Annual Report 2005

GALE PACIFIC

CORPORATE INFORMATION

Gale Pacific Limited

ABN 80 082 263 778

DIRECTORS

Mr. Harry Boon (Chairman)

Mr. Gary Gale (Managing Director and Chief Executive Officer)

Mr. Peter McDonald (Chief Operating Officer)

Mr. Daryl Reilly

Mr. George Richards

COMPANY SECRETARY

Ms. Sophie Karzis

REGISTERED OFFICE

145 Woodlands Drive, Braeside, Victoria 3195

SOLICITORS

Norton Gledhill

Level 23, 459 Collins Street, Melbourne, Victoria 3000

T + 613 9614 8933

PRINICIPAL BANKERS

Commonwealth Bank

Hong Kong Shanghai Banking Corporation

SHARE REGISTER

Computershare

Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067

Local call 1300 850 505

International call + 613 9415 4000

AUDITOR

Pitcher Partners

Level 19, 15 William Street, Melbourne, Victoria 3000

T + 613 8610 5000

WEBSITE ADDRESS

www.galepacific.com

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

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Gale Pacific Limited Annual Report 2005

A Message from the Chairman

for the year ended 30 June 2005

Gale's strengths include exciting and innovative products, advanced technology, low cost of production, established strong customer relationships, and an experienced management team.

Dear Shareholders

On first hearing about Gale Pacific, I was drawn to the many direct comparisons with my own experience and history at Ansell Limited. I was fortunate to have spent the last 28 years with Ansell, with the last 8 years as CEO. Gale has a very similar background to Ansell – both started as family businesses which became public companies; both developed technology for large-scale manufacturing in Melbourne; both expanded into offshore production to better compete in international markets; and both invested in marketing, sales and distribution channels overseas through a series of strategic acquisitions.

With so many similarities, my experience in helping to build Ansell to the financially successful multinational consumer and industrial product supplier it is today will be directly relevant to many of the decisions that the board of Gale will need to take as we build on the strong foundation now in place.

Your Company has entered a very important and exciting phase of its development, and has put in place the structure needed for its long term success. This past year has seen Gale invest for future growth into Europe and the Americas, commence restructuring manufacturing, and, more recently, the announced relocation of our Chief Operating Officer, Mr Peter McDonald, to the U.S.A. Gale's strengths include exciting and innovative products and brands, advanced technology, low cost of production, established strong customer relationships in a globally diverse marketplace, and a well balanced management team with a worldly view of its many opportunities.

The restructure of manufacturing, which will be largely complete by the end of 2005, will see a significant portion of the Company's production plant in Braeside, Australia relocated to the purpose built facility in Ningbo, China (see artist's impression below). This transfer is planned to yield improved competitiveness through reduced lead times to our customers, lower costs, more effective capacity utilisation, and the ability to quickly react to new sales opportunities in the large northern hemisphere markets.

The 2004/05 financial year has been a difficult one for the Company, and the Board acknowledges that the financial results were disappointing. However, with most of the structural work now behind us, we are committed and determined to better match future results with the Company's true potential and our shareholders' expectations.

A diverse range of all-weather fabrics to protect and enhance life

A Message from the Chairman cont'd

for the year ended 30 June 2005

Results

Profit after tax attributable to shareholders was $4.7 million, which marginally exceeded the Company's most recent market guidance. The results reflect the flat domestic DIY business cycle, rapidly rising raw material costs, and the initial offshore building phase expenses. Additional detail is covered in the Managing Director's Report.

In the past 12 months, acquisitions have been bedded down, management teams have been strengthened, the manufacturing base has been restructured significantly, and new markets have been opened up. The benefits should be evident over the next few years, as the business becomes less dependent on the Australian summer retail market, and more diversified with the growth of our Northern Hemisphere markets.

Our forward strategy will include the development and expansion of both our retail and commercial product ranges across a more diversified customer base. We will also focus on delivering improvements in working capital management as our low cost supply from China starts to provide greater flexibility in managing inventory in response to demand changes offshore. No doubt, there will be many challenges during this phase of internationalisation of your Company, and the Management and Board are looking forward to being part of the team that will work together to meet these challenges.

Tax

The effective tax rate on earnings was 19.8% compared with 27.2% for the year ended 30 June 2004. This was due to increased profits in offshore operations with lower effective tax rates.

Dividends


Beilun facility China

The Directors have declared a fully franked final dividend of 1.5 cents per share payable on 17 October 2005 with a record date of 23 September 2005, making a full year dividend of 5 cents per share, and a payout of 55% of profit attributable to shareholders. This is in accordance with the Company's previously announced policy of paying out 50% - 55% of after tax profits, subject to the performance of the business, including acquisitions.

The Company operates a dividend reinvestment plan ("DRP"). Shareholders who have not previously participated in the DRP, or who wish to change their level of participation, should contact the Company's share registry. As the record date for the dividend was 23 September 2005, any such notified changes will only take effect for any subsequent dividends declared by the Company.


Melbourne Cricket Ground pitch cover

Annual General Meeting

A notice of the Company's annual general meeting to be held on 22 November 2005 and a proxy form is enclosed with this report.

Re election of Directors

Mr. Peter McDonald retires as a Director by rotation in accordance with the constitution of the Company and, being eligible, offers himself for re-election. Additionally as my own appointment was to fill a casual vacancy, I am required to retire in accordance with the constitution and, being eligible, offer myself for re-election. The Board endorses these re-elections.


Agricultural covers

Corporate Governance

The Company is committed to the principles of good corporate governance. The Board and management continue to review and advance the Company's corporate governance policies to ensure that best practice standards are met and maintained. The Company intends to focus further on this area over the coming year, to ensure that all of the 'Principles and Best Practice Recommendations' published by the Corporate Governance Council of the Australian Stock Exchange in March 2003, are being met. Greater detail on the Company's current corporate governance practices is contained in the Directors' report section of this Annual Report.

The Company's corporate governance practices are also important in the context of the Company's subsidiaries which form part of the Gale Pacific Group. The Company's offshore boards have served it well with experienced local knowledge and open lines of communications with the parent Board.

Adoption of Australian equivalents to IFRS

From 1 July 2005, the unconsolidated entity is required to comply with the Australian equivalents to International Financial Reporting Standards (AIFRS) issued by the Australian Accounting Standards Board.

Entities complying with AIFRS for the first time are required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Notes explaining the impact of the application of AIFRS on the statements of financial performance and position are set out in the financial statements of the Annual Report.

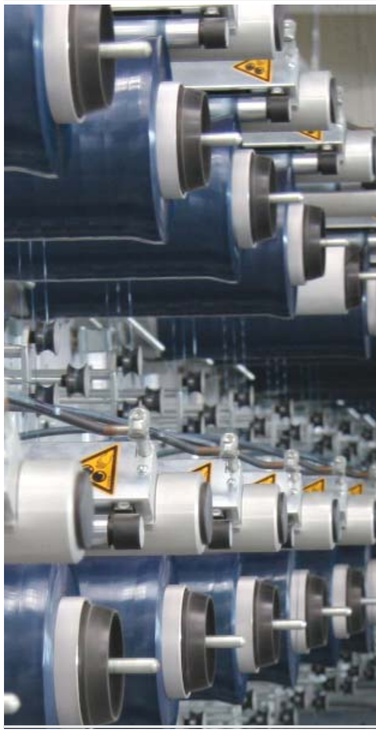
The new AIFRS standards should not materially impact on the Company's operating results into the future.

Outlook & Earnings Guidance

The Directors anticipate a substantial uplift in earnings for the coming year. In the first half, underlying net profit is anticipated to be significantly ahead of the same period last year. However, this underlying profit will be more than offset in the half by the previously announced plant relocation costs of approximately $2.3 million. Given the seasonal bias to the Company's trading, the Directors anticipate a strong financial performance in the second half. A further update will be provided at the Annual General Meeting on 22 November 2005.

Mr. Harry Boon
Chairman

29 September 2005


Newly installed extruder, China

Report from the Managing Director and Chief Executive Officer

for the year ended 30 June 2005

Gale Pacific, a manufacturer of advanced polymer fabrics and related value added products, has delivered a revenue increase of 40% to $149 million, and a net profit of $4.7 million for the year ending 30 June 2005. The net profit result is slightly ahead of the Company's previous guidance of $4.5 million released on 21 April 2005, but 33% lower than the previous year's $7 million. Importantly, net profit in the second half year increased 15% to $4.5 million.

While I am disappointed with our financial results this year as all shareholders would be, I am very proud of our team's actions during this difficult time where raw material prices increased to unprecedented levels and our Australian DIY market softened, along with in-store inventories being tightened. During this period, we successfully implemented two rounds of price increases designed to progressively pass on raw material costs, remained on track with the European expansion of our "Coolaroo" ™ range, neared completion of our new Chinese manufacturing facility in Ningbo, while augmenting and strengthening our management teams in all locations. We also reduced our annual fixed operating expenses in our Australian operation, resulting in marginal savings in the second half, after taking redundancy costs into account.

I believe that the result does not reflect the Company's strategic progress or medium term potential. In recent periods we have completed several acquisitions, a US$15 million capital expenditure program and have commenced the relocation of manufacturing capacity to China. The Company is now well positioned to leverage the benefits from expected sustained growth in the years ahead.

Net profit in the second half year increased 15% to $4.5 million.

Asia Pacific

China

In November 2004, the Company officially opened a purpose built facility of approximately 32,000m^2 in Ningbo. Currently employing 738 full time employees, this will expand to over 1000 employees at the height of the production season. Our employees go through extensive training before starting at Gale and we are very proud of the retention rates we are achieving in the workplace.

It is important in China to establish a quality reputation as an employer as these workers have many choices in the vibrant Chinese labour market. We are very proud that the Ningbo Economic Trade & Development Authority (NETDA) cites Gale China as a role model of how to establish and retain excellent relations with local government and its employees. The Company was recognised in this regard by being presented with the highly honoured Camellia award from the NETDA.

The previously announced relocation of a significant portion of our Braeside, Melbourne production equipment to China has progressed very well. The first wave of equipment has been shipped and installed in China, and appropriate redundancies have been completed in an orderly manner. The majority of the equipment will be transferred to China through October/November 2005, while sufficient equipment will remain available in Melbourne to run through December to act as a backup while China completes installation of the transferred plant.

The equipment transfer complements the current US$15 million capital expenditure program, and our manufacturing now has sufficient capacity to satisfy the Company's planned northern hemisphere growth over the next two to three years.

Australasia

Australian sales of $56 million are approximately in line with the previous year despite the difficult retail trading conditions and the prolonged drought in the agricultural sector. Sales of industrial fabrics are slightly ahead, with retail sales down in a softening DIY market. While sales


Water conservation

Every product stems from the latest fabric and polymer technologies to our retail customers are down, our sell through at retail reflects modest growth in consumer demand even during this slowdown. Significant increases in world polymer prices caused increased costs in both the Australian and New Zealand plants. These increases affected margins negatively, but were progressively passed on throughout the season.

The $13.5 million acquisition of the industrial and knitted fabrics operations of Donaghys Industries Limited of New Zealand has been successfully integrated into the group, and we are very pleased with the experience and depth of the management team. Revenue of $9.8 million was in line with expectations for the partial year of operation. The acquisition settled on 15 December 2004.

We have also integrated the Gale and Donaghys customer base and product ranges. This facilitated the recently announced 'direct to market' distribution strategy for the Australian market, improving margins and market penetration of the new "Synthesis" ™ brand as well as the "Donaghys" ™ brand for specialty products. We now have a focussed low cost industrial manufacturing plant specialising in technical fabrics in New Zealand providing the Company with further manufacturing flexibility and enhanced productive capacity.

Donaghys export customers in the Middle East, USA and Mexico will be offered innovative cross-over fabrics from Gale's range, while other synergies are expected to flow as this operation takes advantage of our global manufacturing and distribution base. The acquisition has also strengthened the Company's position in the commercial, horticultural and industrial markets in New Zealand and Australia.


Extensive knitting capabilities

Long-lasting coated PVC fabrics


Versatile shade structures

Europe, Middle East & Africa

Europe

Gale has established a high quality management team responsible for the development of the "Coolaroo" ™ brand of products throughout greater Europe. Our acquisition of Jung Garten & Freizeit Vertriebsgesellschaft mbH ('Jung') has helped establish the "Coolaroo" ™ brand on a very solid basis with orders from approximately 750 stores across Europe.

A selection of our current customers includes Praktiker, Leroy Merlin, Gamma, Hella, Globus and Bauhaus, all leading and well respected European chains.

We attended the SPOGA (outdoor garden products) trade show in Cologne Germany during September 2005, with high levels of interest shown in our products. Many of our new and existing customers have increased their purchasing commitment for next season, and new customers have joined our distribution base. Overall, our new products were received very well, with significant commitments expected to follow.

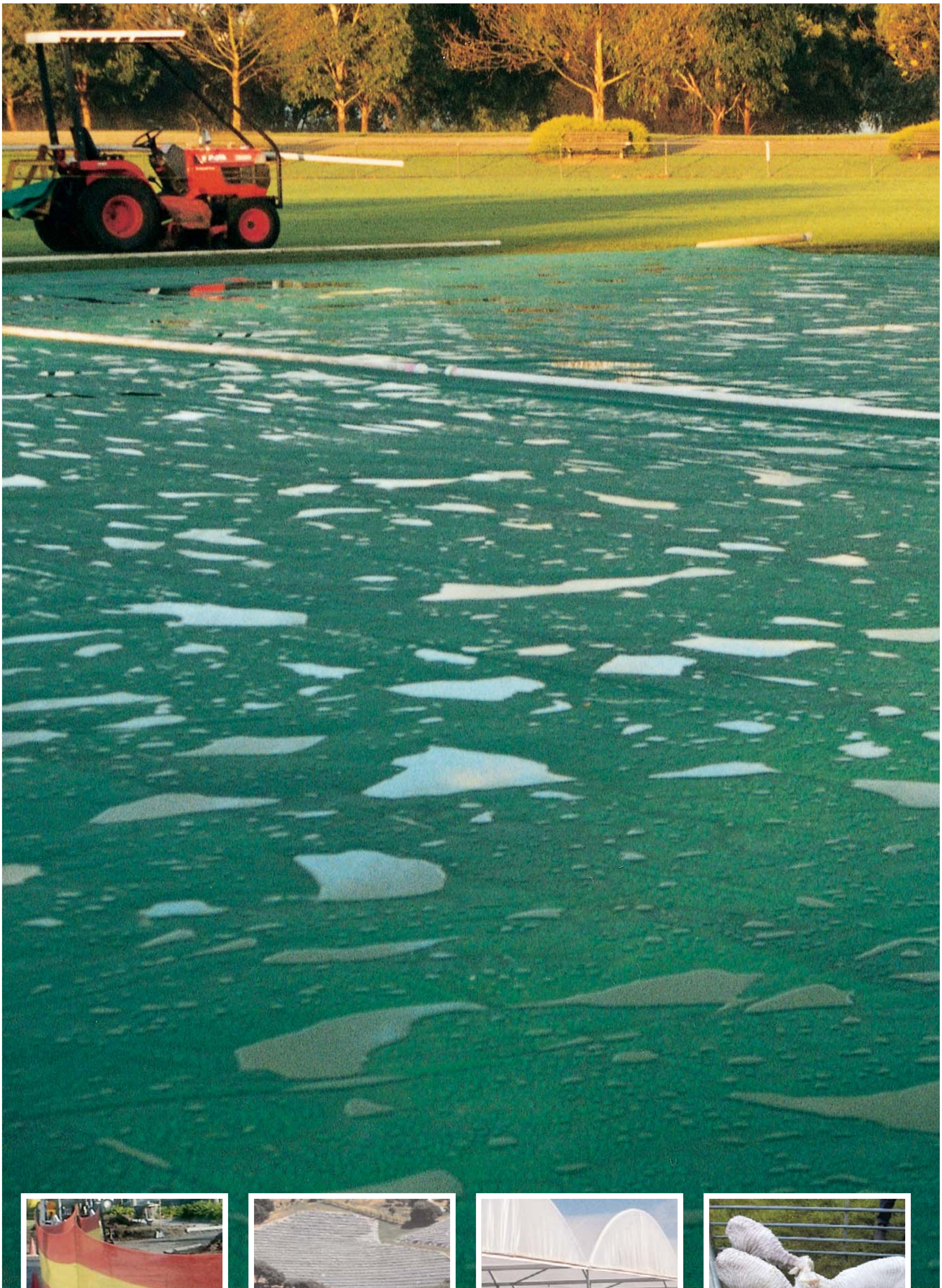
Middle East

Regional growth continued with revenue doubling to $4 million as our plans to expand into the high margin markets throughout this region were implemented successfully. Sales outside the United Arab Emirates now account for almost 70% of regional revenues and continue to grow, with the recent expansion into Saudi Arabia contributing significantly to these excellent results. This region is a strong market for our industrial and architectural fabric range, which is now specified widely.

Americas

Sales revenue in the USA increased marginally in US dollar terms on the previous year to US $11.6 million.

Late in the year, we succeeded in expanding the number of major retail stores stocking our standard window shades, in addition to a significant increase in stores carrying the custom shade program. Custom shades provide higher than average margins.



Barrier safety fencing

Birdnet fruit protection

Solarweave greenhouse fabric

BioClip biological shearing

Report from the Managing Director and Chief Executive Officer cont'd

for the year ended 30 June 2005

We finalised the consolidation of our Cal Shades acquisition and "Coolaroo" TM logistics into one location in Rancho Cucamonga, California, with significant operational and transportation savings expected to follow. Custom shade production within the combined West Coast facility will be expanded to supply a larger variety of window furnishings, including horizontal shades. We expanded the ranging of pet beds with Wal Mart and Petco this season, and initial sell through is very encouraging.

Research and Development

The Company continues to invest significant resources into the development of new business and product extensions within our range of existing products. During the year, China has continued to increase its staffing in this area to complement our Australian development team.

China R&D has delivered a large and unique expansion of our window furnishing range specifically designed to meet the needs of our new European retailers and their customers. We have completed, tested and received initial orders for our new horizontal European awnings that will be fully manufactured in our Chinese plant using our new aluminium extrusion and powder coating lines.

In the agricultural sector, we have fully commercialised the BioClip biological shearing nylon nets, a new development that has expanded the potential volume of this technology. These nets allow for biological shearing while being made of a compatible material to the wool harvested. These predominantly nylon nets have subsequently been commercialised with over 500,000 units ordered to date and contractual requirements to purchase over 2.5 million units by September 2006.

Working in conjunction with a long time customer, we have developed and commercialised a range of ventilation ducting specifically for use in underground mines.

We have also successfully commercialised a new Aquaspan chlorine resistant fabric for covering water storage basins that eliminate algae blooms, retain concentrations of water treatment additives, and reduce airborne contamination and water loss due to evaporation. Our materials have been utilised to cover several dams, with additional dams proposed in the future. Other water management projects are now entering commercialisation, with a family of fluming and lay-flat pipe products for pressurised irrigation continuing to be developed for agricultural and water authority use.

Recognition

Gale Pacific Limited was presented with the "Sustainable Small Company of the Year Award" at the 4th Annual Ethical Investor Corporate Sustainability Awards held on 1 December 2004 in Sydney. This Award is given for leading the way on corporate social responsibility as judged by Australia's experts in the area. Gale Pacific Limited is committed to striving for excellence in its business without impacting negatively on the environment or the community, while manufacturing products that help to preserve the environment.


Hail protection


Mining ventilation


Wind break

Management

On 25 August 2005, the Company announced two significant management changes. Mr. Peter McDonald, Chief Operating Officer is to assume the position of Managing Director, U.S. Operations, and will relocate to our Orlando, Florida, U.S. headquarters later this year. Peter will remain responsible for our Australasian and U.S. operations, and will have responsibility for leveraging the Company's new lower cost manufacturing platform, shorter lead times, and expanded capabilities to drive Gale's market expansion throughout the Americas. He will focus on building on the existing diversified base of retail and commercial customers, and will also seek additional growth opportunities in those markets. Peter remains an Executive Director of Gale Pacific Limited.

Mr. Stephen Carroll, Australian Sales and Marketing Manager, will be promoted to the position of Managing Director, Australian Operations. Mr. Carroll has successfully overseen the integration of the distribution and sales operation of the Donaghys and Gale commercial and industrial fabric organisation, including the successful launch of our "Synthesis" ™ range of commercial fabrics, and the introduction of direct containerised sales from our Chinese operations through our Australian retail network of customers.


Tape line, China

Our People

The Company has changed significantly over recent years, as we transitioned from a purely Australian enterprise to a global organisation. During that period there have been many sacrifices made and the need to adapt to new working environments throughout our worldwide team. We are currently relocating a portion of our manufacturing facility from Braeside to Ningbo, and I would like to thank sincerely our employees for their commitment, dedication, and flexibility over this difficult time. We especially wish to acknowledge those who have departed from the Company and those who soon will do so, and wish them well in their future endeavours.

We must continue to strive to improve our customer service levels and lower our costs of operation into the future while maintaining significant levels of innovation. This will give us the growth that delivers great opportunities for individuals within our team to grow with the Company.

Board of Directors

Mr. Harry Boon joined the Board as Chairman on 25 August 2005 upon the retirement of Mr Theo Eversteyn.

Harry recently retired as Chief Executive Officer and Managing Director of the ASX listed company Ansell Limited, after a career spanning some 28 years with Ansell. Harry has lived and worked in senior positions in Australia, Europe, USA and Canada, and has broad-based experience in global marketing and sales, manufacturing, and product development. He is multi-lingual, and has a strong track record of achieving business results through setting ambitious goals, building the appropriate organisation and relationships, and relentlessly pursuing delivery of commitments. I look forward to benefiting significantly from Harry's experience in establishing and growing a large global enterprise.

On behalf of the Board, I would like to acknowledge and recognise the contribution of Mr. Theo Eversteyn for his 30 years of support to the Company, as both a professional advisor, and more recently as a Director and Chairman of the Board. Mr. Eversteyn contributed significantly to the opportunities that are now ahead of the Group, and he was particularly active in the establishment of our Chinese and European activities.

Report from the Managing Director and Chief Executive Officer cont'd

for the year ended 30 June 2005

Cash Flow and Balance Sheet

The Company substantially increased its inventory base on the establishment of its Gale Europe operations, and a precautionary increase in Australian inventory to support any potential supply shortfall during the transfer of our Braeside plant to China. Inventory also increased as a result of the previously described inventory tightening of the DIY market within Australia.

The Company purchased capital equipment of some US$15 million for our new plant in China. China will continue to modestly impact the Group's cash flow until December 2005, as the final deliveries of the equipment are received. At that point, the capital investment base is anticipated to be sufficient to support the Company's growth plans for the next two to three years.

As a direct result of these factors, the Company's net debt to equity increased to 1.45:1 at year-end. The Directors anticipate that working capital and net debt will reduce significantly over the next 12 to 18 months.

Finance & Banking

As previously forecast, the Company finalised a broader range of banking facilities with additional banking partners whose operations complement our international growth plans.

On 25 August 2005, the Company announced the underwritten issue of $9 million of convertible notes to augment our working capital and to allow the Company to capitalise on the positive response and commitments we are receiving from our northern hemisphere markets. The notes were issued on 9 September 2005, with a term of 5 years and a conversion right into fully paid ordinary shares at $1.85 per share. This pricing minimises the dilution effect to existing shareholders.

Mr. Gary S. Gale
Managing Director and Chief Executive Officer

29 September 2005


Barrier fencing


Pallet cover


Agricultural fabrics

Stentering line reduces fabric shrinkage, China

Computerised control thread production

Corporate Governance Statement

for the year ended 30 June 2005

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

1. BOARD OF DIRECTORS

1.1 Responsibilities

The role and responsibilities of the Board include the following:

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

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

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

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

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

Balcony 'Privacy Screen'

Bi-axially oriented mesh

"Coolaroo" ™

1.2 Terms of Appointment

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

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

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


Blown film line, China

2. BOARD STRUCTURE AND COMPOSITION

2.1 Independence

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

The names of the Directors in office at the date of this Report, the year of appointment and their status as non-executive, independent or executive directors is set out on pages 24 and 25 of this Annual Report.

2.2 Chairman

The Chairman, Mr. H. Boon has been chairman of the Company since 25 August 2005 and was, at the date of his appointment and continues to be, independent. The Chairman leads the Board and is responsible for the efficient organisation and conduct of the Board's functions. The Chairman during the relevant reporting period was Mr. T. Eversteyn and was, at the date of his appointment until the date of his retirement on 25 August 2005, independent.

2.3 Committees of the Board

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

Nomination Committee

The Nomination Committee consists of all of the Directors. Mr. G. Richards is the Chairman of the Committee. It oversees the appointment and induction process for Directors. It reviews the composition of the Board and makes recommendations on the appropriate skill mix, personal qualities, expertise and diversity. When a vacancy exists or there is a need for particular skills, the Committee determines the selection criteria based on the skills deemed necessary. Potential candidates are identified by the Committee. The Committee has access to external advice.

Audit & Risk Committee

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

The Committee's responsibilities include:

- To recommend to the Board the appointment and dismissal of the external auditors and setting the appropriate fee.
- To evaluate the performance of the external auditors, including their independence and objectivity. The external audit engagement partner will rotated.
- To review the annual and half-year financial reports and to ensure compliance with Australian Accounting Standards and generally accepted accounting principles.
- To monitor the establishment of an appropriate internal control framework, and appropriate ethical standards.
- To monitor the procedures to ensure compliance with the Corporations Act 2001 and the Australian Stock Exchange Listing Rules and all other regulatory requirements.
- To address any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, Australian Stock Exchange and financial institutions.

Remuneration Committee

The Board has a Remuneration Committee consisting of the three independent non-executive directors, Mr. H. Boon, (who is the Chairman of the Committee), Mr. G. Richards and Mr. D. Reilly. The Committee meets once a year and as required.

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

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

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

Non-Executive Directors receive directors' fees and do not participate in performance based remuneration. The payment of equity based remuneration is made in accordance with thresholds set in plans approved by shareholders.

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

Leading edge technologies

International manufacturing

Worldwide consumers


Window furnishings


Patio sails


Shade sails

Store merchandiser, Germany

Corporate Governance Statement cont'd
for the year ended 30 June 2005

3. ETHICAL AND RESPONSIBLE DECISION-MAKING

3.1 Ethical Standards

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

The Company is progressing the development and documentation of its code of conduct so as to guide the Directors, management and all staff as to the practices necessary to maintain confidence in the Company's integrity and the responsibility and accountability of individuals for reporting and investigating allegations of unethical practices.

3.2 Share Ownership and Dealing

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

- Between 1 and 30 days after either the release of the Company's half-year or annual results to the Australian Stock Exchange, the annual general meeting or any major announcement; and
- At all other times only with the approval of the Chairman, or in his absence, another non-executive director.

Directors and Executives must disclose their trading in Company shares to the Board. The Company does not impose any restrictions of trading in the Company's securities on employees unless they are executives of the Company.

4. FINANCIAL REPORTING

4.1 Management Accountability

The Directors are committed to the preparation of financial statements that present a balanced and clear assessment of the Group's financial position and prospects. The Board requires the Managing Director and the Chief Financial Officer to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards.

4.2 Audit & Risk Committee

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

5. MARKET DISCLOSURE

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

Dam liners

Hail net

Architectural fabrics

Aquaspan water conservation

Architectural fabric, Kuwait

Public playground shade structure

Architectural fabric, Dubai

6. SHAREHOLDER RIGHTS

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

- The annual report is distributed to all shareholders, including relevant information about the operations of the consolidated entity during the year and changes in the state of affairs.
- The half-yearly report to the Australian Stock Exchange contains summarised financial information and a review of the operations of the consolidated entity during the period.
- All major announcements to the Australian Stock Exchange are distributed to shareholders, and posted on the Company's website at www.galepacific.com.
- Proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders.
- The Board encourages full participation of shareholders at the annual general meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals.
- The Company's auditor attends the annual general meeting.

7. RISK MANAGEMENT

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

Management has established and implemented a system for identifying, assessing, monitoring and managing material risk throughout the organisation. The Company's risk management procedures cover environment, occupational health and safety, property, financial reporting and internal control.

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

8. BOARD AND MANAGEMENT PERFORMANCE APPRAISAL

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

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


Horizontal awnings


Stylish gazebos


Timber market umbrellas

9. REMUNERATION

Details of the remuneration paid to the Directors (executive and non-executive) are set out on page 30 of this Annual Report.

10. CORPORATE SOCIAL RESPONSIBILITY

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

Gale Pacific Limited was presented with the "Sustainable Small Company of the Year Award" at the 4th Annual Ethical Investor Corporate Sustainability Awards held on 1 December 2004 in Sydney. This Award is given for leading the way on corporate social responsibility as judged by Australia's experts in the area. Gale Pacific Limited is committed to striving for excellence in its business without impacting negatively on the environment or the community, while manufacturing products that help to preserve the environment.

Coating line, Australia

11. WEBSITE

The Company is currently upgrading its website, www.galepacific.com. This is expected to be completed during October 2005 and will include the information recommended to be published on a company's website in the Australian Stock Exchange's Principles of Good Governance and Best Practice Recommendations.

12. PRINCIPLES OF GOOD GOVERNANCE AND BEST PRACTICE RECOMMENDATIONS

The Company's compliance with the Principles of Good Governance and Best Practice Recommendations published by the Australian Stock Exchange Corporate Governance Council in March 2003 is described in this Annual Report including the Corporate Governance Statement, the Directors' Report and the Financial Statements. The Listing Rules of the Australian Stock Exchange require listed companies to report on the extent to which they comply with the Best Practice recommendations. The Company complies with the majority of the recommendations, and where it does not, it has indicated so in this Corporate Governance Statement. While the Board of the Company is satisfied with its level of compliance with the governance requirements, it recognises and acknowledges that the Company's practices and procedures should be constantly reviewed and improved.

Directors' Report
for the year ended 30 June 2005

The Directors of Gale Pacific Limited present their annual financial report of the Company for the financial year ended 30 June 2005.

Directors

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

HARRY BOON, LLB (HONS), B. Com
Chairman and Non-Executive Director appointed on 25 August 2005.

Mr. Boon recently retired as Chief Executive Officer and Managing Director of the ASX listed company Ansell Limited, after a career spanning some 28 years with Ansell. Harry has lived and worked in senior positions in Australia, Europe, USA and Canada, and has broad-based experience in global marketing and sales, manufacturing, and product development. He is multi-lingual, and has a strong track record of achieving business results through setting ambitious goals, building the appropriate organisation and relationships, and relentlessly pursuing delivery of commitments.

During the last three years, Mr. Boon has also served as a director of the following other listed companies: Tattersall's Limited, Funtastic Limited and Hastie Group Limited.

Mr. Boon resides in Melbourne and is aged 57.

THEO EVERSTEYN, FCA, Graduate Diploma Industrial Accounting and Bus. Admin.
Former Chairman and Non-Executive Director, Retired on 25 August 2005

Mr. Eversteyn recently retired as the Company's Chairman. Mr. Eversteyn has been a partner of the Chartered Accounting firm Bentleys MRI since 1973 and was appointed Chairman of the Melbourne partnership on 1 July 2004. During his career he has focused on manufacturing and distribution businesses.

No other directorships of listed companies were held by Mr. Eversteyn during the three years prior to 30 June 2005.

Mr. Eversteyn resides in Melbourne and is aged 64.

GARY STEPHEN GALE
Managing Director and Chief Executive Officer.

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

No other directorships of listed companies were held by Mr. Gale at any time during the three years prior to 30 June 2005.

Mr. Gale resides in Melbourne and is aged 52.


Tarpaulins for trucks and trailers


Printed banner fabrics

Truck side curtains

PETER RONALD MCDONALD, Bachelor of Business (Marketing)
Chief Operating Officer and Executive Director.

Mr. McDonald joined the Gale Group in 1988 and was appointed as an Executive Director of the Company in 1998. Mr. McDonald has held the position of Product Manager, National Marketing Manager and National Sales and Marketing Manager. Mr. McDonald is responsible for the day-to-day operations of the business including the USA and Middle East businesses. In November 2005, Mr. McDonald, is to assume the position of Managing Director, U.S. Operations, and will relocate to our Orlando, Florida, U.S. headquarters. He remains an Executive Director and Chief Operating Officer.

No other directorships of listed companies were held by Mr. McDonald at any time during the three years prior to 30 June 2005.

Mr. McDonald resides in Melbourne and is aged 39.

DARYL EDWARD JAMES REILLY, Graduate Diploma of Business (Accounting), CPA, ACIS, FTMA, AICD
Non-Executive Director since 1998.

Mr. Reilly was previously an Executive Director and principal of Advent Management Group Limited ("AMG") and was AMG's Chief Financial Officer and Company Secretary between 1984 and 2004. During his twenty year career in private equity, he has been a Director on the boards of numerous companies involved in a diverse range of areas including manufacturing, business to business, information technology, tourism, leisure and hospitality and communications, in addition to his funds management role within AMG. He remains a significant shareholder of AMG. He is a director of 8T8 Corporation Pty Ltd, the holding company of Sleepmaster Pty Ltd and is a director of its Chinese subsidiary.

No other directorships of listed companies were held by Mr. Reilly at any time during the three years prior to 30 June 2005.

Mr. Reilly resides in Melbourne and is aged 51.

MR. GEORGE HENRY RICHARDS, CPA, ACIS
Non-Executive Director since 2004.

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

No other directorships of listed companies were held by Mr. Richards at any time during the three years prior to 30 June 2005.

Mr. Richards resides in Melbourne and is aged 59.

Company Secretary
Ms Sophie Karzis. B.Juris LLB

Ms. Karzis was appointed as Company Secretary on 11 June 2004. Ms Karzis is a practising lawyer who has previously held roles at Touchcorp Limited and Australian Central Finance Pty Ltd.


Warehouse facility, Melbourne

Directors' Report cont'd

for the year ended 30 June 2005

Nature of Operations and Principal Activities

The consolidated entity's principal activities in the course of the financial year were the manufacture and exporting of advanced polymer fabrics and related products.

Review & Results of Operations

The consolidated profit of the economic entity for the financial year attributable to the members of Gale Pacific Limited was $4.7 million. For further details on the Company's operations, refer to the Message from the Chairman and the Report from the Managing Director and Chief Executive Officer in 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

Subsequent to the end of the financial year, no significant capital expenditure was approved.

The previously announced relocation of a significant portion of the Company's Braeside Melbourne production equipment to China commenced subsequent to the end of the financial year and is expected to continue through October/November 2005.

On 9 September 2005, the Company raised $9 million through an issue of convertible loan notes. These funds will augment and support the Company's capital investment in China and general expansion of its distribution globally.

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

Likely Developments

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

Environmental Regulation and Performance

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

Dividends

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

Aeronautical shade

Marine shade

Horticultural shade

In respect of the financial year ended 30 June 2005, an interim dividend of 3.5 cents per share franked to 100% at the 30% corporate income tax rate was paid to the holders of fully paid ordinary shares on 15 April 2005.

In respect of the financial year ended 30 June 2005, the Directors have declared a final dividend of 1.5 cents per share franked to 100% at the 30% corporate income tax rate to be paid to the holders of fully paid ordinary shares on 17 October 2005.

Share Options

The Company maintains an option scheme for certain staff and executives, including executive Directors, as approved by shareholders at an annual general meeting. The number of unissued ordinary shares under option as at the date of this report is 610,000. The issue price of each option is zero. Each option entitles the option holder to 1 ordinary share in the Company in the event that the option is exercised. Of the 610,000 options on issue, 50,000 options were issued on 5 May 2004, and 560,000 options were issued under the Company's executive share plan to the Managing Director and Chief Executive Officer, Mr. Gary Gale, and the Chief Operating Officer, Mr. Peter McDonald, as approved by the Company's shareholders at the Company's Annual General Meeting held on 15 November 2004. The exercise price of the 50,000 options is $1.50 and the exercise price of the 560,000 issued options is $3.00. The vesting of options is determined in accordance with specific share price and/or performance hurdles. In the case of the 50,000 options, their vesting is determined by the performance of the Company's share price over time; the vesting of the 560,000 options is determined in accordance with the achievement of certain levels of adjusted weighted average earnings per share and the Company's share price over time. The 50,000 options are not exercisable after 1 December 2006, and the 560,000 options are not exercisable after 1 December 2008. Options carry no rights to dividends and no voting rights.

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

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

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

Further details of the option plan are disclosed in note 19 to the Financial Statements.

Indemnification of Officers and Auditors

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

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

School yard shade, Middle East

Directors' Report cont'd

for the year ended 30 June 2005

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	DIRECTORS' MEETINGS No. OF MEETINGS ELIGIBLE TO ATTEND	DIRECTORS' MEETINGS ATTENDED	AUDIT & RISK COMMITTEE MEETINGS No. OF MEETINGS ELIGIBLE TO ATTEND	AUDIT & RISK COMMITTEE MEETINGS ATTENDED	REMUNERATION COMMITTEE MEETINGS No. OF MEETINGS ELIGIBLE TO ATTEND	REMUNERATION COMMITTEE MEETINGS ATTENDED	NOMINATION COMMITTEE No. OF MEETINGS ELIGIBLE TO ATTEND	NOMINATION COMMITTEE ATTENDED
T J Eversteyn	21	20	4	3	1	1	1	1
G S Gale	21	18	-	-	-	-	1	1
P R McDonald	21	18	-	-	-	-	-	-
D E J Reilly	21	20	4	4	1	1	1	1
G H Richards	21	20	4	4	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	SHARE OPTIONS
H Boon	32,000	-
T J Eversteyn	180,000	-
G S Gale	15,329,709	320,000
P R McDonald	306,925	240,000
D E J Reilly	300,180	-
G H Richards	57,778	-


Wheat storage (under construction)


A cool change in a Dubai summer


Sun protection for safer outdoor living

Remuneration Report

This report contains the remuneration arrangements in place for directors and executives of the Company.

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

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

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

Remuneration packages contain the following key elements:

- Primary benefits – salary/fees;

- Benefits, including the provision of motor vehicles and superannuation; and
- Incentive schemes, including share options under the executive share option plan as disclosed in Note 19 and Note 26 to the financial statements.

Remuneration Structure

In accordance with best practice corporate governance, the structure of non-executive directors and senior manager remuneration is separate and distinct.

Non-Executive Director Remuneration

Objective

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

Structure

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

Each non-executive director receives a fee for being a director of the Company and does not participate in performance based remuneration. Non-executive directors are encouraged to hold shares in the Company (purchased by the director on-market). It is considered good governance for directors to have a stake in the Company.

The remuneration of non-executive directors for the period ended 30 June 2005 is detailed below.


Channel liner water conservation

Senior Manager & Executive Director Remuneration

Objective

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

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

Structure

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

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

	PRIMARY			POST EMPLOYMENT			EQUITY		
	SALARY & FEES $	BONUS $	NON-MONETARY $	SUPER-ANNUATION $	PRESCRIBED BENEFITS $	OTHER $	OPTIONS $	OTHER BENEFITS $	TOTAL $
2005									
Executive Directors									
G S Gale	396,951	-	66,500	11,549	-	-	33,922	-	508,922
P R McDonald	269,414	-	39,037	11,549	-	-	25,442	-	345,442
Non-Executive Directors									
T J Eversteyn	144,992	-	-	-	-	-	-	-	144,992
D E J Reilly	119,124	-	-	-	-	-	-	-	119,124
G H Richards	68,000	-	-	-	-	-	-	-	68,000
TOTAL	**998,481**	**-**	**105,537**	**23,098**	**-**	**-**	**59,364**	**-**	**1,186,480**
2004									
Executive Directors									
G S Gale	322,498	120,000	66,500	11,002	-	-	33,889	-	553,889
P R McDonald	252,961	75,000	36,037	11,002	-	-	26,358	-	401,358
Non-Executive Directors									
T J Eversteyn	49,583	-	-	-	-	-	-	-	49,583
H G Davies	60,554	-	-	-	-	-	-	-	60,554
D E J Reilly	47,500	-	-	-	-	-	-	-	47,500
G H Richards	6,167	-	-	-	-	-	-	-	6,167
TOTAL	**739,263**	**195,000**	**102,537**	**22,004**	**-**	**-**	**60,247**	**-**	**1,119,051**

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

	PRIMARY			POST EMPLOYMENT			EQUITY		
	SALARY & FEES $	BONUS $	NON-MONETARY $	SUPER-ANNUATION $	PRESCRIBED BENEFITS $	OTHER $	OPTIONS $	OTHER BENEFITS $	TOTAL $
2005									
D. Whyte (i)	261,815	31,915	34,000	-	-	-	-	-	327,730
E. Jung (ii)	222,603	51,370	31,906	6,545	-	-	-	-	312,424
Z. Fakroddin (iii)	147,200	27,813	20,850	50,850	-	-	-	-	246,713
E. Xu (iv)	128,958	31,919	61,621	-	-	-	33,281	-	255,779
S. Carroll	175,100	-	24,677	15,759	-	-	-	-	215,536
TOTAL	**935,676**	**143,017**	**173,054**	**73,154**	**-**	**-**	**33,281**	**-**	**1,358,182**
2004									
R. House (v)	162,307	30,000	19,026	14,608	-	10,000	17,465	-	253,406
P. Cashion (vi)	139,373	-	62,629	-	-	-	-	-	202,002
D. Whyte (i)	262,272	33,660	31,116	-	-	-	-	-	327,048
E. Jung (ii)	219,855	-	-	-	-	-	-	-	219,855
S. Carroll	170,000	-	25,000	15,300	-	-	-	-	210,300
TOTAL	**953,807**	**63,660**	**137,771**	**29,908**	**-**	**10,000**	**17,465**	**-**	**1,212,611**

(i) Mr. Whyte (resigned July 2005) was based in the USA and was remunerated in US dollars converted to Australian dollars in the table above.

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

(iii) Mr. Fakroddin is based in the Middle East and is remunerated in US dollars converted to Australian dollars in the table above.

(iv) Ms. Xu is based in China and is remunerated in US dollars converted to Australian dollars in the table above.

(v) Mr. House received a $10,000 eligible termination payment on 27 July 2004.

(vi) Mr. Cashion (resigned February 2005) was based in China and was principally remunerated in US dollars converted to Australian dollars in the table above.

Auditor Independence and Non-Audit Services

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

Non-Audit Services

The following non-audit services were provided by the Company's auditor, Pitcher Partners. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The name and scope of each non-audit service provided means that auditor independence was not compromised.

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

	CONSOLIDATED		COMPANY	
	2004/05 $ '000	2003/04 $ '000	2004/05 $ '000	2003/04 $ '000
Taxation services	53	17	31	11
Other assurance services	45	9	16	9
Due Diligence	17	-	17	-
Total	115	26	64	20


Family sun protection

Proceedings on Behalf of the Company

No person has applied for leave of a Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Rounding off of Amounts

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

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

On behalf of the Directors

Mr. Harry Boon
Chairman

Mr. Gary S. Gale
Managing Director and Chief Executive Officer

29 September 2005

Auditor's Independence Declaration

for the year ended 30 June 2005

To the Directors of Gale Pacific Limited

In relation to the Independent audit for the year ended 30 June 2005, to the best of my knowledge and belief there have been:

- No contraventions of the auditor independence requirements of the Corporations Act 2001;
- No contraventions of any applicable code of professional conduct.

PITCHER PARTNERS

M W PRINGLE
PARTNER
Melbourne

29 September 2005

A colourful selection of UV block fabrics

Independent Audit Report
for the year ended 30 June 2005

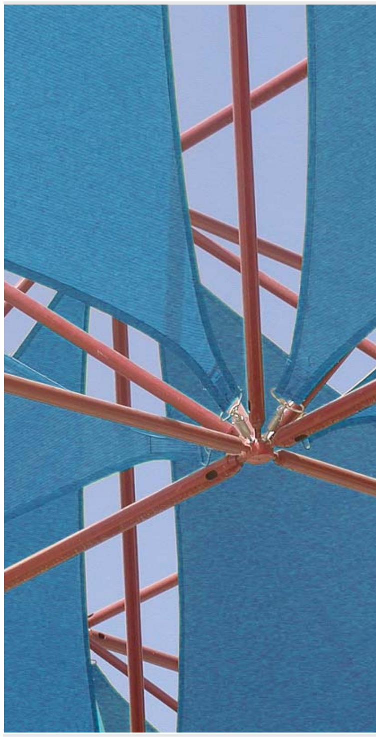
Scope

We have audited the financial report of Gale Pacific Limited and it's controlled entities for the financial year ended 30 June 2005 comprising the Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and notes to the financial statements.

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 it's controlled entities' 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.



Advanced fabric technology enhances architectural freedom

Audit Opinion

In our opinion, the financial report of Gale Pacific Limited and it's controlled entities is in accordance with:

(a) the Corporations Act 2001, including:

(i) giving a true and fair view of the Company's and its controlled entities' financial position as at 30 June 2005 and of their performance for the financial year ended on that date; and

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

(b) other mandatory professional requirements in Australia.

PITCHER PARTNERS

M W PRINGLE
PARTNER
Melbourne

29 September 2005

Directors' Declaration

for the year ended 30 June 2005

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 35 to 65 are in accordance with the Corporations Act 2001 including:-

    - compliance with Accounting Standards in Australia and the Corporations Regulations 2001; and
    - providing a true and fair view of the financial position as at 30 June 2005 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.
    - that the Directors have been given the declaration required under section 295A of the Corporations Act 2001.

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.

Mr. Harry Boon
Chairman

Mr. Gary S. Gale
Managing Director and Chief Executive Officer

29 September 2005


Award winning Al Maha Resort, UAE


European awnings, Germany


Wheat storage basin, Australia

Statement of Financial Performance

for the year ended 30 June 2005

	Note	CONSOLIDATED 2004/05 $ '000	CONSOLIDATED 2003/04 $ '000	COMPANY 2004/05 $ '000	COMPANY 2003/04 $ '000
Revenue from ordinary activities	2	149,177	106,400	69,986	71,942
Expenses from ordinary activities:	3				
Changes in inventories of finished goods and work in progress		(16,484)	(14,273)	2,356	1,051
Raw materials and consumables used		(58,114)	(32,309)	(35,785)	(33,326)
Employee benefits expense		(21,731)	(16,542)	(12,853)	(12,276)
Depreciation and amortisation expenses		(6,067)	(4,677)	(3,973)	(3,669)
Operating overheads		(33,734)	(23,492)	(12,895)	(13,348)
Other expenses from ordinary activities		(2,280)	(3,085)	(1,693)	(2,051)
Borrowing costs expense		(4,926)	(2,398)	(3,350)	(2,313)
Profit from ordinary activities before income tax expense		5,841	9,624	1,793	6,010
Income tax expense relating to ordinary activities	4	(1,158)	(2,615)	(829)	(1,882)
Net profit from ordinary activities after income tax		4,683	7,009	964	4,128
Net profit/(loss) attributable to outside equity interests	22	2	(5)	-	-
Net profit from ordinary activities after income tax expense attributable to the members of the parent entity	21	4,685	7,004	964	4,128
Net exchange difference on translation of financial reports of self-sustaining foreign operations	20	(2,814)	1,223	-	-
Total valuation adjustment attributable to members of the parent entity recognised directly in equity		(2,814)	1,223	-	-
Total changes in equity other than those resulting from transactions with owners as owners	23	1,871	8,227	964	4,128
Basic earnings per share (cents per share)	32	9.15	15.20		
Diluted earnings per share (cents per share)	32	9.14	15.05		

Statement of Financial Position
as at 30 June 2005

	Note	CONSOLIDATED 2004/05 $ '000	CONSOLIDATED 2003/04 $ '000	COMPANY 2004/05 $ '000	COMPANY 2003/04 $ '000
CURRENT ASSETS					
Cash assets	5	3,965	6,710	2	2,513
Receivables	6	32,753	28,605	7,118	8,932
Inventories	7	50,577	34,093	19,242	16,886
Current tax assets	8	1,239	-	1,034	-
Other	9	1,449	1,058	377	512
TOTAL CURRENT ASSETS		89,983	70,466	27,773	28,843
NON-CURRENT ASSETS					
Receivables	6	-	-	39,731	22,348
Other financial assets	10	-	-	24,816	15,397
Plant and equipment	11	57,765	32,168	23,802	25,036
Intangible assets	12	12,468	9,641	3,046	3,190
Deferred tax assets	13	294	346	-	-
Other	9	3,247	1,382	3,247	1,381
TOTAL NON-CURRENT ASSETS		73,774	43,537	94,642	67,352
TOTAL ASSETS		163,757	114,003	122,415	96,195
CURRENT LIABILITIES					
Payables	14	19,790	15,942	5,155	6,557
Interest-bearing liabilities	15	62,247	20,783	41,116	17,386
Current tax liabilities	16	165	724	-	-
Provisions	17	1,226	989	1,152	936
TOTAL CURRENT LIABILITIES		83,428	38,438	47,423	24,879
NON-CURRENT LIABILITIES					
Interest-bearing liabilities	15	20,650	18,046	20,650	18,046
Deferred tax liabilities	16	4,853	4,213	4,853	3,923
Provisions	17	547	110	73	110
TOTAL NON-CURRENT LIABILITIES		26,050	22,369	25,576	22,079
TOTAL LIABILITIES		109,478	60,807	72,999	46,958
NET ASSETS		54,279	53,196	49,416	49,237
EQUITY					
Contributed equity	19	41,939	38,899	41,939	38,899
Reserves	20	(3,087)	(273)	-	-
Retained profits	21	15,436	14,576	7,477	10,338
PARENT ENTITY INTEREST		54,288	53,202	49,416	49,237
Outside equity interests	22	(9)	(6)	-	-
TOTAL EQUITY	23	54,279	53,196	49,416	49,237

The accompanying notes form part of these financial statements

Statement of Cash Flows
for the year ended 30 June 2005

		CONSOLIDATED		COMPANY	
	Note	2004/05 $ '000	2003/04 $ '000	2004/05 $ '000	2003/04 $ '000
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers		155,693	107,418	70,704	61,190
Payments to suppliers and employees		(153,127)	(90,458)	(60,532)	(50,673)
Interest received		1,231	45	1,231	282
Borrowing costs paid		(4,926)	(2,398)	(3,350)	(2,313)
Income tax paid		(1,588)	(2,204)	(641)	(1,986)
Net cash provided by/(used in) operating activities	24(b)	(2,717)	12,403	7,412	6,500
CASH FLOW USED IN INVESTING ACTIVITIES					
Proceeds from sale of plant and equipment		167	8	157	8
Payment for plant and equipment		(25,051)	(6,459)	(2,034)	(2,182)
Payment for acquisition of business	24(c)	(11,646)	(5,233)	(11,646)	(5,522)
Investment in controlled entity		-	-	-	(1,979)
Payment for intangible assets		(138)	(55)	(152)	(55)
Payment for other non-current assets		(2,609)	(2,972)	(2,609)	(2,974)
Amounts advanced to related parties		-	-	(17,383)	(14,655)
Net cash used in investing activities		(39,277)	(14,711)	(33,667)	(27,359)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from/(repayment of) borrowings		34,560	(5,811)	22,125	9,526
Prceeds from issue of convertible notes		6,500	-	6,500	-
Proceeds from issue of equity securities		277	15,461	277	15,461
Repayment of principal on finance leases		(186)	(108)	(186)	(108)
Repayment of principal on hire purchases		(1,839)	(1,011)	(1,839)	(1,011)
Dividends paid		(2,866)	(2,635)	(2,866)	(2,635)
Repayment from outside equity interest		(2)	(706)	-	-
Net cash provided by financing activities		36,444	5,190	24,011	21,233
Net increase/(decrease) in cash held		(5,550)	2,882	(2,244)	374
Cash at beginning of year		5,430	1,457	1,223	849
Effects of exchange rate changes on items denominated in foreign currencies		(2,228)	1,091	-	-
Cash at end of year	24(a)	(2,348)	5,430	(1,021)	1,223

Notes to the Financial Statements
for the year ended 30 June 2005

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 inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Where a controlled entity has entered or left the economic entity during the year its operating results have been included from the date control was obtained or until the date control ceased.

(b) Income Tax

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

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

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

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

(c) Inventories

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

(d) Plant and Equipment

Each class of plant and equipment is carried at cost less, where applicable, any accumulated depreciation. The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts. The cost of fixed assets constructed within the economic entity includes the cost of materials, direct labour and an appropriate proportion of fixed and variable overheads.

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

Depreciation

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

The depreciation rates used for each class of assets are:

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

(e) Leases

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

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

(f) Investments

Controlled Entities

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

(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.

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

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

(i) **Research and Development Expenditure**

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

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

(j) **Cash and Cash Equivalents**

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

(k) **Comparative Figures**

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

(l) **Revenue**

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

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

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

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

(m) **Intangibles**

Goodwill

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

Patents and Trademarks

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

(n) **International Financial Reporting Standards**

The Company has:

- Evaluated the key differences in accounting policies;
- Identified the changes to the Company's financial reporting systems; and
- Evaluated the financial impact arising from key differences in accounting policies that are expected to arise from adopting Australian equivalents of IFRS.

The key differences in accounting policies that are expected to arise from adopting Australian equivalents to IFRS are detailed under Note 35.

	Note	CONSOLIDATED 2004/05 $ '000	CONSOLIDATED 2003/04 $ '000	COMPANY 2004/05 $ '000	COMPANY 2003/04 $ '000
NOTE 2: REVENUE					
Operating activities:					
- Sale of goods		146,850	104,963	67,880	70,508
- SIP income		718	1,086	718	1,086
- Interest income – other parties		1,231	286	1,231	283
- Other revenue		211	57	-	57
Outside operating activities					
- Proceeds from disposals of non-current assets		167	8	157	8
Total revenue		149,177	106,400	69,986	71,942
NOTE 3: PROFIT FROM ORDINARY ACTIVITIES					
Profit from ordinary activities before income tax expense has been determined after:					
- Cost of sales		87,771	59,955	49,517	46,192
Borrowing costs:					
- Other persons		4,926	2,398	3,350	2,313
Depreciation of non-current assets:					
- Leasehold improvements		31	32	19	18
- Plant and equipment		3,691	2,926	2,401	2,471
- Motor vehicles		220	267	209	225
- Office Equipment		613	483	150	305
Amortisation of non-current assets:					
- Leased plant and equipment		289	(10)	289	(10)
- Leased motor vehicles		5	20	5	20
- Goodwill		495	489	197	193
- Patents and trademarks		125	119	105	96
Research and Development expenditure:					
- Capitalised and amortised		598	351	598	351
- Expensed as incurred		308	1	308	1
- Increase/(Decrease) in provision for obsolete inventory		(84)	366	47	(5)
Bad and doubtful debts:					
- Bad debts written off - trade debtors		-	1	-	1
- Movement in provisions for doubtful debts - trade debtors		(123)	405	(2)	(27)

	CONSOLIDATED		COMPANY	
	2004/05 $ '000	2003/04 $ '000	2004/05 $ '000	2003/04 $ '000
NOTE 3: PROFIT FROM ORDINARY ACTIVITIES (cont'd)				
Remuneration of the auditors of parent entity for:				
- Auditing the financial report	102	83	102	83
- Other services	64	20	64	20
Remuneration of other auditors of controlled entities – audit services				
- Auditing the financial report	115	54	-	-
- Other services	51	6	-	-
Total remuneration of auditors	332	163	166	103
Foreign currency translation losses / (gains)	(398)	(211)	(398)	(211)
Net loss on disposal of non-current assets				
- Plant and equipment	32	51	32	51
Operating lease rental expense	3,294	2,703	2,462	2,510
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%	1,405	2,887	538	1,803
Add:				
Tax effect of:				
Amortisation of intangible assets	149	120	58	56
Attributed CFC income	247	(28)	262	28
	1,801	2,979	858	1,887
Less:				
Under provision for income tax in prior year	(8)	-	(8)	-
Other non-allowable/non-assessable items	(112)	(325)	(21)	(5)
Tax rate differentials in foreign countries	(523)	(39)	-	-
Income tax expense attributable to profit from ordinary activities	1,158	2,615	829	1,882

	Note	CONSOLIDATED 2004/05 $ '000	CONSOLIDATED 2003/04 $ '000	COMPANY 2004/05 $ '000	COMPANY 2003/04 $ '000
NOTE 5: CASH ASSETS					
Cash on hand		2	26	2	2
Cash at bank		3,963	6,684	-	2,511
		3,965	6,710	2	2,513
NOTE 6: RECEIVABLES					
CURRENT					
Trade debtors		29,110	21,882	4,442	5,266
Less provision for doubtful debts		(314)	(437)	(3)	(5)
		28,796	21,445	4,439	5,261
Other debtors		3,957	7,160	2,679	3,671
		32,753	28,605	7,118	8,932
NON-CURRENT					
Amounts receivable from:					
Controlled entities		-	-	39,731	22,348
NOTE 7: INVENTORIES					
CURRENT					
Raw materials at cost		4,121	2,136	841	613
Work in progress at cost		4,794	3,364	3,347	2,772
Finished goods at cost		42,041	29,056	15,193	13,593
Less provision for obsolescence		(379)	(463)	(139)	(92)
		50,577	34,093	19,242	16,886
NOTE 8: CURRENT TAX ASSETS					
CURRENT					
Income tax		1,239	-	1,034	-
NOTE 9: OTHER ASSETS					
CURRENT					
Prepayments		1,449	1,058	377	512
NON-CURRENT					
Research & development		3,247	1,382	3,247	1,381
NOTE 10: OTHER FINANCIAL ASSETS					
NON-CURRENT					
Shares in controlled entities at cost	30	-	-	24,816	15,397

	CONSOLIDATED		COMPANY	
	2004/05 $ '000	2003/04 $ '000	2004/05 $ '000	2003/04 $ '000
NOTE 11: PLANT AND EQUIPMENT				
Plant and equipment				
At cost	67,950	37,727	33,290	31,417
Less accumulated depreciation	(14,088)	(10,397)	(11,819)	(9,418)
	53,862	27,330	21,471	21,999
Under lease				
At cost	1,376	1,501	1,376	1,501
Less accumulated amortisation	(499)	(210)	(499)	(210)
	877	1,291	877	1,291
Leasehold Improvements				
At cost	391	309	318	274
Less accumulated depreciation	(132)	(101)	(101)	(82)
	259	208	217	192
Motor vehicles				
At cost	1,687	1,488	912	1,200
Less accumulated depreciation	(687)	(467)	(387)	(408)
	1,000	1,021	525	792
Under lease				
At cost	32	126	32	126
Less accumulated amortisation	(3)	(80)	(3)	(80)
	29	46	29	46
Office equipment				
At cost	3,767	3,688	1,937	1,820
Less accumulated depreciation	(2,029)	(1,416)	(1,254)	(1,104)
	1,738	2,272	683	716
Total plant and equipment	57,765	32,168	23,802	25,036

NOTE 11: PLANT AND EQUIPMENT (cont'd)

Movements in Carrying Amounts

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

	LEASEHOLD IMPROVEMENTS		PLANT & EQUIPMENT	
	Consolidated $ '000	Company $ '000	Consolidated $ '000	Company $ '000
2004/05				
Balance at the beginning of the year	208	192	27,330	21,999
Additions	82	44	30,223	1,873
Disposals	-	-	-	-
Depreciation expense	(31)	(19)	(3,691)	(2,401)
Carrying amount at the end of the year	259	217	53,862	21,471

	LEASED PLANT AND EQUIPMENT		MOTOR VEHICLES	
	Consolidated $ '000	Company $ '000	Consolidated $ '000	Company $ '000
2004/05				
Balance at the beginning of the year	1,291	1,291	1,021	792
Additions/transfers	(125)	(125)	398	133
Disposals	-	-	(199)	(191)
Depreciation expense	(289)	(289)	(220)	(209)
Carrying amount at the end of the year	877	877	1,000	525

	OFFICE EQUIPMENT		LEASED MOTOR VEHICLES	
	Consolidated $ '000	Company $ '000	Consolidated $ '000	Company $ '000
2004/05				
Balance at the beginning of the year	2,272	716	46	46
Additions/transfers	79	117	(12)	(12)
Disposals	-	-	-	-
Depreciation expense	(613)	(150)	(5)	(5)
Carrying amount at the end of the year	1,738	683	29	29

	CONSOLIDATED		COMPANY	
	2004/05 $ '000	2003/04 $ '000	2004/05 $ '000	2003/04 $ '000
NOTE 12: INTANGIBLE ASSETS				
Goodwill at cost	13,754	10,445	3,835	3,829
Less accumulated amortisation	(1,934)	(1,439)	(1,250)	(1,053)
	11,820	9,006	2,585	2,776
Patents, trademarks and licenses at cost	1,072	934	811	659
Less accumulated amortisation	(424)	(299)	(350)	(245)
	648	635	461	414
	12,468	9,641	3,046	3,190

Reconciliation of Intangible Assets

	GOODWILL		PATENTS, TRADEMARKS & LICENCES	
	Consolidated $ '000	Company $ '000	Consolidated $ '000	Company $ '000
2004/05				
Balance at the beginning of the year	9,006	2,776	635	414
Additions	3,309	6	138	152
Amortisation expense	(495)	(197)	(125)	(105)
Carrying amount at the end of the year	11,820	2,585	648	461

	Note	CONSOLIDATED 2004/05 $ '000	CONSOLIDATED 2003/04 $ '000	COMPANY 2004/05 $ '000	COMPANY 2003/04 $ '000
NOTE 13: DEFERRED TAX ASSETS					
The future income tax benefits comprise:					
Timing differences		294	346	-	-
NOTE 14: PAYABLES					
CURRENT					
Unsecured liabilities					
Trade creditors		14,398	8,387	3,704	3,651
Sundry creditors and accruals		5,392	7,555	1,451	2,906
		19,790	15,942	5,155	6,557
NOTE 15: INTEREST BEARING LIABILITIES					
CURRENT					
Secured liabilities					
Bank overdrafts	24(e)	6,313	1,280	1,023	1,290
Bank loans	24(e)	51,885	15,525	36,044	12,118
Commercial bills	24(e)	1,600	1,500	1,600	1,500
Finance lease liability	28(a)	334	310	334	310
Hire purchase liability	28(b)	2,115	2,168	2,115	2,168
		62,247	20,783	41,116	17,386
NON-CURRENT					
Secured liabilities					
Commercial bills	24(e)	9,800	11,700	9,800	11,700
Convertible notes	24(f)	6,500	-	6,500	-
Finance lease liability	28(a)	405	615	405	615
Hire purchase liability	28(b)	3,945	5,731	3,945	5,731
		20,650	18,046	20,650	18,046
NOTE 16: INCOME TAX LIABILITIES					
CURRENT					
Income tax		165	724	-	-
NON-CURRENT					
Deferred income tax		4,853	4,213	4,853	3,923

	CONSOLIDATED		COMPANY	
	2004/05 $ '000	2003/04 $ '000	2004/05 $ '000	2003/04 $ '000
NOTE 17: PROVISIONS				
CURRENT				
Employee entitlements	1,226	989	1,152	936
NON-CURRENT				
Employee entitlements	547	110	73	110
(a) Aggregate employee entitlements liability	1,773	1,099	1,225	1,046
(b) Number of employees at year end	1,197	427	196	200
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, Euro & NZD				
Receivables				
Current	24,537	20,192	233	342
Non-current	-	-	39,677	22,368
	24,537	20,192	39,910	22,710
Payables				
Current	52,140	26,388	37,799	14,593
Non-current	2,382	2,114	-	-
	54,522	28,502	37,799	14,593

	COMPANY	
	2004/05 $ '000	2003/04 $ '000
NOTE 19: CONTRIBUTED EQUITY		
Paid up Capital		
51,905,861 fully paid ordinary shares (2004: 50,358,425)	41,939	38,899
Movement in Share Capital		
Shares issued at the beginning of the financial year	38,899	22,798
GST on IPO Costs	(151)	-
717,671 shares issued as part of the consideration for acquisition of a business – 15 December 2004 (i)	1,804	-
4,230,769 shares issued to Institutional Investors – 16 February 2004 (ii)	-	10,466
1,602,601 shares issued as part of the Company Share Purchase Plan – 18 March 2004	-	4,167
237,930 shares issued under Dividend Reinvestment Plan (iii)	-	640
224,490 shares issued under Dividend Reinvestment Plan – 18 October 2004	591	-
827,843 shares issued under the Company option scheme (iii)	-	828
427,942 shares issued under the Company option scheme – 29 November 2004	428	-
177,333 shares issued under Dividend Reinvestment Plan – 15 April 2005	368	-
	41,939	38,899

(i) Shares issued as part of the consideration for the acquisition of the industrial and knitted fabrics operations of Donaghys Industries Limited of New Zealand. The acquisition is further detailed in note 24(c).

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

(iii) Shares issued under 2003/04 Dividend Reinvestment Plan and Share Option Scheme are listed as aggregate for the year.

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 maintains an option scheme for certain staff and executives, including executive Directors, as approved by shareholders at an annual general meeting. The issue price of each option is zero. Each option entitles the option holder to 1 ordinary share in the Company in the event that the option is exercised. The exercise price of the 50,000 options is $1.50 and the exercise price of the 560,000 issued options is $3.00. The vesting of options is determined in accordance with specific share price and/or performance hurdles. In the case of the 50,000 options, their vesting is determined by the performance of the Company's share price over time; the vesting of the 560,000 options is determined in accordance with the achievement of certain levels of adjusted weighted average earnings per share and the Company's share price over time. The 50,000 options are not exercisable after 1 December 2006, and the 560,000 options are not exercisable after 1 December 2008. Options carry no rights to dividends and no voting rights.

The principal terms of the issue of the 560,000 options under the plan are as follows:

- Each option entitles the holder to subscribe for one fully paid ordinary share.
- The exercise price is $3.00 per option.
- The expiry date of the options is 31 December 2008.
- The holder may, on and from the later of:

(A) 1 November 2005; and

(B) the date on which the Company lodges its audited financial report (as defined in the Corporations Act 2001 (Commonwealth)) for the year ended 30 June 2005 with ASIC and, if the Company is listed, with ASX,

exercise:

(C) 25% of the total number of Options (rounded to the nearest whole number) issued to the holder, subject to any adjustments made under clause 5 of these terms, provided that the Adjusted Weighted Average Earnings Per Share (see below) for the year ended 30 June 2005 increased by 15% or more over the Adjusted Weighted Average Earnings Per Share for the year ended 30 June 2004; and

(D) a further 25% of the total number of Options (rounded to the nearest whole number) issued to the holder, subject to any adjustments made under clause 5 of these terms, provided that the Adjusted Weighted Average Earnings Per Share for the year ended 30 June 2005 increased by 25% or more over the Adjusted Weighted Average Earnings Per Share for the year ended 30 June 2004;

• The holder may, on and from the later of:

(A) 1 November 2006; and

(B) the date on which the Company lodges its audited financial report (as defined in the Corporations Act 2001 (Commonwealth)) for the year ended 30 June 2006 with the ASIC and, if the Company is listed, with ASX,

exercise, in addition to any other Options the holder has previously become entitled to exercise:

(C) 25% of the total number of Options (rounded to the nearest whole number) issued to the holder, subject to any adjustments made under clause 5 of these terms, provided that the Adjusted Weighted Average Earnings Per Share for the year ended 30 June 2006 increased by 15% or more over the Adjusted Weighted Average Earnings Per Share for the year ended 30 June 2005; and

(D) a further 25% of the total number of Options (rounded to the nearest whole number) issued to the holder, subject to any adjustments made under clause 5 of these terms, provided that the Adjusted Weighted Average Earnings Per Share for the year ended 30 June 2006 increased by 25% or more over the Adjusted Weighted Average Earnings Per Share for the year ended 30 June 2005;

• The holder may, on and from the later of:

(A) 1 November 2007; and

(B) the date on which the Company lodges its audited financial report (as defined in the Corporations Act 2001 (Commonwealth)) for the year ended 30 June 2007 with the ASIC and, if the Company is listed, with ASX,

exercise, in addition to any other Options the holder has previously become entitled to exercise:

(C) unless the holder has previously become entitled to exercise all of the holder's Options, 25% of the total number of Options (rounded to the nearest whole number) issued to the holder, subject to any adjustments made under clause 5 of these terms, provided that the Adjusted Weighted Average Earnings Per Share for the year ended 30 June 2007 increased by 15% or more over the Adjusted Weighted Average Earnings Per Share for the year ended 30 June 2006; and

(D) unless the holder has previously, or as a result of becoming entitled to exercise Options under paragraph (3)(C), become entitled to exercise all of the holder's Options, a further 25% of the total number of Options (rounded to the nearest whole number) issued to the holder, subject to any adjustments made under clause 5 of these terms, provided that the Adjusted Weighted Average Earnings Per Share for the year ended 30 June 2007 increased by 25% or more over the Adjusted Weighted Average Earnings Per Share for the year ended 30 June 2006; and

• The holder may, on and from the later of:

(A) 1 November 2008; and

(B) the date on which the Company lodges its audited financial report (as defined in the Corporations Act 2001 (Commonwealth)) for the year ended 30 June 2008 with the ASIC and, if the Company is listed, with ASX,

exercise, in addition to any other Options the holder has previously become entitled to exercise:

(C) unless the holder has previously become entitled to exercise all of the holder's Options, 25% of the total number of Options (rounded to the nearest whole number) issued to the holder, subject to any adjustments made under clause 5 of these terms, provided that the Adjusted Weighted Average Earnings Per Share for the year ended 30 June 2008 increased by 15% or more over the Adjusted Weighted Average Earnings Per Share for the year ended 30 June 2007; and

(D) unless the holder has previously, or as a result of becoming entitled to exercise Options under paragraph (4)(C), become entitled to exercise all of the holder's Options, a further 25% of the total number of Options (rounded to the nearest whole number) issued to the holder, subject to any adjustments made under clause 5 of these terms, provided that the Adjusted Weighted Average Earnings Per Share for the year ended 30 June 2008 increased by 25% or more over the Adjusted Weighted Average Earnings Per Share for the year ended 30 June 2007.

• For the purpose of the above paragraphs "Adjusted Weighted Average Earnings Per Share" means:

(1) for the financial year ended 30 June 2004, 17.85 cents; and

(2) for any other financial year ("Relevant Financial Year"), the diluted earnings per share of the Company as disclosed in the Company's audited financial report (as defined in the Corporations Act 2001 (Commonwealth)) for the Relevant Financial Year ("Relevant Report"). However, if:

(A) there is any change to the accounting standards (as defined in the Corporations Act 2001 (Commonwealth)), including without limitation, as a result of the adoption of International Financial Reporting Standards; and

(B) that change results in the earnings specified in the Relevant Report as having been used in the calculation of diluted earnings per share ("Total Earnings") for the Relevant Financial Year being determined on a basis different from that on which Total Earnings for the financial year immediately preceding the Relevant Financial Year ("Prior Year Total Earnings") was determined,

then, for the purpose of:

(C) calculating Adjusted Weighted Average Earnings Per Share for the Relevant Financial Year; or

(D) determining whether there has been any increase in Adjusted Weighted Average Earnings Per Share for the Relevant Financial Year over Adjusted Weighted Average Earnings Per Share for the financial year prior to the Relevant Financial Year,

Total Earnings for the Relevant Financial Year or Prior Year Total Earnings must be adjusted to the extent necessary to ensure that Total Earnings for the Relevant Financial Year and Prior Year Total Earnings are determined on the same or a comparable basis.

Options Summary	2004/05	2003/04
	No.	No.
Balance at the beginning of the financial year	477,942	1,310,785
Granted during the financial year (20 May 2004)	-	50,000
Options Exercised during the financial year	(427,942)	(827,843)
Lapsed during the financial year (Issued 18 December 2002)	-	(55,000)
Granted during the financial year (15 December 2004)	560,000	-
Balance at the end of the financial year	610,000	477,942

At 30 June 2005, no options on issue are currently exercisable.

	CONSOLIDATED		COMPANY	
	2004/05 $ '000	2003/04 $ '000	2004/05 $ '000	2003/04 $ '000
NOTE 20: RESERVES				
Foreign currency reserve	(3,087)	(273)	-	-
Movement during the year:				
Opening balance	(273)	(1,496)	-	-
Foreign currency loss on consolidation	(2,814)	1,223	-	-
Closing balance	(3,087)	(273)	-	-

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

	CONSOLIDATED 2004/05	CONSOLIDATED 2003/04	COMPANY 2004/05	COMPANY 2003/04
NOTE 21: RETAINED PROFITS				
Retained profits at the beginning of the financial year	14,576	10,847	10,338	9,485
Net profit attributable to members of the entity	4,685	7,004	964	4,128
Dividends paid	(3,825)	(3,275)	(3,825)	(3,275)
Retained profits at reporting date	15,436	14,576	7,477	10,338
NOTE 22: OUTSIDE EQUITY INTERESTS				
Outside equity in controlled entities comprises:				
Opening balance	(6)	694		
Proceeds for outside entity	-	(705)		
Net profit attributable to outside interest	(3)	5		
	(9)	(6)		
NOTE 23: EQUITY				
Total equity at the beginning of the financial year	53,196	32,843	49,237	32,283
Total changes in equity recognised in the Statement of Financial Performance	1,871	8,227	964	4,128
Transactions with owners as owners				
Movement in outside equity interest	(3)	(700)	-	-
Movement in contributed capital	3,040	16,101	3,040	16,101
Dividends	(3,825)	(3,275)	(3,825)	(3,275)
Total equity at reporting date	54,279	53,196	49,416	49,237

	CONSOLIDATED		COMPANY	
	2004/05 $ '000	2003/04 $ '000	2004/05 $ '000	2003/04 $ '000
NOTE 24: 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	26	2	2
Cash at bank	3,963	6,684	-	2,511
Bank overdrafts	(6,313)	(1,280)	(1,023)	(1,290)
	(2,348)	5,430	(1,021)	1,223
(b) Reconciliation of cash flow from operations with profit from ordinary activities				
Profit from ordinary activities after income tax	4,683	7,009	964	4,128
Non-cash flows in profit from ordinary activities:				
- Loss on Disposal of fixed assets	32	-	32	-
- Amortisation of intangible assets	620	608	302	289
- Amortisation of other non-current assets	598	351	598	351
- Depreciation and amortisation of plant and equipment	4,849	3,718	3,073	3,029
- Other	16	106	-	21
- Accrued SIP income	(718)	(1,086)	(718)	(1,086)
Changes in assets and liabilities:				
- (Increase)/decrease in receivables	(5,310)	1,983	822	143
- Decrease in other assets	1,704	2,575	1,570	1,532
- (Increase) in inventories	(12,291)	(1,596)	(2,373)	(1,051)
- Increase/(decrease) in payables and accruals	3,531	(1,675)	2,954	(752)
- Increase/(decrease) in income tax payable	(431)	410	188	(104)
Net cash provided by operations	(2,717)	12,403	7,412	6,500

	CONSOLIDATED		COMPANY	
	2004/05 $ '000	2003/04 $ '000	2004/05 $ '000	2003/04 $ '000
NOTE 24: 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	11,646	6,351	11,646	6,351
Ordinary shares	1,804	-	1,804	-
	13,450	6,351	13,450	6,351
Fair value of net assets acquired				
Current assets				
Cash	-	256	-	256
Inventories	4,562	11,537	4,562	11,537
Receivables	-	9,660	-	9,660
Other assets	-	6,029	-	6,029
Non-current assets				
Plant and equipment	6,108	1,189	6,108	1,189
Intellectual property	-	-	-	-
Goodwill	3,309	2,939	3,309	2,939
Current Liabilities				
Creditors & Accruals	(529)	(8,202)	(529)	(8,202)
Non-current liabilities				
Interest Bearing Liabilities	-	(17,057)	-	(17,057)
Net assets acquired	13,450	6,351	13,450	6,351
Less Cash acquired	-	(256)	-	-
Foreign currency reserve	-	(33)	-	-
Ordinary Shares Issued	1,804		1,804	
Balance payable 20 August 2004	-	(829)		(829)
Net cash outflow on acquisition	11,646	5,233	11,646	5,522

(d) Non-cash financing and investing activities

Plant and equipment

During the financial year the economic entity did not acquire plant and equipment via non cash financing arrangements (2004: $274,000).

(e) Multi Option Facility and Bills Discount Facility

The Company has access to a Multi Option Facility (including an AUD, USD, Euro and NZD overdrafts commercial bills, fixed rate trade advances, documentary credit and trade finance), a Bills Discount Facility and a Bank Guarantee facility to a maximum of $72,195,000 as at 30 June 2005 (2004 $33,400,000), leaving an unused facility of $2,595,000 (2004: $3,445,000).

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

(f) Convertible Notes

The Company issued Convertible Notes to the value of $6,500,000 on 9 December 2004, at an interest rate of 8.5% per annum. These notes mature on 9 December 2009 and are convertible at a price of $3.25 per share.

NOTE 25: COMPANY DETAILS

The registered office of the Company is:

Gale Pacific Limited
145 Woodlands Drive
Braeside Victoria Australia 3195

NOTE 26: DIRECTORS' AND EXECUTIVES' REMUNERATION

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

H Boon (Chairman, non-executive) – Appointed 25 August 2005
TJ Eversteyn (Chairman, non-executive) – Resigned 25 August 2005
G S Gale (Chief Executive Officer)
P R McDonald (Chief Operating Officer)
D E J Reilly (Non-executive)
G H Richards (Non-executive)

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

S Carroll (Gale Australasian Sales & Marketing Manager)
E Xu (Executive Director)
A London (Chief Financial Officer)
E Jung (Jung/Gale Europe, Managing Director)
Z Fakroddin (Regional Manager, Middle East)

Specified Directors and Specified Executives' remuneration

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

Remuneration packages contain the following key elements:

a. Salary/fees;

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

c. Incentive schemes, including share options under the Executive Share Option Plan as disclosed in note 19 to the Financial Statements.

2005	PRIMARY			POST EMPLOYMENT			EQUITY		
SPECIFIED DIRECTORS	SALARY & FEES $	BONUS $	NON-MONETARY $	SUPER-ANNUATION $	PRESCRIBED BENEFITS $	OTHER $	OPTIONS $	OTHER BENEFITS $	TOTAL $
Executive Directors									
G S Gale	396,951	-	66,500	11,549	-	-	33,922	-	508,922
P R McDonald	269,414	-	39,037	11,549	-	-	25,442	-	345,442
Non-Executive Directors									
T J Eversteyn	144,992	-	-	-	-	-	-	-	144,992
D E J Reilly	119,124	-	-	-	-	-	-	-	119,124
G H Richards	68,000	-	-	-	-	-	-	-	68,000
TOTAL	998,481	-	105,537	23,098	-	-	59,364	-	1,186,480

NOTE 26: DIRECTORS' AND EXECUTIVES' REMUNERATION (cont'd)

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

2005 SPECIFIED EXECUTIVES	PRIMARY SALARY & FEES $	PRIMARY BONUS $	PRIMARY NON-MONETARY $	POST EMPLOYMENT SUPER-ANNUATION $	POST EMPLOYMENT PRESCRIBED BENEFITS $	POST EMPLOYMENT OTHER $	EQUITY OPTIONS $	OTHER BENEFITS $	TOTAL $
2005									
A London (i)	11,694	-	1,700	1,075	-	-	-	-	14,469
L Doddridge (ii)	176,458	-	23,077	15,881	-	-	-	-	215,416
E Jung (iii)	222,603	51,370	31,906	6,545	-	-	-	-	312,424
Z Fakroddin (iv)	147,200	27,813	20,850	50,850	-	-	-	-	246,713
E Xu (v)	128,958	31,919	61,621	-	-	-	33,281	-	255,779
D Whyte (vi)	261,815	31,915	34,000	-	-	-	-	-	327,730
S Carroll	175,100	-	24,677	15,759	-	-	-	-	215,536
TOTAL	1,123,828	143,017	197,831	90,110	-	-	33,281	-	1,588,067
2004									
L Doddridge (vii)	5,105	-	775	459	-	-	-	-	6,339
R House	162,307	30,000	19,026	14,608	-	10,000	17,465	-	253,406
P Cashion (viii)	139,373	-	62,629	-	-	-	-	-	202,002
D Whyte (vi)	262,272	33,660	31,116	-	-	-	-	-	327,048
E Jung (iii)	219,855	-	-	-	-	-	-	-	219,855
S Carroll	170,000	-	25,000	15,300	-	-	-	-	210,300
TOTAL	958,912	63,660	138,546	30,367	-	10,000	17,465	-	1,218,950

(i) Mr. London was appointed as Chief Financial Officer on 2 June 2005 and therefore the details of his remuneration for the reporting period are from that date.
(ii) Mr. Doddridge resigned from the position of CFO on the 2 June 2005 and therefore the details of his remuneration for the reporting period are to that date.
(iii) Mr. Jung is based in Germany and is remunerated in Euro converted to Australian dollars in the table above.
(iv) Mr. Fakroddin is based in the Middle East and is remunerated in US dollars converted to Australian dollars in the table above.
(v) Ms. Xu is based in China and is remunerated in US dollars converted to Australian dollars in the table above.
(vi) Mr. Whyte (resigned July 2005) was based in the USA and was remunerated in US dollars converted to Autralian dollars in the table above.
(vii) Mr. Doddridge was appointed as Chief Financial Officer on the 22 June 2004 and therefore the details of his remuneration for the reporting period shown cover eight working days.
(viii) Mr. Cashion (resigned February 2005) was based in China and was remunerated in US dollars converted to Australian dollars in the table above.

NOTE 26: DIRECTORS' AND EXECUTIVES' REMUNERATION (cont'd)

FULLY PAID ORDINARY SHARES	BALANCE 1 JULY 2004	RECEIVED AS REMUNERATION	OPTIONS EXERCISED	NET CHANGE (i)	BALANCE 30 JUNE 2005
Executive Directors					
G S Gale	14,784,980	-	427,942	544,729	15,329,709
P R Mc Donald	415,276	-	-	(108,351)	306,925
Non-Executive Directors					
T J Eversteyn	190,000	-	-	(10,000)	180,000
D E J Reilly	259,612	-	-	40,568	300,180
G H Richards	10,000	-	-	47,778	57,778
Specified Executives					
None	-	-	-	-	-
Total	15,659,868	-	427,942	514,724	16,174,592

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

SHARE OPTIONS	BALANCE 1 JULY 2004	RECEIVED AS REMUNERATION	OPTIONS EXERCISED	BALANCE 30 JUNE 2005	TOTAL VESTED 30 JUNE 2005	TOTAL 30 JUNE 2005 EXERCISABLE
Executive Directors						
G S Gale	427,942	320,000	(427,942)	320,000	-	-
P R Mc Donald	-	240,000	-	240,000	-	-
Non Executive Directors						
None	-	-	-	-	-	-
Specified Executives						
E Xu	50,000	-	-	50,000	-	-
Total	477,942	560,000	(427,942)	610,000	-	-

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

REMUNERATION PRACTICES

The Companies policy for determining the nature and amount of emoluments of board members and senior executives is as follows.
The remuneration structure for Executive Officers, including Executive Directors, is based on a number of factors including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts of service between the Company and specified directors and executives are on a continuing basis the terms of which are not expected to change in the immediate future. Upon retirement specified directors and executives are paid employee benefit entitlements accrued to date of retirement. Payment of bonuses, stock options and other incentive payments are made at the discretion of the Remuneration Committee based predominantly on an objective review of the Company's financial performance, the individuals' achievement of stated financial and non financial targets and any other factors the committee deems relevant.

	2004/05		2003/04	
	Cents per Share	Total $ '000	Cents per Share	Total $ '000
NOTE 27: DIVIDENDS				
Ordinary Shares				
Interim dividend – fully franked	3.5	1,810	3.5	1,521
Final dividend – fully franked	4.0	2,015	3.5	1,754
		3,825		3,275
Adjusted franking account balance		723		3,889

Since the end of the financial year, Directors have declared a fully franked final dividend of 1.5 cents per share, amounting to $780,000.
The final dividend for the year ended 30 June 2005 has not been recognised in this financial report because the final dividend was declared subsequent to 30 June 2005.

	Note	CONSOLIDATED 2004/05 $ '000	CONSOLIDATED 2003/04 $ '000	COMPANY 2004/05 $ '000	COMPANY 2003/04 $ '000
NOTE 28: CAPITAL AND LEASING COMMITMENTS					
(a) Finance Leasing Commitments					
Payable					
- not later than one year		389	363	389	363
- later than one year and not later than five years		603	669	603	669
Minimum lease payments		992	1,032	992	1,032
Less future finance charges		(253)	(107)	(253)	(107)
Total lease liability		739	925	739	925
Represented by:					
Current liability	15	334	310	334	310
Non-current liability	15	405	615	405	615
		739	925	739	925

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

	Note	CONSOLIDATED 2004/05 $ '000	CONSOLIDATED 2003/04 $ '000	COMPANY 2004/05 $ '000	COMPANY 2003/04 $ '000
(b) Hire Purchase Commitments					
Payable					
- not later than one year		2,186	2,447	2,186	2,447
- later than one year and not later than five years		4,252	6,067	4,252	6,067
Minimum hire purchase payments		6,438	8,514	6,438	8,514
Less future finance charges		(378)	(615)	(378)	(615)
Total hire purchase liability		6,060	7,899	6,060	7,899
Represented by:					
Current liability	15	2,115	2,168	2,115	2,168
Non-current liability	15	3,945	5,731	3,945	5,731
		6,060	7,899	6,060	7,899

	CONSOLIDATED		COMPANY	
	2004/05 $ '000	2003/04 $ '000	2004/05 $ '000	2003/04 $ '000
NOTE 28: CAPITAL AND LEASING COMMITMENTS (cont'd)				
(c) Operating Lease Commitments				
Non-cancellable operating leases contracted for but not capitalised in the accounts:				
Payable				
- not later than one year	3,860	3,411	2,532	2,685
- later than one year and not later than five years	7,334	7,908	2,987	5,502
- later than five years	4,014	2,999	-	-
	15,208	14,318	5,519	8,187

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

(d) Capital Commitments

At 30 June 2005 the wholly owned Chinese entity, Gale Pacific Textiles Company Limited ("GPST") had capital commitments on contracts for buildings and plant and equipment to the value of US$1.65 million.

NOTE 29: RELATED PARTY TRANSACTIONS

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.

Directors' Remuneration
Details of Directors' remuneration are disclosed in Note 26.

(a) Directors' Equity Holdings

Transactions with Directors and Director-related entities
The following amounts were payable to Directors and their Director-related entities as at the reporting date:

	CONSOLIDATED		COMPANY	
	2004/05 $ '000	2003/04 $ '000	2004/05 $ '000	2003/04 $ '000
Payable not later than one year	11	25	11	25

Mr T Eversteyn is a Partner of the Chartered Accounting firm Bentleys MRI. In addition to Directors fees received (and disclosed in Note 26) Bentleys MRI have provided other business services during the year ended 30 June 2005 to Gale Pacific Limited. The value of services provided was $578 (2004: $166,863).

During the financial year, Directors and their Director-related entities purchased goods, which were domestic or trivial in nature, from the Company on the same terms and conditions available to other employees and customers. The current year closing balance of $11,250 is represented by director's fees payable as follows:

Mr T Eversteyn	7,083
Mr G Richards	4,167
	11,250

Transactions within the Wholly-Owned Group

The wholly-owned group includes:

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

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

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

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

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

(b) Transactions With Non-wholly Owned Controlled Entity

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

Net Sales of goods at cost of $22,000 (2004:$412,000).

NOTE 30: CONTROLLED ENTITIES

	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST (%)	
		2004/05	2003/04
Parent Entity:			
Gale Pacific Limited	Australia	-	-
Controlled Entities:			
Gale Pacific USA Inc.	USA	100%	100%
Gale Pacific FZE	United Arab Emirates	100%	100%
Aquaspan Pty Ltd	Australia	50%	50%
Gale Pacific Special Textiles Company Limited	China	100%	100%
Jung Garten & Freizeit Vertriebsgesellschaft mbH	Germany	100%	100%
Gale Europe Vertriebsgesellschaft GmbH	Germany	100%	-
Gale Pacific (New Zealand) Limited	New Zealand	100%	-

The Company incorporated Gale Pacific (New Zealand) Limited in November 2004, it acquired the assets of Donaghys in New Zealand on 15 December 2004 for $13.5m.

The Company incorporated Gale Europe Vertriebsgesellschaft GmbH in December 2004.

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 Australia and New Zealand. Sales offices are located in all states in Australia and through distribution agreements in New Zealand. A manufacturing facility is located in Ningbo, which supplies products to the Group.

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

Europe/Middle East/Africa
Sales offices and distribution facilities are located in the United Arab Emirates and Germany which service those regional markets.

Business Segment

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

NOTE 31: SEGMENT REPORTING (cont'd)

Primary Reporting – Geographical Segments

	Asia/Pacific	Americas	Europe/Middle East/Africa	Eliminations	Consolidation
	$'000	$'000	$'000	$'000	$'000
30 June 2005					
Revenue outside the economic entity	69,979	15,430	63,768	-	149,177
Inter-segment revenue	32,625	-	-	(32,625)	-
Total revenue	102,604	15,430	63,768	(32,625)	149,177
Segment operating profit	5,720	(1,084)	1,462	(257)	5,841
Income tax expense	(1,130)	351	(576)	197	(1,158)
Operating Profit after tax	4,590	(733)	886	(60)	4,683
Depreciation and Amortisation	5,115	336	328	288	6,067
Reimbursement of R&D expenditure	718	-	-	-	718
Segment Assets	109,135	11,597	39,622	3,109	163,463
Unallocated Assets					294
Total Assets					163,757
Segment Liabilities	93,119	878	10,628	-	104,625
Unallocated Liabilities					4,853
Total Liabilities					109,478
Acquisition of non-current assets	26,708	596	2,892	-	30,196
30 June 2004					
Revenue outside the economic entity	60,685	15,842	30,285	(412)	106,400
Inter-segment revenue	21,905	-	-	(21,905)	-
Total revenue	82,590	15,842	30,285	(22,317)	106,400
Segment operating profit	6,996	77	2,949	(398)	9,624
Income tax expense	(1,888)	44	(1,141)	370	(2,615)
Operating Profit after tax	5,108	121	1,808	(28)	7,009
Depreciation and Amortisation	3,995	303	83	296	4,677
Reimbursement of R&D expenditure	1,086	-	-	-	1,086
Segment Assets	78,335	14,522	27,919	(7,119)	113,657
Unallocated Assets					346
Total Assets					114,003
Segment Liabilities	49,952	1,413	9,369	(4,140)	56,594
Unallocated Liabilities					4,213
Total Liabilities					60,807
Acquisition of non-current assets	6,076	298	85	-	6,459

NOTE 32: EARNINGS PER SHARE

	COMPANY	
	2004/05	2003/04
Earnings used in the calculations of basic and diluted earnings per share	$4,685,000	$7,004,000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	51,189,261	46,064,420
Number of share options on issue	610,000	477,942
Weighted average number of Share Options issued during the year	302,247	5,738
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	51,241,777	46,548,100

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.

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:

	NOTE	WEIGHTED AVERAGE INTEREST RATE	FLOATING INTEREST RATE $'000	FIXED INTEREST RATE $'000	NON INTEREST BEARING $'000	TOTAL $'000	1 YEAR OR LESS $'000	MATURING 1 TO 5 YEARS $'000	MORE THAN 5 YEARS $'000
30 June 2005									
Financial Assets									
Cash assets	5	5.4%	3,965	-	-	3,965	3,965	-	-
Receivables	6	-	-	-	32,753	32,753	32,753	-	-
			3,965	-	32,753	36,718	36,718	-	-
Financial Liabilities									
Payables	14	-	-	-	19,790	19,790	19,790	-	-
Bank overdrafts and loans	15	5.5%	6,313	-	-	6,313	6,313	-	-
Commercial bills	15	5.5%	51,885	-	-	51,885	51,885	-	-
Commercial bills	15	6.0%	-	2,300	-	2,300	1,000	1,300	-
Commercial bills	15	6.3%	-	2,500	-	2,500	600	1,900	-
Commercial bills	15	6.0%	6,600	-	-	6,600	-	6,600	-
Convetible Notes	15	8.5%	-	6,500	-	6,500	-	6,500	-
Lease liabilities	15	7.5%	-	739	-	739	334	405	-
Hire purchase liabilities	15	8.2%	-	6,060	-	6,060	2,115	3,945	-
Employee entitlements	17	-	-	-	1,773	1,773	1,226	547	-
			64,798	18,099	21,563	104,460	83,263	21,197	-
30 June 2004									
Financial Assets									
Cash assets	5	5.15%	6,710	-	-	6,710	6,710	-	-
Receivables	6	-	-	-	28,605	28,605	28,605	-	-
			6,710	-	28,605	35,315	35,315	-	-
Financial Liabilities									
Payables	14	-	-	-	15,942	15,942	15,942	-	-
Bank overdrafts and loans	15	5.5%	16,805	-	-	16,805	16,805	-	-
Commercial bills	15	6.9%	-	3,100	-	3,100	600	2,500	-
Commercial bills	15	6.0%	-	3,300	-	3,300	900	2,400	-
Commercial bills	15	6.0%	-	6,600	-	6,600	-	6,600	-
Commercial bills	15	6.0%	-	200	-	200	-	200	-
Lease liabilities	15	7.5%	-	925	-	925	310	615	-
Hire purchase liabilities	15	8.2%	-	7,899	-	7,899	2,168	5,731	-
Employee entitlements	17	-	-	-	1,099	1,099	989	110	-
			16,805	22,024	17,041	55,870	37,714	18,156	-

NOTE 34: SUBSEQUENT EVENTS

Subsequent to the end of the financial year, no significant capital expenditure was approved.

In addition, the previously announced relocation of a significant portion of the Company's Braeside Melbourne production equipment to China commenced subsequent to the end of the financial year and the majority of the equipment will be transferred through October/November 2005.

On 9 September 2005, the Company raised $9 million through an issue of convertible loan notes. These funds will augment and support the Company's capital investment in China and general expansion of its distribution globally

Other than the relocation of a significant portion of the Company's Braeside Melbourne production equipment to China and the capital raising mentioned above there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature that, in the opinion of the Directors has significantly affected or may significantly affect the operations of the economic entity, the result of those operations, or the state of affairs of the economic entity in subsequent financial years.

NOTE 35: IMPACT OF ADOPTING AUSTRALIAN EQUIVALENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS

Gale Pacific Limited is in the process of transitioning its accounting policies and financial reporting from current Australian Accounting Standards (AGAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS). The adoption of AIFRS will be reflected in the consolidated entity's financial statements for the half-year ending 31 December 2005 and year ending 30 June 2006.

Entities complying with AIFRS for the first time are required to restate their comparative financial statements to reflect the application of AIFRS. The majority of AIFRS transition adjustments will be made retrospectively against opening retained earnings as at 1 July 2004.

Set out below are the key areas where accounting policies are expected to change on adoption of IFRS and are managements best estimate at date of preparing 30 June 2005. These figures may change due to ongoing work by management and potential amendments to AIFRS, and emerging practice in respect to interpretation and application of AIFRS.

(a) Reconciliation of equity as presented under AGAAP to that under AIFRS

		CONSOLIDATED		PARENT	
	Notes	2004/05	2003/04	2004/05	2003/04
Total equity under AGAAP		**54,279**	**53,196**	**49,416**	**49,237**
Adjustment to retained earnings					
Share based payments	(i)	(98)	(5)	(98)	(5)
Amortisation of goodwill	(ii)	495	-	197	-
Adjustment to other reserves					
Share based payments	(i)	98	5	98	5
Total Equity under AIFRS		**54,774**	**53,196**	**49,613**	**49,237**

(i) Share Based Options

Under AASB 2 Share-based payments, the company is required to expense the fair value of share rights and awards granted to employees as remuneration over the vesting period. This standard applies to all share rights and awards issued after 7 November 2002 which have not vested as at 1 January 2005 with a corresponding increase in a share-based payment reserve. Options are granted to senior executives of Gale Pacific Limited as part of the performance based package. The fair value and other details on share options are disclosed in the Remuneration Report on page 28 of this Annual Report.

(ii) Goodwill

Under AASB 3 Business Combinations, amortisation of goodwill will no longer be able to be amortised and will be replaced by impairment testing on an annual basis. Impairment testing will focus on the discounted cash flows of the related cash generating units.

This will result in a change to the current accounting policy, whereby goodwill is amortised on a straight line basis over the period during which the benefits are expected to arise but not exceeding 20 years. Under the new policy, amortisation will no longer be charged, but goodwill will be written down to the extent it is impaired.

(iii) Impairment of Assets

AASB136 Impairment of Assets determines the recoverable amount of cash generating units (CGUs) by assessing the higher of net selling price and value in use. This will result in a change to the Company's current accounting policy, which allows undiscounted expected net cash flows to be used in determining the recoverable amounts of non-current assets.

Gale Pacific Limited describes CGUs as a group of assets working together to generate cash flows. Those CGU's were defined, the impairment testing policy was reassessed and assets tested for impairment as at 30 June 2005. The assessment requires no write down in the 2005 financial year as such assets have been written down under AGAAP.

(iv) Foreign Currency

Under AASB 121 The Effect of Changes in Foreign Exchange Rates, each entity in the consolidated entity determines its functional currency, being the currency of the primary economic environment in which the entity operates. Each entity maintains its books and records in its functional currency.

Foreign operations are translated into the function currency of the consolidated entity based on an average rate for the profit and loss, and the exchange rate at reporting date for the balance sheet. Foreign exchange differences arising on translation are recognised directly in a separate reserve component of equity.

There are no expected changes in functional currency for the company or its overseas entities.

(b) Reconciliation of net profit as presented under AGAAP to that under AIFRS

		CONSOLIDATED	PARENT
	Notes	2004/05	2004/05
Profit from ordinary activities after income tax under AGAAP		4,683	964
Amortisation of goodwill	(ii)	495	197
Share based payments	(i)	(93)	(93)
Net profit from ordinary activities after income tax under AIFRS		5,085	1,068

(c) Restated AIFRS Statement of Cash Flows for the year ended 30 June 2005

No material impacts are expected to the cash flows presented under AGAAP on adoption of AIFRS

Additional Stock Exchange Information
as at 20 September 2005

Number of Holdings of Equity Securities as at 20 September 2005

The fully paid issued capital of the Company consisted of 51,905,861 ordinary fully paid shares held by 1,319 shareholders. Each share entitles the holder to one vote.

Three option holders hold 610,000 options over ordinary shares. Options do not carry a right to vote.

Distribution of Holders of Equity Securities

	NUMBER OF SHAREHOLDERS	
SIZE OF SHAREHOLDING	FULLY PAID ORDINARY SHARES	OPTIONS OVER ORDINARY SHARES
1 – 1,000	170	-
1,001 - 5,000	531	-
5,001 - 10,000	290	-
10,001 - 100,000	296	1
100,001 and over	32	2
	1,319	3
Holdings less than a marketable parcel	51	-

Substantial Shareholders as at 16 September 2005

Shareholder	No.	%
Gary Stephen Gale (i)	15,329,709	29.53%
Gale Australia Pty Ltd (ii)	13,927,844	26.83%
Barbara Gale (ii)	13,927,844	26.83%
Thorney Holdings Pty Ltd (iii)	6,197,201	11.94%
Warakirri Asset Management Pty Ltd (iv)	4,073,307	7.85%
Equipsuper Pty Ltd	3,810,264	7.34%
Acorn Capital Limited (v)	2,842,350	5.48%

(i) The substantial shareholding for Gary Stephen Gale includes the shares held by Gale Australia Pty Ltd and Barbara Gale (see note (ii) below).

(ii) The substantial shareholdings for Gale Australia Pty Ltd and Barbara Gale relate to the same shares.

(iii) The substantial shareholding of Thorney Holdings Pty Ltd includes holdings of Invia Custodian Pty Ltd, being numbers 2, 8 and 18 on the schedule of Twenty Largest Holders of Quoted Equity Securities and includes a holding that is outside of the top twenty holdings.

(iv) The substantial holding Warakirri Asset Management Pty Ltd is held in the name of ANZ Nominees Limited, being number 3 on the Schedule.

(v) Acorn Capital Limited includes holdings of National Nominees Limited and Health Super (numbers 5 and 19 on the Schedule respectively).

Additional Stock Exchange Information

as at 20 September 2005

Twenty Largest Holders of Quoted Equity Securities

Ordinary Shareholders	No.	%
1. Gale Australia Pty Ltd	13,927,844	26.83%
2. Invia Custodian Pty Limited (Thirty Five A/C)	5,127,965	9.88%
3. ANZ Nominees Limited	4,073,307	7.85%
4. National Nominees Limited (Equipsuper Account)	3,810,264	7.34%
5. National Nominees Limited	2,580,974	4.97%
6. Citicorp Nominees Pty Limited	1,441,728	2.78%
7. Mrs Anne Lesley Gale	973,923	1.88%
8. Invia Custodian Pty Ltd (White A/C)	801,938	1.54%
9. Cogent Nominees Pty Limited	781,138	1.50%
10. JP Morgan Nominees Australia Limited	767,054	1.58%
11. Benefund Limited	450,000	0.87%
12. Tricom Nominees Pty Ltd	427,942	0.82%
13. Westpac Custodian Nominees Limited	424,345	0.82%
14. Citicorp Nominees Pty Limited (CFSIL CWLTH BOFF SUPER A/C)	355,883	0.69%
15. Mrs Diane Kay Riddell	319,600	0.62%
16. Malla Pty Ltd	300,000	0.58%
17. Daryl Edward James Reilly	280,056	0.54%
18. Invia Custodian Pty Limited (Black A/C)	267,298	0.51%
19. Health Super Pty Ltd	261,376	0.50%
20. HSBC Custody Nominees (Australia) Limited	243,999	0.47%
Total	37,616,634	72.57%

The twenty members holding the largest number of shares together held a total of 72.57% of the issued capital.

Financial Report

Following the completion of the Financial Report, the Statement of Financial Position and Notes to the Financial Statements Note 15, have been amended as follows:

> The Preliminary Final Report classified non-current convertible notes, issued value of $6,500,000, as current bank loans. This disclosure has been corrected within the Financial Report.

Other information:

The name of the Company Secretary is Ms. S Karzis.

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

145 Woodlands Drive, Braeside, Victoria 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

Yarra Falls, 452 Johnston Street, Abbotsford, Victoria 3067

Local call 1300 850 505

International call + 613 9415 4000

Melbourne, Australia
Christchurch, New Zealand
Florida, USA
Jebel Ali, Dubai
Neunkirchen, Germany
Beilun, China

GALE
PACIFIC

Gale Pacific Limited
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