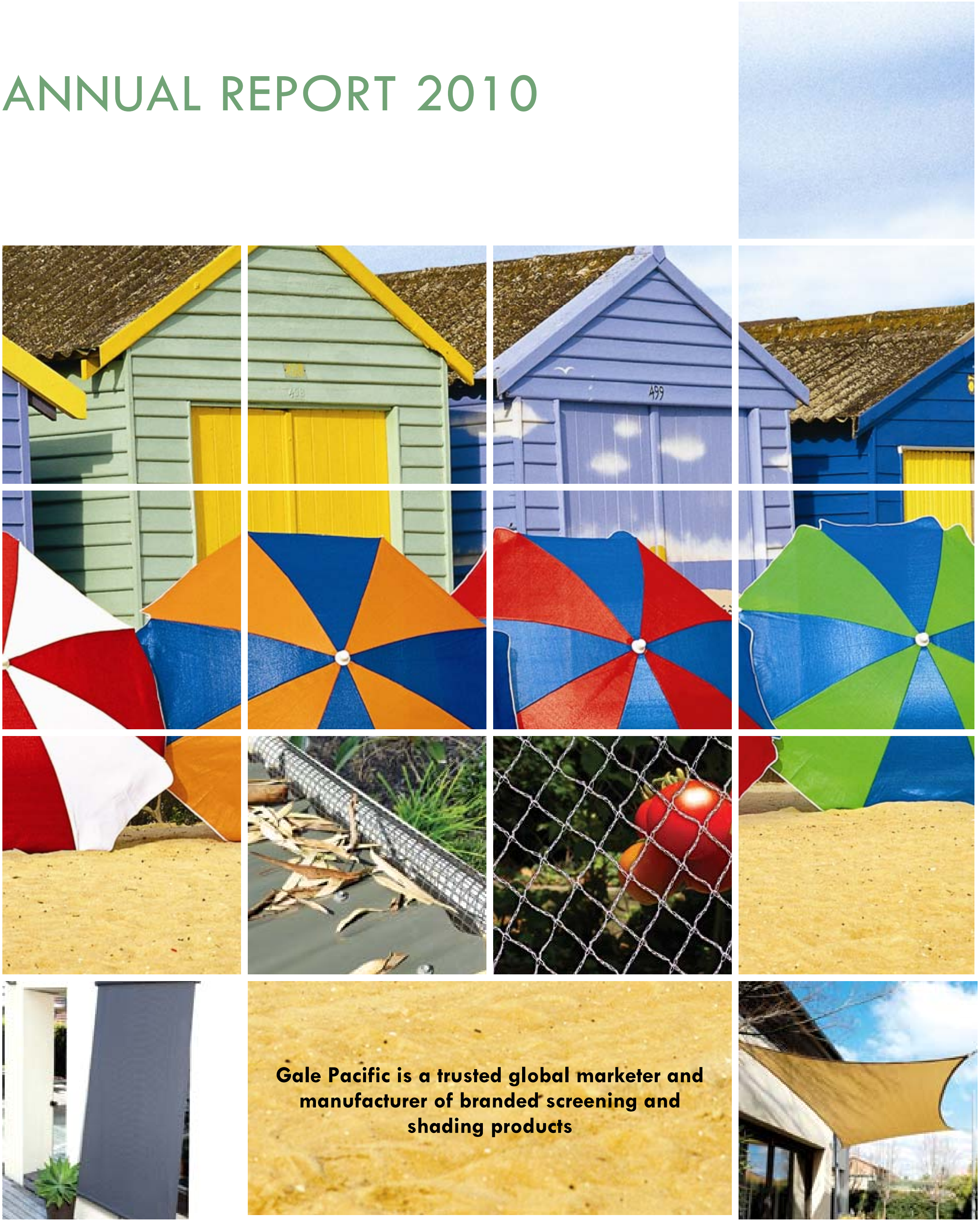
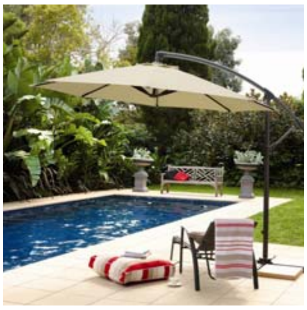
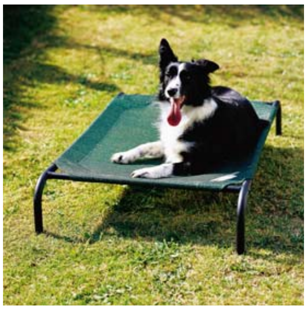
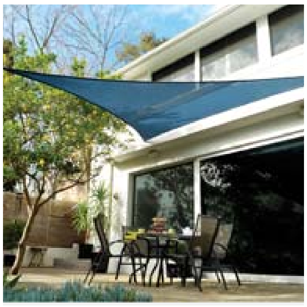
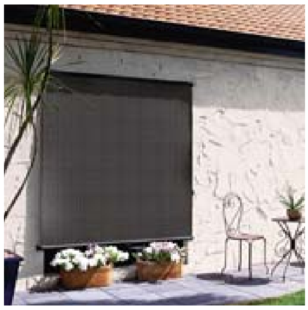
ANNUAL REPORT 2010











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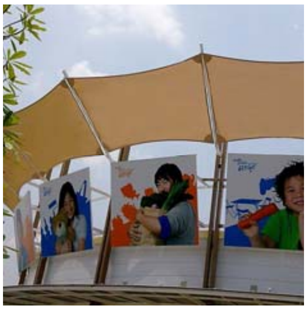
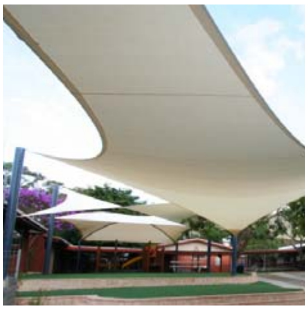
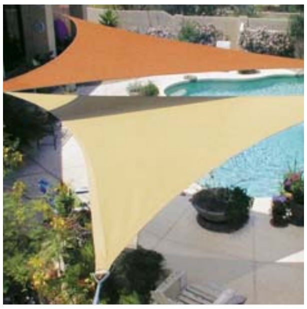
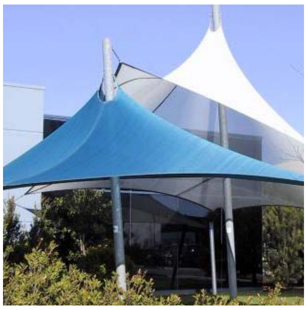




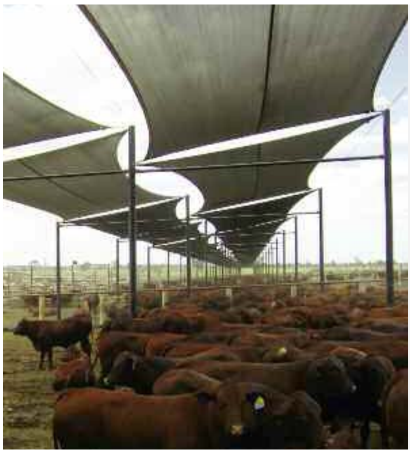


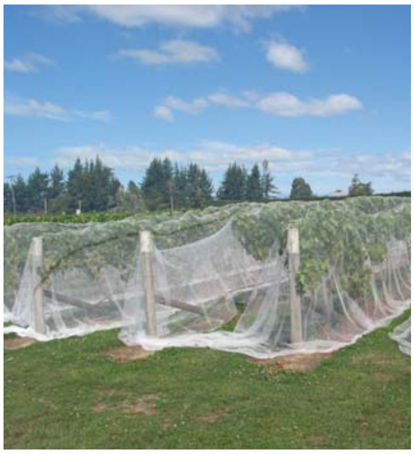
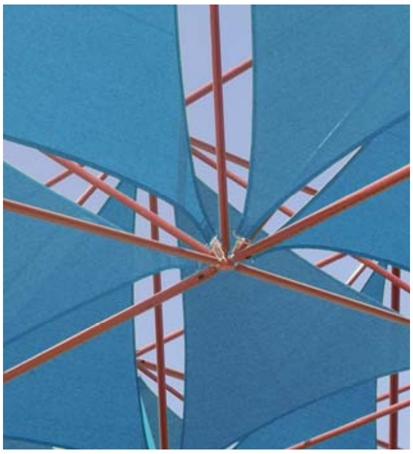
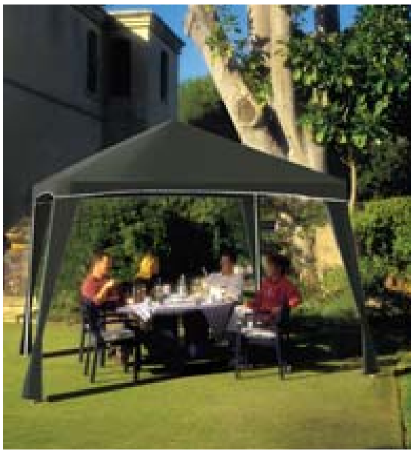
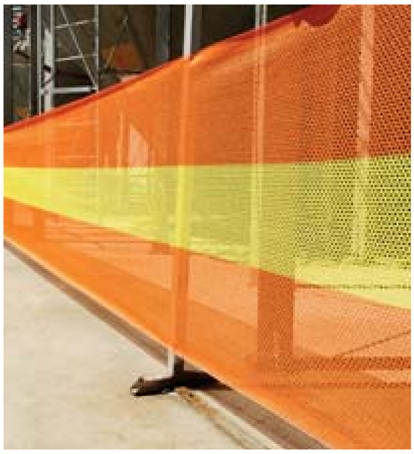


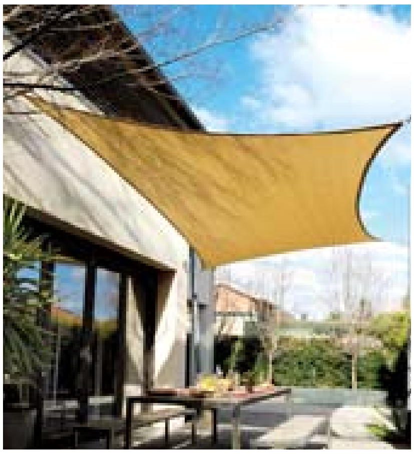
OUR VISION & VALUES

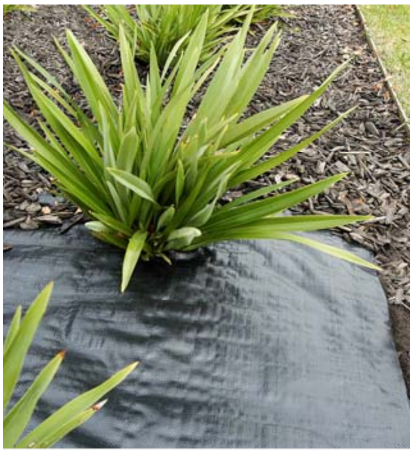
To provide leading branded screening and shading products to world markets, consistent with the following core values:

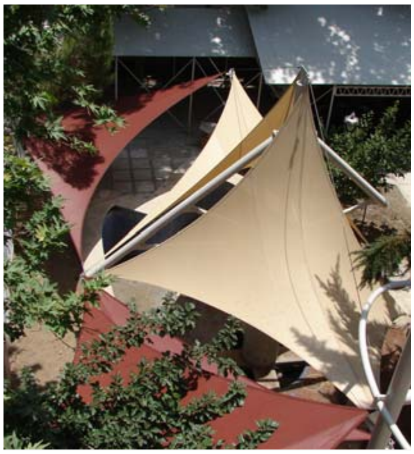
- To understand and consistently meet our customers' expectations
- To provide a safe working environment, personal development and open communication with all employees
- To foster a culture of continuous improvement
- To maintain a reputation of excellence in our endeavours
- To constantly innovate to develop new and improved products to drive sales and profit growth
- To deliver strong financial performance and growing returns to shareholders
- To be responsible with our impact on the environment









CORPORATE DIRECTORY

GALE PACIFIC LIMITED

ABN 80 082 263 778

DIRECTORS

Mr David Allman (Chairman)
Mr Peter McDonald (Managing Director and Chief Executive Officer)
Mr John Murphy (Non Executive Director)
Mr George Richards (Non Executive Director)

COMPANY SECRETARY

Ms Sophie Karzis

REGISTERED OFFICE

145 Woodlands Drive, Braeside, Victoria, 3195
T + 613 9518 3333

SOLICITORS

Norton Gledhill
Level 23, 459 Collins Street, Melbourne, Victoria, 3000
T + 613 9614 8933

AUDITOR

Pitcher Partners
Level 19, 15 William Street, Melbourne, Victoria, 3000
T + 613 8610 5000

SHARE REGISTER

Computershare
Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, 3067
T + 613 9415 4000

WEBSITE ADDRESS

www.galepacific.com

2010 ANNUAL GENERAL MEETING

The Annual General Meeting will be held on 29 October 2010, 11.00am at Pitcher Partners, Level 19, 15 William Street, Melbourne, Victoria, 3000.

The Notice of Meeting and Proxy Form are separate items accompanying this 2010 Annual Report.

CHAIRMAN'S AND MANAGING DIRECTORS AND CHIEF EXECUTIVE OFFICER'S REPORT

DAVID ALLMAN
CHAIRMAN

PETER MCDONALD
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

DEAR SHAREHOLDERS,

THE YEAR IN REVIEW

It is very pleasing to report to shareholders the significantly improved results for the year ended 30 June 2010. Gale has undergone major restructuring in the prior three years and the positive results for the year ended 30 June 2010 are confirmation that the turnaround of Gale has been successful. Gale has developed a very solid base for future growth.

Gale has posted these improved results while operating with some weak economic conditions in several markets.

The highlights of the results were:

- **Revenue increase of 1% to $98.8 million**

  Revenue for the year grew by 1% to $98.8 million, resulting from strong sales growth in the Australian and USA markets in local currencies, offset by weaker sales in the New Zealand and Middle East markets.

- **EBITDA increase of 17% to $16.5 million**

  Earnings before interest, tax, depreciation and amortisation was $16.5 million for the year compared to $14.1 million for continuing businesses for the previous corresponding period. The improved margins are a result of new product introductions, leaner operating costs and ongoing yield and efficiency improvements in our Chinese manufacturing facility.

- **EBIT increase of 63% to $9.3 million**

  Earnings before interest and tax was $9.3 million compared to $5.7 million for continuing businesses (and excluding the FY09 impairment of goodwill in New Zealand) before significant items.

- **Reported NPAT up $18.0 million to $6.0 million**

- **Cash from operations increase of 58% to $18.0 million**

  The consistently increasing annual cash generation from operations is the result of strong EBITDA margins and also improvements in working capital management, particularly in the management of inventory levels and production planning. Inventory reduced by $3.4 million to $20.3 million.

- **Net cash on deposit of $3.1million at 30 June 2010 compared to net debt of $14.1 million at 30 June 2009**

  The strong cash generation from operations and the business requiring a low level of capital expenditure of $1.2 million, has resulted in Gale having net cash on deposit at 30 June 2010 of $3.1 million.

REGIONAL RESULTS

Asia Pacific (excluding China)

	FY10 (A$M's)	FY09 (A$M's)	Change (%)
Sales	71.4	66.3	+8%
EBITDA	9.3	6.5	+43%
EBIT	7.2	4.1	+75%

Sales growth of 8% was generated from new products and strong sell through of consumer products in Australia and New Zealand. The continued weak horticultural market in New Zealand resulted in lower sales of commercial shade fabric and protective nets. Sales to Japanese customers increased by more than 20% on the previous year. Improved margins resulted from the stronger Australian dollar and new product sales growth.

FY09 EBIT is before significant items.

Americas

	FY10 (US$M's)	FY09 (US$M's)	Change (%)
Sales	18.7	17.7	+6%
EBITDA	0.8	(0.5)	
EBIT	0.4	(1.0)	

The 6% sales growth rate is pleasing given that market conditions continue to be subdued. New products and category expansion were the drivers of growth. Leaner infrastructure costs and lower product costs resulted in improved margins.

Middle East

	FY10 (US$M's)	FY09 (US$M's)	Change (%)
Sales	5.4	6.1	- 11%
EBITDA	0.9	1.0	- 10%
EBIT	0.9	1.0	- 10%

Subdued (construction) market conditions particularly in Dubai and Kuwait remain a challenge. Excellent growth was recorded in the Saudi market. Selling prices and margins have been steady. The company has maintained the market leading position and has recently added waterproof fabrics and high end architectural PVC products to the range.

China

	FY10 (US$M's)	FY09 (US$M's)	Change (%)
Sales (intercompany)	26.5	28.4	- 7%
EBITDA	4.3	5.1	- 16%
EBIT	0.4	1.1	- 74%

We are extremely pleased with the progress that has been made in our Chinese manufacturing operation. Plant yields have increased and scrap rates have reduced throughout the year as part of the continuous manufacturing improvement program. The margin decline was due to higher prices on some inputs and lower production volumes resulting mainly from the group inventory reductions achieved.

DIVIDEND PAYMENTS RESUME

Directors are extremely pleased to confirm to shareholders that the major restructuring of Gale is complete and announce the resumption of the payment of dividends. An ordinary fully franked dividend of one (1) cent per share has been declared.

SPECIAL DIVIDEND PAYMENT

As a consequence of the excellent result and significant cash generation from operations, the Directors have further declared a special dividend, fully franked of one (1) cent per share.

A total dividend payment of two (2) cents per share fully franked will be paid to shareholders on Friday 22 October 2010.

The Company's Dividend Reinvestment Plan was suspended in September 2006 and the Directors have determined that the plan is to remain suspended.

STRATEGY REVIEW COMPLETED

During the year management completed a review of the business which has given us a clearer view of where we see our growth opportunities. Historically the business has been defined with a technical focus on advanced polymer fabrics which has limited our growth in the markets we service. By redefining our strategy to be more market driven in branded shading and screening products, we now have a much broader view to leverage off our core capabilities to grow the business.

NEW PRODUCTS – "XCELTEX" WATERPROOF OUTDOOR FABRIC

After several years of research and development, Gale has successfully trialed a new outdoor waterproof fabric in a range of umbrella's during the 2009/10 summer season. The trial was very successful and quickly sold out. Listings for an expanded range of products has been won for the 2010/11 summer sales season in both Australia and New Zealand and presentations are underway in the USA and European markets.

This exciting new fabric also provides Gale with further opportunities in the commercial markets which are currently being explored.

NEW PRODUCT CATEGORIES – "COOLAROO" SYNTHETIC GRASS

Gale has expanded its product offerings and product sourcing capabilities and has won new listings of product into the fast growing synthetic grass market. While Gale does not manufacture these products, the production techniques and technologies for these outdoor polymer based products are well understood, particularly in the important product benefits of colorfastness and UV stability.

POSITIONED FOR ORGANIC AND ACQUISITION GROWTH

Gale has built and maintains a strong continuous improvement culture, skilled and motivated employees and management, and effective and efficient infrastructure. Innovation and product development continues to be a main focus of organic growth and plans are in place to ensure that we grow our core business. With a much stronger Balance Sheet and ongoing strong cash generation, complementary acquisitions are also a growth imperative which are being actively pursued.

MANAGEMENT AND STAFF

On behalf of the Directors, we would like to thank all Gale employees for their hard work, dedication and commitment to the business and congratulate the whole team for the results which have been achieved this year. In all areas of the business the team has been challenged to focus on continuing to improve the way we operate and do business with our customers. Many positive changes have been implemented and will continue to be made as we look forward into the new financial year.

During the year our lost time injury rate has declined as we strive to eliminate safety hazards from the business. This is a good result and an area we will continue to look for improvement. Employee safety and personal development are a key part of the values of the business.

OUTLOOK

Trading conditions in most markets are expected to remain subdued. The strength of Gale's brands, Coolaroo for consumer products sold through retail channels and Synthesis for the commercial products, will continue to provide a positive competitive position. Exciting new product initiatives and the expansion of ranges into the existing distribution network provide growth opportunities for the company.

In view of the global market volatility it is difficult to provide firm guidance of the future profitability of Gale. On the basis of current economic conditions, raw material prices, and exchange rates, Gale expects to achieve moderate sales and profit growth for the year ended 30 June 2011.

ANNUAL GENERAL MEETING

A notice of the Company's Annual General Meeting to be held on 29th October 2010 and a proxy voting form is enclosed with this report.

D. J. Alle

Mr David Allman
Chairman
27 August 2010

Mr Peter McDonald
Managing Director and Chief Executive Officer
27 August 2010

BOARD OF DIRECTORS

DAVID ALLMAN
PETER MCDONALD
JOHN MURPHY
GEORGE RICHARDS

DAVID ALLMAN B.SC.

CHAIRMAN AND NON EXECUTIVE DIRECTOR SINCE NOVEMBER 2009

Mr Allman was Managing Director of McPherson's Limited from 1995 to 2009 and prior to that he was Managing Director of Cascade Group Limited for 7 years. Before this he held senior positions with Elders IXL Limited and Castlemaine Tooheys Limited. Mr Allman holds a degree in engineering and prior to obtaining general management positions held managerial roles in production management, finance and marketing.

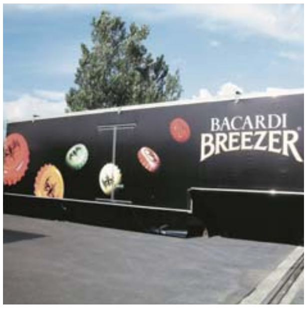
Mr Allman is the Chairman of the Company's Nomination Committee and is a member of the Audit and Risk and Remuneration Committees.

PETER MCDONALD B.BUS (MARKETING)

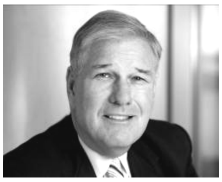
MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER SINCE APRIL 2006

Mr McDonald is the Company's Managing Director and Chief Executive Officer since April 2006 and Executive Director since 1998.

Mr McDonald joined Gale in 1988 and was appointed as an Executive Director of the Company in 1998. Mr McDonald has held the positions of Product Manager, National Marketing Manager, National Sales and Marketing Manager, Chief Operating Officer and Managing Director of the Gale's United States operations.



JOHN MURPHY CA, FCPA, B.COMM, M.COMM



NON EXECUTIVE DIRECTOR SINCE AUGUST 2007

Mr Murphy is the Managing Director of Investec Wentworth Private Equity Limited and in this capacity is a board member of the fund's investments, including the following listed companies: Ariadne Australia Limited, Staging Connections Group Limited, Vocus Communications Limited (formally First Opportunity Fund Limited), ClearView Wealth Limited and Gale Pacific Limited. Mr Murphy is also a Non Executive Director of Investec Bank (Australia) Limited and Specialty Fashion Group Limited.

Mr Murphy is the Chairman of the Company's Remuneration Committee and is a member of the Audit and Risk and Nomination Committees.

GEORGE RICHARDS CPA, AAICD

NON EXECUTIVE DIRECTOR SINCE MAY 2004

Mr Richards joined the Board in 2004. Mr Richards 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 45 years experience in retail, marketing, manufacturing and distribution. He is a board member of The Alfred Foundation, a Director of Bowen & Pomeroy Pty Ltd, Chairman of Carpet Court Australia Limited, Associate Member of the Australian Institute of Company Directors and Australian Society of Accountants.

Mr Richards is Chairman of the Company's Audit and Risk Committee and is a member of the Nomination and Remuneration Committees.

SENIOR MANAGEMENT

JEFF COX
SHAUN MCPHERSON
MARTIN DENNEY
BERNIE WANG

JEFF COX — CHIEF FINANCIAL OFFICER ("CFO")

Jeff joined Gale in March 2006 and is an experienced CFO having held senior finance positions for over 20 years. He has been the CFO of major divisions within the Pacific Dunlop Group including the Battery Group, Food Group and at Ansell. All these businesses had revenues in excess of $1 billion and significant international sales, distribution and manufacturing operations. Jeff's experience at Ansell included residing in the USA for 5 years while playing a significant part in a successful and global company.

SHAUN MCPHERSON — MANAGING DIRECTOR, ASIA PACIFIC

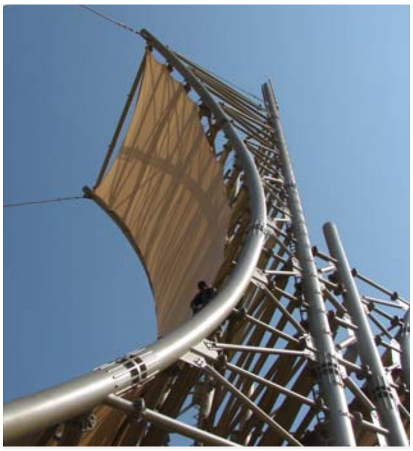
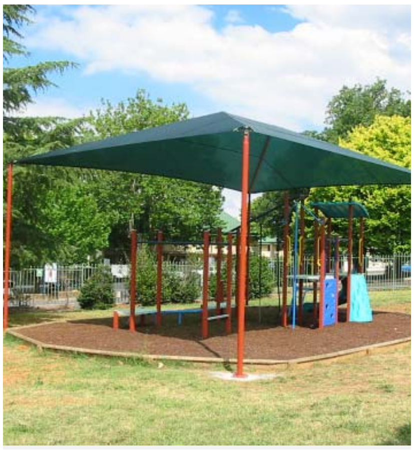
Shaun joined Gale in late November 2008 as Managing Director Asia Pacific. Shaun has extensive experience in general management, sales and marketing in commercial / industrial and retail markets. He has held senior management positions with global companies including General Manager, Country Director for Newell Rubbermaid Australia / New Zealand, Group Category Manager (Industrial, Engineering & Safety) for Hagemeyer Australia, and Regional Sales Manager (Industrial) for Ansell. Shaun has an Associate Diploma in Business Management and a MBA.

MARTIN DENNEY — MANAGING DIRECTOR, USA

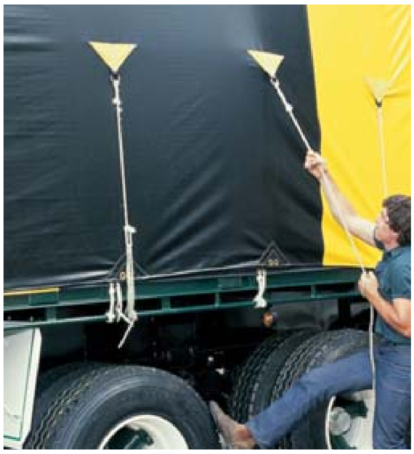
Martin joined Gale in June 2006 and has strong commercial and strategic planning skills gained over 20 years across a range of industries including food and beverage, distribution, manufacturing, technology and property development. He has held senior management roles including General Manager of Socomin, a branded food import and distribution division of Pacific Dunlop Group (turnover A$40 million). Other roles include National Sales and Marketing Manager at Dennis Family Corporation (turnover A$250 million), and Business Development Manager at Adacel Technologies.

BERNIE WANG — MANAGING DIRECTOR, CHINA

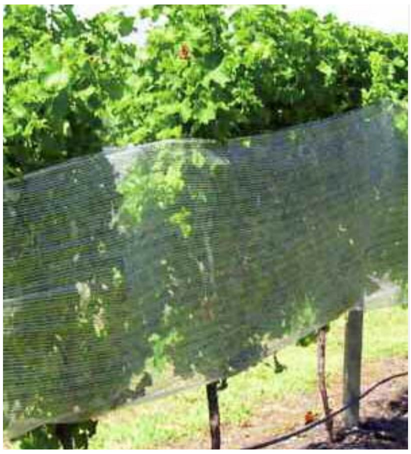
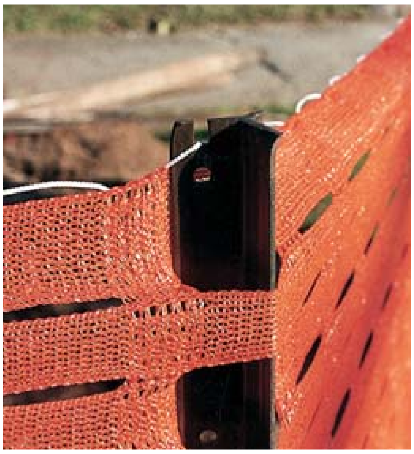
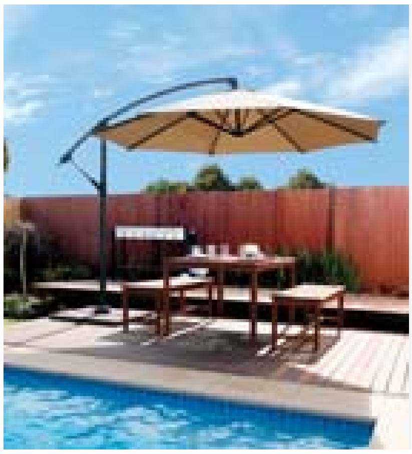
Bernie joined Gale in February 2009 and has 20 years experience in the chemical fibre textile industry. Bernie started his career with a large tyre cord manufacturer in China as a spinning process engineer and was promoted to Plant Manager and finally to Technical Director. Bernie then spent four years with DuPont Fibre as Operations Manager and Maintenance Manager. Before joining Gale, he worked for 5 years as General Manager for a German company in China where he was responsible for the design and construction of the factory and the establishment of manufacturing operations.







CORPORATE GOVERNANCE

This statement sets out the corporate governance practices that were in operation throughout the 2010 financial year for Gale Pacific Limited ("the Company") and its controlled entities ("the Group") and includes a summary of how the Group complies with the revised ASX Corporate Governance Principles and Recommendations. The various charters and policies are all available on the Gale Pacific web site: www.galepacific.com.

PRINCIPLE 1: LAY SOLID FOUNDATION FOR MANAGEMENT OVERSIGHT

Formalise and disclose the functions reserved to the board and those delegated to management.

Complying.

The Board has adopted a charter which establishes the role of the Board and its relationship with management. The primary role of the Board is the protection and enhancement of long term shareholder value. Its responsibilities include the overall strategic direction of the Group, establishing goals for management and monitoring the achievement of these goals. The functions and responsibilities of the Board and management are consistent with ASX Principle 1. A copy of the Board Charter is posted on the Group's website.

Each Director is given a letter upon his or her appointment which outlines the Director's duties. The Group has in place systems designed to fairly review and actively encourage enhanced Board and management effectiveness. The Nomination Committee takes responsibility for evaluating the Board's performance and the Remuneration Committee evaluates the Group's Key Executives annually.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

A majority of the board members should be independent.

Complying.

The Board comprises four Directors, three of whom are non executive and independent. The Directors considered by the Board to constitute independent Directors are Mr D Allman, Mr G Richards and Mr J Murphy. 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.

Directors may seek independent professional advice, at the Company's expense, on any matter connected with the discharge of their responsibilities, provided the advice, together with a copy of the letter of instructions, is provided to the Board.

The chairman should be an independent Director.

Complying.

The Chairman, Mr D Allman has been Chairman of the Company since 17 November 2009 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.

The roles of the chairman and the chief executive officer should not be exercised by the same individual.

Complying.

The positions of Chairman and Chief Executive Officer are held by separate persons.

The board should establish a nomination committee.

Complying.

The Board has a formal Nomination Committee comprising of all of the independent Non Executive Directors. The Nomination Committee's functions and powers are formalised in a Charter.

Provide the information indicated in the Guide to reporting on Principle 2.

Complying.

The following information is set out in the Company's annual report:

- The skills and experience of directors.
- The directors considered by the Board to constitute independent directors.
- A statement regarding directors' ability to take independent professional advice at the expense of the Company.
- The term of office held by each director in office at the date of the report.
- The names of members of the Company's committees and their attendance at committee meetings.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Establish a code of conduct and disclose the code as to:

- The practices necessary to maintain confidence in the Company's integrity.
- The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.
- The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
- Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

Companies should provide the information indicated in the Guide to reporting on Principle 3.

Complying.

The Company has formulated a Code of Conduct which can be viewed on its website.

The Code of Conduct has the commitment of the directors and senior management to ensure practices are operating that are necessary to maintain confidence in the Company's integrity, and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

The Company has adopted a Share Trading Policy which can be viewed on its website.

The Company has a policy concerning the trading in the Company's securities by Directors, Senior Managers and employees. In summary, Directors, Senior Managers and employees must not deal in the Company's securities when they are in possession of insider information. Directors and Senior Managers must not trade during the "trading blackout" beginning at the end of the half year and full year reporting periods until the release to the ASX of the Financial Results for the relevant period.

Details of the Company's trading policy are posted on its website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

The board should establish an audit committee.

The audit committee should be structured so that it:

- Consists only of non executive directors.
- Consists of a majority of independent directors.
- Is chaired by an independent chair, who is not chair of the board.
- Has at least three members.

The audit committee should have a formal charter.

Companies should provide the information indicated in the Guide.

Complying.

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 reviews the Group's half yearly and annual financial statements. The Board requires that the Chief Executive Officer and the Chief Financial Officer state in writing to the Board that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with relevant accounting standards.

The Board has an Audit Committee that reports to the Board. The Company's Audit Committee comprises only non executive independent directors; and a chairman who is not chairman of the Board. The members of the Audit Committee during the year and attendance at meetings of the Committee are disclosed in the Directors' Report in the Annual Report.

The role of the Audit Committee is to advise on the establishment and maintenance of a framework of internal controls and appropriate ethical standards for the management of the Group and to advise on financial information prepared for use by the Board or for inclusion in financial statements.

The Audit Committee has a formal charter that is posted on the Company's website.

The Board, with the involvement of the Audit Committee, has established procedures in relation to the external auditor selection and appointment and for discussing with the auditor the rotation of the lead partner.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

Companies should promote timely and balanced disclosure of all material matters concerning the company.

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. Companies should provide the information indicated in the Guide.

Complying.

The Company has a documented policy which has established procedures designed to ensure compliance with Australian Securities Exchange Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance. The focus of these procedures is on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the Company's securities and improving access to information for all investors. The Chief Executive Officer, the Chief Financial Officer and the Company Secretary are responsible for interpreting the Group's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the Australian Securities 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 policy on continuous disclosure is posted on the Company's website.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

Companies should respect the rights of shareholders and facilitate the effective exercise of those rights.

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy. Companies should provide the information indicated in the Guide to reporting on Principle 6.

Complying.

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

- The annual report is distributed to all shareholders who have elected to receive it, 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 Securities Exchange contains summarised financial information and a review of the operations of the Group during the period.
- All major announcements are lodged with the Australian Securities Exchange, and posted on the Company's website.
- Proposed major changes in the Group 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 Group's strategy and goals.
- The Company's auditor attends the Annual General Meeting.

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Complying.

The Board has responsibility for monitoring risk oversight and ensures that the Chief Executive Officer and the Chief Financial Officer or equivalent report on the status of business risks through risk management programs aimed at ensuring risks are identified, assessed and appropriately managed. In addition the Board is responsible for reviewing the risk management framework and policies of the Group.

The Board oversees policies on risk assessment and management and has delegated certain responsibilities in these matters to the Audit Committee. The Group has established policies and procedures to identify, assess and manage critical areas of financial and operating risk. The Group's Risk Management policy is posted on the Company's website.

The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

Complying.

Management has previously completed a review of the Group's major business units, organisational structure and accounting controls and processes. This review by management has been reported to the Audit Committee and in turn to the Board and the Board is satisfied that the processes in place to identify the Group's material business risks are appropriate and that these risks are being effectively managed. The Group's risk management processes continue to be monitored and reported against on an ongoing basis.

A description of the Group's risk management policy and internal compliance and control systems is available on the Company's website.

The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. Companies should provide the information indicated in the Guide to reporting on Principle 7.

Complying.

The Chief Executive Officer and Chief Financial Officer are required to state to the Board in writing that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.

Complying.

The Group has in place systems designed to fairly review and actively encourage enhanced Board and management effectiveness.

The board should establish a remuneration committee.

Complying.

The Board has established a Remuneration Committee. The role of the Remuneration Committee is to review and make recommendations to the Board on remuneration packages and practices applicable to the Chief Executive Officer, Senior Executives and Directors themselves. This role also includes responsibility for share option schemes incentive performance packages and retirement and termination entitlements. Remuneration levels are competitively set to attract the most qualified and experienced Directors and Senior Executives. The Remuneration Committee may obtain independent advice on the appropriateness of remuneration packages. The members of the Remuneration Committee during the year and attendance at meetings of the Committee are disclosed in the Directors' Report in the Annual Report.

Companies should clearly distinguish the structure of non executive directors' remuneration from that of executive directors and senior executives.

Complying.

Details of the Directors and Key Senior Executives remuneration are set out in the Remuneration Report of the Annual Report. The structure of Non Executive Directors' remuneration is distinct from that of executives and is further detailed in the Remuneration Report of the Annual Report. Equity based executive remuneration is made in accordance with thresholds set in plans approved by shareholders. In addition, the Company has issued equity based remuneration to both Executive and Senior Management which has been approved by shareholders at a general meeting.

Companies should provide the information indicated in the Guide to reporting on Principle 8.

Complying.

A charter setting out the responsibilities of the Remuneration Committee has been adopted and a copy of this charter is posted on the Company's website.

DIRECTORS' REPORT

The Directors of Gale Pacific Limited ("the Company") present their annual financial report for the Company and its controlled entities ("the Group") for the financial year ended 30 June 2010.

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

DAVID ALLMAN, B.SC.

Chairman and Non Executive Director since November 2009

Mr Allman was Managing Director of McPherson's Limited from 1995 to 2009 and prior to that he was Managing Director of Cascade Group Limited for 7 years. Before this he held senior positions with Elders IXL Limited and Castlemaine Tooheys Limited. Mr Allman holds a degree in engineering and prior to obtaining general management positions held managerial roles in production management, finance and marketing.

Mr Allman is a Director of McPherson's Limited and Non Executive Director of Lomb Scientific Pty Ltd.

Mr Allman is Chairman of the Company's Nomination Committee and is a member of the Audit and Risk and Remuneration Committees.

PETER MCDONALD, B.BUS (MARKETING)

Managing Director and Chief Executive Officer since April 2006 and Executive Director since 1998

Mr McDonald was appointed Managing Director and Chief Executive Officer of Gale in April 2006. Mr McDonald joined Gale in 1988 and was appointed as an Executive Director of the Company in 1998. Mr McDonald has held the positions of Product Manager, National Marketing Manager, National Sales and Marketing Manager, Chief Operating Officer and Managing Director of the Gale's United States operations.

No other directorships of listed companies were held by Mr McDonald at any time during the three years prior to 30 June 2010.

JOHN MURPHY, CA, FCPA, B.COMM, M.COMM

Non Executive Director since August 2007

Mr Murphy is the Managing Director of Investec Wentworth Private Equity Limited and in this capacity is a board member of the fund's investments, including the following listed companies: Ariadne Australia Limited, Staging Connections Group Limited, Vocus Communications Limited(formally First Opportunity Fund Limited), ClearView Wealth Limited and Gale Pacific Limited. Mr Murphy is also a Non Executive Director of Investec Bank (Australia) Limited and Specialty Fashion Group Limited.

During the last three years, Mr Murphy was a Non Executive Director of Australian Pharmaceutical Industries Limited (2004-2007).

Mr Murphy is the Chairman of the Company's Remuneration Committee and is a member of the Audit and Risk and Nomination Committees.

GEORGE RICHARDS, CPA, AAICD

Non Executive Director since May 2004

Mr Richards 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 45 years experience in retail, marketing, manufacturing and distribution. He is a board member of The Alfred Foundation, Director of Bowen & Pomeroy Pty Ltd, Chairman of Carpet Court Australia Limited, Associate Member of the Australian Institute of Company Directors and Australian Society of Accountants.

No other directorships of listed companies were held by Mr Richards at any time during the three years prior to 30 June 2010.

Mr Richards is Chairman of the Company's Audit and Risk Committee and is a member of the Nomination and Remuneration Committees.

HARRY BOON, LLB (HONS), B. COM

Chairman and Non Executive Director since August 2005

Mr Boon joined the Company in August 2005.

During the last three years, Mr Boon has also served as Chairman of Tatts Group Limited, Non Executive Director of Paperlinx Limited, Hastie Group Limited, Toll Holdings Limited and Funtastic Limited.

Mr Boon retired as a Director of Gale Pacific Limited, effective after the Company's Annual General Meeting on 17 November 2009.

MS SOPHIE KARZIS, B JURIS LLB

Company Secretary

Ms Karzis was appointed as Company Secretary in June 2004. Ms Karzis is a practising lawyer who holds roles at a number of public and private companies.

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The Group's principal activities in the course of the financial year were the marketing, sales, manufacture and distribution of screening and shading products to global markets.

REVIEW AND RESULTS OF OPERATIONS

The consolidated profit of the Group for the financial year attributable to the members of Gale Pacific Limited was $6.022 million. Refer to the Chairman and Managing Director's and Chief Executive Officer's Report for further details on the Group's result.

STATE OF AFFAIRS

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

EVENTS SUBSEQUENT TO BALANCE DATE

In the interval between the end of the financial year and the date of this report, no item, transaction or event of a material and unusual nature has arisen that is likely, in the opinion of the Directors, to affect significantly, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

LIKELY DEVELOPMENTS

Disclosure of information regarding likely developments in the operations of the Group in future financial years has been made in part in the Chairman and Managing Director's and Chief Executive Officer's Report of this Annual Report. Any further such disclosure and the expected results of those operations is likely to result in unreasonable prejudice to the Group and has accordingly not been disclosed in this report.

ENVIRONMENTAL REGULATION AND PERFORMANCE

The Group's operations are not subject to any significant environmental regulations under the Commonwealth or State legislation. The Directors believe that the Group 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 Group.

DIVIDENDS

In respect of the financial year ended 30 June 2010, no interim dividend was paid and the Directors have determined to pay a final dividend of one cent per share. In addition, the Directors have declared a special dividend of one cent per share. The total of two cents per share will be franked and is to be paid to the holders of fully paid ordinary shares on Friday 22 October 2010.

The Company's Dividend Reinvestment Plan was suspended in September 2006 and the Directors have determined that the plan is to remain suspended.

SHARE BASED PAYMENTS

Options

The Company maintains an option scheme for certain staff and executives, including Executive Directors, as approved by shareholders at an annual general meeting. At the date of this report the number of unissued ordinary shares under option was nil. All options on issue at the end of the previous reporting period lapsed unexercised during the reporting period. No new options were issued during the reporting period.

Performance Rights

The number of performance rights on issue at the date of this report is 13,940,000. No amount is payable on the vesting of a performance right. Each performance right entitles the holder to one (1) ordinary share in Gale Pacific Limited in the event that the performance right is exercised. Performance rights carry no rights to dividends and no voting rights.

Of the performance rights on issue, 3,000,000 performance rights were issued to the Managing Director and Chief Executive Officer, Mr Peter McDonald on 1 December 2009. 8,000,000 performance rights were issued on 30 June 2009 to the following Senior Executives; 2,000,000 each to Mr Jeff Cox, Chief Financial Officer; Mr Martin Denney, Managing Director USA; Mr Shaun McPherson, Managing Director Asia Pacific; and Mr Bernie Wang, Managing Director China. These performance rights are subject to the satisfying of relevant performance hurdles based on improvements in the Group's diluted earnings per share over the two year period 1 July 2009 to 30 June 2011. None of these performance rights can vest until 30 June 2012 and expire on 30 June 2019.

2,940,000 performance rights have been issued to Senior Executives outside the key management group on 18 August 2010. These performance rights are subject to the satisfying of relevant performance hurdles based on the Group's diluted earnings per share over the two year period 1 July 2010 to 30 June 2012. None of these performance rights can vest until 30 June 2013 and expire on 18 August 2020.

Further details of the options and performance rights movements during the reporting period are disclosed in Note 25 to the Financial Statements.

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' SHAREHOLDINGS

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

Directors	Fully Paid Ordinary Shares	Options	Performance Rights
D Allman	-	-	-
P McDonald	978,105	-	3,000,000
J Murphy	-	-	-
G Richards	491,899	-	-

DIRECTORS' MEETINGS

The table below sets out the attendance by Directors.

	Directors' Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
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
D Allman	6	6	1	1	1	1	0	0
H Boon	6	6	2	2	2	2	1	1
P McDonald	12	12	0	0	0	0	0	0
J Murphy	12	11	3	2	3	3	1	1
G Richards	12	12	3	3	3	3	1	1

By Board invitation, Mr Peter McDonald also attended all of the Audit and Risk, Remuneration and Nomination Committee meetings.

The members of the Audit Committee are David Allman, John Murphy, and George Richards. The Chairman of the Audit Committee is George Richards.

The members of the Remuneration Committee are David Allman, John Murphy, and George Richards. The Chairman of the Remuneration Committee is John Murphy.

The members of the Nomination Committee are David Allman, John Murphy, and George Richards. The Chairman of the Nomination Committee is David Allman.

REMUNERATION REPORT

This report contains the remuneration arrangements in place for Directors and Executives of the Group.

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.

The Group's remuneration policy is based on the following principles:

- Provide competitive rewards to attract high quality executives;
- Provide an equity incentive for senior executives that will provide an incentive to executives to align their interests with those of the Group and its shareholders; and
- Ensure that rewards are referenced to relevant employment market conditions.

Remuneration packages contain the following key elements:

- Primary benefits – salary / fees; and
- Benefits, including the provision of motor vehicles and incentive schemes, including share options and performance rights;

  Share options entitle an executive, assuming the performance criteria are satisfied, to purchase shares in the Company at a future date at a pre determined price. The decision to and / or when to exercise any entitlement remains with the recipient up to the point that an option expires; and

  Performance rights, if the performance criteria and any Board discretion are satisfied, entitle an executive to be issued shares in the Company at no cost to the executive. Shares are issued automatically at the time the performance rights vest.

  Details of these benefits are disclosed in this report.

Remuneration Practices

The Group policy for determining the nature and amount of emoluments of 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 Group. The contracts of service between the Group and Executive Directors and Executives are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement Executive Directors and Executives are paid employee benefit entitlements accrued to date of retirement. Payment of bonuses, share options and other incentive payments are made at the discretion of the Remuneration Committee to Key Executives of the Group based predominantly on an objective review of the Group's financial performance, the individuals' achievement of stated financial and non financial targets and any other factors the Committee deems relevant. Non Executive Directors receive a fee for being Directors of the Company and do not participate in performance based remuneration.

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non Executive Directors and Senior Manager remuneration is separate and distinct.

Non Executive Director Remuneration

Objective

The Board seeks to set remuneration at a level which provides the Company with the ability to attract and retain directors of relevant experience and skill, whilst incurring costs which are acceptable to shareholders.

Structure

The Company's Constitution and the Australian Securities Exchange Listing Rules specify that the aggregate remuneration of Non Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The last determination was at the Annual General Meeting held on 14 December 2000 when shareholders' approved the Company's constitution which provides for an aggregate remuneration of $300,000 per annum. The amount of the aggregate remuneration and the manner in which it is apportioned is reviewed periodically. The Board considers fees paid to Non Executive Directors of comparable companies when undertaking this review process.

Each Non Executive Director receives a fee for being a Director of the Company and does not participate in performance based remuneration.

The remuneration of Non Executive Directors for the period ended 30 June 2010 is detailed below.

Senior Manager and Executive Director Remuneration

Objective

The Group aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Group. The objective of the remuneration policy is:

- Reward executives for Group and individual performance;
- Align the interests of the executives with those of the shareholders; and
- Ensure that total remuneration is competitive by market standards.

Structure

In determining the level and make up of executive remuneration, the Remuneration Committee reviews reports detailing market levels of remuneration for comparable roles. Remuneration consists of fixed and variable elements.

(a). Share Based Payments

The Group maintains option and performance rights schemes for certain staff and executives, including the Managing Director, as approved by shareholders at an annual general meeting. These schemes are designed to reward key personnel when the Group meets performance hurdles relating to:

- Improvement in net profit after tax.
- Improvement in return to shareholders.
- Improvement in share price.

The number of unissued ordinary shares under option as at the date of this report is nil.

The number of unissued ordinary shares under the performance rights scheme at the date of this report is 13,940,000. Each performance right entitles the holder one (1) ordinary share in Gale Pacific Limited when exercised and is subject to the satisfying of relevant performance hurdles based on improvements in the Group's diluted earnings per share.

Options and performance rights issued to executives during the year were issued in accordance with the Group's remuneration policy which:

- Reward executives for Group and individual performance;
- Align the interests of the executives with those of the shareholders; and
- Ensure that total remuneration is competitive by market standards.

(b). Cash Bonuses

Cash bonuses granted to executives are based on the respective performance of their regional business unit. Bonuses are paid out at various times during the year and are determined at the discretion of the Remuneration Committee. For the current year bonuses have been granted as at 30 June 2010.

Key Management Personnel of the Group Who Held Office During the Year

Directors

D Allman (Chairman, Non Executive, Appointed 17 November 2009)
J Murphy (Non Executive)
G Richards (Non Executive)
P McDonald (Managing Director and Chief Executive Officer)
H Boon (Chairman, Non Executive, Retired as at 17 November 2009)

Executives

J Cox (Chief Financial Officer)
M Denney (Managing Director, USA)
S McPherson (Managing Director, Asia Pacific)
B Wang (Managing Director, China)

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

2009 / 2010	Short Term Benefits			Post Employment	Share Based Payments		Total	Performance Related		
Directors	Salary & Fees $	Bonus $	Non Monetary $	Super $	Options $	Performance Rights $	$	Total %	Options %	Rights %
Executive Directors										
P McDonald	415,485	163,500	28,643	20,872	-	94,076	722,576	35.6	0.0	13.0
Non Executive Directors										
D Allman[1]	65,602	-	-	5,904	-	-	71,506	-	-	-
H Boon[2]	54,287	-	-	2,636	-	-	56,923	-	-	-
G Richards	68,807	-	-	6,193	-	-	75,000	-	-	-
J Murphy	65,000	-	-	-	-	-	65,000	-	-	-
Total	669,181	163,500	28,643	35,605	-	94,076	991,005			

2008 / 2009	Short Term Benefits			Post Employment	Share Based Payments		Total	Performance Related		
Directors	Salary & Fees $	Bonus $	Non Monetary $	Super $	Options $	Performance Rights $	$	Total %	Options %	Rights %
Executive Directors										
P McDonald	401,200	50,000	27,591	36,209	12,011	49,285	576,296	19.3	2.1	8.6
Non Executive Directors										
H Boon	137,615	-	-	12,385	-	-	150,000	-	-	-
G Richards	68,807	-	-	6,193	-	-	75,000	-	-	-
J Murphy	65,000	-	-	-	-	-	65,000	-	-	-
Total	672,622	50,000	27,591	54,787	12,011	49,285	866,296			

[1] Mr Allman was appointed as a Non Executive Director and Chairman on 17 November 2009. His remuneration for the reporting period are from that date.

[2] Mr Boon retired from his role as a Non Executive Director on 17 November 2009. His remuneration for the reporting period are to that date.

The following table discloses the remuneration of the Group's key management personnel and the five highest paid executives.

2009 / 2010	Short Term Benefits			Post Employ-ment	Share Based Payments		Termin. Benefits	Total	Performance Related		
Key management personnel	Salary & Fees $	Bonus $	Non Monetary $	Super $	Options $	Perf. Rights $	$	$	Total %	Options %	Rights %
J Cox	264,908	118,388	-	23,842	-	40,630	-	447,768	35.5	-	9.07
S McPherson	275,000	81,000	-	25,229	-	40,630	-	421,859	28.8	-	9.63
M Denney[1]	265,108	87,483	16,887	-	-	40,630	-	410,108	31.2	-	9.91
B Wang[2]	128,902	35,064	14,457	-	-	40,630	-	219,053	34.6	-	18.55
R Campbell	169,129	19,261	-	15,222	-	-	-	203,612	9.5	-	-
P Cacioli[3]	102,262	-	-	6,482	-	-	-	108,744	-	-	-
P Ducray[4]	37,069	-	26,414	-	-	-	-	63,483	-	-	-
Total	1,242,378	341,196	57,758	70,775	-	162,520	-	1,874,627			

2008 / 2009	Short Term Benefits			Post Employ-ment	Share Based Payments		Termin. Benefits	Total	Performance Related		
Key management personnel	Salary & Fees $	Bonus $	Non Monetary $	Super $	Options $	Perf. Rights $	$	$	Total %	Options %	Rights %
F Albertsmeier[5]	300,033	-	47,497	-	-	-	66,846	414,376	-	-	-
M Denney	304,923	15,262	15,612	-	-	-	-	335,797	4.5	-	-
J Cox	262,853	25,000	-	25,894	-	-	-	313,747	8.0	-	-
P Cacioli	260,092	-	-	23,137	-	-	-	283,229	-	-	-
P Ducray	223,967	-	40,411	-	808	-	-	265,186	0.3	0.3	-
E Xu[6]	174,319	4,672	4,573	-	461	-	32,374	216,399	2.4	0.2	-
S McPherson[7]	160,417	25,000	-	14,583	-	-	-	200,000	12.5	-	-
S Carroll[8]	22,214	19,774	-	1,828	1,615	-	132,345	177,776	12.0	0.9	-
B Wang[9]	50,958	32,641	9,004	-	-	-	-	92,603	35.2	-	-
Total	1,759,776	122,349	117,097	65,442	2,884	-	231,565	2,299,113			

[1] Mr Denney is based in the United States of America and remunerated in United States dollars converted to Australian dollars in the table above.

[2] Mr Wang is based in China and remunerated in Chinese renminbi converted to Australian dollars in the table above.

[3] Mr Cacioli departed his role as General Manager, Research and Development and Technical Services on 9 October 2009. His remuneration details for the reporting period are to that date.

[4] Mr Ducray is based in China and remunerated in Chinese renminbi and United States dollars converted to Australian dollars in the table above. Mr Ducray departed his role as Chief Manufacturing Officer on 30 September 2009. His remuneration details for the reporting period are to that date.

[5] Mr Albertsemeier is based in Germany and remunerated in euro converted to Australian dollars in the table above. Mr Albertsmeier departed his role as Managing Director Europe, Middle East, Africa on 1 April 2009 following the closure of the European full service operation. His remuneration details for the comparative period are to that date.

[6] Ms Xu is based in China and remunerated in Chinese renminbi converted to Australian dollars in the table above. Ms Xu departed her role as Managing Director China on 12 December 2008. Her remuneration details for the comparative period are to that date.

[7] Mr McPherson was appointed Managing Director Asia Pacific on 24 November 2008. His remuneration details for the comparative period are from that date.

[8] Mr Carroll departed his role as Managing Director Australia on 1 August 2008. His remuneration details for the comparative period are to that date.

[9] Mr Wang was appointed Managing Director China on 26 February 2009. His remuneration details for the comparative period are from that date.

Share Based Compensation

The terms and conditions of each grant of performance rights granted as at 30 June 2010 affecting remuneration in the current or a future reporting period are as follows:

Grant Date	30 June 2009	1 December 2009
Value per performance rights at grant date	0.061	0.140

Each performance right entitles the holder to one (1) ordinary share in Gale Pacific in the event that the performance rights are exercised. Performance rights carry no rights to dividends and no voting rights.

The performance rights are subject to the satisfying of relevant performance hurdles based on improvements in the Group's diluted earnings per share over the two year period 1 July 2009 to 30 June 2011. None of these performance rights can vest until 30 June 2012 and expire on 30 June 2019.

	No of Performance Rights Granted During the Year	Value Per Performance Rights at Grant Date	Value of Performance Rights at Grant Date ($)	No. of Performance Rights Lapsed During the Year	Value of Lapsed Performance Rights ($)
Executive Directors					
P McDonald	3,000,000	0.14	420,000	150,000	(118,500)
Key Management Personnel					
J Cox	-	-	-	75,000	(30,750)
M Denney	-	-	-	75,000	(30,750)
P Ducray	-	-	-	75,000	(30,750)
P Cacioli	-	-	-	1,075,000	(91,750)
Total	3,000,000		420,000	1,450,000	(302,500)

AUDITOR INDEPENDENCE AND NON AUDIT SERVICES

A copy of the auditor's independence declaration in relation to the audit for the financial year is provided with this report.

NON AUDIT SERVICES

Non audit services have been approved by the Audit Committee and reported to the Board. The Directors are satisfied that the provision of non audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each non audit service provided means that auditor independence was not compromised.

Amounts paid or payable to an auditor for non audit services provided during the year by the auditors to any entity that is part of the Group for:

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Taxation services	43	50
Corporate secretarial and management services	-	86
Systems review	-	2
Capital registration audit	2	-
Government grant review	2	2
Total	47	140

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 section 298(2) of the *Corporations Act 2001*.

On behalf of the Directors;

Mr David Allman
Chairman
27 August 2010

Mr Peter McDonald
Managing Director and Chief Executive Officer
27 August 2010

PITCHER PARTNERS
An independent Victorian Partnership
ABN 27 975 255 196

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Gale Pacific Limited

In relation to the independent audit for the year ended 30 June 2010, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*.

(ii) No contraventions of any applicable code of professional conduct.

S Schonberg
Partner
27 August 2010

PITCHER PARTNERS
MELBOURNE

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DIRECTORS' DECLARATION

The Directors of the Company declare that:

The financial statements and notes, as set out on pages 32 to 75 are in accordance with the Corporations Act 2001 including:

- Compliance with Accounting Standards in Australia and the *Corporations Regulations 2001*;
- Providing a true and fair view of the financial position as at 30 June 2010 and of the performance, as represented by the results of the operations and the cash flows, of the Company and the Group for the year ended on that date;
- As stated in Note 1, the (consolidated) financial statements also comply with International Financial Reporting Standards; and
- That the Directors have been given the declaration required under section 295A of the Corporations Act 2001.

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.

Mr David Allman
Chairman
27 August 2010

Mr Peter McDonald
Managing Director and Chief Executive Officer
27 August 2010

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GALE PACIFIC LIMITED

We have audited the accompanying financial report of Gale Pacific Limited and controlled entities. The financial report comprises the consolidated statement of financial position as at 30 June 2010, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration 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.

Directors' Responsibility for the Financial Report

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

In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements,* that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

In our opinion:

(a) the financial report of Gale Pacific Limited is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 23 - 28 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion the remuneration report of Gale Pacific Limited and controlled entities for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

S Schonberg	PITCHER PARTNERS
Partner	MELBOURNE
27 August 2010	

FINANCIAL RESULTS

FINANCIAL RESULTS

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

		Consolidated	
	Note	2009 / 2010 ($000)	2008 / 2009 ($000)
Revenue	2	98,811	98,251
Cost of goods sold		(62,788)	(64,664)
Gross profit		36,023	33,587
Other Income	3	472	1,904
Warehousing and distribution		(7,675)	(8,130)
Marketing and selling		(7,538)	(8,334)
Administration		(10,458)	(11,335)
Impairment of goodwill		-	(3,155)
Other expenses		(1,506)	(1,969)
Net finance costs	3	(1,247)	(1,892)
Profit from continuing operations before income tax		8,071	676
Income tax expense	4	(2,060)	(1,166)
Profit / (loss) from continuing operations after income tax		6,011	(490)
Profit / (loss) from discontinued operations	24	11	(11,461)
Profit / (loss) for the year	19	6,022	(11,951)
Depreciation and amortisation	3	(7,216)	(8,427)
Earnings Per Share			
From continuing and discontinued operations			
Basic earnings / (loss) per share (cents per share)		2.15	(6.75)
Diluted earnings / (loss) per share (cents per share)		2.08	(6.75)
From continuing operations			
Basic earnings / (loss) per share (cents per share)		2.15	(0.28)
Diluted earnings / (loss) per share (cents per share)		2.07	(0.28)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2010

		Consolidated	
	Note	2009 / 2010 ($000)	2008 / 2009 ($000)
Profit / (loss) for the year		6,022	(11,951)
Other Comprehensive Income			
Movement in fair value of cash flow hedges, net of tax	18	558	(316)
Exchange differences on translation of foreign operations	18	(2,749)	4,302
Other comprehensive income for the year		(2,191)	3,986
Total comprehensive income for the year		3,831	(7,965)
Profit / (Loss) Attributable To			
Members of the parent		6,022	(11,962)
Non controlling interest		-	11
Profit / (loss) for the year		6,022	(11,951)
Total Comprehensive Income Attributable To			
Members of the parent		3,831	(7,976)
Non controlling interest		-	11
Total comprehensive income for the year		3,831	(7,965)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2010

		Consolidated	
	Note	2009 / 2010 ($000)	2008 / 2009 ($000)
Current Assets			
Cash and cash equivalents	6	15,139	7,141
Receivables	7	14,142	14,674
Other financial assets	9	341	-
Inventories	8	20,281	23,663
Current tax assets	4	-	980
Other current assets	10	913	741
Total current assets		50,816	47,199
Non Current Assets			
Property, plant and equipment	11	49,552	57,505
Intangible assets	12	6,649	7,405
Deferred tax assets	4	379	1,038
Total non current assets		56,580	65,948
Total assets		107,396	113,147
Current Liabilities			
Trade and other payables	13	7,269	8,703
Borrowings	14	11,989	19,419
Other financial liabilities	15	-	459
Current tax liabilities	4	1,355	217
Provisions	16	2,832	2,689
Total current liabilities		23,445	31,487
Non Current Liabilities			
Borrowings	14	-	1,754
Deferred tax liabilities	4	4,382	4,372
Provisions	16	73	118
Total non current liabilities		4,455	6,244
Total liabilities		27,900	37,731
Net assets		79,496	75,416
Equity			
Contributed equity	17	105,586	105,594
Reserves	18	(7,899)	(5,965)
Accumulated losses	19	(18,191)	(24,213)
Total equity		79,496	75,416

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2010

30 June 2010	Note	Contributed Equity ($000)	Reserves ($000)	Accumulated Losses ($000)	Non Controlling Interest ($000)	Total Equity ($000)
Balance at 1 July 2009		105,594	(5,965)	(24,213)	-	75,416
Profit for the year		-	-	6,022	-	6,022
Other comprehensive income for the year		-	(2,191)	-	-	(2,191)
Total comprehensive income for the year		-	(2,191)	6,022	-	3,831
Transactions With Owners In Their Capacity As Owners						
Cost of capital raising net of tax	17	(8)	-	-	-	(8)
Employee share based payments	18	-	257	-	-	257
Total transactions with owners in their capacity as owners		(8)	257	-	-	249
Balance at 30 June 2010		105,586	(7,899)	(18,191)	-	79,496

30 June 2009	Note	Contributed Equity ($000)	Reserves ($000)	Accumulated Losses ($000)	Non Controlling Interest ($000)	Total Equity ($000)
Balance at 1 July 2008		100,813	(10,026)	(12,030)	(11)	78,746
(Loss) / profit for the year		-	-	(11,962)	11	(11,951)
Other comprehensive income for the year		-	3,986	-	-	3,986
Total comprehensive income for the year		-	3,986	(11,962)	11	(7,965)
Transactions With Owners In Their Capacity As Owners						
Contributions, net of raising costs and tax	17	4,781	-	-	-	4,781
Employee share based payments	18	-	(146)	-	-	(146)
Statutory transfer to reserves	18	-	221	(221)	-	-
Total transactions with owners in their capacity as owners		4,781	75	(221)	-	4,635
Balance at 30 June 2009		105,594	(5,965)	(24,213)	-	75,416

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2010

		Consolidated	
	Note	2009 / 2010 ($000)	2008 / 2009 ($000)
Cash Flow From Operating Activities			
Receipts from customers		106,302	114,700
Payments to suppliers and employees		(87,652)	(100,090)
Interest received		95	471
Borrowing costs paid		(1,350)	(2,468)
Income tax refunds / (payments)		558	(1,225)
Net cash provided by operating activities	24	17,953	11,388
Cash Flow From Investing Activities			
Proceeds from sale of plant and equipment		40	470
Payment for plant and equipment		(1,160)	(1,007)
Payment for intangible assets		-	(198)
Net cash used by investing activities		(1,120)	(735)
Cash Flow From Financing Activities			
(Cost of) / proceeds from issue of equity securities		(11)	4,687
Repayment of borrowings		(8,588)	(20,584)
Repayment of principal on finance leases		(69)	(148)
Repayment of principal on hire purchase		(29)	(359)
Net cash used by financing activities		(8,697)	(16,404)
Net increase / (decrease) in cash held		8,136	(5,751)
Cash at beginning of year		7,141	15,685
Effects of exchange rate changes on items denominated in foreign currencies		(138)	(2,793)
Cash at the end of the year	24	15,139	7,141

The accompanying notes form part of these financial statements.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial report covers Gale Pacific Limited and controlled entities as a consolidated entity ("the Group"). Gale Pacific Limited is a company limited by shares, incorporated and domiciled in Australia.

The financial report was authorised for issue by the Directors at the date of the Directors Report.

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

(a). **Basis of Preparation of the Financial Report**

The financial report of Gale Pacific Limited and controlled entities, comply with Australian equivalents to International Financial Reporting Standards.

The financial report has been prepared under the historical cost convention, as modified by revaluations to fair value for certain classes of assets as described in the accounting policies.

Compliance with Australian equivalents of International Financial Reporting Standards ensures compliance with International Financial Reporting Standards.

(b). **Principles of Consolidation**

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which Gale Pacific Limited controlled from time to time during the year and at balance date. Details of the controlled entities are contained in Note 27.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All related party balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

Minority interests in the equity and results of the entities that are controlled are shown separately in the consolidated financial report.

(c). **Use of Estimates and Judgements**

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about areas of estimation and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial report is included in the following notes:

- Note 12 – Intangible Assets
- Note 28 – Financial Instruments

(d). **Foreign Currencies**

Functional and Presentation Currency

The financial statements of each Group entity are measured using its functional currency, which is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars, as this is the parent entity's functional and presentation currency.

Transactions and Balances

Transactions in foreign currencies of entities within the Group are translated into functional currency at the rate of exchange ruling at the date of the transaction.

Foreign currency monetary items that are outstanding at the reporting date (other than monetary items arising under foreign currency contracts where the exchange rate for that monetary item is fixed in the contract) are translated using the spot rate at the end of the financial year.

Resulting exchange differences arising on settlement or restatement are recognised as revenues and expenses for the financial year.

Group Companies

The financial statements of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- All resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve as a separate component of equity in the statement of financial position.

(e). **Net Investments in Foreign Operations**

During 2006 / 2007, the Group reclassified a portion of the Company's related party balances as net investments in foreign operations as permitted by AASB 121 The Effects of Changes in Foreign Exchange Rates. The balances reclassified were identified as being monetary items of a non current nature as settlement of these balances is not planned and the Group's forecasts showed that any settlement would not occur in the foreseeable future. While this situation persists, impacting the Group's current year profits with the movement in the foreign exchange rates applying to these monetary items would not provide the best representation of a current year's performance. As permitted by AASB 121, from the date of reclassification, all changes in the Australian dollar value of these items arising from changes in foreign exchange rates are, in the consolidated financial statements, being recognised in the foreign currency translation reserve. As and when settlements occur, the cumulative amount of these changes in value deferred in the foreign currency translation reserve will be recognised in that current year's profit in the consolidated accounts.

During the comparative period, the net investment in Gale Europe GmbH was written off following the closure of the European full service operation; a portion of the net investment in Gale Pacific Special Textiles (Ningbo) Limited was converted to equity and additional balances in Gale Pacific (New Zealand) Limited and Gale Pacific USA Inc were reclassified as net investments in foreign operations. No further adjustments to these balances occurred in the reporting period.

In the accounts of the Company, these changes in value continue to be recognised in the current year's profit as required by AASB 121.

Details of the monetary items reclassified and the total exchange difference recognised in the foreign currency translation reserve are detailed below.

		Consolidated	
	Note	2009 / 2010 ($000)	2008 / 2009 ($000)
Monetary item identified as a net investment in a foreign operation			
Related party receivable to the company from Gale Pacific Special Textiles (Ningbo) Limited		6,842	6,842
Related party receivable to the company from Gale Pacific (New Zealand) Limited		6,800	6,800
Related party receivable to the company from Gale Pacific USA Inc		9,473	9,473
Total		23,115	23,115
Exchange movement arising in the reporting period on monetary item forming part of the net investment in related party, recognised in foreign currency translation reserve	18	559	1,334

It is impracticable to estimate the effect of this change on future periods because movements in foreign exchange rates cannot be predicted.

(f). **Segment Reporting**

AASB 8 Operating Segments has been adopted as of 1 July 2009. Operating segments are now reported based on internal reporting provided to the Managing Director and Chief Executive Officer who is the Group's chief operating decision maker. This has resulted in China being identified as an operating segment as disclosed in Note 5; previously China was part of the Asia Pacific operating segment.

Changes in segment reporting have also impacted the goodwill allocation by management to groups of cash generating units on a segment level. This change in reportable segments has resulted in a reallocation of goodwill of $176,000 from the Asia Pacific operating segment to the newly identified China operating segment.

Comparative operating segment information has been restated to conform to the transitional requirements of AASB 8.

(g). **Revenue Recognition**

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

Where a government grant (including Strategic Investment Plan income (SIP)) 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).

(h). **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand at call, deposits with banks or financial institutions, investments in money market instruments maturing within less than three months and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position

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 three months and net of bank overdrafts.

(i). **Inventories**

Inventories are measured at the lower of cost or 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.

(j). **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 is measured on a cost basis. The carrying value of plant and equipment is reviewed annually 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 discounted net cash flows that will be received from the asset's employment and subsequent disposal. Refer to Note 1(m).

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
Buildings	2.25%	Straight line
Leasehold improvements	Determined by lease term	Straight line
Plant and equipment	6.7% - 50.0%	Straight line
Motor vehicles	20.0%	Straight line
Office equipment	20% - 50.0%	Straight line

(k). **Leases**

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

Operating Leases

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.

(l). **Intangibles**

Goodwill

Goodwill on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of net identifiable assets of the acquired entities at the date of acquisition.

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses.

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.

Application Software

Application software is valued in the accounts at cost and amortised on a straight line basis over its expected useful life but not exceeding five years.

Research and Development

Expenditure on research is recognised as an expense when incurred. Expenditure on development activities is capitalised only when it is expected that future benefits will exceed the deferred costs. Capitalised development expenditure is stated at cost less accumulated amortisation.

Amortisation is calculated using a straight line method to allocate the cost over a period (not exceeding three years), during which the related benefits are expected to be realised, once commercial production is commenced.

(m). **Impairment of Assets**

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment annually.

An impairment loss is recognised where the carrying amount of the asset exceeds its recoverable amount. The recoverable amount of an asset is defined as the higher of its fair value less costs to sell, and value in use.

Refer to note 1(c) for the significant estimates and assumptions relating to impairment of assets.

(n). **Taxes**

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

A balance sheet approach is adopted under which deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax Offset

Deferred tax assets and deferred tax liabilities are only offset when the Group has:

- Legally enforceable right to offset current tax assets with current liabilities; and
- The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

(o). Provisions

A provision is recognised if, as a result of a past event , the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

(p). Employee Benefits

Provision is made for the Group'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 Group to employee superannuation funds and are charged as expenses when incurred.

Share Based Payments

The Group operates share option and performance rights schemes for certain staff and Executives including Executive Directors.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options and performance rights at grant date. The fair value of options and performance rights at grant date is determined using either the Binomial Tree or a Black Scholes option pricing model, and is recognised as an employee expense over the period during which the employees become entitled to the option or performance right.

The market value of shares issued to employees for no cash consideration under an employee share scheme is recognised as an expense when the employees become entitled to the shares.

(q). Financial Instruments

The Group classifies its financial instruments in the following categories

Non Derivative Financial Instruments

Loans and Receivables

Loans and receivables are measured at fair value at inception and subsequently at amortised cost using the effective interest rate method less any impairment losses.

Financial Liabilities

Financial liabilities include trade payables, other creditors, loans from third parties, related party balances and loans from or other amounts due to director related entities. Financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative Financial Instruments

Cash Flow Hedges

Forward foreign currency contracts are classified as cash flow hedges when they hedge exposure to variability in cash flows of a recognised asset, liability or a highly probable forecasted transaction. When established, a cash flow hedge is formally documented. This documentation includes identification of the hedging instrument, the hedged item or transaction, the foreign currency risk being hedged and an assessment of the hedging instrument's effectiveness in offsetting the exposure to the hedged item's cash flows. Cash flow hedges are expected to be highly effective in offsetting changes in cash flows and are assessed on an ongoing basis to determine effectiveness. The portion of any gain or loss on a hedging instrument that is an effective hedge is recognised directly in equity. Any ineffective portion is immediately recognised through profit and loss. Hedge accounting is discontinued when the hedging instrument matures or is closed out, or the designation as a cash flow hedge is terminated. At that point in time any gain or loss recognised in equity remains in equity until the hedged transaction occurs when it is transferred to profit and loss in the same period that the hedged item affects profit and loss, or is included as a basis adjustment to a non financial hedged item.

Financial Instruments at Fair Value Through Profit and Loss

Forward foreign currency contracts that do not qualify for hedge accounting are measured at their fair value with any increment or decrement in fair value recognised in profit and loss.

(r). **Rounding Amounts**

The Company is of a kind referred to in ASIC Class Order CO 98/0100 and in accordance with that Class Order, amounts in the financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

(s). **Comparatives**

Where necessary, comparative information has been reclassified and repositioned for consistency with current year disclosures.

(t). **Discontinued Operations**

On 22 December 2008 the Company closed its European full service operation Gale Europe GmbH and entered into a distribution agreement with an established European sales and distribution company, Windhager GmbH, to have it take over the inventory, sales and distribution of Gale products in key European markets. The income statements of the current and comparative periods reflect this change by disclosing the trading results and closure costs of Gale Europe GmbH as a separate line under the description "profit/(loss) from discontinued operations".

(u). **New Accounting Standards and Interpretations**

A number of accounting standards have been issued at the reporting date but are not yet effective. Managment has not yet assessed the impact of these standards and interpretations.

(v). **Presentation of Financial Statements**

Revised AASB 101 Presentation of Financial Statements, which became effective from 1 January 2009, has been adopted. All non-owner changes in equity are now presented in the new Statement of Comprehensive Income where previously these were included in the Statement of Changes in Equity. Comparative information has been re-stated so that it conforms to the revised standard.

The presentation of the Consolidated Income Statement has been changed from the nature of expense method used in previous reporting periods to the function of expense method. This change has been made because the function of expense method aligns the financial report with the presentation used for management reporting and provides a better understanding of the expense drivers within the Group's operations. The comparative period information has been reclassified to this new format and to assist with the transition to this change, all the significant items disclosed under the nature of expense method are disclosed in Note 3.

NOTE 2: REVENUE

Consolidated	2009 / 2010 ($000)		2008 / 2009 ($000)	
	Continuing	Discontinued	Continuing	Discontinued
Operating Activities				
Sale of goods – other parties	98,811	-	98,251	2,219
Total revenue	98,811	-	98,251	2,219

NOTE 3: PROFIT

Profit before income tax expense has been determined after charging / (crediting):

Consolidated	2009 / 2010 ($000)		2008 / 2009 ($000)	
	Continuing	Discontinued	Continuing	Discontinued
Other Income				
Government grant income	399	-	321	-
Other revenue	3	-	31	248
Net foreign exchange gains	70	-	1,552	79
Total other income	472	-	1,904	327
Changes in inventories of finished goods and work in progress and raw materials and consumables used	37,665	23	42,085	3,249
Employee benefits	16,154	-	16,384	1,006
Net Finance Costs				
Finance income – other parties	(108)	-	(375)	-
Finance expense – other parties	1,355	-	2,441	-
Finance income – related parties	-	-	(174)	-
Finance expense – related parties	-	-	-	174
Net finance costs	1,247	-	1,892	174
Depreciation of Non Current Assets				
Buildings	228	-	227	-
Leasehold improvements	66	-	86	-
Plant and equipment	5,872	-	6,441	247
Motor vehicles	30	-	54	-
Office equipment	353	-	423	-
Amortisation of Non Current Assets				
Leased plant and equipment	-	-	4	-
Leased motor vehicles	41	-	84	-
Patents and trademarks	204	30	62	-
Application software	262	-	252	-
Research and Development Expenditure				
Amortisation of previously capitalised expenditure	130	-	547	-
Expensed as incurred	189	-	373	-
Impairment of Non Current Assets				
Goodwill	-	-	3,155	-
Intangible assets	-	-	-	144
Restructuring and termination costs	-	-	422	-
Increase / (decrease) in provision for obsolete inventory	23	-	189	-
Bad and Doubtful Debts				
Bad debts written off – trade debtors	199	-	122	-
Movement in provisions for doubtful debts – trade debtors	20	-	22	-
Remuneration of the Auditors of the Parent Entity For				
Auditing the financial report	224	-	207	18
Taxation services	33	-	19	-
Capital raising related services	-	-	2	-
Government grant review	2	-	2	-
Total remuneration of the auditors of the parent entity	259	-	230	18
Remuneration of Other Auditors of Controlled Entities For				
Auditing the financial report	86	-	138	37
Taxation services	10	-	25	6
Capital registration review	2	-	-	-
Total remuneration of other auditors	98	-	163	129
Total remuneration of auditors	357	-	393	147
Net Loss on Disposal of Non Current Assets				
Plant and equipment	137	-	1	-
Motor vehicles	1	-	63	-
Office equipment	6	-	7	-
Operating lease rental expense	2,174	-	2,213	753
Share based payment (benefit) / expense	257	-	(146)	-

(a). **The Components of Tax Expense**

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Current tax	1,581	659
Deferred tax	456	1,760
Total income tax expense	2,037	2,419
Disclosed in the financial statements as		
Income tax expense from continuing operations	2,060	1,166
Income tax (benefit) / expense from discontinued operations	(23)	1,253
Total	2,037	2,419

(b). **The Prima Facie Income Tax Payable on Profit is Reconciled to the Income Tax Expense as Follows**

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Prima facie tax payable on profit before income tax at 30%	2,420	202
Add tax effect of:		
Tax rate differentials in foreign countries	(366)	(515)
Impairment of goodwill	-	946
Tax losses not recognised	101	1,166
Previously unrecognised tax losses utilised	(227)	-
Tax credits	(133)	(321)
Other non allowable / (non assessable) items	225	(322)
Total	2,020	1,156
Less tax effect of:		
Over provision for income tax in the prior year	40	10
Income tax expense attributed to profit from continuing operations	2,060	1,166
Add income tax (benefit) / expense from discontinued operations	(23)	1,253
Total income tax expense	2,037	2,419

(c). **Income Tax Recognised Directly in Equity**

The following current and deferred tax amounts were credited directly to equity during the period.

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Deferred Tax		
Equity raising costs deductible over 5 years	(3)	(94)
Cash flow hedges	238	(135)
Total	235	(229)

(d). **Current Tax**

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Current tax asset	-	980
Current tax liability	(1,355)	(217)
Total	(1,355)	763

(e). **Movement in Net Carrying Amount**

Movement in the current tax net carrying amount between the beginning and the end of the year.

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Balance at the beginning of the year	763	172
Current year tax expense	(1,581)	(659)
Income tax (refunds) / payments	(558)	1,225
Net foreign currency movements arising from foreign operations	21	25
Carrying amount at the end of the year	(1,355)	763

(f). **Deferred Tax**

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Deferred Tax Assets / (Liabilities) Arise from the Following		
Property, plant and equipment	(10)	(406)
Foreign exchange	(4,711)	(3,881)
Income not (received) / derived	(71)	126
Finance leases	109	80
Research and development	-	(39)
Doubtful debts	18	77
Other financial liabilities	(275)	(298)
Provisions	293	262
Employee benefits	482	300
Capitalised costs	(278)	(295)
Borrowing costs	7	19
Equity raising costs	310	492
Other	123	229
Net deferred tax liability	(4,003)	(3,334)
Represented By		
Deferred tax asset	379	1,038
Deferred tax liability	(4,382)	(4,372)
Total	(4,003)	(3,334)

NOTE 4: INCOME TAX (CONTINUED)

(g). **Unrecognised Deferred Tax Assets**

The following deferred tax assets have not been brought to account as it is not probable that these can be recovered.

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Tax losses – income	1,834	2,228
Tax losses – capital	33,403	33,360
Total	35,237	35,588

NOTE 5: OPERATING SEGMENTS

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer in assessing performance and determining the allocation of resources.

The Group's four operating segments are identified by geographic location and identity of the service line manager. Discrete financial information about each of these segments is reported on a monthly basis.

Revenue, result, depreciation and amortisation, significant items, assets and liabilities for the Group's four operating segments plus discontinued operations are set out in the tables below.

Asia / Pacific (excluding China)

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

China

Manufacturing facilities are located in Beilun, China which supply to the Group's sales and marketing operations throughout the world.

Americas

Sales offices are located in Florida and custom blind assembly and distribution facilities are located in California which service the North American region.

Middle East / Africa

A sales office and distribution facility is located in the United Arab Emirates to service this market.

Business Segment

The Group operates predominantly in one business segment, being the branded shading and screening products. The Group manufactures, sources and markets advanced durable knitted and woven polymer fabrics and value added structures made from these fabrics.

Segment Information Primary Reporting – Geographical Segments

30 June 2010	Asia Pacific ($000)	China ($000)	Americas ($000)	Middle East / Africa ($000)	Unallocated ($000)	Total Continuing Operations ($000)	Discontinued Operations ($000)	Total Group ($000)
Revenue outside the economic entity	71,401	(81)	21,343	6,148	-	98,811	-	98,811
Inter segment revenue	571	27,721	69	150	(28,511)	-	-	-
Total revenue	71,972	27,640	21,412	6,298	(28,511)	98,811	-	98,811
Segment EBITDA	9,286	5,082	915	989	232	16,504	18	16,522
Depreciation and amortisation	(2,136)	(4,586)	(457)	(7)	-	(7,186)	(30)	(7,216)
Segment EBIT	7,150	496	458	982	232	9,318	(12)	9,306
Net finance expense						(1,247)	-	(1,247)
Profit before income tax						8,071	(12)	8,059
Income tax expense						(2,060)	23	(2,037)
Profit for the year						6,011	11	6,022
Segment assets	34,235	52,901	16,381	4,116	(311)	107,322	74	107,396
Segment liabilities	12,175	12,701	1,869	286	(44)	26,987	913	27,900

30 June 2009	Asia Pacific ($000)	China ($000)	Americas ($000)	Middle East / Africa ($000)	Unallocated ($000)	Total Continuing Operations ($000)	Discontinued Operations ($000)	Total Group ($000)
Revenue outside the economic entity	66,275	742	23,263	7,971	-	98,251	2,219	100,470
Inter segment revenue	593	34,072	484	236	(35,385)	-	-	-
Total revenue	66,868	34,814	23,747	8,207	(35,385)	98,251	2,219	100,470
Segment EBITDA	6,499	6,446	(650)	1,412	196	13,903	(9,643)	4,260
Depreciation and amortisation	(2,349)	(5,087)	(717)	(27)	-	(8,180)	(247)	(8,427)
Impairment of assets	(3,155)	-	-	-	-	(3,155)	(144)	(3,299)
Segment EBIT	995	1,359	(1,367)	1,385	196	2,568	(10,034)	(7,466)
Net finance expense						(1,892)	(174)	(2,066)
Profit before income tax						676	(10,208)	(9,532)
Income tax expense						(1,166)	(1,253)	(2,419)
Loss for the year						(490)	(11,461)	(11,951)
Segment assets	33,323	59,672	16,017	4,503	(543)	112,972	175	113,147
Segment liabilities	19,307	14,782	2,387	278	(95)	36,659	1,072	37,731

Notes:

(a). All inter segment pricing is on a commercial basis.

(b). Asia Pacific result excludes finance costs, interest revenue and income tax expense.

(c). Asia Pacific includes foreign exchange hedge and Australian Corporate costs.

(d). Asia Pacific excludes China which is now disclosed separately.

(e). Revenue from one customer in the Asia Pacific region represents $31,546,000 (2009 : $26,515,000) of the Group's total revenues.

NOTE 6: CASH AND CASH EQUIVALENTS

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Cash on hand	12	8
Cash at bank	8,486	4,647
Cash on deposit	6,641	2,486
Total	15,139	7,141

NOTE 7: TRADE AND OTHER RECEIVABLES

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Current		
Trade debtors	13,900	14,315
Less provision for doubtful debts	(282)	(258)
Total	13,618	14,057
Other receivables	524	617
Total	14,142	14,674

NOTE 8: INVENTORIES

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Current		
Raw materials at cost	2,866	3,174
Work in progress at cost	1,952	2,200
Finished goods at cost	15,699	18,500
Less provision for obsolescence	(236)	(211)
Total	20,281	23,663

NOTE 9: OTHER FINANCIAL ASSETS

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Current		
Foreign currency forward contracts	341	-
Total	341	-

NOTE 10: OTHER ASSETS

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Current		
Prepayments	913	741
Total	913	741

NOTE 11: PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Buildings		
At cost	9,641	9,246
Less accumulated depreciation	(1,129)	(917)
Total	8,512	8,329
Plant and Equipment		
At cost	67,622	69,909
Less accumulated depreciation	(27,621)	(22,406)
Total	40,001	47,503
Plant and Equipment Under Lease		
At cost	-	75
Less accumulated amortisation	-	(75)
Total	-	-
Leasehold Improvements		
At cost	560	605
Less accumulated depreciation	(431)	(387)
Total	129	218
Motor Vehicles		
At cost	212	328
Less accumulated depreciation	(123)	(196)
Total	89	132
Motor Vehicles Under Lease		
At cost	179	251
Less accumulated amortisation	(76)	(79)
Total	103	172
Office Equipment		
At cost	4,378	4,097
Less accumulated depreciation	(3,823)	(3,276)
Total	555	821
Capital Work in Progress	163	330
Total property, plant and equipment	49,552	57,505

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Movements in Carrying Amounts		
Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the year.		
Buildings		
Balance at the beginning of the year	8,329	7,164
Reclassifications	23	-
Additions	746	-
Depreciation expense	(228)	(227)
Net foreign currency movements arising from foreign operations	(358)	1,392
Carrying amount at the end of the year	8,512	8,329
Plant and Equipment		
Balance at the beginning of the year	47,503	42,522
Additions	440	5,012
Disposals	(142)	(374)
Depreciation expense	(5,872)	(6,688)
Net foreign currency movements arising from foreign operations	(1,928)	7,031
Carrying amount at the end of the year	40,001	47,503
Plant and Equipment Under Lease		
Balance at the beginning of the year	-	4
Amortisation expense	-	(4)
Carrying amount at the end of the year	-	-
Leasehold Improvements		
Balance at the beginning of the year	218	248
Reclassifications	(23)	-
Additions	8	37
Disposals	(3)	-
Depreciation expense	(66)	(86)
Net foreign currency movements arising from foreign operations	(5)	19
Carrying amount at the end of the year	129	218
Motor Vehicles		
Balance at the beginning of the year	132	316
Reclassifications	-	(137)
Disposals	(7)	(25)
Depreciation expense	(30)	(54)
Net foreign currency movements arising from foreign operations	(6)	32
Carrying amount at the end of the year	89	132
Motor Vehicles Under Lease		
Balance at the beginning of the year	172	185
Reclassifications	-	137
Additions	-	76
Disposals	(28)	(142)
Amortisation expense	(41)	(84)
Carrying amount at the end of the year	103	172
Office Equipment		
Balance at the beginning of the year	821	952
Reclassifications	-	(2)
Additions	119	224
Disposals	(7)	(12)
Depreciation expense	(353)	(423)
Net foreign currency movements arising from foreign operations	(25)	82
Carrying amount at the end of the year	555	821

NOTE 12: INTANGIBLE ASSETS

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Goodwill at cost	8,768	8,810
Less accumulated impairment	(2,939)	(2,860)
Total	5,829	5,950
Patents, trademarks and licenses at cost	2,399	2,414
Less accumulated amortisation	(2,002)	(1,779)
Total	397	635
Application software at cost	1,332	1,494
Less accumulated amortisation	(909)	(804)
Total	423	690
Research and development	4,865	4,865
Less accumulated amortisation	(4,865)	(4,735)
Total	-	130
Total intangible assets	6,649	7,405
Movements in Carrying Amounts		
Movement in the carrying amounts for each class of intangible assets between the beginning and the end of the year		
Goodwill		
Balance at the beginning of the year	5,950	8,659
Impairment	-	(3,155)
Net foreign currency movements arising from foreign operations	(121)	446
Carrying amount at the end of the year	5,829	5,950
Patents, Trademarks and Licences		
Balance at the beginning of the year	635	680
Amortisation expense	(234)	(62)
Net foreign currency movements arising from foreign operations	(4)	17
Carrying amount at the end of the year	397	635
Application Software		
Balance at the beginning of the year	690	829
Reclassifications	-	36
Additions	-	198
Amortisation expense	(262)	(252)
Impairment loss	-	(144)
Net foreign currency movements arising from foreign operations	(5)	23
Carrying amount at the end of the year	423	690
Research and Development		
Balance at the beginning of the year	130	677
Amortisation expense	(130)	(547)
Carrying amount at the end of the year	-	130

NOTE 12: INTANGIBLE ASSETS (CONTINUED)

Goodwill

The recoverable amount of the cash generating units (CGU) have been determined based on a value in use calculation using financial projections approved by the Board of Directors covering the next five financial years. The revenue growth for the five year period varies within the range of 2% to 10% depending on the demographic, economic, trading conditions and growth potential, of the CGU. The discount rate applied to the cash flow projections is 12.99% (2009 : 7.50%) being the Group's pre tax weighted average cost of capital.

The terminal value multiple represents the growth rate applied to extrapolate the cash flows beyond the five year forecast period. These growth rates are based on the Board of Directors expectations, industry knowledge, market comparative multiples and other features specific to each CGU.

Key assumptions used in value in use calculations

The key assumptions on which management has based its cash flow projections when determining the value in use of the cash generating units is that projected turnover, margins and expenses are determined based on historical performance, adjusted for internal / external changes anticipated in the forecast years.

Impairment losses recognised

In the 2009 financial year an impairment loss on consolidation, based upon a value in use calculation of $3.155 million (refer Note 1) relating to goodwill was recognised for continuing operations. The impaired goodwill related to Gale Pacific New Zealand. The impairment loss has been recognised in the income statement in the line item "impairment of goodwill and assets". The cash generating units consist of the working capital, property, plant and equipment and goodwill of the subsidiary. The impairment was a consequence of lower profitability in response to increased competition following structural changes in that market and therefore, the current and forecast results do not support the carrying value of the full amount of goodwill paid upon acquisition.

NOTE 13: TRADE AND OTHER PAYABLES

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Current		
Trade payables	4,979	6,219
Sundry payables and accruals	2,290	2,484
Total	7,269	8,703

NOTE 14: BORROWINGS

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Current		
Secured liabilities:		
Bank loans	7,430	8,387
Other loans	1,554	895
Commercial bills	-	7,700
Finance lease liability	109	69
Hire purchase liability	18	29
Total	9,111	17,080
Unsecured liabilities:		
Bank loans	2,803	2,036
Other loans	75	303
Total	2,878	2,339
Non Current		
Secured liabilities:		
Other loans	-	1,553
Finance lease liability	-	109
Hire purchase liability	-	18
Total	-	1,680
Unsecured liabilities:		
Other loans	-	74
Total	-	74
Total	11,989	21,173
Disclosed in the Financial Statements As		
Current borrowings	11,989	19,419
Non current borrowings	-	1,754

NOTE 15: OTHER FINANCIAL LIABILITIES

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Derivatives Carried at Fair Value		
Current		
Foreign currency forward contracts	-	459
Total	-	459
Disclosed in the Financial Statements As		
Current other financial liabilities	-	459

NOTE 16: PROVISIONS

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Current		
Employee benefits	1,776	1,170
Restructuring and termination costs	445	860
Discontinued operations closure	553	628
Warranty claims	58	31
Non Current		
Employee benefits	73	118
Total	2,905	2,807
Disclosed in the Financial Statements As		
Current provisions	2,832	2,689
Non current provisions	73	118
(a) Aggregate employee benefits liability	1,849	1,288
(b) Number of employees at year end	722	734
Movements in Carrying Amounts		
Movement in the carrying amounts for the following classes of provision between the beginning and the end of the year		
Restructuring and Termination Costs [1]		
Balance at the beginning of the year	860	478
Provisions recognised	1	490
Payments made	(429)	(115)
Net foreign currency movements arising from foreign operations	13	7
Carrying amount at the end of the year	445	860
Factory Make Good		
Balance at the beginning of the year	-	70
Payments made	-	(70)
Carrying amount at the end of the year	-	-
Discontinued operations closure [2]		
Balance at the beginning of the year	628	-
Provisions recognised	-	628
Reductions resulting from re measurement	(75)	-
Carrying amount at the end of the year	553	628
Warranty claims		
Balance at the beginning of the year	31	-
Provisions recognised	493	208
Payments made	(466)	(177)
Carrying amount at the end of the year	58	31

[1] The provision for restructuring and termination costs represents the Directors' best estimate of the remaining costs to be incurred by the New Zealand operation for the closure of its manufacturing facility and the onerous lease obligation of the site. The restructuring is expected to be completed by January 2014 when the lease expires.

[2] The provision for discontinued operations closure represents the Directors best estimate of the remaining costs to be incurred for the closure of the European full service operation. The liquidation of the Gale Europe GmbH is expected to be completed by 30 June 2011.

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Paid Up Capital		
279,691,658 fully paid ordinary shares (2009: 279,691,658)	105,586	105,594
Movement in Share Capital		
Shares issued at the beginning of the financial year	105,594	100,813
Costs of capital raising (net of tax)	(8)	(219)
142,857,142 shares issued in a rights issue – 18 March 2009	-	5,000
Total	105,586	105,594

(a). **Movement in Share Capital**

There has been no movement in share capital during the reporting period. During the comparative period, (18 March 2009) the Company raised $5 million through a 1.25 for 1 pro rata renounceable rights issue of 142,857,142 shares issued at 3.5 cents per share.

(b). **Share Based Payments**

The Group maintains option and performance rights schemes for certain staff and executives, including executive directors, as approved by shareholders at an annual general meeting. These schemes are designed to reward key personnel when the Group meets performance hurdles relating to:

- Improvement in net profit after tax.
- Improvement in return to shareholders.
- Improvement in share price.

The number of unissued ordinary shares under option as at the date of this report is nil.

The number of unissued ordinary shares under the performance rights scheme at the reporting date is 11,000,000. Each performance right entitles the holder one (1) ordinary share in Gale Pacific Limited when exercised and is subject to the satisfying of relevant performance hurdles based on improvements in the Company's diluted earnings per share.

Options and performance rights issued to executives during the year were issued in accordance with the Group's remuneration policy which:

- Reward executives for Group and individual performance;
- Align the interests of the executives with those of the shareholders; and
- Ensure that total remuneration is competitive by market standards.

The following share based payment arrangements were in existence during the current and comparative reporting periods.

Options

Grant Date	Expiry Date	Exercise Price	Balance Start of Year No.	Granted During Year No.	Exercised During Year No.	Lapsed During Year No.	Balance End of Year No.	Exercisable End of Year No.
Consolidated and Parent Entity - 2010								
None								
Consolidated and Parent Entity - 2009								
15 Dec 2004	1 Dec 2008	$3.00	180,000	-	-	(180,000)	-	-
16 Nov 2005	1 Dec 2008	$1.52	450,000	-	-	(450,000)	-	-
24 Oct 2006	31 Dec 2008	$1.52	120,000	-	-	(120,000)	-	-
Total			750,000			(750,000)	-	-
Weighted average exercise price			$1.88					

Performance Rights

Grant Date	Expiry Date	Exercise Price	Balance Start of Year No.	Granted During Year No.	Exercised During Year No.	Lapsed During Year No.	Balance End of Year No.	Exercisable End of Year No.
Consolidated and Parent Entity - 2010								
2 Feb 2007	2 Feb 2017	N/A	150,000	-	-	(150,000)	-	-
16 Nov 2007	16 Nov 2017	N/A	300,000	-	-	(300,000)	-	-
30 Jun 2009	30 Jun 2019	N/A	9,000,000	-	-	(1,000,000)	8,000,000	-
1 Dec 2009	30 Jun 2019	N/A	-	3,000,000	-		3,000,000	-
Total			9,450,000	3,000,000	-	(1,450,000)	11,000,000	-
Consolidated and Parent Entity - 2009								
2 Feb 2007	2 Feb 2017	N/A	150,000	-	-		150,000	-
16 Nov 2007	16 Nov 2017	N/A	700,000	-	-	(400,000)	300,000	-
30 Jun 2009	30 Jun 2019	N/A	-	9,000,000	-	-	9,000,000	-
Total			850,000	9,000,000	-	(400,000)	9,450,000	-

	Grant Date 1 December 2009	Grant Date 30 June 2009	Grant Date 16 November 2007	Grant Date 2 February 2007
Performance Rights Valuation Assumptions				
Grant date share price	$0.14	$0.061	$0.45	$0.83
Exercise price	N/A	N/A	N/A	N/A
Expected volatility	N/A	N/A	N/A	N/A
Expected Life				
Tranche 1	2.6 years	3 years	0.9 years	2.4 years
Tranche 2	2.6 years	3 years	1.9 years	-
Dividend yield	0.0%	0.0%	5.0%	1.8%
Risk free interest rate	N/A	N/A	N/A	N/A

NOTE 18: RESERVES

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Foreign currency translation reserve	(9,736)	(6,987)
Share based payment reserve	743	486
Hedging reserve	242	(316)
Enterprise reserve fund	852	852
Total	(7,899)	(5,965)

(a). Foreign Currency Translation Reserve

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Balance at the beginning of the year	(6,987)	(11,289)
Translation of foreign controlled entities for the year	(3,308)	2,968
Movement arising from the reclassification of non current related party monetary items to net investments in foreign operations	559	1,334
Balance at the end of the year	(9,736)	(6,987)

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

(b). Employee Share Based Payment Reserve

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Balance at the beginning of the year	486	632
Share based expenditure / (benefit)	257	(146)
Balance at the end of the year	743	486

(c). Hedging Reserve

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Balance at the beginning of the year	(316)	-
Profit / (loss) on cash flow hedges	796	(451)
Income tax related to cash flow hedges recognised	(238)	135
Balance at the end of the year	242	(316)

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative gain or loss on the hedge is recognised as a profit or loss when the hedging instrument impacts the profit or loss, or is included as a basis adjustment to a non financial hedged item, consistent with the applicable accounting policy.

NOTE 18: RESERVES (CONTINUED)

(d). **Enterprise Reserve Fund (Gale Pacific Special Textiles (Ningbo) Limited)**

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Balance at the beginning of the year	852	631
Statutory transfers from retained earnings	-	221
Balance at the end of the year	852	852

Gale Pacific Special Textiles (Ningbo) Limited ("GPST") is required by Chinese Company Law to maintain this reserve in its accounts. This reserve is unavailable for distribution to shareholders but can be used by GPST to expand the business, make up losses or increase the registered capital. GPST is required to allocate 10% of its annual profit after tax to this reserve until it reaches 50% of GPST's registered capital.

NOTE 19: ACCUMULATED LOSSES

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Balance at the beginning of the year	(24,213)	(12,030)
Net profit / (loss) attributable to members of the parent entity	6,022	(11,962)
Transfers to reserves	-	(221)
Balance at the end of the year	(18,191)	(24,213)

NOTE 20: NON CONTROLLING INTERESTS

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Minority interest in controlled entities comprises:		
Balance at the beginning of the year	-	(11)
Net profit attributable to minority interest	-	11
Balance at the end of the year	-	-

NOTE 21: DIVIDENDS

No dividends were declared or paid during the 2009 / 2010 or 2008 / 2009 financial periods. After 30 June 2010 the following dividends were proposed by the Board. These dividends have not been provided for in the financial statements.

Fully Paid Ordinary Shares	Consolidated	
	Cents Per Share	2009 / 2010 ($000)
Final Dividend		
Fully franked at a 30% tax rate	1.0	2,797
Special Dividend		
Fully franked at a 30% tax rate	1.0	2,797
Total Dividend Payable on Friday 22 October 2010	2.0	5,594

Dividend Franking Account	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Franking credits at 30% available to shareholders at 30 June 2010	2,701	3,066

Franking credits that will be attributable to the above dividends total $2,397,000.

NOTE 22: EARNINGS PER SHARE

	Consolidated	
	2009 / 2010 (Cents Per Share)	2008 / 2009 (Cents Per Share)
Basic Earnings Per Share		
From continuing operations	2.15	(0.28)
From discontinued operations	-	(6.47)
Total basic earnings per share	2.15	(6.75)
Diluted Earnings Per Share		
From continuing operations	2.07	(0.28)
From discontinued operations	0.01	(6.47)
Total diluted earnings per share	2.08	(6.75)

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Earnings Per Share		
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:		
Net profit / (loss)	6,022	(11,951)
Earnings Used in the Calculation of Basic EPS		
Adjustments to exclude loss for the period from discontinued operations	(11)	11,461
Earnings used in the calculation of basic and diluted EPS from continuing operations	6,011	(490)

	Consolidated	
	2009 / 2010 (000's)	2008 / 2009 (000's)
Weighted average number of ordinary shares for the purposes of basic earnings per share	279,692	177,148
Weighted average number of shares deemed to be issued for no consideration in respect of:		
Employee options	-	378
Performance rights	10,183	719
Weighted average number of ordinary shares for the purposes of diluted earnings per share	289,875	178,245

NOTE 23: CAPITAL AND LEASING COMMITMENTS

(a). Finance Leasing Commitments

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Payable		
Not longer than one year	170	153
Longer than one year and not longer than five years	-	170
Minimum future lease payments [1]	170	323
Less future finance charges	(61)	(145)
Present value of minimum lease payments	109	178
Disclosed in the Financial Statements As		
Current borrowings	109	69
Non current borrowings	-	109
Total	109	178

(b). Hire Purchase Commitments

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Payable		
Not longer than one year	20	35
Longer than one year and not longer than five years	-	20
Minimum future hire purchase payments [2]	20	55
Less future finance charges	(2)	(8)
Present value of minimum hire purchase payments	18	47
Disclosed in the Financial Statements As		
Current borrowings	18	29
Non current borrowings	-	18
Total	18	47

(c). Operating Lease Commitments

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Non cancellable operating leases contracted for but not capitalised in the accounts		
Payable		
Not longer than one year	1,956	2,664
Longer than one year and not longer than five years	2,282	4,164
Total	4,238	6,828

(d). Capital Expenditure Commitments

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Not longer than one year	44	-
Total	44	-

[1] Minimum future lease payments includes the aggregate of all lease payments and any guaranteed residual.

[2] Minimum future hire purchase payments includes the aggregate of all hire purchase payments and any guaranteed residual.

(a). Reconciliation of Cash

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
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	12	8
Cash at bank	8,486	4,647
Cash on deposit	6,641	2,486
Total	15,139	7,141

(b). Reconciliation of Profit for the Period to Net Cash Provided by Operating Activities

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Profit / (loss) after income tax	6,022	(11,951)
Non Cash Flows in Profit		
Loss on disposal of fixed assets	147	83
Depreciation of fixed assets	6,589	7,566
Amortisation / impairment of intangible assets	626	4,160
Equity settled share based payments	257	(146)
Changes in tax balances processed directly in equity	558	(222)
Changes in tax balances due to foreign exchange movements	51	(9)
Changes in Assets and Liabilities		
Decrease in receivables	84	6,854
Decrease in inventories	2,900	5,349
(Increase) / decrease in other assets	(194)	99
(Decrease) in payables, accruals and other financial liabilities	(1,869)	(1,690)
Increase in tax balances	2,782	1,295
Net cash provided by operating activities	17,953	11,388

(c). **Discontinued Operations**

In response to the worsening economic conditions and modified economic outlook, the operating and cost structure of the Group's European business was reviewed in November / December 2008. The business operated as a full service business in a highly seasonal market and had under performed to expectations. To reduce costs and de-risk the business the decision was made to close the existing European full service operation and enter into a distribution agreement with an established European sales and distribution company to have it take over the inventory, sales and distribution of Gale products in key European markets as of 22 December 2008. The costs associated with this decision have been classified under discontinued operations in these financial statements.

Financial information relating to discontinuing operations for the period 30 June 2010 is set out below. Further information is set out in Note 5 Operating Segments.

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Loss From Discontinued Operations		
Revenue	-	2,219
Other income	-	327
Expenses	(12)	(12,754)
Loss before income tax	(12)	(10,208)
Income tax benefit / (expense)	23	(1,253)
Profit / (loss) after income tax from discontinued operations	11	(11,461)
Cash Flows From Discontinued Operations		
Net cash inflow / (outflow) from operating activities	11	(4,419)
Net cash outflow from investing activities	-	(146)
Effect of exchange rate changes on items nominated in foreign currencies	(16)	4,525
Net decrease in cash from discontinued operations	(5)	(40)

Details of Directors and Key Executives remuneration is disclosed in the remuneration report.

Directors' and Executives' Compensation by Category

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Short term employment benefits	2,503	2,749
Post employment benefits	106	120
Share based payments	257	64
Termination benefits	-	232
Total	2,866	3,165

Directors' and Executives' Equity Holdings: Fully Paid Ordinary Shares

2009 / 2010	Balance 30 June 209 No.	Received as Remuneration No.	Options Exercised No.	Net Change No.	Balance 30 June 2010 No.
Executive Directors					
P McDonald	978,105	-	-	-	978,105
Non Executive Directors					
D Allman	-	-	-	-	-
H Boon[1]	607,500	-	-	(607,500)	-
J Murphy	-	-	-	-	-
G Richards	491,899	-	-	-	491,899
Executives					
J Cox	500,000	-	-	-	500,000
Total	2,577,504	-	-	(607,500)	1,970,004

2008 / 2009	Balance 30 June 2008 No.	Received as Remuneration No.	Options Exercised No.	Net Change No.	Balance 30 June 2009 No.
Executive Directors					
P McDonald	434,714	-	-	543,391	978,105
Non Executive Directors					
H Boon	263,513	-	-	343,987	607,500
J Murphy	-	-	-	-	-
G Richards	128,851	-	-	363,048	491,899
Executives					
J Cox	158,923	-	-	341,077	500,000
Total	986,001	-	-	1,591,503	2,577,504

[1] Mr Boon retired from his role as a Non Executive Director on 17 November 2009. The net change above represents the number of fully paid ordinary shares Mr Boon held on the date of his retirement.

Directors' and Executives' Equity Holdings, Compensation Options and Performance Rights: Granted and Vested During the Year

					Terms and Conditions for Each Grant			
2009 / 2010	**Vested Number**	**Granted Number**	**Grant Date**	**Value Per Option / Right at Grant Date**	**Exercise Price**	**Expiry Date**	**First Exercise Date**	**Last Exercise Date**
Executive Directors (Performance Rights)								
P McDonald	-	3,000,000	01/12/2009	$0.14	Nil	30/06/2019	30/06/2012	30/06/2019
Non Executive Directors								
None								
Executives (Performance Rights)								
None								
Total		3,000,000						

					Terms and Conditions for Each Grant			
2008 / 2009	**Vested Number**	**Granted Number**	**Grant Date**	**Value Per Option / Right at Grant Date**	**Exercise Price**	**Expiry Date**	**First Exercise Date**	**Last Exercise Date**
Executive Directors								
None								
Non Executive Directors								
None								
Executives (Performance Rights)								
P Cacioli	-	1,000,000	30/06/2009	$0.061	Nil	30/06/2019	30/06/2012	30/06/2019
J Cox	-	2,000,000	30/06/2009	$0.061	Nil	30/06/2019	30/06/2012	30/06/2019
M Denney	-	2,000,000	30/06/2009	$0.061	Nil	30/06/2019	30/06/2012	30/06/2019
S McPherson	-	2,000,000	30/06/2009	$0.061	Nil	30/06/2019	30/06/2012	30/06/2019
B Wang	-	2,000,000	30/06/2009	$0.061	Nil	30/06/2019	30/06/2012	30/06/2019
Total	-	9,000,000						

The performance rights disclosed above are subject to hurdles based on improvements in the Group's diluted earnings per share over the two year period 1 July 2009 to 30 June 2011.

Directors' and Executives' Equity Holdings Compensation Options and Performance Rights: Movements During the Year

2009 / 2010	Balance 1 July 2009 No.	Granted as Compensation No.	Exercised No.	Lapsed No.	Net Other Change No.	Balance 30 June 2010 No.	Balance Held Nominally No.	Value of Lapsed Options/Rights $
Executive Directors (Performance Rights)								
P McDonald	150,000	3,000,000	-	(150,000)	-	3,000,000	-	(118,500)
Non Executive Directors								
None								
Executives (Performance Rights)								
P Cacioli[1]	1,075,000	-	-	(1,075,000)	-	-	-	(91,750)
J Cox	2,075,000	-	-	(75,000)	-	2,000,000	-	(30,750)
M Denney	2,075,000	-	-	(75,000)	-	2,000,000	-	(30,750)
P Ducray[2]	75,000	-	-	(75,000)	-	-	-	(30,750)
S McPherson	2,000,000	-	-	-	-	2,000,000	-	-
B Wang	2,000,000	-	-	-	-	2,000,000	-	-
Total	9,450,000	3,000,000	-	(1,450,000)	-	11,000,000	-	(302,500)

2008 / 2009	Balance 1 July 2008 No.	Granted as Compensation No.	Exercised No.	Lapsed No.	Net Other Change No.	Balance 30 June 2009 No.	Balance Held Nominally No.	Value of Lapsed Options/Rights $
Executive Directors (Options)								
P McDonald	180,000	-	-	(180,000)	-	-	-	(137,250)
Executive Directors (Performance Rights)								
P McDonald	150,000	-	-	-	-	150,000	-	-
Non Executive Directors								
None								
Executives (Options)								
S Carroll[3]	40,000	-	-	(40,000)	-	-	-	(18,400)
P Ducray	20,000	-	-	(20,000)	-	-	-	(9,200)
Z Fakroddin[4]	40,000	-	-	(40,000)	-	-	-	(18,400)
E Xu[5]	40,000	-	-	(40,000)	-	-	-	(4,000)
Executives (Performance Rights)								
F Albertsmeier[6]	100,000	-	-	(100,000)	-	-	-	(41,500)
P Cacioli	100,000	1,000,000	-	(25,000)	-	1,075,000	-	(10,750)
S Carroll	100,000	-	-	(100,000)	-	-	-	(41,500)
J Cox	100,000	2,000,000	-	(25,000)	-	2,075,000	-	(10,750)
M Denney	100,000	2,000,000	-	(25,000)	-	2,075,000	-	(10,750)
P Ducray	100,000	-	-	(25,000)	-	75,000	-	(10,750)
S McPherson	-	2,000,000	-	-	-	2,000,000	-	-
B Wang	-	2,000,000	-	-	-	2,000,000	-	-
E Xu	100,000	-	-	(100,000)	-	-	-	(41,500)
Total	1,170,000	9,000,000		(720,000)	-	9,450,000	-	(354,750)

1 Mr Cacioli departed his role as General Manager Research and Development and Technical Services on 9 October 2009.

2 Mr Ducray departed his role as Chief Manufacturing Officer on 30 September 2009.

3 Mr Carroll departed his role as Managing Director Australia on 1 August 2008.

4 Mr Fakroddin departed his role with Gale Europe on 30 June 2008.

5 Ms Xu departed her role as Managing Director Gale Pacific Special Textiles (Ningbo) Ltd on 12 December 2008.

6 Mr Albertsmeier departed his role as Managing Director Europe, Middle East, Africa on 1 April 2009 following the closure of the European full service operation.

NOTE 26: RELATED PARTY TRANSACTIONS

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.

During the financial year, the following transactions occurred between entities in the wholly owned group:

- Sale and purchase of goods totalling $29,044,000 (2009 : $35,715,000)
- Gale Pacific Limited received interest income from its subsidiaries totalling $548,000 (2009 : $1,220,000)
- Gale Pacific Limited made interest payments to its subsidiaries totalling $132,000 (2009 : 135,000)
- Reimbursement of certain operating costs totalling $1,704,000 (2009 : $3,371,000)

Transactions with Directors and Director Related Entities

The following amounts were payable to Directors and their Director related entities as at the reporting date.

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Current – accrued bonus and Director fees	187	73

NOTE 27: CONTROLLED ENTITIES

	Country of Incorporation	Ownership Interest (%)	
		2009 / 2010	2008 / 2009
Parent Entity			
Gale Pacific Limited	Australia		
Controlled Entities			
Gale Europe GmbH Vertriebsgesellschaft	Germany	100%	100%
Gale Pacific (New Zealand) Limited	New Zealand	100%	100%
Gale Pacific FZE	United Arab Emirates	100%	100%
Gale Pacific Special Textiles (Ningbo) Limited	China	100%	100%
Gale Pacific USA Inc	United States of America	100%	100%
Controlled entities deregistered during the year			
Aquaspan Pty Ltd	Australia	-	50%
Gale Pacific Employees Superannuation Fund Pty Ltd	Australia	-	100%

Financial Risk Management

Overview

The Group's activities expose it to a variety of financial risks: credit risk; liquidity risk; and market risk (including foreign currency risk and interest rate risk).

The Group's financial risk management processes and procedures seek to minimise the potential adverse effects on the Group's financial performance that may occur due to the unpredictability of financial markets. Risk management policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

Financial Instruments

Derivative financial instruments are used by the Group to limit exposure to exchange rate risk associated with foreign currency transactions. Derivative financial instruments are recognised in the financial statements. Transactions to reduce foreign currency and interest rate exposure are undertaken without the use of collateral as the Group only deals with reputable institutions with sound financial positions. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Net Fair Values

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

(a). **Credit Risk**

Exposure to credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at the reporting date to recognised financial assets is the carrying amount of those assets, net of any provisions for doubtful debts of those assets.

		Consolidated	
	Note	As at 30 Jun 2010 ($000)	As at 30 Jun 2009 ($000)
The maximum exposure to credit risk at the reporting date was:			
Loans and receivables	7	14,142	14,674
Cash and cash equivalents	6	15,139	7,141
Tradeable foreign currency forward contracts	9	341	-
Total		29,622	21,815
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:			
Asia Pacific		4,778	4,960
China		157	219
Americas		6,234	6,173
Middle East / Africa		2,449	2,696
Discontinued operations		-	9
Total		13,618	14,057
The ageing of trade receivables not impaired at the reporting date was:			
Not outside credit terms		10,400	10,527
Outside credit terms 0-30 days		1,908	1,509
Outside credit terms 31-120 days		1,165	1,157
Outside credit terms 121 days to one year		114	842
More than one year		31	22
Total		13,618	14,057
The ageing of impaired receivables at the reporting date was:			
Outside credit terms 0-30 days		-	-
Outside credit terms 31-120 days		65	44
Outside credit terms 121 days to one year		132	210
More than one year		85	4
Total		282	258

The Group's most significant customer, an Australian retailer accounts for $1,405,000 of the trade receivables carrying balance at 30 June 2010 (2009 : $1,897,000).

(b). **Liquidity Risk**

The following tables detail both the Group's effective weighted average interest rates on classes of its financial liabilities at reporting date and the contractual maturity of these financial liabilities. Contractual cash flows include both interest and principal cash flows, are undiscounted and based on the earliest date on which the Group can be required to pay.

Consolidated 30 June 2010	Note	Weighted Average Effective Interest Rate	Carrying Amount	Contractual Cash Flows	Contractual Cash Flows Maturing In:		
					Less Than 6 Months	6 To 12 Months	1 To 2 Years
		(%)	($000)	($000)	($000)	($000)	($000)
Non Derivative Financial Liabilities							
Bank loans	14	4.49%	10,233	10,421	7,706	2,715	-
Other loans	14	9.07%	1,629	1,708	593	1,115	-
Finance lease liabilities	14	10.06%	109	117	38	79	-
Hire purchase liabilities	14	9.25%	18	21	19	2	-
Total			11,989	12,267	8,356	3,911	-

Consolidated 30 June 2009	Note	Weighted Average Effective Interest Rate	Carrying Amount	Contractual Cash Flows	Contractual Cash Flows Maturing In:		
					Less Than 6 Months	6 To 12 Months	1 To 2 Years
		(%)	($000)	($000)	($000)	($000)	($000)
Non Derivative Financial Liabilities							
Bank loans	14	4.12%	18,123	18,340	11,765	6,575	-
Other loans	14	8.89%	2,825	3,109	738	663	1,708
Finance lease liabilities	14	9.66%	178	200	60	23	117
Hire purchase liabilities	14	9.25%	47	51	16	16	19
Derivative Financial Liabilities							
Tradeable foreign currency forward contracts	15		459	459	388	71	-
Total			21,632	22,159	12,967	7,348	1,844

(c). **Market Risk**

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates.

Foreign Exchange Risk

The Group undertakes transactions denominated in foreign currencies that exposes it to fluctuations in foreign currency exchange rates.

Foreign Exchange Contracts

The Group enters into foreign exchange contracts to buy and sell specified amounts of foreign currency in the future at stipulated exchange rates. The objective of entering into forward exchange contracts is to protect the Group against unfavourable exchange rate movements for both contracted and anticipated future sales and purchases undertaken in foreign currencies. There was no cash flow hedge ineffectiveness during the reporting period.

The Group has adopted hedge accounting and classifies forward exchange contracts as cash flow hedges where these contracts are hedging highly probably forecasted transactions and they are timed to mature when the cash flow from the underlying transaction is scheduled to occur. Cash flows are expected to occur during the next financial year. Changes in fair value on forward exchange contracts designated as cash flow hedges are taken directly to equity.

Forward exchange contacts that are not designated as cash flow hedges have any changes in fair value recognised in profit or loss in the period the changes occur.

The full amount of foreign currency the Group will be required to pay or purchase when settling forward exchange contracts should the counterparty not pay the currency it is committed to deliver to the Group has been recognised in the Group's statement of financial position. At balance date the net amount receivable was $341,000 (2009: $459,000 payable).

The accounting policy in regard to forward exchange contracts is detailed in Note 1(d).

	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value	
	2009 / 2010	2008 / 2009	2009 / 2010	2008 / 2009	2009 / 2010	2008 / 2009	2009 / 2010	2008 / 2009
			(FC000)	(FC000)	($000)	($000)	($000)	($000)
Foreign Exchange Contracts Designated as Cash Flow Hedges								
Buy United States dollars / sell Australian dollars								
Less than 6 months	0.8602	0.7599	9,683	4,167	11,258	4,167	292	(326)
6 – 12 months	0.8771	0.7520	850	610	969	610	56	(56)
Sell United States dollars / buy Australian dollars								
Less than 6 months	-	0.8008	-	800	-	999	-	9
Buy United States dollars / sell New Zealand dollars								
Less than 6 months	0.6723	0.5869	460	445	562	614	(12)	(63)
6 – 12 months	-	0.5825	-	96	-	133	-	(15)
Buy European euro / sell Australian dollars								
Less than 6 months	0.6889	0.5720	490	59	711	103	3	-
6 – 12 months	0.6709	-	330	-	492	-	2	-
Total							341	(451)
Foreign Exchange Contracts Not Designated as Cash Flow Hedges								
Buy United States dollars / sell Australian dollars								
Less than 6 months	-	0.7160	-	54	-	75	-	(8)
Total							-	(8)
Total							341	(459)

Foreign Exchange Risk Sensitivity

The Group is mainly exposed to United States dollars, Euros and New Zealand dollars in its Australian operation and Australian dollars in its foreign operations.

The following table details the Group's sensitivity to a 10% (2009: 10%) increase or decrease in the Australian dollar against these currencies. This analysis includes only unhedged foreign currency denominated monetary items, including loans to foreign operations within the Group, as shown at the carrying value, and details the profit effect from each of these items of a 10% strengthening in the Australian dollar on the reporting date with all other variables held constant. For a weakening of the Australian dollar there would be an equal and opposite impact on profit to that shown below.

30 June 2010	Consolidated	
	Australian Dollar Carrying Value ($000)	Profit / (Loss) AUD +10% ($000)
Financial Assets		
Cash and cash equivalents		
United States dollars	4,090	(409)
Euro	4	-
Amounts receivable from related parties		
United States dollars	-	504
New Zealand dollars	-	(14)
Financial Liabilities		
Trade payables		
United States dollars	297	30
Euro	125	13
Profit or (loss) impact		124
Currency Asset / (Liability) Breakdown		
United States dollars	3,793	125
Euro	(121)	13
New Zealand dollars	-	(14)
Profit or (loss) impact		124

30 June 2009	Consolidated	
	Australian Dollar Carrying Value ($000)	Profit / (Loss) AUD +10% ($000)
Financial Assets		
Cash and cash equivalents		
United States dollars	458	(46)
Euro	9	(1)
Trade receivables		
Australian dollars	69	7
Amounts receivable from related parties		
United States dollars	-	136
New Zealand dollars	-	(29)
Financial Liabilities		
Trade payables		
United States dollars	304	30
Foreign currency forward contracts		
United States dollars	67	(7)
Profit or (loss) impact		90
Currency Asset / (Liability) Breakdown		
United States dollars	87	113
Euro	9	(1)
New Zealand dollars	-	(29)
Australian dollars	69	7
Profit or (loss) impact		90

Interest Rate Risk

The Group is exposed to interest rate risk as entities in the Group borrow and deposit funds at both fixed and variable interest rates. Effective weighted average interest rates on classes of financial liabilities are disclosed under liquidity risk.

The following table details the Group's sensitivity to every 1% increase in interest rates at the reporting date. The analysis is on its variable rate financial instruments shown in the carrying value and details the profit effect of a 1% increase in interest rates on these financial instruments with the change taking place at the beginning of the following financial year and held constant throughout the reporting period. All other variables remain constant.

30 June 2010	Consolidated	
	Carrying Value ($000)	Profit / (Loss) +1% Movement ($000)
Financial Assets		
Cash and cash equivalents	15,127	151
Financial Liabilities		
Borrowings (all fixed rates instruments)	-	-
Profit or (loss) impact		151

30 June 2009	Consolidated	
	Carrying Value ($000)	Profit / (Loss) +1% Movement ($000)
Financial Assets		
Cash and cash equivalents	7,133	71
Financial Liabilities		
Borrowings	7,700	(77)
(Loss) or profit impact		(6)

NOTE 29: PARENT ENTITY DISCLOSURES

	Consolidated	
	2009 / 2010 ($000)	2008 / 2009 ($000)
Results of the parent entity		
Profit / (loss) for the year	4,207	(26,886)
Other comprehensive income	511	(261)
Total	4,718	(27,147)
Financial position of the parent entity at year end		
Current assets	23,469	19,293
Total assets	80,980	84,265
Current liabilities	7,781	13,274
Total liabilities	6,864	15,116
Net assets	74,116	69,149
Total equity of the parent entity comprising of:		
Contributed equity	105,586	105,594
Share based payment reserve	743	486
Hedging reserve	250	(261)
Retained earnings	(32,463)	(36,670)
Total equity	74,116	69,149
Parent Entity Commitments		
Finance leases	109	178
Hire purchase	18	47
Operating leases	2,604	3,754
Capital expenditure	18	-
Total	2,749	3,979

NOTE 30: SUBSEQUENT EVENTS

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 likely, in the opinion of the Directors of the Company, to affect significantly, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

NOTE 31: COMPANY DETAILS

The registered office of the Company is:

Gale Pacific Limited
145 Woodlands Drive
Braeside, Vic, 3195
Australia

ADDITIONAL SECURITIES EXCHANGE INFORMATION

NUMBER OF HOLDINGS OF EQUITY SECURITIES AS AT 17 AUGUST 2010

The fully paid issued capital of the Company consisted of 279,691,658 ordinary fully paid shares held by 812 shareholders. Each share entitles the holder to one vote.

8 holders have been granted 13,940,000 performance rights over ordinary shares. Performance rights do not carry a right to vote.

DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES

	Ordinary Fully Paid Shares		
Range	**Total Holders**	**Units**	**% Issued Capital**
1 – 1,000	118	42,019	0.02
1,001 – 5,000	234	660,485	0.24
5,001 – 10,000	129	988,661	0.35
10,001 – 50,000	189	4,420,689	1.58
50,001 – 100,000	48	3,635,116	1.30
100,001 – 500,000	64	16,394,318	5.86
500,001 – 1,000,000	8	6,005,085	2.15
1,000,000 and over	22	247,545,285	88.51
Rounding			-0.01
Total	812	279,691,658	100.00

UNMARKETABLE PARCELS

Unmarketable Parcels as at 17 August 2010	Minimum Parcel Size	Holders	Units
Minimum $500 parcel at $0.19 per unit	2,632	238	262,641

SUBSTANTIAL SHAREHOLDERS AS AT 17 AUGUST 2010

Shareholder	No.	%
Thorney Holdings Pty Ltd	79,817,646	28.54
Investec Wentworth Private Equity Ltd	74,148,162	26.51
Windhager Handelges Mbh	41,925,781	14.99
Gale Australia Pty Ltd	13,997,844	5.00

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

Shareholder	No.	%
ANZ Nominees Limited (Cash Income A/C)	79,859,523	28.55
Windhager Handels Gesmbh	41,925,781	14.99
IWPE Nominees Pty Ltd (IWPE Fund 2 A/C)	28,365,369	10.14
IWPE Nominees Pty Ltd (MG Private Equity Fund A/C)	18,234,879	6.52
Investec Bank (Australia) Limited	14,182,685	5.07
Gale Australia Pty Ltd	13,927,844	4.98
MGB Equity Growth Pty Limited (MGB Equity Growth Fund 2 A/C)	10,130,490	3.62
ANZ Nominees Limited (Income Reinvest Plan A/C)	8,821,373	3.15
Ruminator Pty Ltd	6,691,433	2.39
Gernis Holdings Pty Limited	3,800,000	1.36
Mr Geoffrey Duncan Nash (GDN Super Fund A/C)	3,327,428	1.19
GFS Securities Pty Ltd (Glenfare Super Fund A/C)	2,447,935	0.88
UBS Nominees Pty Ltd	2,113,135	0.76
IWPE Nominees Pty Limited (MZL Opportunity Fund A/C)	2,058,824	0.74
Venn Milner Superannuation Pty Ltd	2,000,000	0.72
Atkone Pty Ltd	1,919,796	0.69
Mr Simon Gautier Hannes (SGH Super Fund A/C)	1,732,003	0.62
IWPE Nominees Pty Limited (MZL Opportunity Fund A/C)	1,395,577	0.50
Citicorp Nominees Pty Limited	1,323,347	0.47
Bell Potter Nominees Ltd (BB Nominees A/C)	1,304,934	0.47
Top 20 Holders of Ordinary Fully Paid Shares as at 17 August 2010	245,562,356	87.80
Total Remaining Holders Balance	34,129,302	12.20

OTHER INFORMATION

The name of the Company Secretary is Ms Sophie Karzis. The address of the principal registered office in Australia, and the principal administrative office is 145 Woodlands Drive, Braeside, 3195, Victoria, Australia, telephone is (03) 9518 3333. The Company is listed on the Australian Securities Exchange. The home exchange is Melbourne. Registers of securities are held by Computershare Investor Services Pty Limited, Yarra Falls, 452 Johnston Street, Abbotsford, 3067, Australia, local call is 1300 850 505, international call is + 613 9415 4000.

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