ANNUAL REPORT 2002

GALE PACIFIC LIMITED

ABN 80 082 263 778

G A L E   P A C I F I C   L I M I T E D

KELMATT AUSTRALIA
MEIJER
ABC PRODUCTS
ROCKLEA CANVAS
PORTCO
J D & M J KNIGHT
NOLAN WAREHOUSES
J A GRIGSON
LOWES
HARRIS SCARFE
FORTUNOFF
BHP COLLIERS
N L PRODUCTS
PATCHS CANVAS MANUFACT
ACADEMY TARPS
SUN 'N SURF
WALMART
C E BARTLETT
MAXITRANS MANUFACTURING
ICL
TASMAN INSULATION AUSTRALIA
TARGET
DARLING DOWNS TARPAULINS
ORCHARD SUPPLY HARDWARE
THOR BUILDING PRODUCTS
ABGAL
DIXIELINE
ABC PRODUCTS
JAYLON INDUSTRIES
BUNNINGS
FRED MEYER
A MART
N L PRODUCTS
HARVEY NORMAN
JOHN DANKS & SON
RADINS CANVAS
THE HOME DEPOT
K MART
MITRE 10

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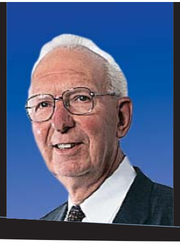
DR HUW G DAVIES
CHAIRMAN



CHAIRMAN'S REPORT
for the year ended 30 June 2002

GALE'S BUSINESS

Gale Pacific Limited (Gale) is a world-leading manufacturer of advanced polymer fabrics. Gale manufactures its fabrics in Melbourne, Australia, using its unique 'two step' technology which provides a strong competitive advantage for the Company.

In the past year Gale has derived 89% of its revenue from the retail sector and 11% from industrial applications.

Gale's fabric that is not sold in rolls directly to retail or industrial markets is shipped to the People's Republic of China to be converted into value-added products such as exterior window furnishings, shade sails, gazebos and umbrellas. These products are supplied to Gale operations in Australia, New Zealand, the Middle East and United States of America.

WELL POSITIONED FOR GROWTH

At our last annual general meeting the Company committed to improving manufacturing productivity and working capital management.

The 2001/02 results show substantial improvements in our manufacturing operation with our recycling program now on track and our overall factory productivity significantly improved. This has resulted in improved profit margins.

Operating cashflow improved by $5.2 million on the previous period. This was the result of improved inventory planning, logistics management and reduced debtor days in our Australian operations.

New product innovations will be a key factor in organic growth. The Company is investing in new products that continue to differentiate Gale from its competitors in areas such as biological shearing, fabric structures that improve the quality and quantity of our drinking water in reservoirs and large tank storages, and waterproof and fire retardant commercial fabrics.

INDUSTRIAL FABRICS ACQUISITION

On the 28th June 2002 Gale purchased selected assets, the corresponding customer base and the ongoing business of Visy Industrial Fabrics.

While details of this acquisition are dealt with in some detail in the Managing Director's report, I can confirm that at the date of this report the administration, sales and marketing, logistics and manufacturing operations have been installed at Gale and are fully operational. There have been no significant problems experienced with the integration of the Industrial Fabrics business into Gale's operations.

Woven scrim, a key component of many Industrial Fabrics products, will be sourced offshore and we have qualified at least three suppliers in the Asian region. The move to offshore scrim will enhance margins in the second half of the financial year.

As a result of the acquisition, Gale is now market leader in both retail and industrial fabric markets in Australia with further export potential existing in the USA industrial fabric market.

The shift in products to a balance between retail and industrial will reduce the potential volatility of Gale's earnings, which up until now has been heavily dependent upon hot, dry summers in its main Australian market.

FINANCIAL PERFORMANCE

Gale recorded a net profit after income tax of $3.6 million, up 20% on last year, from sales of $55.8 million. This result was achieved despite a very poor summer season in Australia as well as K-Mart USA's Chapter 11 bankruptcy, resulting in lower than anticipated sales volumes to this key account plus a significant provision in our USA accounts.

Improvements in manufacturing performance delivered our most significant boost to earnings. Our US operations contributed also to our overall performance with 4.6% growth in revenue in difficult trading conditions.

The Company's strong operating cash flow limited the increase in the net debt to equity ratio post the acquisition to 0.63, from the prior year's ratio of 0.54.

Further information on the results and operating performance is contained in the Managing Director's Report and Review of Operations.

DIVIDENDS AND ONGOING DIVIDEND POLICY

Directors have declared a fully franked final dividend of 3 cents per share. The total amount of the dividend is $1,259,919. The books closure date for determining entitlements for the dividend is 26 September 2002. A Dividend Reinvestment Plan is available to all shareholders.

The Company, having taken on additional debt at year end, intends in future periods to adopt a dividend payout ratio of approximately 50% to 55% of after tax profits, subject to the successful integration of the Industrial Fabrics business and ongoing satisfactory trading performance.

PEOPLE

This year has been full of challenges and opportunities. The Board appreciates the efforts of all staff.

We look forward to an equally challenging year and welcome our new employees from the Industrial Fabrics acquisition. Their skills are already adding value to our total business.

ANNUAL GENERAL MEETING

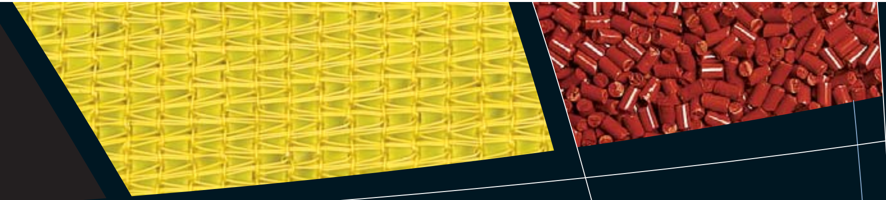
A notice of the annual general meeting of the Company is enclosed with this annual report.

DR HUW G DAVIES
CHAIRMAN

Dated: 24 September 2002

"This year has been full of challenges and opportunities. The Board appreciates the efforts of all staff."

GARY S GALE
MANAGING DIRECTOR



MANAGING DIRECTOR'S REPORT AND REVIEW OF OPERATIONS

for the year ended 30 June 2002

POSITIONED FOR GROWTH

Based on our 2001/02 performance, Gale Pacific Limited (Gale) is well positioned to take advantage of its strategy to expand globally its world leading advanced polymer fabric range and related value added products.

With the addition of the Visy Industrial Fabrics acquisition and Gale's restructuring of that business, the Company has developed a second leg of operations for global expansion with the industrial fabric range building on the success of our offshore development of our retail business.

Gale is now market leader in both retail and industrial applications of its fabric in Australia. The addition of the Industrial Fabrics business will reduce our seasonality, provide significant cross selling opportunities and strong growth prospects over the next several years.

While market conditions globally are weak, our product range is somewhat insulated by the expanding Do-It-Yourself phenomenon in retail. Added to this, the growth in our industrial range of products depends more on the replacement of older technologies with more competitive and innovative solutions, and less on incremental growth as markets expand.

This year Gale has demonstrated its ability to improve upon the fundamentals of its business with substantial improvements in factory productivity, cost control and cash flow.

We will continue to build soundly on our recent achievements, balancing our acquisition opportunities with further organic growth from our extensive R&D activities, whilst maintaining disciplined control over our operations.

RESULTS

Our net profit for the year ended 30 June 2002 was $3.6 million. This result represents an increase of 20% on the prior year's net profit of $3.0 million and exceeds by approximately 5% our expectations as previously foreshadowed to the market. This result was achieved notwithstanding the Company's maintenance of extended overhead facilities in anticipation of the Industrial Fabrics acquisition, which was not completed until year end.

We consider this result most satisfactory, particularly when our significant improvement in working capital is taken into account. The Company adjusted production to meet reduced sales expectations and reduced overall inventories by 13% year on year on our core business, before the impact of the acquisition of the Industrial Fabrics Division of the Visy Group. Our manufacturing and sourcing operations generated positive productivity improvements.

The Company had a clear objective to improve cash flow by better management of our inventory and receivables. The improvement in inventory was complemented by a substantial reduction in debtors' collection days outstanding in our Australian operations. These initiatives contributed significantly to the improved net operating cash flow of $5.2 million year on year, as referred to by the Chairman in his report.

The Company recorded an increase in overhead costs, partly due to a prudent provision over our K-Mart USA debt, and further as a result of building management capacity for future growth. Increased R&D expenditure was substantially offset by Government support.

An Enterprise Bargaining Agreement was concluded during the year, whereby 3x8 hour shifts were introduced to the Braeside, Victoria, plant, replacing the previous 2x12 hr shift configuration. This change will enhance capacity utilization in the plant through greater flexibility in scheduling and staff deployment, and permit a reduction in capital spending over the next few years.

Operations in the Peoples' Republic of China (PRC) have been augmented with new suppliers coming on line, allowing the Company to spread current offshore production requirements over a broader base. We are further assessing our opportunities in the PRC post China's entry into the World Trade Organisation, with a view to further reducing our cost base.

The addition of the Industrial Fabrics business will reduce our seasonality, provide significant cross selling opportunities and strong growth prospects over the next several years.

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

for the year ended 30 June 2002

INDUSTRIAL FABRICS ACQUISITION

The acquisition included the fabric coating manufacturing unit and all related inventories. The purchase price related to assets only, and did not include goodwill. In addition, a substantial supply agreement was completed with Visy to supply coatings for their paper products used in the Australian and USA markets.

Gale anticipates that the acquisition will add in excess of $20 million p.a. in revenue from the fabric coating operation as well as revenue from the Visy paper coating supply agreement.

The Industrial Fabrics business has developed unique and patented technologies that allowed it to grow into Australia's largest manufacturer of coated industrial fabrics and to achieve solid market positions in most of its product categories. The business supplies industrial markets nationally, particularly the agricultural, mining, transport and construction industries.

Gale believes that there are also several areas of potential co-operation with Visy in the long term management of Australia's water resources.

This acquisition provides Gale with the opportunity to substantially strengthen its industrial sales team in parallel to its retail operations. This will allow Gale to further expand the opportunities for its newly patented range of shade enhanced fabrics with fire retardant properties, ready for launch into the Australian, USA and Middle East markets.

As a result of the acquisition, Gale has access to a broader spectrum of markets with a range of advanced coated fabrics. Most of these fabrics will be manufactured at Gale's Braeside site using the newly acquired and sophisticated extrusion coating equipment.

Gale has successfully transferred the customer interface from Visy to Gale, with all sales of the new products having been dispatched and invoiced from Gale's Braeside operations from the first week of July. All regional warehouses and sales operations have been transferred to Gale and have been operating through Gale's systems from the second week of July. This transition of the business has progressed efficiently and without any significant problems.

We have also achieved a successful re-commissioning and resumption of coating activities in our Braeside site.

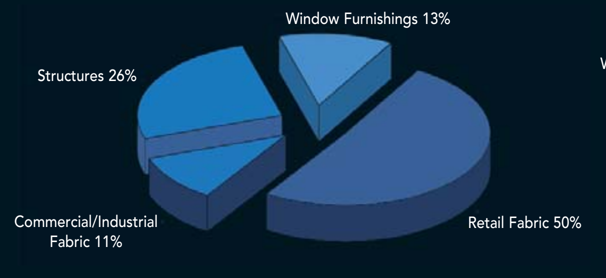
Gale has hired the majority of the Visy sales, marketing and administration teams as well as key technical and operational personnel. All staff have been cross-trained in the expanded range of products. This will assist in achieving early sales growth.

In this transaction Gale did not acquire Visy's weaving operations but has contracted the use of this plant over the near term whilst product is outsourced from offshore. This outsourcing program is now nearing completion with three offshore manufacturers producing the majority of our current requirements.

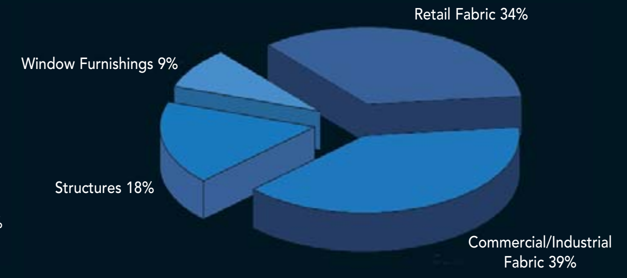
The evident co-operative effort between our new industrial team and our existing team has been rewarding with strong empathy and a common philosophical approach. This bodes well for the results this co-operation can deliver to our shareholders.

The Industrial Fabrics acquisition has diversified the Company's revenue base

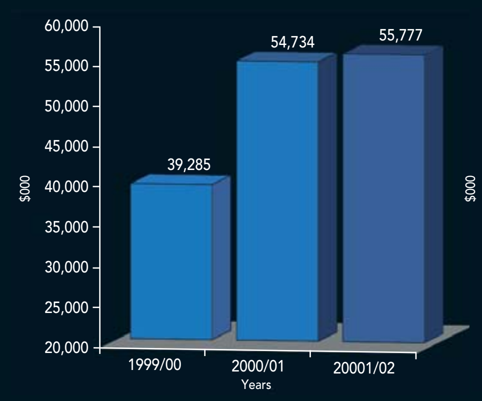
Pre-acquisition Product Mix



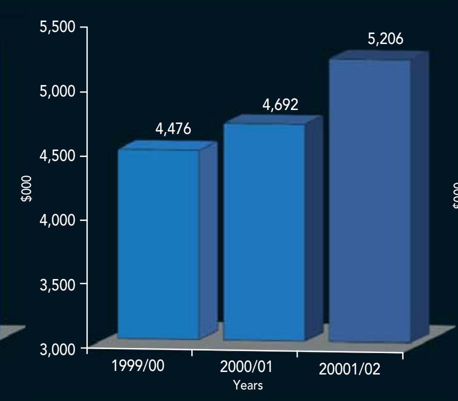
Post-acquisition Product Mix



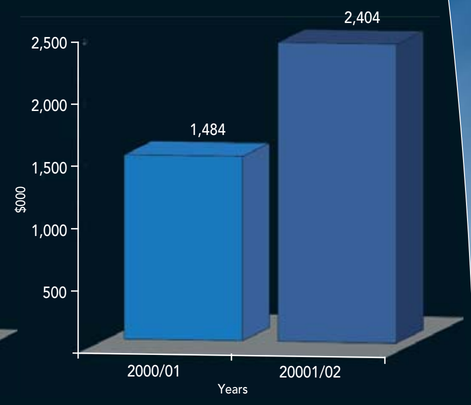
Revenue



Profit Before Income Tax



Dividends



Share Price Progress

The Gale share price has outperformed the All Ordinaries Index since 2 July 2001

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

for the year ended 30 June 2002

OUTLOOK

A high priority for the Company is to effectively manage the integration of the Industrial Fabrics division into our existing business and to deliver upon not only the business plans of both Retail and Industrial businesses but to maximize the synergies that this opportunity brings.

Management's clear focus last year was on improving our manufacturing efficiencies and cash flow. These efforts will continue to drive down our cost base and more efficiently manage our working capital requirements.

Both the Retail and the Industrial businesses will benefit from the benefits of our R&D efforts of the past year, as follows:

- The launch and sale of our fire-retardant Commercial 98 fabric in Australia, USA and the Middle East.
- The expansion of the Company's retail range in the USA market.
- The implementation of the Bioclip (biological shearing) program that is now commercialised.
- The launch and sale of fabric covers over reservoirs of potable water to eradicate problems of algae bloom.
- The further development and sale of Polypropylene and Polyethylene fabrics that can replace environmentally harmful PVC coated polyester fabrics.

It is anticipated that the full benefits of new product developments, ongoing productivity improvements and of the Industrial Fabrics acquisition will be generated in the second half of 2002/03.

OUR BOARD

The audit committee of the Board includes two non-executive Directors and one executive Director and has the responsibility of monitoring the group's accounting and reporting practices, including its system of internal controls.

The Board's remuneration committee meets from time to time to establish the remuneration levels for the senior executives of the Company. Finally, the treasury committee of the Board meets regularly to monitor the Company's exposure to exchange rate fluctuations, and has successfully minimized exchange differences over the last three years.

At the annual general meeting our Chairman, Dr Huw Davies, will retire as a Director of the Company by rotation in accordance with the constitution of the Company and, being eligible, offers himself for re-election.

OUR PEOPLE

During the year we have reviewed our operations both internally and externally, and challenged our staff to improve the fundamentals of our business.

Our people have responded positively to the changes we have initiated from these reviews, from the shift changes in our plant delivering production flexibility, to the new logistics group who have contributed to our forecasting and inventory management.

During the year we have stretched the capabilities of our organisation and our people, and we have invested in building our team in preparation for the future.

Our people are both challenged and excited by the growth ahead and have integrated well with our new team from Visy. The Directors join me in thanking all staff for their contributions in 2001/02. We now look forward together to the challenges of 2002/03.

GARY S GALE
MANAGING DIRECTOR

Dated: 24 September 2002

GALE PACIFIC LIMITED

Biological shearing has become viable through the economic capture of wool using a specially designed Gale disposable net.

CORPORATE GOVERNANCE STATEMENT

The Directors are responsible for the corporate governance practices of the Company. This statement sets out the main corporate governance practices that were in operation throughout the financial year, except where otherwise indicated.

The Board of Directors ('the Board') is responsible for Gale Pacific Limited and its controlled entities including:

- Setting and monitoring of objectives, goals and strategic direction for management with a view to maximising shareholder wealth;
- Accepting an annual budget and the monitoring of financial performance;
- Ensuring adequate internal controls exist and are appropriately monitored for compliance;
- Ensuring significant business risks are identified and appropriately managed;
- Selecting, appointing and reviewing the performance of the Chief Executive Officer;
- Selecting and appointing new Directors; and
- Maintaining the highest business standards and ethical behaviour.

COMPOSITION OF THE BOARD

At the date of this statement, the Board comprises 3 Non-executive Directors and 2 Executive Directors. The names and details of the Directors are contained in the Directors' Report.

Gale Pacific Limited's Constitution provides that:

- The maximum number of Directors is 12 or such other number as the Company by resolution determines;
- The Directors may appoint any person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed, other than the Managing Director, only holds office until the next general meeting and then must retire from office. A Director who so retires is eligible for re-election;
- At each annual general meeting one third of the Directors or, if their number is not 3 or a multiple of 3, then the number nearest to one third, who has held office for 3 years or more must retire from office. A Director who so retires is eligible for re-election;
- In determining the number of Directors to retire at an annual general meeting, no account is to be taken of a Director appointed by the Directors to fill a casual vacancy or as an addition to the existing Directors and who only holds office until the next general meeting, or the Managing Director, who is exempted from retirement by rotation; and
- The number of Directors necessary to constitute a quorum at a Directors' meeting is 2, or such other number the Directors may fix.

The Directors should bring characteristics to the Board that will provide a mix of qualifications, skills and experience, both nationally and internationally. When a vacancy exists or whenever it is considered that the Board would benefit from the services of a new Director with particular skills, the Board selects one or more candidates with the appropriate expertise and experience. Having regard to the size of the Board, it has not been considered necessary to appoint a nomination committee.

TERMS AND CONDITIONS OF APPOINTMENT AND RETIREMENT OF NON-EXECUTIVE DIRECTORS

The terms and conditions of the appointment and retirement of any new non-executive Directors will be set out in a letter of appointment which prescribes:

- Remuneration;
- The term of appointment, subject to shareholder approval;
- The expectation of the Board in relation to attending and preparing for all Board Meetings;
- Procedures for dealing with conflicts of interest; and
- The availability of independent professional advice.

Non-executive Directors are remunerated for their services from the maximum aggregated amount approved by shareholders for that purpose. Their compensation is reviewed by the Board.

It is the practice of the Directors that when a potential conflict of interest may arise, the Director concerned does not receive a copy of the relevant Board paper and withdraws from the Board Meeting whilst such a matter is being considered.

The Board has a policy of enabling Directors to seek independent professional advice at the Group's expense, subject to estimated costs being approved by the Chairman in advance as being reasonable.

AUDIT COMMITTEE

The Board has an established Audit Committee. The primary objective of the Audit Committee is to assist the Board in fulfilling the Board's responsibilities relating to accounting and reporting practices of the Company and it's subsidiaries. The main functions of the Audit Committee are:

- To act as a committee of the Board of Directors in discharging the Board's responsibilities as they relate to financial reporting policies and practices, accounting policies and management and internal controls;
- To provide through regular meetings a forum for communication between the Board, senior financial management and external auditors; and
- To enhance the credibility and objectivity of the Company's financial reports.

The responsibilities of the Audit Committee include monitoring compliance with requirements of the Corporations Law, Stock Exchange Listing Rules, Australian Securities Commission, taxation legislation and other laws as they apply to the subject matter of the Audit Committee's functions (for example internal accounting, external auditing, financial reporting and taxation compliance).

The members of the Audit Committee are Mr T. Eversteyn, Mr D. Reilly, Mr G. Gale and Mr R. House.

The Audit Committee is able to obtain independent professional advice as required and also has access at all times to the Executive Directors and other management personnel.

REMUNERATION COMMITTEE

The Board has an established remuneration committee consisting of two non-executive Directors, Mr T. Eversteyn and Mr D. Reilly.

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

In order to retain and attract executives of sufficient calibre to facilitate the efficient and effective management of the Company's operations, the remuneration committee seeks the advice of external advisors in connection with the structure of remuneration packages.

APPROACH TO CORPORATE COMPLIANCE AND RISK IDENTIFICATION AND MANAGEMENT

In relation to identifying areas of significant business risk and putting in place arrangements to manage such risk the Board relies on the advice and expertise of senior management acting in consultation with the Company's external advisers. Where appropriate the Board obtains advice directly from external advisers.

The Board has not considered it appropriate to appoint a separate Corporate Governance Committee and responsibility for developing and monitoring corporate governance policies and practices in areas outside the scope of the functions of the Audit Committee is retained and exercised directly at Board level.

CONTINUOUS DISCLOSURE

The Board has established compliance procedures to ensure that the Company complies with its continuous disclosure obligations under the ASX Listing Rules and the continuous disclosure provisions of the Corporations Law.

ETHICAL STANDARDS

The Group's policy is that all Directors and staff maintain the highest ethical standards of conduct.

Gale Pacific Limited is an equal opportunity employer.

for the year ended 30 June 2002

The Directors present their report together with the financial report of Gale Pacific Limited ('the Company') and the consolidated financial statements of the economic entity, being the Company and its controlled entities, for the year ended 30 June 2002 and the Independent Audit Report thereon.

DIRECTORS

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

DR HUW GERAINT DAVIES
CHAIRMAN
BSc, PhD. - age 61

Huw Davies is the Chairman of Vic Power Trading and Gascor Limited. He is a Director of Snowy Hydro Limited and a member of the Board of the Goulburn Broken Catchment Management Authority. Dr Davies held senior executive positions with ACI International and BTR Nylex from 1968 to 1997.

Appointed Director on 9 October 2000.

MR THEO JOHN EVERSTEYN
DEPUTY CHAIRMAN
FCA, Grad Dip Industrial Accounting and Bus. Admin. - age 61

Theo Eversteyn has been a partner of the Chartered Accounting firm Bentleys MRI since 1973. During his career Theo has focused on manufacturing and distribution businesses and obtained postgraduate diploma qualifications in Industrial Accounting and Business Administration. He is also the non-executive chairman of Valcorp Fine Foods Pty Ltd and the Joval Group. Mr Eversteyn was a director of the Alzheimer's Association of Victoria for the period 1990 to 2002, and is currently a director of Bentleys Australia Pty Ltd, the national licensor for Bentleys MRI.

Appointed Director on 8 April 1998.

MR GARY STEPHEN GALE
MANAGING DIRECTOR
- age 50

Gary Gale was responsible for the restructuring of the Gale Group both in Australia and the United States in 1996/97. He was also responsible for Gale entering the advanced polymer fabric industry as a manufacturer in 1977. Mr Gale studied textile engineering in Germany, and is the son of the founder of the Gale business.

Appointed Director on 8 April 1998.

MR PETER RONALD MCDONALD
CHIEF OPERATING OFFICER/GENERAL MANAGER
Bachelor of Business (Marketing) - age 36

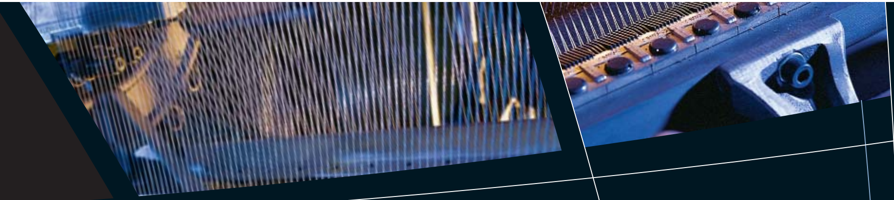
Peter McDonald has been the Chief Operating Officer/General Manager of the Gale Group since 1997. He joined the Gale Group in 1988 and has held the position of Product Manager followed by National Marketing and National Sales and Marketing Manager. Mr McDonald is responsible for the day-to-day operations of the business including the United States and Middle East businesses.

Appointed Director on 7 July 1998.

MR DARYL EDWARD JAMES REILLY
DIRECTOR
Graduate Diploma of Business (Accounting), CPA, ACIS, MAICD, FTMA - age 48

Daryl Reilly is an Executive Director and principal of the venture capital management company, Advent Management Group Limited ('AMG') and has been AMG's Chief Financial Officer and Company Secretary since its formation in 1984. He is Secretary of the AMG investment funds, the publicly listed Advent Limited, Advent III Private Equity Limited and of Advent IV Private Equity Fund.

Appointed Director on 17 July 1998.



Expanding in a global market.
The Company's ongoing investment in research and development provides a technical edge.

DIRECTORS' REPORT (cont'd)

for the year ended 30 June 2002

GALE PACIFIC LIMITED

PRINCIPAL ACTIVITIES

The principal activities of the economic entity during the course of the financial year were the manufacture and marketing of advanced durable knitted polymer fabrics and value-added structures made from these fabrics.

On 28 June 2002 the economic entity acquired selected assets and corresponding customer base of Visy Industries Pty Ltd's industrial fabrics business.

RESULTS

The consolidated profit of the economic entity for the financial year attributable to the members of Gale Pacific Limited was $3,614,553.

REVIEW OF OPERATIONS

A comprehensive review of the operations of the economic entity during the financial year and the results thereof is contained in the accompanying Chairman's Report and the Managing Director's Report and Review of Operations commencing on page 6 of this Annual Report.

STATE OF AFFAIRS

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

EVENTS SUBSEQUENT TO BALANCE DATE

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 to significantly affect or may significantly affect the operations of the economic entity, the result of those operations, or the state of affairs of the economic entity in subsequent financial years.

LIKELY DEVELOPMENTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

DIVIDENDS

Dividends paid or declared by the Company in respect of the current financial year were:

	$
As proposed and provided for in last year's report and paid on 18 October 2001:	
- An ordinary dividend of 3.0 cents per share (fully franked to 30%)	1,141,178
Interim dividend in respect of the year ended 30 June 2002 paid on 18 April 2002:	
- An ordinary dividend of 3.0 cents per share (fully franked to 30%)	1,144,118
The final dividend determined by the Directors of the Company in respect of the year ended 30 June 2002, to be paid on 17 October 2002:	
- An ordinary dividend of 3.0 cents per share (fully franked to 30%)	1,259,919
Total dividends provided for or paid in respect of the year ended 30 June 2002	2,404,037

OPTIONS

The Company has entered into an executive option agreement to grant options to specified option holders over unissued shares in the Company. The options are exercisable upon achievement of certain conditions. The number of options that have been granted at the date of this report or are available to be granted are as follows:

Issued Options issued (refer 'Directors' Shareholdings' below)	760,785
Future Options available to be granted	760,755

The issue price of each option is zero. Each option entitles the option holder to 1 ordinary share in Gale Pacific Limited in the event that the option is exercised. The exercise price for the issued options is $1.00. Options are not exercisable before 1 December 2002 or after 1 December 2004.

From cost-effective water management technologies to agriculture and mining - Gale's position in non-retail markets has significantly strengthened.

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 (as named above), the Company Secretary, Mr R L House, and all executive officers of the Company and of any related body corporate against a liability incurred as a Director, Secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

DIRECTORS' MEETINGS

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

	DIRECTORS' MEETINGS		AUDIT COMMITTTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
DIRECTORS						
G S Gale	23	23	2	2	-	-
P R McDonald	23	21	-	-	-	-
H G Davies	23	21	-	-	-	-
T J Eversteyn	23	21	2	2	1	1
D E J Reilly	23	22	2	2	1	1

DIRECTORS' SHAREHOLDINGS

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

NAME	FULLY PAID ORDINARY SHARES	EXECUTIVE OPTIONS
G S Gale	15,731,134	427,942
P R McDonald	470,510	332,843
H G Davies	15,576	-
T J Eversteyn	185,000	-
D E J Reilly	88,267	-

DIRECTORS' AND EXECUTIVES' REMUNERATION

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

Remuneration packages contain the following key elements:

a) Salary/fees;

b) Benefits, including the provision of motor vehicles and superannuation; and

c) Incentive schemes, including share options under the executive share option plan as disclosed in Note 19 to the financial statements.

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

NAME	SALARY/FEES	BENEFITS	TOTAL
EXECUTIVE DIRECTORS			
G S Gale	271,526	91,712	363,238
P R McDonald	219,635	37,024	256,659
NON-EXECUTIVE DIRECTORS			
H G Davies	40,000	-	40,000
T J Eversteyn	30,000	-	30,000
D E J Reilly	30,000	-	30,000

In addition to the above amounts, Messrs Gale and McDonald hold options over 427,942 and 332,843 shares respectively. The value of these options is conditional on future events. Details of these options are disclosed in Note 19 to the Financial Statements.

The following table discloses the remuneration of the executive of the Company and the consolidated entity:

NAME	SALARY	BENEFITS	TOTAL
R L House	141,309	29,210	170,519

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

Dated this 24th day of September 2002.

Signed in accordance with a resolution of Directors.

DR. HUW G DAVIES
DIRECTOR

GARY S GALE
DIRECTOR

INDEPENDENT AUDIT REPORT

to the members of Gale Pacific Limited

SCOPE

We have audited the financial report of Gale Pacific Limited for the financial year ended 30 June 2002 comprising of the Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and Notes to the Financial Statements.

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

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

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

AUDIT OPINION

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

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2002 and of their performance for the year ended on that date; and

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

(b) other mandatory professional reporting requirements in Australia.

PITCHER PARTNERS

M W PRINGLE
PARTNER

Melbourne
24 September 2002




Pitch covers at the Melbourne Cricket Ground and a range of horticultural applications; Gale's industrial fabrics withstand a variety of weather extremes.

DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 24 to 52 are in accordance with the Corporations Act 2001 including:-

(a) compliance with Accounting Standards in Australia and the Corporations Regulations 2001; and

(b) providing a true and fair view of the financial position as at 30 June 2002 and of the performance, as represented by the results of the operations and the cash flows, of the Company and economic entity for the year ended on that date.

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

This declaration is made in accordance with a resolution of the Board of Directors.

DR HUW G DAVIES
DIRECTOR

GARY S GALE
DIRECTOR

Dated this 24th day of September 2002

The Company's Coolaroo brand is strengthening around the world.

STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2002

		ECONOMIC ENTITY		PARENT ENTITY	
	Note	2001/02 $	2000/01 $	2001/02 $	2000/01 $
Revenue from ordinary activities	2	55,777,021	54,734,117	49,186,535	48,231,167
Expenses from ordinary activities, excluding borrowing costs expense:					
- Changes in inventories of finished goods and work in progress		(1,039,322)	1,705,124	(50,656)	(5,797)
- Raw materials and consumables used		(21,650,609)	(25,050,120)	(21,868,915)	(22,553,358)
- Employee benefits expense		(9,323,401)	(9,333,182)	(7,819,293)	(8,058,498)
- Depreciation and amortisation expenses		(2,588,936)	(2,183,010)	(2,324,450)	(1,975,797)
- Operating overheads		(10,448,221)	(9,953,843)	(7,352,197)	(6,943,655)
- Other expenses from ordinary activities		(4,376,214)	(3,753,747)	(3,638,210)	(2,980,643)
Borrowing costs expense		(1,144,662)	(1,472,910)	(1,144,662)	(1,481,282)
Profit from ordinary activities before income tax expense	3	5,205,656	4,692,429	4,988,152	4,232,137
Income tax expense relating to ordinary activities	4	(1,591,103)	(1,682,915)	(1,557,099)	(1,419,393)
Net profit from ordinary activities after income tax		3,614,553	3,009,514	3,431,053	2,812,744
Net profit from ordinary activities after income tax expense attributable to the members of the parent entity	21	3,614,553	3,009,514	3,431,053	2,812,744
Net exchange difference on translation of financial reports of self-sustaining foreign operations		(407,181)	106,660	-	-
Total valuation adjustment attributable to members of the parent entity recognised directly in equity		(407,181)	106,660	-	-
Total changes in equity other than those resulting from transactions with owners as owners	22	3,207,372	3,116,174	3,431,053	2,812,744
Basic earnings per share (cents per share)	32	9.46	9.25		
Diluted earnings per share (cents per share)	32	9.28	8.61		

STATEMENT OF FINANCIAL POSITION

for the year ended 30 June 2002

		ECONOMIC ENTITY		PARENT ENTITY	
	Note	2001/02 $	2000/01 $	2001/02 $	2000/01 $
CURRENT ASSETS					
Cash assets	5	526,482	5,205,576	7,450	4,157,366
Receivables	6	11,933,743	10,300,861	6,585,551	5,034,510
Inventories	7	15,201,585	11,394,641	12,080,458	7,285,030
Other	8	415,893	639,264	326,112	420,636
TOTAL CURRENT ASSETS		28,077,703	27,540,342	18,999,571	16,897,542
NON-CURRENT ASSETS					
Receivables	6	-	-	5,653,479	10,133,031
Other financial assets	9	-	-	3,441,323	462,769
Plant and equipment	10	24,827,286	20,641,544	24,078,692	19,811,566
Intangible assets	11	3,081,437	2,994,242	3,019,048	2,920,399
Deferred tax assets	12	106,952	121,128	-	-
Other	8	752,574	728,595	752,574	728,595
TOTAL NON-CURRENT ASSETS	23(e)	28,768,249	24,485,509	36,945,116	34,056,360
TOTAL ASSETS		56,845,952	52,025,851	55,944,687	50,953,902
CURRENT LIABILITIES					
Payables	13	5,244,674	5,238,640	4,608,205	4,593,847
Interest-bearing liabilities	14	7,170,497	10,429,232	7,170,497	10,429,232
Current tax liabilities	15	793,346	54,756	777,371	42,993
Provisions	16	1,748,870	1,854,861	1,734,989	1,827,816
Other	17	239,189	975,798	239,189	975,798
TOTAL CURRENT LIABILITIES		15,196,576	18,553,287	14,530,251	17,869,686
NON-CURRENT LIABILITIES					
Payables	13	-	-	-	49,250
Interest-bearing liabilities	14	10,720,362	7,117,959	10,720,362	7,117,959
Deferred tax liabilities	15	2,894,624	2,922,047	2,730,631	2,779,077
Provisions	16	590,323	100,424	590,323	100,424
TOTAL NON-CURRENT LIABILITIES		14,205,309	10,140,430	14,041,316	10,046,710
TOTAL LIABILITIES		29,401,885	28,693,717	28,571,567	27,916,396
NET ASSETS		27,444,067	23,332,134	27,373,120	23,037,506
EQUITY					
Contributed equity	19	20,858,448	17,549,850	20,858,448	17,549,850
Reserves	20	(298,287)	108,894	-	-
Retained profits	21	6,883,906	5,673,390	6,514,672	5,487,656
TOTAL EQUITY	22	27,444,067	23,332,134	27,373,120	23,037,506

The accompanying notes form part of these financial statements

S T A T E M E N T O F C A S H F L O W S

for the year ended 30 June 2002

	Note	ECONOMIC ENTITY 2001/02 $	ECONOMIC ENTITY 2000/01 $	PARENT ENTITY 2001/02 $	PARENT ENTITY 2000/01 $
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers		56,258,585	54,555,921	49,666,748	49,798,585
Payments to suppliers and employees		(47,350,513)	(49,877,651)	(42,234,614)	(42,073,135)
Interest received		21,451	17,941	13,261	-
Borrowing costs paid		(1,144,662)	(1,371,370)	(1,144,662)	(1,405,494)
Income tax paid		(769,237)	(1,544,801)	(769,237)	(1,476,389)
Net cash provided by operating activities	23(b)	7,015,624	1,780,040	5,531,496	4,843,567
CASH FLOW USED IN INVESTING ACTIVITIES					
Proceeds from sale of plant and equipment		106,747	103,392	106,747	103,392
Proceeds from sale of other non-current assets		-	22,500	-	-
Payment for plant and equipment		(2,758,417)	(5,590,776)	(2,581,188)	(5,421,687)
Payment for acquisition of business		(4,900,000)	-	(4,900,000)	-
Payment for other non-current assets		(821,901)	(521,137)	(821,901)	(615,601)
Amounts advanced to related parties		-	-	-	(3,367,789)
Proceeds from repayment of related party receivables		-	-	1,451,745	-
Net cash used in investing activities		(8,373,571)	(5,986,021)	(6,744,597)	(9,301,685)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from share issue		-	13,693,037	-	13,693,037
Repayment of capital		-	(7,145,583)	-	(7,145,583)
Proceeds from borrowings		944,074	8,728,814	944,074	8,716,917
Repayment of principal on finance leases		(1,411,492)	(1,280,202)	(1,411,492)	(1,280,202)
Repayment of principal on hire purchases		(584,675)	(581,923)	(584,675)	(581,923)
Dividends paid		(1,976,737)	(798,860)	(1,976,737)	(798,860)
Net cash provided by/(used in) financing activities		(3,028,830)	12,615,283	(3,028,830)	12,603,386
Net increase/(decrease) in cash held		(4,386,777)	8,409,302	(4,241,931)	8,145,268
Cash at beginning of year		5,131,794	(3,277,508)	4,083,584	(4,061,684)
Effects of exchange rate changes on the balance of cash held in foreign currencies		(384,332)	-	-	-
Cash at end of year	23(a)	360,685	5,131,794	(158,347)	4,083,584

The accompanying notes form part of these financial statements

N O T E S T O T H E F I N A N C I A L S T A T E M E N T S

for the year ended 30 June 2002

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers Gale Pacific Limited as an individual parent entity and Gale Pacific Limited and controlled entities as an economic entity. Gale Pacific Limited is a company limited by shares, incorporated and domiciled in Australia.

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

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

(a) Principles of Consolidation

A controlled entity is any entity controlled by Gale Pacific Limited. Control exists where Gale Pacific Limited has the capacity to dominate the decision-making in relation to the financial and operating policies of another entity so that the other entity operates with Gale Pacific Limited to achieve the objectives of Gale Pacific Limited. Details of the controlled entities are contained in Note 30. All intercompany balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Where a controlled entity has entered or left the economic entity during the year its operating results have been included from the date control was obtained or until the date control ceased.

(b) Income Tax

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

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

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit. The tax effect of capital losses are not recorded unless realisation is virtually certain.

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

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

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned on a first-in first-out basis and include direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenses.

(d) Plant and Equipment

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

Plant and equipment
Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts. The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour and an appropriate proportion of fixed and variable overheads.

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

The depreciation rates used for each class of assets are:

Class of fixed asset	Depreciation rates	Depreciation basis
Leasehold improvements	Determined by lease term	Straight Line
Plant and equipment	6.7% - 20.0%	Straight Line
Leased plant and equipment	6.7% - 20.0%	Straight Line
Motor vehicles	20.0%	Straight Line
Office equipment	20.0%	Straight Line
Furniture, fixtures and fittings	14.3%	Straight Line
Computer equipment and software	33.0% - 50.0%	Straight Line

(e) Leases

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2002

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

(e) Leases (cont'd)

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

(f) Investments

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

(g) Foreign Currency Transactions and Balances

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

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

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

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

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

(h) Employee Entitlements

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

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

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

(i) Research and Development Expenditure

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

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

(j) Cash

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

(k) Comparative Figures

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

(l) Revenue

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

Where a Government grant 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).

(m) Intangibles

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

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

	ECONOMIC ENTITY		PARENT ENTITY	
	2001/02 $	2000/01 $	2001/02 $	2000/01 $
NOTE 2: REVENUE				
Operating activities				
- Sale of goods	53,692,970	54,230,755	47,110,674	47,745,746
- SIP income	1,780,090	344,505	1,780,090	344,505
- Interest income – other parties	21,451	17,941	13,261	-
- Proceeds from disposals of non-current assets	106,747	125,892	106,747	125,892
- Other revenue	175,763	15,024	175,763	15,024
Total revenue	55,777,021	54,734,117	49,186,535	48,231,167
NOTE 3: PROFIT FROM ORDINARY ACTIVITIES				
Profit from ordinary activities before income tax expense has been determined after:				
Cost of sales	31,085,033	31,377,720	29,595,896	30,528,478
Borrowing costs				
- Other persons	1,144,662	1,472,910	1,144,662	1,481,282
Depreciation of non-current assets:				
- Leasehold improvements	15,659	14,973	13,300	12,988
- Plant and equipment	1,549,297	1,271,410	1,347,779	1,111,671
- Motor vehicles	81,546	50,989	81,546	50,989
- Office Equipment	205,549	184,884	149,098	143,479
Amortisation of non-current assets:				
- Leased plant and equipment	367,113	389,571	367,113	389,571
- Leased motor vehicles	76,215	91,068	76,215	91,068
- Goodwill	165,000	165,000	165,000	165,000
- Patents and trademarks	43,784	15,114	39,626	11,031
Research and Development expenditure:				
- Capitalised and amortised	84,773	119,747	84,773	119,747
- Expensed as incurred	39,563	68,967	39,563	68,967
Formation costs written off	-	32,328	-	-
Patents, trademarks and licenses written off	-	22,500	-	22,500
Increase in provision for obsolete inventory	33,000	-	33,000	-
Bad and doubtful debts:				
- Bad debts written off - trade debtors	319,171	715	80,623	-
- Movement in provisions for doubtful debts: trade debtors	(41,214)	25,446	(41,214)	25,446
Net expense of bad and doubtful debts	277,957	26,161	39,409	25,446

	ECONOMIC ENTITY		PARENT ENTITY	
	2001/02 $	2000/01 $	2001/02 $	2000/01 $
NOTE 3: PROFIT FROM ORDINARY ACTIVITIES (cont'd)				
Remuneration of the auditors of parent entity for:				
- Auditing the financial report	66,641	80,250	66,641	80,250
- Other services	31,555	113,135	31,555	113,135
Remuneration of other auditors of controlled entities – audit services	37,906	64,221	-	-
Total Remuneration of Auditors	136,102	257,606	98,196	193,385
Foreign currency translation losses (gains)	17,180	(1,928)	17,180	(2,772)
Net loss on disposal of non-current assets				
- Plant and equipment	9,619	8,415	9,619	8,415
Operating lease rental expense	1,310,189	1,148,548	1,230,942	1,051,111
NOTE 4: INCOME TAX EXPENSE				
The prima facie income tax payable on profit from ordinary activities is reconciled to the income tax expense as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2001 – 34%)	1,561,697	1,595,426	1,496,446	1,438,927
Add: Tax effect of:				
- Amortisation of intangible assets	49,500	59,851	49,500	59,851
- Foreign currency translation differences	-	48,138	-	-
- Other non-allowable/non-assessable items	83,994	(15,166)	9,283	16,882
	1,695,191	1,688,249	1,555,229	1,515,660
Less: Tax effect of:				
- Deductible IPO Costs	-	19,849	-	19,849
(Under)/over provision for income tax in prior year	104,088	(40,995)	(1,870)	49,938
Individually significant income tax item Restatement of deferred tax balance due to change in company tax rate	-	26,480	-	26,480
Income tax expense attributable to profit from ordinary activities	1,591,103	1,682,915	1,557,099	1,419,393

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2002

	ECONOMIC ENTITY		PARENT ENTITY	
	2001/02 $	2000/01 $	2001/02 $	2000/01 $
NOTE 5: CASH ASSETS				
Cash on hand	2,628	2,450	1,450	2,450
Cash at bank	234,620	887,036	6,000	154,916
Deposits at call	289,234	4,316,090	-	4,000,000
	526,482	5,205,576	7,450	4,157,366
NOTE 6: RECEIVABLES				
CURRENT				
Trade debtors	9,137,878	8,558,996	3,789,686	3,315,262
Less provision for doubtful debts	(40,559)	(81,773)	(40,559)	(81,773)
	9,097,319	8,477,223	3,749,127	3,233,489
Other debtors	2,836,424	1,823,638	2,836,424	1,801,021
	11,933,743	10,300,861	6,585,551	5,034,510
NON-CURRENT				
Amounts receivable from:				
- Controlled entities	-	-	5,653,479	10,133,031
NOTE 7: INVENTORIES				
CURRENT				
Raw materials at cost	339,513	834,460	339,513	834,460
Work in progress at cost	918,379	818,391	918,379	818,391
Finished goods at cost	14,006,693	9,771,790	10,885,566	5,662,179
Less provision for obsolescence	(63,000)	(30,000)	(63,000)	(30,000)
	15,201,585	11,394,641	12,080,458	7,285,030

	ECONOMIC ENTITY		PARENT ENTITY	
	2001/02 $	2000/01 $	2001/02 $	2000/01 $
NOTE 8: OTHER ASSETS				
CURRENT				
Prepayments	415,893	639,264	326,112	420,636
NON-CURRENT				
Research & development at cost	752,574	728,595	752,574	728,595

Reconciliation of Other Non-Current Assets

	RESEARCH AND DEVELOPMENT	
	ECONOMIC ENTITY	PARENT ENTITY
	2001/02 $	2001/02 $
Balance at the beginning of the year	728,595	728,595
Additions	781,420	781,420
Amortisation	(84,773)	(84,773)
Accrued SIP Grant	(672,668)	(672,668)
Carrying amount at the end of the year	752,574	752,574

NOTE 9: OTHER FINANCIAL ASSETS

		ECONOMIC ENTITY		PARENT ENTITY	
	Note	2001/02 $	2000/01 $	2001/02 $	2000/01 $
NON-CURRENT					
Shares in controlled entities at cost	30	-	-	3,441,323	462,769

NOTES TO THE FINANCIAL STATEMENTS
for the year ended 30 June 2002

	ECONOMIC ENTITY		PARENT ENTITY	
	2001/02 $	2000/01 $	2001/02 $	2000/01 $
NOTE 10: PLANT AND EQUIPMENT				
Plant and equipment				
At cost	23,039,877	18,082,571	22,032,134	17,135,371
Less accumulated depreciation	(4,341,849)	(2,776,309)	(3,888,145)	(2,481,413)
	18,698,028	15,306,262	18,143,989	14,653,958
Under lease				
At cost	5,914,133	4,921,447	5,914,133	4,921,447
Less accumulated amortisation	(1,162,104)	(864,832)	(1,162,104)	(864,832)
	4,752,029	4,056,615	4,752,029	4,056,615
Leasehold Improvements				
At cost	208,863	206,660	198,141	194,716
Less accumulated depreciation	(53,303)	(38,031)	(48,986)	(35,686)
	155,560	168,629	149,155	159,030
Motor vehicles				
At cost	646,353	286,878	611,381	286,878
Less accumulated depreciation	(146,819)	(62,931)	(144,487)	(62,931)
	499,534	223,947	466,894	223,947
Under lease				
At cost	198,265	444,418	198,265	444,418
Less accumulated amortisation	(89,094)	(163,812)	(89,094)	(163,812)
	109,171	280,606	109,171	280,606
Office equipment				
At cost	1,310,519	1,116,728	1,015,223	850,790
Less accumulated depreciation	(697,555)	(511,243)	(557,769)	(413,380)
	612,964	605,485	457,454	437,410
Total plant and equipment	24,827,286	20,641,544	24,078,692	19,811,566

NOTE 10: PLANT AND EQUIPMENT (cont'd)

Movements in Carrying Amounts

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

	LEASEHOLD IMPROVEMENTS		PLANT & EQUIPMENT	
	ECONOMIC ENTITY	PARENT ENTITY	ECONOMIC ENTITY	PARENT ENTITY
	2001/02 $	2001/02 $	2001/02 $	2001/02 $
Balance at the beginning of the year	168,629	159,030	15,306,262	14,653,958
Additions through business acquired	-	-	2,575,000	2,575,000
Other Additions	2,590	3,425	2,420,371	2,317,118
Disposals	-	-	(54,308)	(54,308)
Depreciation expense	(15,659)	(13,300)	(1,549,297)	(1,347,779)
Carrying amount at the end of the year	155,560	149,155	18,698,028	18,143,989

	LEASED PLANT & EQUIPMENT		MOTOR VEHICLES	
	ECONOMIC ENTITY	PARENT ENTITY	ECONOMIC ENTITY	PARENT ENTITY
	2001/02 $	2001/02 $	2001/02 $	2001/02 $
Balance at the beginning of the year	4,056,615	4,056,615	223,947	223,947
Additions	1,360,128	1,360,128	357,133	324,493
Disposals	(297,601)	(297,601)	-	-
Depreciation expense	(367,113)	(367,113)	(81,546)	(81,546)
Carrying amount at the end of the year	4,752,029	4,752,029	499,534	466,894

	OFFICE EQUIPMENT		LEASED MOTOR VEHICLES	
	ECONOMIC ENTITY	PARENT ENTITY	ECONOMIC ENTITY	PARENT ENTITY
	2001/02 $	2001/02 $	2001/02 $	2001/02 $
Balance at the beginning of the year	605,485	437,410	280,606	280,606
Additions	233,890	190,004	-	-
Disposals	(20,862)	(20,862)	(95,220)	(95,220)
Depreciation expense	(205,549)	(149,098)	(76,215)	(76,215)
Carrying amount at the end of the year	612,964	457,454	109,171	109,171

NOTE 11: INTANGIBLE ASSETS

	ECONOMIC ENTITY		PARENT ENTITY	
	2001/02 $	2000/01 $	2001/02 $	2000/01 $
Goodwill on consolidation at cost	3,161,193	3,161,193	3,161,193	3,161,193
Less accumulated amortisation	(655,148)	(490,148)	(655,148)	(490,148)
	2,506,045	2,671,045	2,506,045	2,671,045
Patents, trademarks and licenses at cost	648,374	379,467	570,388	292,592
Less accumulated amortisation	(72,982)	(56,270)	(57,385)	(43,238)
	575,392	323,197	513,003	249,354
	3,081,437	2,994,242	3,019,048	2,920,399

Reconciliation of Intangible Assets

	GOODWILL		PATENTS, TRADEMARKS & LICENCES	
	ECONOMIC ENTITY	PARENT ENTITY	ECONOMIC ENTITY	PARENT ENTITY
	2001/02 $	2001/02 $	2001/02 $	2001/02 $
Balance at the beginning of the year	2,671,045	2,671,045	323,197	249,354
Additions through business acquired	-	-	250,000	250,000
Other Additions	-	-	45,979	53,275
Amortisation expense	(165,000)	(165,000)	(43,784)	(39,626)
Carrying amount at the end of the year	2,506,045	2,506,045	575,392	513,003

	Note	ECONOMIC ENTITY 2001/02 $	ECONOMIC ENTITY 2000/01 $	PARENT ENTITY 2001/02 $	PARENT ENTITY 2000/01 $
NOTE 12: DEFERRED TAX ASSETS					
The future income tax benefits comprise:					
- Timing differences		106,952	121,128	-	-
NOTE 13: PAYABLES					
CURRENT					
Unsecured liabilities					
Trade creditors		3,743,371	3,658,729	3,414,555	3,353,772
Sundry creditors and accruals		1,501,303	1,579,911	1,193,650	1,240,075
		5,244,674	5,238,640	4,608,205	4,593,847
NON-CURRENT					
Unsecured liabilities					
Amounts payable to:					
- Wholly owned entities		-	-	-	49,250
NOTE 14: INTEREST-BEARING LIABILITIES					
CURRENT					
Secured liabilities					
Bank overdrafts	23(e)	165,797	73,782	165,797	73,782
Bank loans	23(e)	3,680,927	4,070,691	3,680,927	4,070,691
Commercial Bills	23(e)	1,400,000	4,500,000	1,400,000	4,500,000
Finance lease liability	27(a)	1,318,498	1,256,120	1,318,498	1,256,120
Hire purchase liability	27(b)	605,275	528,639	605,275	528,639
		7,170,497	10,429,232	7,170,497	10,429,232
NON-CURRENT					
Secured liabilities					
Commercial Bills	23(e)	7,900,000	4,300,000	7,900,000	4,300,000
Finance lease liability	27(a)	1,108,827	1,278,951	1,108,827	1,278,951
Hire purchase liability	27(b)	1,711,535	1,539,008	1,711,535	1,539,008
		10,720,362	7,117,959	10,720,362	7,117,959
NOTE 15: INCOME TAX LIABILITIES					
CURRENT					
Income tax		793,346	54,756	777,371	42,993
NON-CURRENT					
Deferred income tax		2,894,624	2,922,047	2,730,631	2,779,077

	Note	ECONOMIC ENTITY 2001/02 $	ECONOMIC ENTITY 2000/01 $	PARENT ENTITY 2001/02 $	PARENT ENTITY 2000/01 $
NOTE 16: PROVISIONS					
CURRENT					
Dividends		1,259,919	1,141,178	1,259,919	1,141,178
Employee entitlements	16(a)	488,951	713,683	475,070	686,638
		1,748,870	1,854,861	1,734,989	1,827,816
NON-CURRENT					
Employee entitlements	16(a)	590,323	100,424	590,323	100,424
(a) Aggregate employee entitlements liability		1,079,274	814,107	1,065,393	787,062
(b) Number of employees at year end		136	133	128	122
NOTE 17: OTHER LIABILITIES					
CURRENT					
Hedge Payable		239,189	975,798	239,189	975,798
NOTE 18: NON-HEDGED FOREIGN CURRENCY BALANCES					
The Australian dollar equivalents of foreign currency balances included in the financial statements that are not effectively hedged are as follows:					
US Dollars					
Payables					
Current		8,160,252	12,712,605	7,523,784	12,075,754
Non-current		-	-	-	49,250
		8,160,252	12,712,605	7,523,784	12,125,004
Receivables					
Current		1,518,561	6,304,024	1,731,980	1,060,283
Non-current		5,561,612	-	5,653,479	10,133,031
		7,080,173	6,304,024	7,385,459	11,193,314

	ECONOMIC ENTITY		PARENT ENTITY	
	2001/02 $	2000/01 $	2001/02 $	2000/01 $
NOTE 19: CONTRIBUTED EQUITY				
Paid up Capital 41,997,296 fully paid ordinary shares (2001: 38,039,269)	20,858,448	17,549,850	20,858,448	17,549,850
Movement in Share Capital				
Shares issued at the beginning of the financial year	17,549,850	11,002,396	17,549,850	11,002,396
3,529,412 shares issued as part of the consideration for acquisition of a business	3,000,000	-	3,000,000	-
428,615 shares issued under Dividend Reinvestment Plan	308,598	-	308,598	-
Exercise of 2,933,337 options	-	29,333	-	29,333
Share split – rounding adjustment	-	(6)	-	(6)
15,145,583 shares issued under the prospectus	-	15,145,583	-	15,145,583
7,145,583 shares bought back and cancelled	-	(7,145,583)	-	(7,145,583)
Costs incurred in share issue	-	(1,481,873)	-	(1,481,873)
	20,858,448	17,549,850	20,858,448	17,549,850

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

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

Options

The Company has entered into an executive option agreement to grant options to specified option holders over unissued shares in the Company. The options are exercisable upon achievement of certain conditions. The number of options that have been granted at the date of this report or are available to be granted are as follows:

Issued Options	760,785	issued
Future Options	760,755	available to be granted

No options were issued, exercised or lapsed during the current financial year.

The issue price of each option is zero. Each option entitles the option holder to 1 ordinary share in Gale Pacific Limited in the event that the option is exercised. The exercise price for the issued options is $1.00. Options are not exercisable before 1 December 2002 or after 1 December 2004.

N O T E S T O T H E F I N A N C I A L S T A T E M E N T S

for the year ended 30 June 2002

	ECONOMIC ENTITY		PARENT ENTITY	
	2001/02 $	2000/01 $	2001/02 $	2000/01 $
NOTE 20: RESERVES				
Foreign currency reserve	(298,287)	108,894	-	-
Movement during the year:				
Opening balance	108,894	2,234	-	-
Foreign currency gain/(loss) on consolidation	(407,181)	106,660	-	-
Closing balance	(298,287)	108,894	-	-

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

NOTE 21: RETAINED PROFITS

	ECONOMIC ENTITY 2001/02 $	ECONOMIC ENTITY 2000/01 $	PARENT ENTITY 2001/02 $	PARENT ENTITY 2000/01 $
Retained profits at the beginning of the financial year	5,673,390	4,147,856	5,487,656	4,158,892
Net profit attributable to members of the entity	3,614,553	3,009,514	3,431,053	2,812,744
Dividends provided for or paid	(2,404,037)	(1,483,980)	(2,404,037)	(1,483,980)
Retained profits at reporting date	6,883,906	5,673,390	6,514,672	5,487,656

NOTE 22: EQUITY

	ECONOMIC ENTITY 2001/02 $	ECONOMIC ENTITY 2000/01 $	PARENT ENTITY 2001/02 $	PARENT ENTITY 2000/01 $
Total equity at the beginning of the financial year	23,332,134	15,152,486	23,037,506	15,161,288
Total changes in equity recognised in the Statement of Financial Performance	3,207,372	3,116,174	3,431,053	2,812,744
Movement in contributed capital	3,308,598	13,693,037	3,308,598	13,693,037
Transactions with owners as owners				
- Dividends	(2,404,037)	(1,483,980)	(2,404,037)	(1,483,980)
- Share buy back and cancellation	-	(7,145,583)	-	(7,145,583)
Total equity at reporting date	27,444,067	23,332,134	27,373,120	23,037,506

	ECONOMIC ENTITY		PARENT ENTITY	
	2001/02 $	2000/01 $	2001/02 $	2000/01 $
NOTE 23: CASH FLOW INFORMATION				
(a) Reconciliation of cash				
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:				
Cash on hand	2,628	2,450	1,450	2,450
Cash at bank	234,620	887,036	6,000	154,916
At call deposits with financial institutions	289,234	4,316,090	-	4,000,000
Bank overdrafts	(165,797)	(73,782)	(165,797)	(73,782)
	360,685	5,131,794	(158,347)	4,083,584
(b) Reconciliation of cash flow from operations with profit from ordinary activities				
Profit from ordinary activities after income tax	3,614,553	3,009,514	3,431,053	2,812,744
Non-cash flows in profit from ordinary activities:				
Amortisation of leased assets	443,364	480,639	443,364	480,639
Amortisation of other non-current assets	293,557	214,053	289,399	176,031
Depreciation	1,852,051	1,522,256	1,591,723	1,318,973
Doubtful Debts	(41,214)	25,446	(41,214)	25,446
Unrealised foreign exchange movements	-	831,349	-	725,010
Losses on sale of plant and equipment	9,619	8,415	9,619	8,415
Accrued SIP income	(1,107,422)	-	(1,107,422)	-
Changes in assets and liabilities:				
(Increase)/decrease in receivables	1,041,045	(3,060,661)	1,145,504	(1,410,821)
(Increase) in other assets	(645,955)	(475,400)	(797,252)	(308,953)
(Increase)/decrease in inventories	1,493,056	(2,206,823)	504,572	(495,902)
Increase/(decrease) in payables and accruals	(695,193)	1,418,328	(680,478)	1,382,760
Increase/(decrease) in income tax payable	821,865	(200,342)	787,862	(56,996)
Increase/(decrease) in provisions	(63,702)	213,266	(45,234)	186,221
Net Cash provided by operations	7,015,624	1,780,040	5,531,496	4,843,567

	ECONOMIC ENTITY		PARENT ENTITY	
	2001/02 $	2000/01 $	2001/02 $	2000/01 $
NOTE 23: CASH FLOW INFORMATION (cont'd)				
(c) Acquisition of business				
During the financial year a business was acquired. Details of the acquisition are as follows:				
Consideration				
Cash	4,900,000	-	4,900,000	-
Ordinary shares	3,000,000	-	3,000,000	-
	7,900,000	-	7,900,000	-
Fair value of net assets acquired				
Current assets				
Inventories	5,300,000	-	5,300,000	-
Non-current assets				
Plant and equipment	2,575,000	-	2,575,000	-
Patents	250,000	-	250,000	-
Non-current liabilities				
Provisions	(225,000)	-	(225,000)	-
Net assets acquired	7,900,000	-	7,900,000	-
Net cash outflow on acquisition				
Cash consideration	4,900,000	-	4,900,000	-

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

Plant and equipment
During the financial year the economic entity acquired plant and equipment with an aggregate fair value of $1,303,746 (2001: $275,320) by means of finance leases. These acquisitions are not reflected in the Statement of Cash Flows.

(e) **Credit stand-by arrangement and loan facilities**

Multi Option Facility and Bills Discount Facility
The Company has access to a Multi Option Facility (including an AUD overdraft, USD overdraft, commercial bills, fixed rate trade advances, documentary credit and trade finance), a Bills Discount Facility and a Bank Guarantee facility to a maximum of $18,950,000 as at 30 June 2002 (2001 $14,450,000), leaving an unused facility of $3,653,276 (2001: $997,949).

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

NOTE 24: COMPANY DETAILS

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

NOTE 25: DIRECTORS' AND EXECUTIVES' REMUNERATION

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

Dr Huw Geraint Davies
Peter Ronald McDonald
Gary Stephen Gale
Theo John Eversteyn
Daryl Edward James Reilly

	ECONOMIC ENTITY		PARENT ENTITY	
	2001/02 $	2000/01 $	2001/02 $	2000/01 $
Total income paid or payable to all Directors of the economic entity by the parent entity and any related parties:	719,897	1,919,360	719,897	1,919,360
The number of Directors whose total income from the Company and related bodies corporate falls within each successive $10,000 band of income:	No.	No.	No.	No.
$0 - $9,999	-	1	-	1
$20,000 - $29,999	-	2	-	2
$30,000 - $39,999	2	-	2	-
$40,000 - $49,999	1	-	1	-
$160,000 - $169,999	-	1	-	1
$250,000 - $259,999	1	-	1	-
$360,000 - $369,999	1	-	1	-
$720,000 - $729,999	-	1	-	1
$960,000 - $969,999	-	1	-	1
	$	$	$	$
Aggregate remuneration of executive officers of the Company working mainly in Australia and receiving $100,000 or more from the Company	170,519	249,659	170,519	249,659
The number of executive officers whose remuneration falls within each successive $10,000 band of income:	No.	No.	No.	No.
$170,000 - $179,999	1	-	1	-
$240,000 - $249,999	-	1	-	1

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2002

	2001/02		2000/01	
	CENTS PER SHARE	TOTAL $	CENTS PER SHARE	TOTAL $
NOTE 26: DIVIDENDS				
Ordinary Shares				
Interim dividend – franked to 30% (2001: 34%)	3.0	1,144,118	2.98	54,654
Final dividend – franked to 30% (2001: 30%)	3.0	1,259,919	3.0	1,141,178
Premier Shares				
Interim dividend – franked to 34%	-	-	2.98	137,822
Preference Shares				
Interim dividend – franked to 34%	-	-	2.98	150,326
		2,404,037		1,483,980
Adjusted franking account balance		4,021,982		2,921,594

	Note	ECONOMIC ENTITY		PARENT ENTITY	
		2001/02 $	2000/01 $	2001/02 $	2000/01 $
NOTE 27: CAPITAL AND LEASING COMMITMENTS					
(a) Finance Leasing Commitments Payable					
- not later than one year		1,567,088	1,437,906	1,567,088	1,437,906
- later than one year and not later than five years		1,351,359	1,366,349	1,351,359	1,366,349
Minimum lease payments		2,918,447	2,804,255	2,918,447	2,804,255
Less future finance charges		491,122	269,184	491,122	269,184
Total lease liability		2,427,325	2,535,071	2,427,325	2,535,071
Represented by:					
Current liability	14	1,318,498	1,256,120	1,318,498	1,256,120
Non-current liability	14	1,108,827	1,278,951	1,108,827	1,278,951
		2,427,325	2,535,071	2,427,325	2,535,071

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

	Note	ECONOMIC ENTITY 2001/02 $	ECONOMIC ENTITY 2000/01 $	PARENT ENTITY 2001/02 $	PARENT ENTITY 2000/01 $
NOTE 27: CAPITAL AND LEASING COMMITMENTS (cont'd)					
(b) Hire purchase commitments					
Payable					
- not later than one year		801,724	697,144	801,724	697,144
- later than one year and not later than five years		1,953,178	1,791,052	1,953,178	1,791,052
Minimum hire purchase payments		2,754,902	2,488,196	2,754,902	2,488,196
Less future finance charges		438,092	420,549	438,092	420,549
Total hire purchase liability		2,316,810	2,067,647	2,316,810	2,067,647
Represented by:					
Current liability	14	605,275	528,639	605,275	528,639
Non-current liability	14	1,711,535	1,539,008	1,711,535	1,539,008
		2,316,810	2,067,647	2,316,810	2,067,647
(c) Operating Lease Commitments					
Non-cancellable operating leases contracted for but not capitalised in the accounts:					
Payable					
- not later than one year		2,527,139	1,310,189	2,470,098	1,230,942
- later than one year and not later than five years		8,750,795	5,228,458	8,640,278	5,042,125
- later than five years		1,445,454	2,752,731	1,445,454	2,752,731
		12,723,388	9,291,378	12,555,830	9,025,798

The company leases property under operating leases expiring in 1 to 6 years. Leases of property generally provide the Company with a right of renewal at which time all lease are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on the consumer price index.

NOTE 28: CONTINGENT LIABILITIES

	ECONOMIC ENTITY 2001/02 $	ECONOMIC ENTITY 2000/01 $	PARENT ENTITY 2001/02 $	PARENT ENTITY 2000/01 $
Estimates of the maximum amounts of contingent liabilities that may become payable:	-	450,000	-	450,000

The 2000/01 contingent liability was in relation to a Government Grant received by the business prior to its acquisition. The grant was subject to performance criteria, and the contingent liability no longer exists.

NOTE 29: RELATED PARTY TRANSACTIONS

(a) **Equity Investments in Controlled Entities**

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 30 to the financial statements.

(b) **Directors' Remuneration**

Details of Directors' remuneration are disclosed in Note 25.

(c) **Directors' Equity Holdings**

	FULLY PAID ORDINARY SHARES		POST-FLOAT SHARE OPTIONS		PRE-FLOAT OPTIONS		PREMIER SHARES	
	2002	2001	2002	2001	2002	2001	2002	2001
Opening balance held by Directors and their Director-related entities in the controlling entity:	17,750,646	1,711,208	760,785	-	-	800,001	-	4,625,000
Issues during the financial year to Directors and their Director-related entities by the controlling entity:	-	-	-	760,785	-	1,570,736	-	-
Conversion of shares held by a Director-related entity in the controlling entity:	-	4,625,000	-	-	-	-	-	(4,625,000)
Exercise of pre-float share options by Directors and their Director-related entities in the controlling entity:	-	2,370,737	-	-	-	(2,370,737)	-	-
Split of Ordinary shares held by Directors and their Director-related entities in the controlling entity:	-	9,403,501	-	-	-	-	-	-
Buyback and cancellation of shares held by Directors and their Director-related entities in the controlling entity:	-	(478,400)	-	-	-	-	-	-
Acquisition of shares through the share market, the Dividend Reinvestment Plan and the Initial Public Offer by Directors and their Director-related entities in the controlling entity:	41,841	118,600	-	-	-	-	-	-
Held as at the reporting date by Directors and their Director-related entities in the controlling entity:	17,792,487	17,750,646	760,785	760,785	-	-	-	-

All ordinary shares and executive share options issued to the Directors during 2000/01 were made in accordance with the provisions of the executive share option plan. Further details of the executive share option plan are contained in the Directors' Report and Note 19 to the financial statements.

(d) **Transactions with Directors and Director-related entities**

The following amounts were payable to Directors as at the reporting date:

	ECONOMIC ENTITY 2001/02 $	ECONOMIC ENTITY 2000/01 $	PARENT ENTITY 2001/02 $	PARENT ENTITY 2000/01 $
Current	10,000	19,000	10,000	19,000

NOTE 29: RELATED PARTY TRANSACTIONS (cont'd)

(d) Transactions with Directors and Director-related entities (cont'd)

Gale Pacific USA Inc leased office space from Gary and Anne Gale in 2001. This lease was terminated prior to the Company's listing on 14 December 2000. Lease rentals paid were zero in 2002 (2001 $US48,000).

Theo Eversteyn is a Partner of the Chartered Accounting firm Bentleys MRI. In addition to Directors fees received (and disclosed in Note 25) Bentleys MRI have provided taxation and other business advice during the year ended 30 June 2002 to Gale Pacific Limited. The value of services provided was $169,407 (2001 $91,503).

Daryl Reilly is a director of Advent Management Group Limited ("Advent"). In addition to Directors fees paid (and disclosed in Note 25), in 2001 Advent was paid $30,000 (2002 nil) by the Company for services provided by Mr Reilly in relation to the Initial Public Offering.

During the financial year, Directors and their Director-related entities purchased goods, which were domestic or trivial in nature, from the Company on the same terms and conditions available to other employees and customers.

(e) Transaction Within the Wholly-Owned Group

The wholly-owned group includes:

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

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

Amounts receivable from and payable to entities in the wholly-owned group are disclosed in the Notes 6 and 13. These amounts are repayable at call, and no interest is charged on outstanding balances.

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

- Sale and purchase of goods at cost plus mark up of up to 30%.
- Sales commission of 10%.
- Reimbursement of certain operating costs.

NOTE 30: CONTROLLED ENTITIES

	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST(%)	
		2001/02	2000/01
Parent Entity:			
Gale Pacific Limited	Australia	-	-
Controlled Entities:			
Gale Pacific USA Inc.	USA	100%	100%
Gale Pacific FZE	United Arab Emirates	100%	100%

NOTE 31: SEGMENT REPORTING

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

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

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

Geographical segment

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

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

Asia/Pacific	Manufacturing and distribution facilities are located in Victoria, Australia. Sales offices are located in all states in Australia and through distribution agreements in New Zealand.
USA	The main sales office is located in Florida which services the North American region.
Middle East	A sales office is located in the United Arab Emirates which services the region.

Business Segment

The consolidated entity operates predominantly in one business segment, being the advanced polymer fabrics industry. The consolidated entity manufactures and markets advanced durable knitted and coated polymer fabrics and value added structures made from these fabrics.

NOTE 31: SEGMENT REPORTING (cont'd)

	ASIA/ PACIFIC	USA	MIDDLE EAST	ELIMINATIONS	CONSOLIDATION
Primary Reporting Geographical Segments	$'000	$'000	$'000	$'000	$'000
2002					
Revenue outside the economic entity	39,037	15,648	1,092	-	55,777
Inter-segment revenue	9,340	-	-	(9,340)	-
Total revenue	48,377	15,648	1,092	(9,340)	55,777
Segment operating profit	4,988	432	1	(215)	5,206
Income tax expense	(1,557)	(34)	-	-	(1,591)
Operating profit after tax	3,431	398	1	(215)	3,615
Depreciation and amortisation	2,324	259	6	-	2,589
Non-cash expenses other than depreciation and amortisation	378	-	10	-	388
Individually significant items: Reimbursement of R&D expenditure	1,780	-	-	-	1,780
Segment assets	46,851	9,339	766	(217)	56,739
Unallocated assets					107
Total assets					56,846
Segment liabilities	25,841	641	25	-	26,507
Unallocated liabilities					2,895
Total liabilities					29,402
Acquisition of non-current assets	6,414	188	35	-	6,637
2001					
Revenue outside the economic entity	38,823	14,954	957	-	54,734
Inter-segment revenue	8,469	-	-	(8,469)	-
Total revenue	47,292	14,954	957	(8,469)	54,734
Segment operating profit	4,232	349	24	87	4,692
Income tax expense	(1,419)	(264)	-	-	(1,683)
Operating profit after tax	2,813	85	24	87	3,009
Depreciation and amortisation	1,975	207	1	-	2,183
Non-cash expenses other than depreciation and amortisation	212	-	17	-	229
Individually significant items: Reimbursement of R&D expenditure	345	-	-	-	345
Segment assets	40,821	11,046	501	(463)	51,905
Unallocated assets					121
Total assets					52,026
Segment liabilities	25,100	637	35	-	25,772
Unallocated liabilities					2,922
Total liabilities					28,694
Acquisition of non-current assets	6,463	374	21	-	6,858

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2002

NOTE 32: EARNINGS PER SHARE

	CONSOLIDATED	
	2001/02	2000/01
Earnings used in the calculations of basic and diluted earnings per share	$3,614,553	$3,009,514
Weighted average number of ordinary shares used in the calculation of basic earnings per share	38,204,041	32,543,216
Share options on issue	760,785	6,101,340
Share options exercised	-	(4,112,136)
Share options issued	-	427,290
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	38,964,826	34,959,710

NOTE 33: FINANCIAL INSTRUMENTS

(a) Financial instruments

Derivative Financial Instruments

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

(b) Credit Risk

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

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

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

(c) Net Fair Values

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

NOTE 33: FINANCIAL INSTRUMENTS (cont'd)

(d) Interest Rate Risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

30 JUNE 2002	NOTE	WEIGHTED AVERAGE INTEREST RATE	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE $'000	NON INTEREST BEARING $'000	TOTAL $'000	MATURING 1 YEAR OR LESS $'000	MATURING 1 TO 5 YEARS $'000	MATURING MORE THAN 5 YEARS $'000
Financial Assets									
Cash assets	5	2.0%	289	-	237	526	-	-	-
Receivables	6	-	-	-	11,934	11,934	-	-	-
			289	-	12,171	12,460	-	-	-
Financial Liabilities									
Payables	13	-	-	-	5,245	5,245	-	-	-
Bank overdrafts and loans	14	4.2%	3,847	-	-	3,847	-	-	-
Commercial bills	14	6.9%	-	4,300	-	4,300	600	2,400	1,300
Commercial bills	14	5.5%	5,000	-	-	5,000	800	4,200	-
Lease liabilities	14	8.8%	-	2,427	-	2,427	1,318	1,109	-
Hire purchase liabilities	14	8.2%	-	2,317	-	2,317	605	1,712	-
Hedge payable	17	-	-	-	239	239	239	-	-
Dividends payable	16	-	-	-	1,260	1,260	-	-	-
Employee entitlements	16	-	-	-	1,079	1,079	-	-	-
			8,847	9,044	7,823	25,714	3,562	9,421	1,300

30 JUNE 2001	NOTE	WEIGHTED AVERAGE INTEREST RATE	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE $'000	NON INTEREST BEARING $'000	TOTAL $'000	MATURING 1 YEAR OR LESS $'000	MATURING 1 TO 5 YEARS $'000	MATURING MORE THAN 5 YEARS $'000
Financial Assets									
Cash assets	5	5.0%	5,203	-	3	5,206	-	-	-
Receivables	6	-	-	-	10,301	10,301	-	-	-
			5,203	-	10,304	15,507	-	-	-
Financial Liabilities									
Payables	13	-	-	-	5,239	5,239	-	-	-
Bank overdrafts and loans	14	4.4%	4,144	-	-	4,144	-	-	-
Commercial bills	14	6.9%	-	4,800	-	4,800	500	2,400	1,900
Commercial bills	14	5.6%	4,000	-	-	4,000	4,000	-	-
Lease liabilities	14	8.9%	-	2,535	-	2,535	1,256	1,279	-
Hire purchase liabilities	14	7.7%	-	2,068	-	2,068	529	1,539	-
Hedge payable	17	-	-	-	976	976	737	239	-
Dividends payable	16	-	-	-	1,141	1,141	-	-	-
Employee entitlements	16	-	-	-	814	814	-	-	-
			8,144	9,403	8,170	25,717	7,022	5,457	1,900

Number of Holdings of Equity Securities

The fully paid issued capital of the Company consisted of 41,997,296 ordinary fully paid shares held by 710 shareholders. Each share entitles the holder to one vote.

Two option holders hold 760,785 options over ordinary shares. Options do not carry a right to vote.

Distribution of Holders of Equity Securities

SIZE OF SHAREHOLDING	NUMBER OF SHAREHOLDERS: FULLY PAID ORDINARY SHARES	NUMBER OF SHAREHOLDERS: OPTIONS OVER ORDINARY SHARES
1 - 1,000	35	
1,001 - 5,000	259	
5,001 - 10,000	204	
10,001 - 100,000	190	
100,001 and over	22	2
	710	2
Holdings less than a marketable parcel	11	-

Substantial Shareholders

Shareholder	Number	%
Gale Australia Pty Ltd	14,759,134	35.1%
Gary Stephen Gale	14,759,134	35.1%
Barbara Gale	14,759,134	35.1%
Thorney Holdings Pty Ltd	4,828,682	11.5%
Equipsuper Pty Ltd	3,132,579	7.5%
Warrakiri Asset Management Pty Ltd	2,472,469	5.9%
Perpetual Trustees Consolidated Limited	2,338,440	5.6%

The substantial shareholding of Thorney Holdings Pty Ltd includes the holding of Invia Custodian Pty Ltd, (No. 9 on the schedule of Twenty Largest Holders of Quoted Equity Securities following).

ADDITIONAL STOCK EXCHANGE INFORMATION as at 24 September 2002

Twenty Largest Holders of Quoted Equity Securities

Ordinary Shareholders	Number	%
1. Gale Australia Pty Ltd	14,759,134	35.1%
2. Thorney Holdings Pty Ltd	4,179,412	10.0%
3. National Nominees Limited	3,253,062	7.7%
4. National Nominees Limited	2,777,465	6.6%
5. Perpetual Trustees Consolidated Limited	2,338,440	5.6%
6. St George Development Capital Limited	1,437,599	3.4%
7. Equity Trustees Limited	1,254,676	3.0%
8. Ms Anne Gale	936,000	2.2%
9. Invia Custodian Pty Limited	649,270	1.5%
10. Permanent Trustee Australia Limited	500,000	1.2%
11. Benefund Limited	450,000	1.1%
12. Mrs Diane Kay Riddell	319,600	0.8%
13. Mr Peter R McDonald	291,200	0.7%
14. McRoss Developments Pty Ltd	258,500	0.6%
15. Carnethy Investments Pty Ltd	250,000	0.6%
16. Michetyn Pty Ltd	185,000	0.4%
17. Karen Lynette McDonald	179,310	0.4%
18. Guardian Trust Australia Ltd	150,000	0.4%
19. Barr Pty Ltd	125,000	0.3%
20. Perpetual Custodians Limited	125,000	0.3%
Total	34,418,668	82.0%

The twenty members holding the largest number of shares together held a total of 82.0% of the issued capital.

Other information:

The name of the Company Secretary is Mr R L House. The address of the principal registered office in Australia, and the principal administrative office, is: 145 Woodlands Drive, Braeside, Vic, 3195, Tel: (03) 9518 3333

The Company is listed on the Australian Stock Exchange. The home exchange is Melbourne. Registers of securities are held by:
Computershare Investor Services Pty Ltd
Level 12, 565 Bourke Street, Melbourne, Victoria, 3000 Ph (03) 9611 5711 Fax (03) 9275 7925

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GALE PACIFIC
LIMITED

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