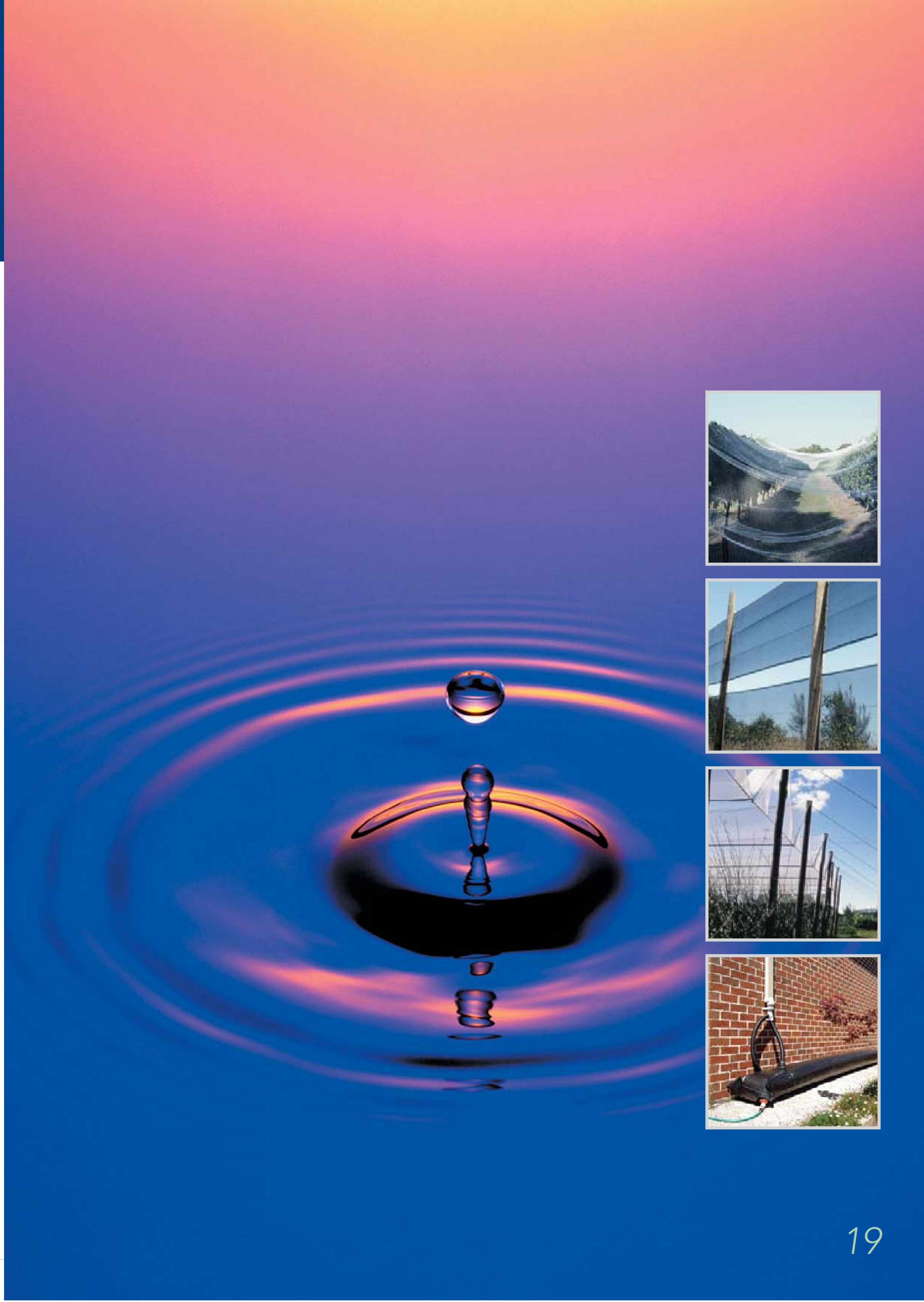
Details of the remuneration paid to the Directors (executive and non-executive) are set out on page 28 of the Directors' Report.

10. CORPORATE SOCIAL RESPONSIBILITY

The Company's Board and management are committed to ensuring the Company conducts its business in a way which reflects its health, safety, environment and community responsibilities.

The Company's compliance with the Principles of Good Governance and Best Practice Recommendations published by the Australian Stock Exchange Corporate Governance Council in March 2003 is described in this Annual Report including the Corporate Governance Statement, the Directors' Report and the Financial Statements. The Listing Rules of the Australian Stock Exchange require listed companies to report on the extent to which they comply with the Best Practice recommendations. These requirements take effect for reporting periods ending on or after 30 June 2004. The Company complies with the majority of the recommendations, and where it does not, it has indicated so in this Corporate Governance Statement.

While the Board of the Company is satisfied with its level of compliance with the new governance requirements, it recognises and acknowledges that the Company's practices and procedures should be constantly reviewed. The Board has commenced a program of review which will continue throughout the year and which will aim at further improving the Company's corporate governance policies and procedures.



Water management and crop protection continue to be important areas of focus for the business.

DIRECTORS' REPORT

for the year ended 30 June 2004

The Directors of Gale Pacific Limited present their annual financial report of the Company for the financial year ended 30 June 2004.

DIRECTORS

The Directors in office at any time during or since the end of the year to the date of this report are:

MR THEO JOHN EVERSTEYN
Chairman
FCA, Graduate Diploma Industrial Accounting and Bus. Admin. age - 63

Mr Eversteyn joined the Board in 1998 in a non-executive capacity. Mr Eversteyn has been a partner of the Chartered Accounting firm Bentleys MRI since 1973 and was appointed Chairman of the Melbourne partnership on 1 July 2004. During his career he has focused on manufacturing and distribution businesses. He is also the non-executive chairman of Valcorp Fine Foods Pty Ltd, Endeavour Wines Pty Ltd and the Joval Pty Ltd Group. Mr Eversteyn was a director of the Alzheimer's Association of Victoria for the period 1990 to 2000 and Bentleys MRI Australia Ltd for the period 2000 to 2004.

MR GARY STEPHEN GALE
Managing Director age - 51

Mr Gale was responsible for the restructuring of the Gale Group both in Australia and the USA in 1996/97 and was appointed as an Executive Director of the Board in 1998. He was also responsible for the Company entering the advanced polymer fabric industry as a manufacturer in 1977. Mr Gale studied textile engineering in Germany, and is the son of the founder of the Gale business.

MR PETER RONALD MCDONALD
Chief Operating Officer
Bachelor of Business (Marketing) age - 38

Mr McDonald joined the Gale Group in 1988 and was appointed as an Executive Director of the Company in 1998. Mr McDonald has held the position of Product Manager, National Marketing Manager and National Sales and Marketing Manager. Mr McDonald is responsible for the day-to-day operations of the business including the USA and Middle East businesses.

MR DARYL EDWARD JAMES REILLY
Non-Executive Director - Chairman Audit Committee
Graduate Diploma of Business (Accounting),
CPA, ACIS, FTMA, AICD age - 50

Mr Reilly joined the Board in 1998. He was previously an Executive Director and principal of Advent Management Group Limited ("AMG") and was AMG's Chief Financial Officer and Company Secretary between 1984 and 2004. During his twenty year career in private equity, he has been a Director on the boards of numerous companies involved in a diverse range of areas including manufacturing, business to business, information technology, tourism, leisure and hospitality and communications, in addition to his funds management role within AMG. He remains a significant shareholder of AMG.

MR GEORGE HENRY RICHARDS
Non-Executive Director
CPA, ACIS age - 58

Mr Richards joined the Board in 2004. He was the Chief Executive of Mitre 10 South West Ltd from 1990 to 2000 and was previously the Managing Director of Cooper Tools, a market leader in hand tools manufacture and distribution. Mr Richards has had over 40 years experience in retail, marketing, manufacturing and distribution. He was also formerly president of the Hardware Federation of Australia and is a board member of The Alfred Foundation, a Director of Magnet Mart Pty Ltd, Associate Member of the Australian Institute of Company Directors and Australian Institute of Management.

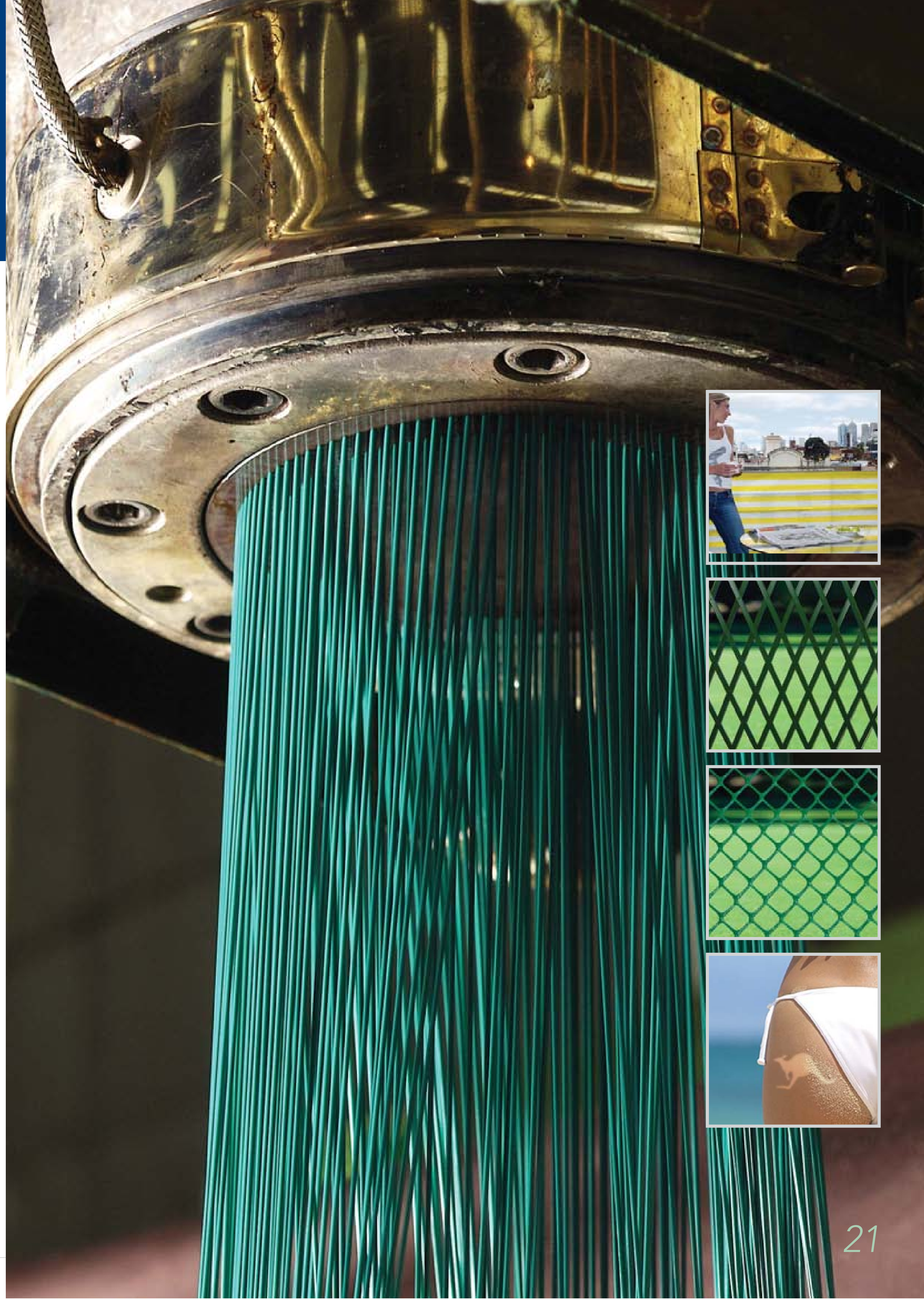
DR HUW GERAINT DAVIES
Non-Executive Director
BSc, PhD age - 63

Former Chairman and Non-Executive Director. Mr Davies joined the Board in 2000.

The above named Directors held office during and since the end of the financial year except for:

Mr H. G. Davies – resigned 17 May 2004
Mr G. H. Richards – appointed 17 May 2004

Raw material development is critical to our on-going market success.



DIRECTORS' REPORT (cont'd)

for the year ended 30 June 2004

Principal Activities

The consolidated entity's principal activities in the course of the financial year were the manufacture and exporting of advanced polymer fabrics and related products. With the acquisition of the German subsidiary Jung, the Group now has a European distribution facility with strong established relationships with key European retailers. This has provided the Group with a platform from which to generate strong organic growth from Gale's product range in the large European market.

Results

The consolidated profit of the economic entity for the financial year attributable to the members of Gale Pacific Limited was $7.004 million.

Review of Operations

A comprehensive review of the operations of the economic entity during the financial year and the results thereof is contained in the accompanying Chairman's Report and the Managing Director's Report and Review of Operations of this Annual Report.

State of Affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the Company and its controlled entities that occurred during the financial year under review not otherwise disclosed in this report or the accompanying financial report.

Resolutions will be put to the shareholders at the annual general meeting to amend the terms of the share option plan for subsequent issues of options.

Events Subsequent to Balance Date

Subsequent to the end of the financial year, capital expenditure was approved for the purchase of plant and equipment for the wholly owned Chinese entity, Gale Pacific Textiles Company Limited ("GPST").

Other than the approval for capital expenditure mentioned above there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature that, in the opinion of the Directors has significantly affected or may significantly affect the operations of the economic entity, the result of those operations, or the state of affairs of the economic entity in subsequent financial years.

Likely Developments

Disclosure of information regarding likely developments in the operations of the consolidated entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the consolidated entity. Accordingly, this information has not been disclosed in this Report.

Environmental Regulation and Performance

The economic entity's operations are not subject to any significant environmental regulations under the Commonwealth or State legislation. However, the Directors believe that the economic entity has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the economic entity.

From domestic backyards to large scale commercial projects, our products span a breadth of applications.

Dividends

In respect of the financial year ended 30 June 2003, a final dividend of 3.5 cents per share franked to 100% at the 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 16 October 2003.

In respect of the financial year ended 30 June 2004, an interim dividend of 3.5 cents per share franked to 100% at the 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 17 April 2004.

In respect of the financial year ended 30 June 2004, the Directors have declared a final dividend of 4.0 cents per share franked to 100% at the 30% corporate income tax rate to be paid to the holders of fully paid ordinary shares on 18 October 2004.

Share Options

The Company has entered into an option agreement to grant options to specified option holders over unissued shares in the Company. The options are exercisable upon achievement of certain conditions.

During the financial year, 50,000 options over 50,000 ordinary shares were granted to Ms Emma Xu by the Company.

The number of unissued ordinary shares under option as at the date of this report is 477,942. The issue price of each option is zero. Each option entitles the option holder to 1 ordinary share in Gale Pacific Limited in the event that the option is exercised. The exercise price for 427,942 of the issued options is $1.00 and the remaining 50,000 have an exercise price of $1.50. The first 427,942 options are not exercisable after 1 December 2004 and the remaining 50,000 options are not exercisable after 1 December 2006.

427,942 options have vested prior to this financial year. An additional 45% vest when the share price reaches $3.20. A further 30% vest when the share price reaches $3.60 and 25% vest when the share price reaches $3.95.

During the financial year no options vested. As set out in the accounting standard AABS 1046 and the revised ASIC guidelines, the Company has valued the issued options. The Binomial option pricing model was used and this model takes into account the following inputs:

- Current price of the underlying shares as at the grant date.
- Exercise price.
- Expected volatility of the share price over the expected life of the options.
- First exercisable date.
- Expected life.
- Expected dividend yield.
- Risk free interest rate for the expected life of the options.

The Company has utilised the Black-Scholes methodology as a comparison to the values using the Binomial methodology and there was a plus or minus 5% correlation between the values achieved under the two methodologies which is not unreasonable.

Further details of the option plan are disclosed in note 18 to the Financial Statements.

The Coolaroo brand is becomming more and more recognised in consumer markets.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company, the Company Secretary and all executive officers of the Company and of any related body corporate against a liability incurred as a Director, Secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as an officer or auditor.

DIRECTORS' MEETINGS

The following table sets out the number of Directors' meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director while they were a Director or committee member.

	DIRECTORS' MEETINGS		AUDIT COMMITTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS		NOMINATION COMMITTEE	
DIRECTORS	No. OF MEETINGS ELIGIBLE TO ATTEND	ATTENDED	No. OF MEETINGS ELIGIBLE TO ATTEND	ATTENDED	No. OF MEETINGS ELIGIBLE TO ATTEND	ATTENDED	No. OF MEETINGS ELIGIBLE TO ATTEND	ATTENDED
T J Eversteyn (i)	18	16	2	1	1	1	3	3
H G Davies (ii)	17	17	-	-	-	-	-	-
G S Gale	18	18	2	2	-	-	3	3
P R McDonald	18	15	-	-	-	-	-	-
D E J Reilly (iii)	18	18	2	2	1	1	3	3
G H Richards (i)	1	1	-	-	-	-	-	-

(i) Mr T Eversteyn was appointed Chairman of the Board and Mr G Richards was appointed as a Director of the Board on 17 May 2004.
(ii) Mr H Davies resigned from the Board on 17th May 2004.
(iii) Mr D Reilly was appointed Chairman of the Audit Committee on 17 May 2004, replacing Mr Eversteyn.

DIRECTORS' SHAREHOLDINGS

The following table sets out each Director's relevant interest in shares and options in shares of the Company as at the date of this report:

NAME	FULLY PAID ORDINARY SHARES	SHARE OPTIONS
T J Eversteyn	175,000	-
G S Gale	14,790,104	427,942
P R McDonald	235,966	-
D E J Reilly	270,612	-
G H Richards	10,000	-

The Company's waterproof fabric range is being expanded into new market areas.

DIRECTORS' AND EXECUTIVES' REMUNERATION

The Remuneration Committee reviews the remuneration packages of all Directors and executive officers on an annual basis and makes recommendations to the Board. Remuneration packages are reviewed with due regard to performance and other relevant factors, and advice is sought from external advisors in relation to their structure.

Remuneration packages contain the following key elements:

- Primary benefits – salary/fees;
- Benefits, including the provision of motor vehicles and superannuation; and
- Incentive schemes, including share options under the executive share option plan as disclosed in Note 18 and Note 25 to the financial statements.

The following table discloses the remuneration of the Directors of the Company:

	PRIMARY			POST EMPLOYMENT			EQUITY		
	SALARY & FEES $	BONUS $	NON-MONETARY $	SUPER-ANNUATION $	PRESCRIBED BENEFITS $	OTHER $	OPTIONS $	OTHER BENEFITS $	TOTAL $
2004									
Executive Directors									
G S Gale	322,498	120,000	66,500	11,002	-	-	33,889	-	553,889
P R McDonald	252,961	75,000	36,037	11,002	-	-	26,358	-	401,358
Non-Executive Directors									
T J Eversteyn	49,583	-	-	-	-	-	-	-	49,583
H G Davies	60,554	-	-	-	-	-	-	-	60,554
D E J Reilly	47,500	-	-	-	-	-	-	-	47,500
G H Richards	6,167	-	-	-	-	-	-	-	6,167
2003									
Executive Directors									
G S Gale	265,504	90,000	61,364	11,002	-	-	33,889	-	461,759
P R McDonald	235,537	60,000	19,926	11,002	-	-	26,358	-	352,823
Non-Executive Directors									
T J Eversteyn	41,250	-	-	-	-	-	-	-	41,250
H G Davies	55,000	-	-	-	-	-	-	-	55,000
D E J Reilly	41,250	-	-	-	-	-	-	-	41,250

The following table discloses the remuneration of the 5 highest remunerated executives of the Company and the consolidated entity.

	PRIMARY			POST EMPLOYMENT			EQUITY		
	SALARY & FEES $	BONUS $	NON-MONETARY $	SUPER-ANNUATION $	PRESCRIBED BENEFITS $	OTHER $	OPTIONS $	OTHER BENEFITS $	TOTAL $
R. House (i)	162,307	30,000	19,026	14,608	-	10,000	17,465	-	253,406
P. Cashion (ii)	139,373	-	62,629	-	-	-	-	-	202,002
D. Whyte (iii)	262,272	33,660	31,116	-	-	-	-	-	327,048
E. Jung (iv)	219,855	-	-	-	-	-	-	-	219,855
S. Carroll	170,000	-	25,000	15,300	-	-	-	-	210,300

(i) Mr House received a $10,000 eligible termination payment on 27 July 2004.
(ii) Mr Cashion is based in China and is principally remunerated in US dollars converted to Australian dollars in the table above.
(iii) Mr Whyte is based in the USA and remunerated in US dollars converted to Australian dollars in the table above.
(iv) Mr Jung is based in Germany and remunerated in Euro converted to Australian dollars in the table above.

The company's fabrics are being used in organic growing applications, as well as grain and water storage.

DIRECTORS' REPORT (cont'd)
for the year ended 30 June 2004

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied for leave of a 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.

ROUNDING OFF OF AMOUNTS

The Company is a Company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars.

Signed in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Theo Eversteyn

THEO EVERSTEYN
CHAIRMAN

GARY S GALE
MANAGING DIRECTOR

Dated: 24 September 2004

INDEPENDENT AUDIT REPORT

for the year ended 30 June 2004

SCOPE

We have audited the financial report of Gale Pacific Limited for the financial year ended 30 June 2004 comprising of the Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and Notes to the Financial Statements.

The financial report includes the consolidated financial statements of the consolidated entity comprising the Company and the entities it controlled at the year's end or from time to time during the financial year. The Company's Directors are responsible for the financial report. We have conducted an independent audit of this financial report in order to express an opinion on it to the members of the Company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the Company's and consolidated entity's financial position and performance as represented by the results of their operations and their cash flows.

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

AUDIT OPINION

In our opinion, the financial report of Gale Pacific Limited is in accordance with:

(a) the Corporations Act 2001, including:

- giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2004 and of their performance for the year ended on that date; and
- complying with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) other mandatory professional reporting requirements in Australia.

PITCHER PARTNERS

M W PRINGLE
PARTNER
Melbourne
24 September 2004

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 34 to 61 are in accordance with the Corporations Act 2001 including:-

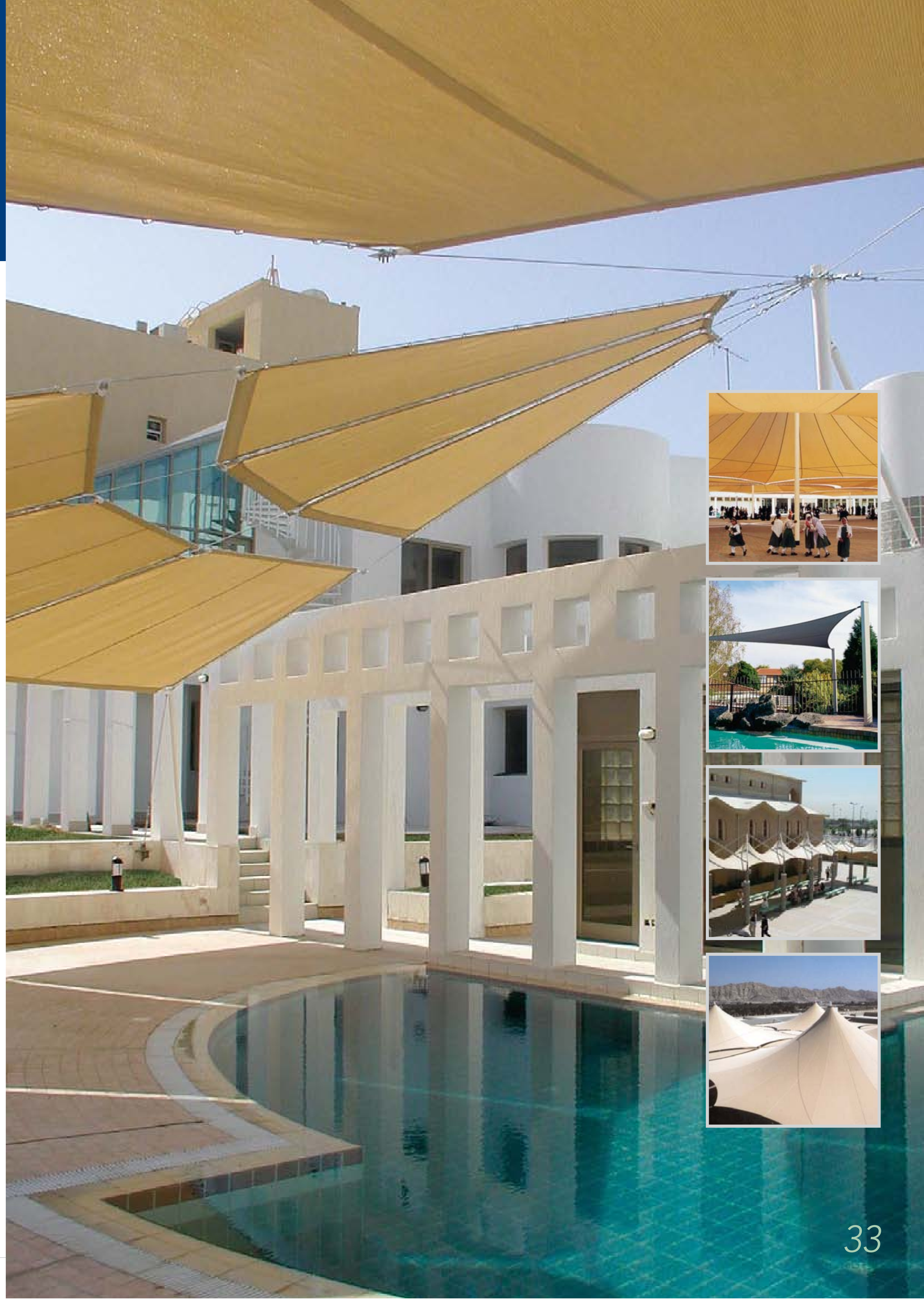
   - compliance with Accounting Standards in Australia and the Corporations Regulations 2001; and
   - providing a true and fair view of the financial position as at 30 June 2004 and of the performance, as represented by the results of the operations and the cash flows, of the Company and economic entity for the year ended on that date.

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.

THEO EVERSTEYN CHAIRMAN	GARY S GALE MANAGING DIRECTOR

Dated this 24 day of September 2004



The Company's position in commercial markets around the world continues to grow.

STATEMENT OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 JUNE 2004

		CONSOLIDATED		COMPANY	
	Note	2003/04 $ '000	2002/03 $ '000	2003/04 $ '000	2002/03 $ '000
Revenue from ordinary activities	2	106,400	84,609	71,942	76,519
Expenses from ordinary activities, excluding borrowing costs expense:					
Changes in inventories of finished goods and work in progress		(14,273)	4,349	1,051	3,156
Raw materials and consumables used		(32,309)	(41,554)	(33,326)	(40,281)
Employee benefits expense		(16,542)	(15,622)	(12,276)	(13,561)
Depreciation and amortisation expenses		(4,677)	(3,345)	(3,669)	(2,956)
Operating overheads		(23,492)	(14,889)	(13,348)	(11,450)
Other expenses from ordinary activities		(3,085)	(4,050)	(2,051)	(3,062)
Borrowing costs expense		(2,398)	(1,725)	(2,313)	(1,725)
Profit from ordinary activities before income tax expense	3	9,624	7,773	6,010	6,640
Income tax expense relating to ordinary activities	4	(2,615)	(2,220)	(1,882)	(2,182)
Net profit from ordinary activities after income tax		7,009	5,553	4,128	4,458
Net profit attributable to outside equity interests		(5)	(102)	-	-
Net profit from ordinary activities after income tax expense attributable to the members of the parent entity	20	7,004	5,451	4,128	4,458
Net exchange difference on translation of financial reports of self-sustaining foreign operations	19	1,223	(1,198)	-	-
Total valuation adjustment attributable to members of the parent entity recognised directly in equity		1,223	(1,198)	-	-
Total changes in equity other than those resulting from transactions with owners as owners	22	8,227	4,253	4,128	4,458
Basic earnings per share (cents per share)	31	15.20	12.73		
Diluted earnings per share (cents per share)	31	15.05	12.42		

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2004

		CONSOLIDATED		COMPANY	
	Note	2003/04 $ '000	2002/03 $ '000	2003/04 $ '000	2002/03 $ '000
CURRENT ASSETS					
Cash assets	5	6,710	1,457	2,513	849
Receivables	6	28,605	13,420	8,932	7,680
Inventories	7	34,093	19,820	16,886	15,835
Other	8	1,058	359	512	237
TOTAL CURRENT ASSETS		70,466	35,056	28,843	24,601
NON-CURRENT ASSETS					
Receivables	6	-	-	22,348	7,693
Other financial assets	9	-	-	15,397	7,066
Plant and equipment	10	32,168	28,309	25,036	25,942
Intangible assets	11	9,641	7,244	3,190	3,396
Deferred tax assets	12	346	204	-	-
Other	8	1,382	597	1,381	597
TOTAL NON-CURRENT ASSETS		43,537	36,354	67,352	44,694
TOTAL ASSETS		114,003	71,410	96,195	69,295
CURRENT LIABILITIES					
Payables	13	15,942	7,736	6,557	6,479
Interest-bearing liabilities	14	20,783	11,864	17,386	11,864
Current tax liabilities	15	724	502	-	425
Provisions	16	989	968	936	935
TOTAL CURRENT LIABILITIES		38,438	21,070	24,879	19,703
NON-CURRENT LIABILITIES					
Interest bearing liabilities	14	18,046	13,872	18,046	13,872
Deferred tax liabilities	15	4,213	3,515	3,923	3,327
Provisions	16	110	110	110	110
TOTAL NON-CURRENT LIABILITIES		22,369	17,497	22,079	17,309
TOTAL LIABILITIES		60,807	38,567	46,958	37,012
NET ASSETS		53,196	32,843	49,237	32,283
EQUITY					
Contributed equity	18	38,899	22,798	38,899	22,798
Reserves	19	(273)	(1,496)	-	-
Retained profits	20	14,576	10,847	10,338	9,485
PARENT ENTITY INTEREST		53,202	32,149	49,237	32,283
Outside equity interests	21	(6)	694	-	-
TOTAL EQUITY	22	53,196	32,843	49,237	32,283

	Note	CONSOLIDATED 2003/04 $ '000	CONSOLIDATED 2002/03 $ '000	COMPANY 2003/04 $ '000	COMPANY 2002/03 $ '000
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers		107,418	83,227	61,190	75,193
Payments to suppliers and employees		(90,458)	(73,280)	(50,673)	(66,389)
Interest received		45	67	282	66
Borrowing costs paid		(2,398)	(1,725)	(2,313)	(1,725)
Income tax paid		(2,204)	(1,977)	(1,986)	(1,938)
Net cash provided by operating activities	23(b)	12,403	6,312	6,500	5,207
CASH FLOW USED IN INVESTING ACTIVITIES					
Proceeds from sale of plant and equipment		8	95	8	95
Payment for plant and equipment		(6,459)	(6,225)	(2,182)	(4,014)
Payment for acquisition of business	23(c)	(5,233)	(3,305)	(5,522)	-
Investment in controlled entity		-	-	(1,979)	(2,375)
Payment for intangible assets		(55)	(787)	(55)	(730)
Payment for other non-current assets		(2,972)	(763)	(2,974)	(763)
Amounts advanced to related parties		-	-	(14,655)	(2,040)
Proceeds from repayment of related party receivables		-	-	-	-
Net cash used in investing activities		(14,711)	(10,985)	(27,359)	(9,827)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from/(repayment of) borrowings		(5,811)	2,812	9,526	2,812
Proceeds from issue of equity securities		15,461	-	15,461	-
Repayment of principal on finance leases		(108)	(1,719)	(108)	(1,719)
Proceeds from/(repayment of principal on) hire purchases		(1,011)	6,592	(1,011)	6,592
Dividends paid		(2,635)	(2,058)	(2,635)	(2,058)
Proceeds/(repayment) from outside equity interest		(706)	592	-	-
Net cash provided by financing activities		5,190	6,219	21,233	5,627
Net increase in cash held		2,882	1,546	374	1,007
Cash at beginning of year		1,457	361	849	(158)
Effects of exchange rate changes on items denominated in foreign currencies		1,091	(450)	-	-
Cash at end of year	23(a)	5,430	1,457	1,223	849

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers Gale Pacific Limited as an individual parent entity and Gale Pacific Limited and controlled entities as an economic entity. Gale Pacific Limited is a company limited by shares, 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 value of consideration given in exchange for assets.

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

(a) Principles of Consolidation

A controlled entity is any entity controlled by Gale Pacific Limited. Control exists where Gale Pacific Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Gale Pacific Limited to achieve the objectives of Gale Pacific Limited. Details of the controlled entities are contained in Note 29. All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Where a controlled entity has entered or left the economic entity during the year its operating results have been included from the date control was obtained or until the date control ceased.

(b) Income Tax

The economic entity adopts the liability method of tax-effect accounting whereby the income tax expense shown is based on the profit from ordinary activities adjusted for any permanent differences between taxable and accounting income.

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 as either a provision for deferred income tax or as a 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 benefit. The tax effect of capital losses are not recorded unless realisation is virtually certain.

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 economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is determined on the basis of each inventory line's normal selling pattern. Costs are assigned on a first-in first-out basis and include direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenses.

(d) Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation.

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 those assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts. The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour and an appropriate proportion of fixed and variable overheads.

Depreciation

The depreciable amounts of all fixed assets including capitalised leased assets are depreciated on a straight line basis over their estimated useful lives to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements. Depreciation and amortisation rates are reviewed annually for appropriateness. When changes are made, adjustments are reflected in current and future periods only.

The depreciation rates used for each class of assets are:

Class of fixed asset	Depreciation rates	Depreciation basis
Leasehold improvements	Determined by lease term	Straight Line
Plant and equipment	6.7% - 20.0%	Straight Line
Leased plant and equipment	6.7% - 20.0%	Straight Line
Motor vehicles	20.0%	Straight Line
Office equipment	14.3% - 50.0%	Straight Line

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entities within the economic entity are classified as finance leases. Finance leases are capitalised, recording at the inception of the lease an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the economic entity 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. Lease incentives received under operating leases are recognised as a liability.

(f) Investments

Controlled Entities

Investments in controlled entities are carried in the holding company's financial statements at cost less amounts written off to recognise any permanent diminution in value. Dividends are brought to account in the statement of financial performance when they are proposed by the controlled entities.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Foreign Currency Transactions and Balances

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of short-term assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

The assets and liabilities of overseas controlled entities, which are self-sustaining, are translated at year-end rates and operating results are translated at rates ruling at the end of each month. Gains and losses arising on translation are taken directly to the foreign currency translation reserve.

Exchange differences arising on hedged transactions undertaken to hedge foreign currency exposures, other than those for the purchase and sale of goods and services, are brought to account in the profit from ordinary activities when the exchange rates change. Any material gain or loss arising at the time of entering into hedge transactions is deferred and brought to account in the profit from ordinary activities over the lives of the hedges.

Costs or gains arising at the time of entering hedged transactions for the purchase and sale of goods and services, and exchange differences that occur up to the date of purchase or sale are deferred and included in the measurement of the purchase or sale.

(h) Employee Entitlements

Provision is made for the economic entity's liability for employee entitlements arising from services rendered by employees to balance date. Employee entitlements expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and sick leave which will be settled after one year, have been measured at their nominal amount. Other employee entitlements payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those entitlements.

Contributions are made by the economic entity to an employee superannuation fund and are charged as expenses when incurred.

(i) Research and Development Expenditure

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

Deferred Research and Development expenditure is amortised on a straight-line basis over the period during which the related benefits are expected to be realised, once commercial production is commenced but not exceeding three years.

(j) Cash

For the purposes of the statement of cash flows, cash includes cash on hand and at call, deposits with banks or financial institutions, investments in money market instruments maturing within less than two months and net of bank overdrafts.

(k) Comparative Figures

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

(l) Revenue

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

Where a Government grant (including SIP income) is received or receivable relating to research and development costs that have been expensed, the grant is recognised as revenue. Where a grant is received or receivable relating to research and development costs that have been deferred, the grant is deducted from the carrying amount of the deferred costs.

Other revenue is recognised when the right to receive the revenue has been established.

All revenue is stated net of the amount of goods and services tax (GST).

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Intangibles

Goodwill

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

Patents and Trademarks

Patents and trademarks are valued in the accounts at cost of acquisition and are amortised over the period in which the benefits are expected to be realised, but not exceeding 20 years.

(n) International Financial Reporting Standards

The company is currently:

- Evaluating the key differences in accounting policies;
- Identifying the changes to the company's financial reporting systems; and
- Commencing evaluation of the financial impact arising from key differences in accounting policies that are expected to arise from adopting Australian equivalents of IFRS.

The key differences in accounting policies that are expected to arise from adopting Australian equivalents to IFRS are detailed below:

Income taxes

Under IFRS, a balance sheet approach will be adopted under which temporary differences are identified for each asset and liability rather than accounting for the effect of timing and permanent differences between taxable income and accounting profit.

Goodwill

Amortisation of goodwill will cease on adoption of IFRS. Under IFRS, goodwill will be subject to impairment testing.

Intangible Assets

Patents, Trademarks & Licences are classified as internally generated identifiable intangible assets and will be derecognised if they do not satisfy the identifiability or recognition criteria.

Impairment of Assets

The recoverable amount test under Australian GAAP will be replaced by impairment testing, whereby recoverable amount is determined as the higher of fair value less costs to sell and value in use. Value in use incorporates the use of discounted cash flows.

The effects of changes in foreign exchange rates

Under IFRS, foreign subs will no longer be classified as self-sustaining/integrated entities. Different translation rules will apply.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	Note	CONSOLIDATED 2003/04 $ '000	CONSOLIDATED 2002/03 $ '000	COMPANY 2003/04 $ '000	COMPANY 2002/03 $ '000
NOTE 2: REVENUE					
Operating activities					
- Sale of goods		104,963	81,767	70,508	73,678
- SIP income		1,086	2,562	1,086	2,562
- Interest income – other parties		286	68	283	67
- Other revenue		57	117	57	117
Outside operating activities					
- Proceeds from disposals of non-current assets		8	95	8	95
Total revenue		106,400	84,609	71,942	76,519
NOTE 3: PROFIT FROM ORDINARY ACTIVITIES					
Profit from ordinary activities before income tax expense has been determined after:					
Cost of sales		59,955	49,517	46,192	48,233
Borrowing costs					
- Other persons		2,398	1,725	2,313	1,725
Depreciation of non-current assets:					
- Leasehold improvements		32	17	18	14
- Plant and equipment		2,926	1,858	2,471	1,670
- Motor vehicles		267	125	225	110
- Office Equipment		483	344	305	267
Amortisation of non-current assets:					
- Leased plant and equipment		(10)	273	(10)	273
- Leased motor vehicles		20	38	20	38
- Goodwill		489	295	193	205
- Patents and trademarks		119	107	96	91
Research and Development expenditure:					
- Capitalised and amortised		351	288	351	288
- Expensed as incurred		1	4	1	3
Increase in provision for obsolete inventory		366	34	(5)	34
Bad and doubtful debts:					
- Bad debts written off - trade debtors		1	53	1	-
- Bad debt recoveries - trade debtors		-	-	-	(8)
- Movement in provisions for doubtful debts - trade debtors		405	8	(27)	8

	CONSOLIDATED		COMPANY	
	2003/04 $ '000	2002/03 $ '000	2003/04 $ '000	2002/03 $ '000
NOTE 3: PROFIT FROM ORDINARY ACTIVITIES (cont'd)				
Remuneration of the auditors of parent entity for:				
Auditing the financial report	83	90	83	90
Other services	20	63	20	63
Remuneration of other auditors of controlled entities – audit services	60	69	60	69
Total remuneration of auditors	163	222	163	222
Foreign currency translation losses / (gains)	(211)	53	(211)	53
Net loss on disposal of non-current assets				
Plant and equipment	51	9	51	9
Operating lease rental expense	2,703	2,565	2,510	2,565
NOTE 4: INCOME TAX EXPENSE				
The prima facie income tax payable on profit from ordinary activities is reconciled to the income tax expense as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30%	2,887	2,332	1,803	1,992
Add:				
Tax effect of:				
Amortisation of intangible assets	120	87	56	60
	3,007	2,419	1,859	2,052
Less:				
(Under)/over provision for income tax in prior year	-	(13)	-	-
- Attributed CFC income	(28)	-	28	100
- Other non-allowable/non-assessable items	(325)	38	(5)	30
Tax rate differentials in foreign countries	(39)	(224)	-	-
Income tax expense attributable to profit from ordinary activities	2,615	2,220	1,882	2,182

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

		CONSOLIDATED		COMPANY	
	Note	2003/04 $ '000	2002/03 $ '000	2003/04 $ '000	2002/03 $ '000
NOTE 5: CASH ASSETS					
Cash on hand		26	6	2	2
Cash at bank		6,684	1,451	2,511	847
		6,710	1,457	2,513	849
NOTE 6: RECEIVABLES					
CURRENT					
Trade debtors		21,882	10,837	5,266	5,436
Less provision for doubtful debts		(437)	(32)	(5)	(32)
		21,445	10,805	5,261	5,404
Other debtors		7,160	2,615	3,671	2,276
		28,605	13,420	8,932	7,680
NON-CURRENT					
Amounts receivable from:					
Controlled entities		-	-	22,348	7,693
NOTE 7: INVENTORIES					
CURRENT					
Raw materials at cost		2,136	1,381	613	1,034
Work in progress at cost		3,364	2,186	2,772	1,724
Finished goods at cost		29,056	16,350	13,593	13,174
Less provision for obsolescence		(463)	(97)	(92)	(97)
		34,093	19,820	16,886	15,835
NOTE 8: OTHER ASSETS					
CURRENT					
Prepayments		1,058	359	512	237
NON-CURRENT					
Research & development		1,382	597	1,381	597
NOTE 9: OTHER FINANCIAL ASSETS					
NON-CURRENT					
Shares in controlled entities at cost	29	-	-	15,397	7,066

	CONSOLIDATED		COMPANY	
	2003/04 $ '000	2002/03 $ '000	2003/04 $ '000	2002/03 $ '000
NOTE 10: PLANT AND EQUIPMENT				
Plant and equipment				
At cost	37,727	32,673	31,417	30,186
Less accumulated depreciation	(10,397)	(7,471)	(9,418)	(6,947)
	27,330	25,202	21,999	23,239
Under lease				
At cost	1,501	1,227	1,501	1,227
Less accumulated amortisation	(210)	(220)	(210)	(220)
	1,291	1,007	1,291	1,007
Leasehold Improvements				
At cost	309	286	274	271
Less accumulated depreciation	(101)	(70)	(82)	(63)
	208	216	192	208
Motor vehicles				
At cost	1,488	1,103	1,200	950
Less accumulated depreciation	(467)	(199)	(408)	(183)
	1,021	904	792	767
Under lease				
At cost	126	139	126	139
Less accumulated amortisation	(80)	(60)	(80)	(60)
	46	79	46	79
Office equipment				
At cost	3,688	1,839	1,820	1,440
Less accumulated depreciation	(1,416)	(938)	(1,104)	(798)
	2,272	901	716	642
Total plant and equipment	32,168	28,309	25,036	25,942

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

NOTE 10: PLANT AND EQUIPMENT (cont'd)

Movements in Carrying Amounts

Movement in the carrying amounts for each class of plant and equipment between the beginning and the end of the year:

	LEASEHOLD IMPROVEMENTS		PLANT & EQUIPMENT	
	Consolidated $ '000	Company $ '000	Consolidated $ '000	Company $ '000
2003/04				
Balance at the beginning of the year	216	208	25,202	23,239
Additions	24	2	5,131	1,231
Disposals	-	-	(77)	-
Depreciation expense	(32)	(18)	(2,926)	(2,471)
Carrying amount at the end of the year	208	192	27,330	21,999

	LEASED PLANT AND EQUIPMENT		MOTOR VEHICLES	
	Consolidated $ '000	Company $ '000	Consolidated $ '000	Company $ '000
2003/04				
Balance at the beginning of the year	1,007	1,007	904	767
Additions	274	274	428	294
Disposals	-	-	(44)	(44)
Depreciation expense	10	10	(267)	(225)
Carrying amount at the end of the year	1,291	1,291	1,021	792

	OFFICE EQUIPMENT		LEASED MOTOR VEHICLES	
	Consolidated $ '000	Company $ '000	Consolidated $ '000	Company $ '000
2003/04				
Balance at the beginning of the year	901	642	79	79
Additions	618	381	-	-
Asset - business acquired	1,238	-	-	-
Disposals	(2)	(2)	(13)	(13)
Depreciation expense	(483)	(305)	(20)	(20)
Carrying amount at the end of the year	2,272	716	46	46

	CONSOLIDATED		COMPANY	
	2003/04 $ '000	2002/03 $ '000	2003/04 $ '000	2002/03 $ '000
NOTE 11: INTANGIBLE ASSETS				
Goodwill on consolidation at cost	10,445	7,511	3,829	3,800
Less accumulated amortisation	(1,439)	(950)	(1,053)	(860)
	9,006	6,561	2,776	2,940
Patents, trademarks and licenses at cost	934	863	659	604
Less accumulated amortisation	(299)	(180)	(245)	(148)
	635	683	414	456
	9,641	7,244	3,190	3,396

RECONCILIATION OF INTANGIBLE ASSETS

	GOODWILL		PATENTS, TRADEMARKS & LICENCES	
	Consolidated $ '000	Company $ '000	Consolidated $ '000	Company $ '000
2003/04				
Balance at the beginning of the year	6,561	2,940	683	455
Additions	2,934	29	71	55
Amortisation expense	(489)	(193)	(119)	(96)
Carrying amount at the end of the year	9,006	2,776	635	414

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

		CONSOLIDATED		COMPANY	
	Note	2003/04 $ '000	2002/03 $ '000	2003/04 $ '000	2002/03 $ '000
NOTE 12: DEFERRED TAX ASSETS					
The future income tax benefits comprise:					
Timing differences		346	204	-	-
NOTE 13: PAYABLES					
CURRENT					
Unsecured liabilities					
Trade creditors		8,387	4,335	3,651	4,062
Sundry creditors and accruals		7,555	3,401	2,906	2,417
		15,942	7,736	6,557	6,479
NOTE 14: INTEREST BEARING LIABILITIES					
CURRENT					
Secured liabilities					
Bank overdrafts	23(e)	1,280	-	1,290	-
Bank loans	23(e)	15,525	7,893	12,118	7,893
Commercial bills	23(e)	1,500	1,500	1,500	1,500
Finance lease liability	27(a)	310	328	310	328
Hire purchase liability	27(b)	2,168	2,143	2,168	2,143
		20,783	11,864	17,386	11,864
NON-CURRENT					
Secured liabilities					
Commercial bills	23(e)	11,700	6,400	11,700	6,400
Finance lease liability	27(a)	615	705	615	705
Hire purchase liability	27(b)	5,731	6,767	5,731	6,767
		18,046	13,872	18,046	13,872
NOTE 15: INCOME TAX LIABILITIES					
CURRENT					
Income tax		724	502	-	425
NON-CURRENT					
Deferred income tax		4,213	3,515	3,923	3,327

	CONSOLIDATED		COMPANY	
	2003/04 $ '000	2002/03 $ '000	2003/04 $ '000	2002/03 $ '000
NOTE 16: PROVISIONS				
CURRENT				
Employee entitlements	989	968	936	935
NON-CURRENT				
Employee entitlements	110	110	110	110
(a) Aggregate employee entitlements liability	1,099	1,078	1,046	1,045
(b) Number of employees at year end	427	329	200	198
NOTE 17: NON-HEDGED FOREIGN CURRENCY BALANCES				
The Australian dollar equivalents of foreign currency balances included in the financial statements that are not effectively hedged are as follows:				
US Dollars & Euro				
Payables				
Current - $US	17,470	10,252	14,593	8,995
Current - Euro	8,918	-	-	-
Non-current – Euro	2,114	-	-	-
	28,502	10,252	14,593	8,995
Receivables				
Current - $US	19,850	7,248	-	1,507
Current - Euro	342	-	342	-
Non-current - $US	-	-	11,475	7,624
Non-current - Euro	-	-	10,893	-
	20,192	7,248	22,710	9,131

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2004

	COMPANY	
	2003/04 $ '000	2002/03 $ '000
NOTE 18: CONTRIBUTED EQUITY		
Paid up Capital		
50,358,425 fully paid ordinary shares (2003: 43,459,282)	38,899	22,798
Movement in Share Capital		
Shares issued at the beginning of the financial year	22,798	20,858
974,811 shares issued as part of the consideration for acquisition of a business	-	1,250
1,602,601 shares issued as part of the Company Share Purchase Plan	4,167	-
4,230,769 shares issued to Institutional Investors	10,466	-
237,930 shares issued under Dividend Reinvestment Plan	640	-
827,843 shares issued under the Company option scheme	828	-
487,175 shares issued under Dividend Reinvestment Plan	-	690
	38,899	22,798

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

A dividend reinvestment plan was established on 5 September 2001, and is available to all shareholders.

A Share Purchase Plan available to all shareholders and a share placement with institutional investors was made to fund the acquisition of the German based company, Jung Garten & Freizeit Vertriebsgesellschaft mbH, as well as Gales' working capital requirements and new product initiatives, and to reduce gearing.

Options

The Company maintains an option scheme for certain staff and executives, including executive Directors, as approved by shareholders at an annual general meeting. The issue price of each option is zero. Each option entitles the option holder to 1 ordinary share in the Company in the event that the option is exercised. The exercise price of the 427,942, issued options is $1.00 and the remaining 50,000 options have an exercise price of $1.50. The vesting of options is determined by the performance of the Company's share price over time. The first 427,942 options are not exercisable after 1 December 2004 and the remaining 50,000 options are not exercisable after 1 December 2006. Options carry no rights to dividends and no voting rights.

	No.	No.
Balance at the beginning of the financial year	1,310,785	760,785
Granted during the financial year (20 May 2004)	50,000	-
Options Exercised during the financial year	(827,843)	-
Lapsed during the financial year (Issued 18 December 2002)	(55,000)	-
Granted during the financial year (18 December 2002)	-	650,000
Lapsed during the financial year (Issued 18 December 2002)	-	(100,000)
Balance at the end of the financial year	477,942	1,310,785

At 30 June 2004, 427,942 options on issue had vested.

	CONSOLIDATED		COMPANY	
	2003/04 $ '000	2002/03 $ '000	2003/04 $ '000	2002/03 $ '000
NOTE 19: RESERVES				
Foreign currency reserve	(273)	(1,496)	-	-
Movement during the year:				
Opening balance	(1,496)	(298)	-	-
Foreign currency loss on consolidation	1,223	(1,198)	-	-
Closing balance	(273)	(1,496)	-	-

Exchange differences relating to foreign currency monetary items forming part of the net investment in a self-sustaining foreign operation and the translation of self-sustaining foreign controlled entities are brought to account by entries made directly to the foreign currency translation reserve, as described in Note 1(g).

	CONSOLIDATED		COMPANY	
NOTE 20: RETAINED PROFITS				
Retained profits at the beginning of the financial year	10,847	6,884	9,485	6,515
Net profit attributable to members of the entity	7,004	5,451	4,128	4,458
Dividends paid	(3,275)	(1,488)	(3,275)	(1,488)
Retained profits at reporting date	14,576	10,847	10,338	9,485
NOTE 21: OUTSIDE EQUITY INTERESTS				
Outside equity in controlled entities comprises:				
Opening balance	694	-		
(Proceeds from outside entity)/payment	(705)	592		
Net profit attributable to outside interest	5	102		
	(6)	694		
NOTE 22: EQUITY				
Total equity at the beginning of the financial year	32,843	27,444	32,283	27,373
Total changes in equity recognised in the Statement of Financial Performance	8,227	4,253	4,128	4,458
Movement in outside equity interest	(700)	694	-	-
Movement in contributed capital	16,101	1,940	16,101	1,940
Transactions with owners as owners				
- Dividends	(3,275)	(1,488)	(3,275)	(1,488)
Total equity at reporting date	53,196	32,843	49,237	32,283

	CONSOLIDATED		COMPANY	
	2003/04 $ '000	2002/03 $ '000	2003/04 $ '000	2002/03 $ '000
NOTE 23: CASH FLOW INFORMATION				
(a) Reconciliation of cash				
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:				
Cash on hand	26	6	2	2
Cash at bank	6,684	1,451	2,511	847
Bank overdrafts	(1,280)	-	(1,290)	-
	5,430	1,457	1,223	849
(b) Reconciliation of cash flow from operations with profit from ordinary activities				
Profit from ordinary activities after income tax	7,009	5,553	4,128	4,458
Non-cash flows in profit from ordinary activities:				
Amortisation of intangible assets	608	402	289	296
Amortisation of other non-current assets	351	288	351	288
Depreciation and amortisation of plant and equipment	3,718	2,655	3,029	2,372
Other	106	8	21	8
Accrued SIP income	(1,086)	(1,315)	(1,086)	(1,315)
Changes in assets and liabilities:				
Decrease in receivables	1,983	74	143	125
Decrease in other assets	2,575	500	1,532	871
(Increase) in inventories	(1,596)	(4,349)	(1,051)	(3,755)
Increase/(decrease) in payables and accruals	(1,675)	2,252	(752)	1,612
Increase in income tax payable	410	244	(104)	247
Net cash provided by operations	12,403	6,312	6,500	5,207

	CONSOLIDATED		COMPANY	
	2003/04 $ '000	2002/03 $ '000	2003/04 $ '000	2002/03 $ '000
NOTE 23: CASH FLOW INFORMATION (cont'd)				
(c) Acquisition of business				
During the financial year a business was acquired.				
Details of the acquisition are as follows:				
Consideration				
Cash	6,351	3,305	6,351	-
Ordinary shares	-	1,250	-	-
	6,351	4,555	6,351	-
Fair value of net assets acquired				
Current assets				
Cash	256	-	256	-
Inventories	11,537	269	11,537	-
Receivables	9,660	-	9,660	-
Other assets	6,029	-	6,029	-
Non-current assets				
Plant and equipment	1,189	130	1,189	-
Intellectual property	-	223	-	-
Goodwill	2,939	3,933	2,939	-
Current Liabilities				
Creditors & Accruals	(8,202)	-	(8,202)	-
Non-current liabilities				
Interest Bearing Liabilities	(17,057)	-	(17,057)	-
Net assets acquired	6,351	4,555	6,351	-
Less				
Cash acquired	(256)	-	-	-
Foreign currency reserve	(33)	-	-	-
Balance payable 20 August 2004	(829)	-	(829)	-
Net cash outflow on acquisition	5,233	3,305	5,522	-

(d) Non-cash financing and investing activities
Plant and equipment

During the financial year the economic entity acquired plant and equipment with an aggregate fair value of $274,000 (2003: $325,000) by means of finance leases. These acquisitions are not reflected in the Statement of Cash Flows.

(e) Multi Option Facility and Bills Discount Facility

The Company has access to a Multi Option Facility (including an AUD overdraft, USD overdraft, commercial bills, fixed rate trade advances, documentary credit and trade finance), a Bills Discount Facility and a Bank Guarantee facility to a maximum of $33,450,000 as at 30 June 2004 (2003 $19,800,000), leaving an unused facility of $3,445,000 (2003: $2,017,000).

This facility is secured by a First Ranking Registered Equitable Mortgage by Gale Pacific Limited over all its assets and undertakings including uncalled capital, and a First Ranking Registered Equitable Mortgage by Gale Pacific USA Inc over all its assets and undertakings including uncalled capital.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

NOTE 24: COMPANY DETAILS

The registered office of the company is: Gale Pacific Limited
145 Woodlands Drive
Braeside Victoria 3195

NOTE 25: DIRECTORS' AND EXECUTIVES' REMUNERATION

The Specified Directors of the economic entity who held office during the year were:

TJ Eversteyn (Chairman, non-executive)
G S Gale (Chief Executive Officer)
D E J Reilly (Non-executive)
H G Davies (Non-executive), resigned 17 May 2004
P R McDonald (Chief Operating Officer)
G H Richards (Non-executive), appointed 17 May 2004

The Specified Executives of the economic entity at the date of this report are:

S Carroll (Gale Australasian Sales & Marketing Manager)
L Doddridge (Chief Financial Officer)
D Whyte (Gale USA Vice President Sales & Marketing)
P Cashion (Gale China Operations - General Manager Manufacturing)
E Jung (Jung/Gale Europe, Managing Director)

Specified Directors and Specified Executives' remuneration

The Remuneration Committee reviews the remuneration packages of all directors and executive officers on an annual basis and makes recommendations to the Board. Remuneration packages are reviewed with due regard to performance and other relevant factors, and advice is sought from external advisers in relation to their structure.

Remuneration packages contain the following key elements:

a. Salary/fees;
b. Benefits, including the provision of motor vehicles and superannuation; and
c. Incentive schemes, including share options under the Executive Share Option Plan as disclosed in note 18 to the Financial Statements.

2004	PRIMARY			POST EMPLOYMENT			EQUITY		
SPECIFIED DIRECTORS	SALARY & FEES $	BONUS $	NON-MONETARY $	SUPER-ANNUATION $	PRESCRIBED BENEFITS $	OTHER $	OPTIONS $	OTHER BENEFITS $	TOTAL $
Executive Directors									
G S Gale	322,498	120,000	66,500	11,002	-	-	33,889	-	553,889
P R McDonald	252,961	75,000	36,037	11,002	-	-	26,358	-	401,358
Non-Executive Directors									
T J Eversteyn	49,583	-	-	-	-	-	-	-	49,583
H G Davies	60,554	-	-	-	-	-	-	-	60,554
D E J Reilly	47,500	-	-	-	-	-	-	-	47,500
G H Richards	6,167	-	-	-	-	-	-	-	6,167
Total	739,263	195,000	102,537	22,004	-	-	60,247	-	1,119,051

No options have vested in the current year.

NOTE 25: DIRECTORS' AND EXECUTIVES' REMUNERATION (cont'd)

2003	PRIMARY			POST EMPLOYMENT			EQUITY		
SPECIFIED DIRECTORS	SALARY & FEES $	BONUS $	NON-MONETARY $	SUPER-ANNUATION $	PRESCRIBED BENEFITS $	OTHER $	OPTIONS $	OTHER BENEFITS $	TOTAL $
Executive Directors									
G S Gale	265,504	90,000	61,364	11,002	-	-	33,889	-	461,759
P R McDonald	235,537	60,000	19,926	11,002	-	-	26,358	-	352,823
Non-Executive Directors									
T J Eversteyn	41,250	-	-	-	-	-	-	-	41,250
H G Davies	55,000	-	-	-	-	-	-	-	55,000
D E J Reilly	41,250	-	-	-	-	-	-	-	41,250
Total	638,541	150,000	81,290	22,004	-	-	60,247	-	952,082

2004	PRIMARY			POST EMPLOYMENT			EQUITY		
SPECIFIED EXECUTIVES	SALARY & FEES $	BONUS $	NON-MONETARY $	SUPER-ANNUATION $	PRESCRIBED BENEFITS $	OTHER $	OPTIONS $	OTHER BENEFITS $	TOTAL $
Specified Executives									
L. Doddridge (i)	5,105	-	775	459	-	-	-	-	6,339
R. House	162,307	30,000	19,026	14,608	-	10,000	17,465	-	253,406
P. Cashion (ii)	139,373	-	62,629	-	-	-	-	-	202,002
D. Whyte (iii)	262,272	33,660	31,116	-	-	-	-	-	327,048
E. Jung (iv)	219,855	-	-	-	-	-	-	-	219,855
S. Carroll	170,000	-	25,000	15,300	-	-	-	-	210,300
Total	958,912	63,660	138,546	30,367	-	10,000	17,465	-	1,218,950

(i) Mr. L Doddridge was appointed as Chief Financial Officer on 22 June 2004 and therefore the details of his remuneration for the reporting period shown cover eight working days.

(ii) Mr Cashion is based in China and is remunerated in US dollars converted to Australian dollars in the table above.

(iii) Mr Whyte is based in the USA and is remunerated in US dollars converted to Australian dollars in the table above.

(iv) Mr Jung is based in Germany and is remunerated in Euro converted to Australian dollars in the table above.

FULLY PAID ORDINARY SHARES	BALANCE 1 JULY 2003	RECEIVED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE (i)	BALANCE 30 JUNE 2004
Executive Directors					
G S Gale	14,771,134	-	-	13,846	14,784,980
P R Mc Donald	360,510	-	332,843	54,766	415,276
Non-Executive Directors					
T J Eversteyn	185,000	-	-	5,000	190,000
D E J Reilly	214,507	-	-	45,105	259,612
G H Richards	-	-	-	10,000	10,000
Specified Executives					
None	-	-	-	-	-
Total	15,531,151	-	332,843	128,717	15,659,868

(i) Net change refers to purchases and sales during the year.

NOTE 25: DIRECTORS' AND EXECUTIVES' REMUNERATION (cont'd)

SHARE OPTIONS	BALANCE 1 JULY 2003	RECEIVED AS REMUNERATION	OPTIONS EXERCISED	BALANCE 30 JUNE 2004	TOTAL VESTED	TOTAL 30 JUNE 2004 EXERCISABLE
Executive Directors						
G S Gale	427,942	-	-	427,942	427,942	427,942
P R Mc Donald	332,843	-	(332,843)	-	-	-
Non Executive Directors						
None	-	-	-	-	-	-
Specified Executives						
None	-	-	-	-	-	-
Total	760,785	-	(332,843)	427,942	427,942	427,942

Directors acquired shares through the Dividend Reinvestment Plan on the same terms and conditions available to other shareholders.

REMUNERATION PRACTICES

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

The remuneration structure for executive officers, including executive directors, is based on a number of factors including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts of 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 imediate future. Upon retirement, Specified Directors and Executives are paid employee benefit entitlements accrued to date of retirement. Payment of bonuses, stock options and other incentive payments are made at the discretion of the Remuneration Committee based predominantly on an objective review of the Company's financial performance, the individual's achievement of stated financial and non financial targets and any other factors the Committee deems relevant.

	2003/04		2002/03	
	Cents per Share	Total $ '000	Cents per Share	Total $ '000
NOTE 26: DIVIDENDS				
Ordinary Shares				
Interim dividend – fully franked	3.5	1,751	3.5	1,488
Final dividend – fully franked	3.5	1,524	-	-
		3,275		1,488
Adjusted franking account balance		3,889		4,693

Since the end of the financial year, Directors have declared a fully franked final dividend of 4.0 cents per share, amounting to $2,014,000.

The final dividend for the year ended 30 June 2004 has not been recognised in this financial report because the final dividend was declared subsequent to 30 June 2004. On the basis that Directors will continue to declare dividends subsequent to reporting date, in future financial reports the amount disclosed as 'recognised' will be the final dividend in respect of the prior financial year, and the interim dividend in respect of the current financial year.

	Note	CONSOLIDATED 2003/04 $ '000	CONSOLIDATED 2002/03 $ '000	COMPANY 2003/04 $ '000	COMPANY 2002/03 $ '000
NOTE 27: CAPITAL AND LEASING COMMITMENTS					
(a) Finance Leasing Commitments					
Payable					
not later than one year		363	433	363	433
later than one year and not later than five years		669	833	669	833
Minimum lease payments		1,032	1,266	1,032	1,266
Less future finance charges		107	233	107	233
Total lease liability		925	1,033	925	1,033
Represented by:					
Current liability	14	310	328	310	328
Non-current liability	14	615	705	615	705
		925	1,033	925	1,033

The consolidated entity leases production plant and equipment under finance leases expiring from one to five years. At the end of the lease term the consolidated entity has the option to purchase the equipment deemed to be a bargain purchase option.

	Note	CONSOLIDATED 2003/04 $ '000	CONSOLIDATED 2002/03 $ '000	COMPANY 2003/04 $ '000	COMPANY 2002/03 $ '000
(b) Hire Purchase Commitments					
Payable					
not later than one year		2,447	2,490	2,447	2,490
later than one year and not later than five years		6,067	8,450	6,067	8,450
Minimum hire purchase payments		8,514	10,940	8,514	10,940
Less future finance charges		615	2,030	615	2,030
Total hire purchase liability		7,899	8,910	7,899	8,910
Represented by:					
Current liability	14	2,168	2,143	2,168	2,143
Non-current liability	14	5,731	6,767	5,731	6,767
		7,899	8,910	7,899	8,910

NOTE 27: CAPITAL AND LEASING COMMITMENTS (cont'd)

	CONSOLIDATED 2003/04 $ '000	CONSOLIDATED 2002/03 $ '000	COMPANY 2003/04 $ '000	COMPANY 2002/03 $ '000
(c) Operating Lease Commitments				
Non-cancellable operating leases contracted for but not capitalised in the accounts:				
Payable				
- not later than one year	3,411	2,808	2,685	2,663
- later than one year and not later than five years	7,908	8,353	5,502	8,269
- later than five years	2,999	-	-	-
	14,318	11,161	8,187	10,932

The Company leases property under operating leases expiring in 1 to 10 years. Leases of property generally provide the Company with a right of renewal at which time all leases are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on the consumer price index.

NOTE 28: RELATED PARTY TRANSACTIONS

(a) Equity Investments in Controlled Entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 29 to the financial statements.

(b) Directors' Remuneration

Details of Directors' remuneration are disclosed in Note 25.

(c) Directors' Equity Holdings

Details of Directors' equity holdings are disclosed in Note 25.

(d) Transactions with Directors and Director-related entities

	CONSOLIDATED 2003/04 $ '000	CONSOLIDATED 2002/03 $ '000	COMPANY 2003/04 $ '000	COMPANY 2002/03 $ '000
Current	25	30	25	30

Mr T Eversteyn is a Partner of the Chartered Accounting firm Bentleys MRI. In addition to Directors fees received (and disclosed in Note 25) Bentleys MRI have provided taxation and other business advice during the year ended 30 June 2004 to Gale Pacific Limited. The value of services provided was $166,863 (2003:$ 151,688).

During the financial year, Directors and their Director-related entities purchased goods, which were domestic or trivial in nature, from the company on the same terms and conditions available to other employees and customers. The current year closing balance of $25,000 is represented by director's fees payable as follows;

Mr T Eversteyn	7,083
Mr D Reilly	13,750
Mr G Richards	4,167
	25,000

(e) Transactions Within the Wholly-Owned Group

The wholly-owned group includes:

- The ultimate parent entity in the wholly-owned group; and
- Wholly-owned controlled entities.

The ultimate parent entity in the wholly-owned group is Gale Pacific Limited, which is also the parent entity in the economic entity.

Amounts receivable from entities in the wholly-owned group are disclosed in Note 6. These amounts are repayable at call, and no interest is charged on outstanding balances.

Transactions that occurred during the financial year between entities in the wholly owned group were:

- Sale and purchase of goods at cost plus mark up of up to 20%.
- Reimbursement of certain operating costs.

(f) Transactions With Non-wholly Owned Controlled Entity

Transactions that occurred during the financial year with a non-wholly owned controlled entity were:

- Net Sales of goods at cost of $412,000.

NOTE 29: CONTROLLED ENTITIES

	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST (%)	
		2003/04	2002/03
Parent Entity:			
Gale Pacific Limited	Australia	-	-
Controlled Entities:			
Gale Pacific USA Inc.	USA	100%	100%
Gale Pacific FZE	United Arab Emirates	100%	100%
Gale Pacific Special Textiles Company Limited	China	100%	85%
Aquaspan Pty Ltd	Australia	50%	50%
Jung Garten & Freizeit Vertriebsgesellschaft mbH	Germany	100%	-

Gale Pacific Special Textiles Company Limited was formed on 21 November 2002, and manufactures advanced durable polymer fabrics and value added structures made from these fabrics. During September 2003 Gale Pacific Limited purchased the remaining 15% share and obtained the relevant Chinese Government approval to operate as a wholly foreign owned enterprise in China. On 20 February 2004, Gale Pacific Limited acquired 100% of the issued shares in Jung.

NOTE 30: SEGMENT REPORTING

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Inter-segment pricing is predominantly determined on an arm's length basis.

Geographical segment

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

The consolidated entity comprises the following main geographical segments, based on the consolidated entity's management reporting system:

Australia/New Zealand

Manufacturing and distribution facilities are located in Victoria, Australia. Sales offices are located in all states in Australia and through distribution agreements in New Zealand.

China

A Manufacturing facility is located in Ningbo, which supplies products to Australia and the USA.

USA

Sales offices are located in Florida and California which service the North American region.

Middle East

A sales office is located in the United Arab Emirates which services the region.

Germany

A sales and distribution facility is located in Western Germany to service the European markets

Business Segment

The consolidated entity operates predominantly in one business segment, being the advanced polymer fabrics industry. The consolidated entity manufactures and markets advanced durable knitted and woven polymer fabrics and value added structures made from these fabrics. With the acquisition of "Jung" the company now markets domestic garden products to the home hardware sector in Europe.

NOTE 30: SEGMENT REPORTING (cont'd)

Primary Reporting – Geographical Segments

	Aust/NZ	China	USA	Middle East	Germany	Eliminations	Consolidation
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2004							
Revenue outside the economic entity	60,685	-	15,842	2,125	28,160	(412)	106,400
Inter-segment revenue	11,439	10,466	-	-	-	(21,905)	-
Total revenue	72,124	10,466	15,842	2,125	28,160	(22,317)	106,400
Segment operating profit	6,024	971	78	94	2,855	(398)	9,624
Income tax expense	(1,886)	-	42	-	(1,141)	370	(2,615)
Operating Profit after tax	4,138	971	120	94	1,714	(28)	7,009
Depreciation and Amortisation	3,675	320	303	14	69	296	4,677
Reimbursement of R&D expenditure	1,086	-	-	-	-	-	1,086
Segment Assets	68,757	9,578	14,522	1,562	26,357	(7,119)	113,657
Unallocated Assets							346
Total Assets							114,003
Segment Liabilities	47,003	2,949	1,413	139	9,230	(4,140)	56,594
Unallocated Liabilities							4,213
Total Liabilities							60,807
Acquisition of non-current assets	2,183	3,893	298	85	-	-	6,459
2003							
Revenue outside the economic entity	66,925	-	15,911	1,773	-	-	84,609
Inter-segment revenue	9,595	3,264	-	-	-	(12,859)	-
Total revenue	76,520	3,264	15,911	1,773	-	(12,859)	84,609
Segment operating profit	6,606	761	310	294	-	(198)	7,773
Income tax expense	(2,083)	-	(94)	(88)	-	45	(2,220)
Operating Profit after tax	4,523	761	216	206	-	(153)	5,553
Depreciation and Amortisation	2,903	51	285	16	-	90	3,345
Reimbursement of R&D expenditure	2,562	-	-	-	-	-	2,562
Segment Assets	55,172	3,299	12,525	598	-	(388)	71,206
Unallocated Assets							204
Total Assets							71,410
Segment Liabilities	35,790	210	1,088	125	-	(44)	37,169
Unallocated Liabilities							1,398
Total Liabilities							38,567
Acquisition of non-current assets	6,458	1,711	3,619	-	-	-	11,788

NOTE 31: EARNINGS PER SHARE

	COMPANY	
	2003/04	2002/03
Earnings used in the calculations of basic and diluted earnings per share	$7,004,000	$5,451,000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	46,064,420	42,832,976
Number of share options on issue	477,942	760,785
Weighted average number of Share Options issued during the year	5,738	293,836
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	46,548,100	43,887,597

NOTE 32: FINANCIAL INSTRUMENTS

(a) Financial instruments

Derivative Financial Instruments

Derivative financial instruments may be used by the economic entity to hedge exposure to exchange rate risk associated with foreign currency borrowings. The derivative financial instruments are recognised in the financial statements. Transactions for hedging purposes are undertaken without the use of collateral as the Company only deals with reputable institutions with sound financial positions.

(b) Credit Risk

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

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts is the net fair value of these contracts.

The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

(c) Net Fair Values

The net fair value of assets and liabilities approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than forward exchange contracts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2004

NOTE 32: FINANCIAL INSTRUMENTS (cont'd)

(d) Interest Rate Risk

The economic entity'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 rates on classes of financial assets and financial liabilities, is as follows:

	NOTE	WEIGHTED AVERAGE INTEREST RATE	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE $'000	NON INTEREST BEARING $'000	TOTAL $'000	MATURING 1 YEAR OR LESS $'000	MATURING 1 TO 5 YEARS $'000	MATURING MORE THAN 5 YEARS $'000
30 June 2004									
Financial Assets									
Cash assets	5	5.15%	6,710	-	-	6,710	6,710	-	-
Receivables	6		-	-	28,605	28,605	28,605	-	-
			6,710	-	28,605	35,315	35,315	-	-
Financial Liabilities									
Payables	13		-	-	15,942	15,942	15,942	-	-
Bank overdrafts and loans	14	2.5%	16,805	-	-	16,805	16,805	-	-
Commercial bills	14	6.9%	-	3,100	-	3,100	600	2,500	-
Commercial bills	14	6.0%	-	3,300	-	3,300	900	2,400	-
Commercial bills	14	6.0%	-	6,600	-	6,600	-	6,600	-
Commercial bills	14	6.0%	-	200	-	200	-	200	-
Lease liabilities	14	7.5%	-	925	-	925	310	615	-
Hire purchase liabilities	14	8.2%	-	7,899	-	7,899	2,168	5,731	-
Employee entitlements	16		-	-	1,099	1,099	989	110	-
			16,805	22,024	17,041	55,870	37,714	18,156	-
30 June 2003									
Financial Assets									
Cash assets	5	4.65%	847	-	610	1,457	1,457	-	-
Receivables	6		-	-	13,420	13,420	13,420	-	-
			847	-	14,030	14,877	14,877	-	-
Financial Liabilities									
Payables	13		-	-	7,736	7,736	7,736	-	-
Bank overdrafts and loans	14	3.3%	7,893	-	-	7,893	7,893	-	-
Commercial bills	14	6.9%	-	3,700	-	3,700	600	2,400	700
Commercial bills	14	5.9%	-	4,200	-	4,200	900	3,300	-
Lease liabilities	14	8.3%	-	1,033	-	1,033	328	705	-
Hire purchase liabilities	14	8.4%	-	8,910	-	8,910	2,143	6,767	-
Employee entitlements	16		-	-	1,078	1,078	968	110	-
			7,893	17,843	8,814	34,550	20,568	13,282	700

NOTE 33: SUBSEQUENT EVENTS

Subsequent to the end of the financial year, capital expenditure was approved for the purchase of plant and equipment for the wholly owned Chinese entity, Gale Pacific Textiles Company Limited ("GPST").

Number of Holdings of Equity Securities

The fully paid issued capital of the Company consisted of 50,358,425 ordinary fully paid shares held by 1,460 shareholders. Each share entitles the holder to one vote.

Two option holders hold 477,942 options over ordinary shares. Options do not carry a right to vote.

Distribution of Holders of Equity Securities

	NUMBER OF SHAREHOLDERS	
SIZE OF SHAREHOLDING	FULLY PAID ORDINARY SHARES	OPTIONS OVER ORDINARY SHARES
1 – 1,000	170	-
1,001 - 5,000	572	-
5,001 - 10,000	365	-
10,001 - 100,000	317	1
100,001 and over	36	1
	1,460	2
Holdings less than a marketable parcel	32	-

Substantial Shareholders

Shareholder	No.	%
Gale Australia Pty Ltd	14,790,104	29.4%
Gary Stephen Gale	14,790,104	29.4%
Barbara Gale	14,790,104	29.4%
Thorney Holdings Pty Ltd	5,894,342	11.7%
Commonwealth Bank of Australia	3,511,402	7.0%
Equipsuper Pty Ltd	2,904,809	5.8%

The substantial shareholding of Thorney Holdings Pty Ltd includes holdings of Invia Custodian Pty Ltd, being numbers 11 and 13 on the schedule of Twenty Largest Holders of Quoted Equity Securities and includes a holding outside of the top twenty holdings

ADDITIONAL STOCK EXCHANGE INFORMATION

AS AT 20 SEPTEMBER 2004

Twenty Largest Holders of Quoted Equity Securities

Ordinary Shareholders	No.	%
1. Gale Australia Pty Ltd	13,816,181	27.4%
2. Thorney Holdings Pty Ltd	3,663,785	7.3%
3. Citicorp Nominees Pty Limited	3,092,963	6.1%
4. National Nominees Limited (Equipsuper Account)	2,904,809	5.8%
5. National Nominees Limited	2,306,123	4.6%
6. Equity Trustees Limited (SGH PI Smaller Co's Fund)	1,353,869	2.7%
7. J P Morgan Nominees Australia Limited	1,012,148	2.0%
8. Equity Trustees Limited (JM Asset Management)	1,000,786	2.0%
9. Mrs Anne Lesley Gale	973,923	1.9%
10. Westpac Custodian Nominees	963,403	1.9%
11. Invia Custodian Pty Ltd (White A/C)	776,838	1.5%
12. Thorney Holdings Pty Ltd	676,335	1.3%
13. Invia Custodian Pty Ltd (Thirty Five A/C)	514,086	1.0%
14. Cognet Nominees Pty Ltd	472,258	0.9%
15. Benefund Limited	450,000	0.9%
16. Guardian Trust Australia Ltd	371,456	0.7%
17. RBC Global Services Australia	364,512	0.7%
18. ANZ Nominees Limited	360,203	0.7%
19. Mrs Diane Kay Riddell	319,600	0.6%
20. Malla Pty Ltd	300,000	0.6%
Total	35,693,278	70.6%

The twenty members holding the largest number of shares together held a total of 70.6% of the issued capital.

Financial Report

Following the completion of the Financial Report, the Statement of Financial Performance has been amended from the ASX Appendix 4E Preliminary Final Report with Depreciation and amortisation expenses restated as $4,677, operating overheads restated as $23,492 and other expenses from ordinary activities restated as $3,085. These were re-allocations and did not alter the profit after tax.

Other information:

The name of the Company Secretary is Ms S Karzis.

Ms Karzis was appointed the Company Secretary on 11 June 2004 following the resignation of Mr R L House.

The address of the principal registered office in Australia, and the principal administrative office, is:

145 Woodlands Drive, Braeside, Vic, 3195, Tel: (03) 9518 3333

The Company is listed on the Australian Stock Exchange. The home exchange is Melbourne.

Registers of securities are held by:

Computershare Investor Services Pty Ltd

Level 12, 565 Bourke Street

Melbourne, Victoria, 3000

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