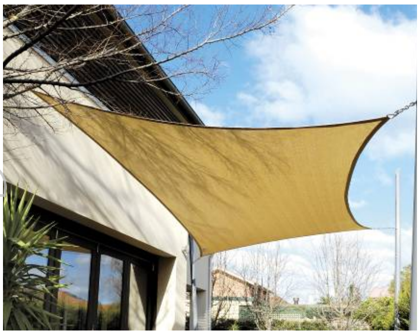
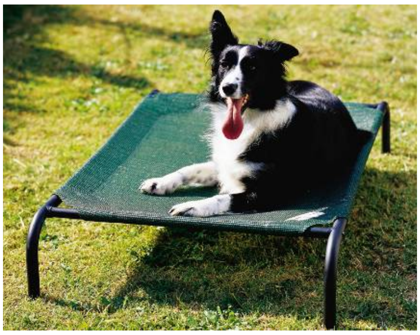
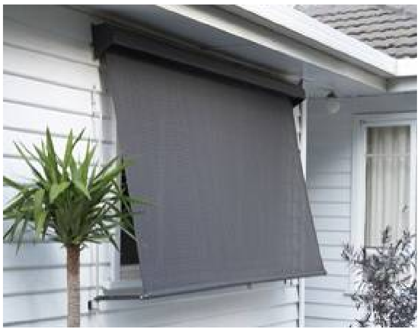
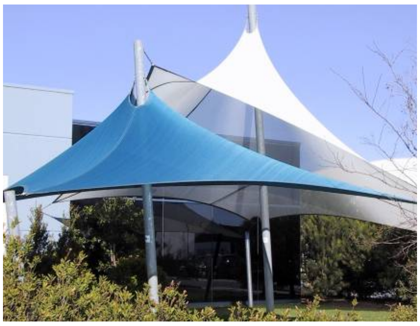
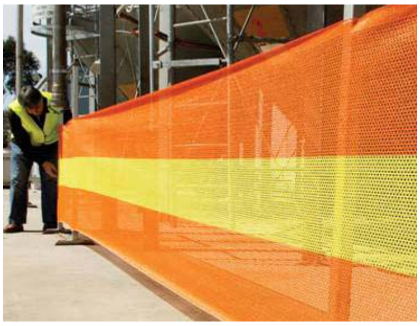




Synthesis Advanced Polymer Fabrics

Coolaroo MADE FOR LIFE

GALE PACIFIC

ANNUAL REPORT 2008

CONTENTS

3	CORPORATE INFORMATION
4	REPORT FROM THE CHAIRMAN & THE MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER
8	BOARD OF DIRECTORS
9	SENIOR MANAGEMENT
10	CORPORATE GOVERNANCE
14	DIRECTORS' REPORT
24	FINANCIAL RESULTS
25	INCOME STATEMENT
26	BALANCE SHEET
27	STATEMENT OF CHANGES IN EQUITY
28	STATEMENT OF CASH FLOWS
29	NOTES TO THE FINANCIAL STATEMENT
68	ADDITIONAL SECURITIES EXCHANGE INFORMATION





CORPORATE INFORMATION

GALE PACIFIC LIMITED

ABN 80 082 263 778

Directors

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

Company Secretary

Ms Sophie Karzis

Registered Office

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

Solicitors

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

Share Register

Computershare
Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, 3067
Local call 1300 850 505
T + 613 9415 4000

Auditor

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

Website Address

www.galepacific.com

REPORT FROM THE CHAIRMAN & THE MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Synthesis Horticultural Fabrics

Protective Canopy Nets

Synthesis protective canopy nets help control the growing environment, protect crops and enhance yields.

Premium Hortshade

Synthesis Premium Hortshade helps manage and modify climate conditions, allowing controlled crop protection.

Bird Netting

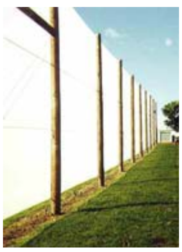
Used as permanent canopies, drape over nets or side nets, Synthesis Bird Netting fabrics protect vineyards and orchards from bird attack.

Solarweave

Synthesis Solarweave is an innovative hot house fabric that allows maximum superior light transmission for optimum growing conditions.

Handyscreen

Installed over tunnel houses, Synthesis Handyscreen reduces stress on vegetables, plants and flowers by lowering temperatures inside and promoting even light distribution.



Windbreak Fabrics

Synthesis windbreaks provide instant wind protection for plants without creating turbulence.

General Tree and Plant Protection

Protect plants and trees from animals, frost and other environmental conditions with Synthesis Tree Tie Webbing,Treeguard and Frost Cloth.

The fabrics
for life on earth
synthesisfabrics.com

Dear Shareholders,

The Year in Review

It is pleasing to report the improved results for the year ended 30 June 2008 which reflects the significant advances made over the last two years. The Gale Pacific Group underwent some substantial restructuring during 2006 and 2007. The restructuring initiatives were based around the strategy to ensure that the Group had a strengthened and stable platform for future growth.

The key achievements for the year were for the Group to return to profitability and to continue to generate strong positive cash flows from operations. The net profit after tax for the year ended 30 June 2008 was $2.51 million, which was an $18.87 million improvement compared with the reported loss for the year ended 30 June 2007. Positive cash flow generated from operations for the year was $9.8 million and continues the positive trend of cash generation from the prior year of $8.5 million.

Other significant improvements and strengthening of the Group's position included;

- Recapitalising the group with a placement to key shareholders, refinancing core debt and re-establishing a stable financial position;
- Completing the transfer and commissioning of regional manufacturing equipment to China, maximising the group leverage of the globally competitive Chinese manufacturing base;
- Liquidating remaining excess and obsolete inventory in Europe;
- Steady growth in the core Australian market and continued strong growth in the Middle East; and,
- Expanded retail presence in America and Europe, building the sales base in those markets for future years.

The year was not without some challenges which included weakening economic conditions in some key markets, record high polymer prices and the need to take a further write down on the disposal of obsolete inventories held in Europe from previous product introductions. The inventory write down unfavourably impacted the results by $1.6 million.

Revenue

Sales revenues from continuing activities declined by 4.8% or $5.3 million to $105.1 million mainly due to foreign exchange differences year on year in the consolidation of the accounts.

Operations

Asia / Pacific

Asia / Pacific revenue reduced marginally to $71.8 million from $72.8 million in the previous corresponding period. Sales increased in Australia. Domestic sales within New Zealand decreased and the closure and relocation of the manufacturing operations to China was completed smoothly. Operating profit after tax for the region increased to $5.0 million from a loss of $4.8 million in the previous corresponding period.

Australia

Sales in Australia for the full year increased by 7% compared with the previous corresponding period. Sales to the retail market were slightly lower as market conditions tightened towards the end of the financial year against a particularly strong previous corresponding period for retail product sales. This retail sales shortfall was offset by strong sales of industrial fabrics highlighted by exceptionally strong sales of our Landmark fabric for grain covers replacing competitors PVC product. Sales of coated fabrics have increased as market conditions have improved in many of our industrial market segments.

New Zealand

Excluding exports, sales in New Zealand decreased by 19% in local currency in a very competitive market. Some sales to New Zealand export customers were transferred to other Gale regions during the year. New Zealand manufacturing equipment was transferred to China during the year leaving no remaining production in New Zealand.

China

China operations continued to improve during the year, although we are still experiencing some technical processing issues. Good progress is being made and further improvements are planned during the first half of FY09. Recent restructuring of China management is designed to improve our technical capabilities and manufacturing efficiencies. A key component of this has been the recent implementation of a continuous improvement program.

Polymer costs have continued to rise to record high levels. Where possible, these cost increases have been, and will continue to be passed on in our selling prices.

Europe / Middle East / Africa

Europe / Middle East / Africa revenue increased to $11.9 million from $10.3 million in the previous corresponding period. The operating loss after tax for this region was $3.2 million compared with a loss of $12.1 million for the previous corresponding period which included the loss on sale of the Jung business in Germany and larger inventory write downs. The result for this year includes an inventory write down of $1.6 million in Europe.

Europe

Sales in Europe increased by 21% in local currency over the previous corresponding period but were from a low base. The sales increase was substantially lower than planned as the traction from increased store listings has not yet fully converted to increased sales levels, compounded by a delayed start to the selling season in Europe due to poor weather. Remaining obsolete inventory that the business has been burdened with since the 2005 and 2006 season has been liquidated. With this completed, management in Europe is focusing all of their efforts on growing both our retail and industrial business in the European market.

Middle East / Africa

Revenue in the Middle East increased 41% in local currency driven by the continued strong level of construction and development in this region. The Middle East business has been integrated into the Gale Europe operation improving the overall operations and focus of the Middle East business. The region benefited from improved supply of product from the China factory compared to the previous corresponding period.

The Americas

USA

Sales in the USA declined 13% in local currency terms in a tough market and following the loss of a product listing with a retail customer. Despite this, the USA grew its retail store presence with the two major retail customers, Lowe's and The Home Depot, and added new products with both of these accounts over the year. The sell through rates with these customers were encouraging, considering the downturn in US retail spending, particularly in the home improvement and DIY market.

In Australian dollar terms, USA revenue reduced to $20.9 million from $27.8 million in the previous corresponding period. The result after tax was break even compared to a profit of $1.2 million for the previous corresponding period.

While the financial results for FY08 were below expectations, we are confident of the long term growth opportunity represented by the American market.

Research and Development (R & D)

The R & D group under the direction of Dr Paul Cacioli has been working on a balance of shorter term product improvement and technical projects, and longer term innovation and technology step change projects. The R & D department is based in Australia and China and projects include improved fire retardant architectural fabrics and a breakthrough waterproof and breathable fabric. Important improvements to our Landmark fabric used for covering grain have assisted in winning new business for this product, replacing competitors PVC fabrics. The company remains committed to a substantial investment in R & D as a key factor in the Group's long term growth.

Information Technology

The group wide global information system has been implemented in Australia, New Zealand and the Middle East. The implementation to be completed in the remaining regions during 2008 / 2009 will then generate uniform processes and information. This investment in information technology will continue to provide improvements in support for decision making, ongoing working capital improvements and customer service.

Financial Results

The Group reported a profit after tax of $2.51 million for FY08 (compared with a loss after tax of $16.36 million for the previous corresponding period). This represents an increase of $18.87 million.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased to $13.6 million or 13% of revenue compared with an EBITDA loss of $0.3 million from continuing business for the previous corresponding period.

Revenue for the year declined 4.8% to $105.1 million from $110.4 million. Revenue increased in Australia, Europe and the Middle East. Difficult trading conditions in the USA resulted in a sales decline from the same period last year.

The result includes a write down of the remaining obsolete inventory held in Europe of $1.6 million. No tax benefit has been applied to this write down and therefore the effect on the full year results of the $1.6 million cost is both before and after tax. Normalised earnings for FY08 (after removing this write down) were EBITDA of $15.2 million and a profit after tax of $4.1 million.

Cash Flow and Balance Sheet

The Group significantly reduced net borrowings (borrowings less cash and cash equivalents) by $23.3 million to $20.5 million during the last twelve months through a combination of a capital raising and positive cash flow from operations. Gross cash generated from operations was $12.7 million. $2.9 million of cash payments were made relating to the one-off New Zealand plant restructuring, resulting in reported net cash generated from operations of $9.8 million.

The Group has a strong balance sheet with a gearing ratio at 30th June 2008 of 26% (compared with 72% for the previous corresponding period).

Capital expenditure on plant and equipment was substantially reduced to $3.4 million including freight and installation costs of equipment transferred from New Zealand to China. Inventory levels reduced by $3.4 million from June 2007.

Net tangible assets per ordinary security was 49.6 cents per share as at 30 June 2008.

Dividends

The Directors are pleased with the improved results, return to profitability of the business and the debt reduction which has occurred, placing the business in a much stronger financial position. Directors believe it is prudent to maintain a strong balance sheet with reduced borrowings in the current economic environment. No final dividend will be declared for the year, and Directors will review the position during the FY09 year.

Directors

Mr John Murphy was appointed as a Non Executive Director on 24 August 2007. There were no other changes to the composition of the Board of Directors during the year.

Corporate Governance

The Group is committed to the principles of good corporate governance. A full discussion on the Group's progress in creating strong and transparent corporate governance and in meeting all of the 'Principles and Best Practice Recommendations' published by the Corporate Governance Council of the Australian Securities Exchange is contained in the Directors' Report section of this Annual Report.

As part of this commentary, the Directors' Report contains the Remuneration Report. This report shows how the Group seeks to align employee remuneration with Group performance, putting a significant portion of executive remuneration at risk. It details both variable short term cash incentives and longer term performance hurdles. The Board believes such short and long term incentive programs are vital to improving organisational performance. At this year's Annual General Meeting shareholders will be asked to provide a non binding vote on the Remuneration Report.

Annual General Meeting

A notice of the Company's Annual General Meeting to be held on 14 November 2008 and a proxy form for voting is enclosed with this report.

Management and Staff

The senior management team has remained committed to the turnaround of the business throughout the year. On behalf of the Directors, we would like to thank the entire Gale team for their diligence and dedication to improving the business. The team should rightly be proud of the resultant return to profitability of the business.

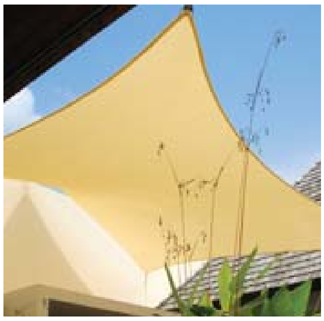
We are confident that the Gale team and Gale culture has the Group well placed to meet the challenges and capitalise on the opportunities for the business as they arise in the period ahead.

Outlook

Enormous progress has been made within the business over the last few years and we are planning for improved performance in FY09. The current unsettled economic and market environment makes it difficult to provide specific guidance on the Group's expected financial performance for the coming year.

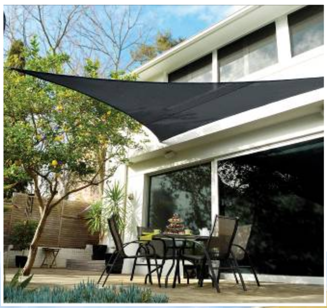
Mr Harry Boon
Chairman
30 September 2008

Mr Peter McDonald
Managing Director and Chief Executive Officer
30 September 2008



Coolaroo Shade Sail

The Coolaroo Shade Sail state-of-the-art material blocks up to 90% of the sun's harmful UV rays yet remains totally unaffected by moisture and natural temperature extremes. Since Coolaroo fabric is knitted, it won't tear or fray. All Coolaroo Shade Sails feature reinforced polyester webbing on all edges for long life performance and are warranted against UV degradation for a full 10 years.

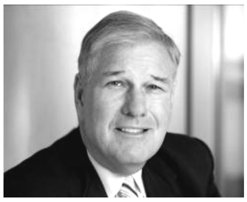


coolaroo
MADE FOR LIFE

BOARD OF DIRECTORS

HARRY BOON,
LLB (HONS), B. Com

PETER MCDONALD,
Bachelor of Business (Marketing)



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

GEORGE RICHARDS,
CPA, AAICD

Harry Boon

Chairman & Non Executive Director since August 2005

Mr Boon joined the Company in August 2005 and brings to the role his experience as a senior executive in one of Australia's leading listed companies, Ansell Limited. Mr Boon's executive career culminated with the position of Chief Executive Officer of Ansell Limited from April 2002 to June 2004, having previously been President, Chief Executive Officer and Managing Director of Ansell Healthcare since February 1989. Mr Boon is also Chairman of Tatts Group Limited, a Non Executive Director of Hastie Group Limited, Non Executive Director of Paperlinx Limited and Non Executive Director of Toll Holdings Limited.

Mr Boon has lived and worked in Australia, Europe, United States and Canada, and has broad based experience in global marketing and sales, large scale manufacturing operations, and product development. He is multi-lingual, has a strong track record of delivering business results through setting ambitious goals, building the appropriate organisation structures, and pursuing achievement.

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

Peter McDonald

Managing Director & Chief Executive Officer

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

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

John Murphy

Non Executive Director since August 2007

Mr Murphy is the Managing Director of Investec Wentworth Private Equity Limited and in this capacity is a board member of the fund's investments, including the following listed companies: Ariadne Australia Limited, Staging Connections Group Limited and Gale Pacific Limited.

Mr Murphy is also a Non Executive Director of First Opportunity Fund Limited and Investec Bank (Australia) Limited and Specialty Fashion Group Limited.

During the last 3 years, Mr Murphy was a Non Executive Director of the following listed companies: Kids Campus Limited (2004-2006), Southcorp Limited (2003-2005), Invocare Limited (2001-2005) , SMS Management and Technology Limited (2001-2004), Fone Zone Group Limited (2005 -2006) and Australian Pharmaceutical Industries Limited (2004-2007).

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

George Richards

Non Executive Director since May 2004

Mr Richards joined the Board in 2004. Mr Richards was the Chief Executive of Mitre 10 South West Ltd from 1990 to 2000 and was previously the Managing Director of Cooper Tools, a market leader in hand tools manufacture and distribution. Mr Richards has had over 45 years experience in retail, marketing, manufacturing and distribution. He is a board member of The Alfred Foundation, a Director of Magnet Mart Pty Ltd, Bowen & Pomeroy Pty Ltd, Chairman of Carpet Court Australia Limited, Associate Member of the Australian Institute of Company Directors and Australian Society of Accountants.

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

SENIOR MANAGEMENT

Jeff Cox — *Chief Financial Officer ("CFO")*

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

Dr Paul Cacioli — *General Manager, Research & Development & Technical Services*

Dr Paul Cacioli joined Gale in late March 2007 and is responsible for planning and managing the Company's research and development activities. Paul spent 19 years with Ansell, 14 of which were spent overseas in Malaysia, Sri Lanka and the USA, rising to the position of Senior Vice President of Science and Technology and Regulatory Affairs. Paul brings to Gale a broad range of technical skills and a world class knowledge of polymers and research and development processes.

Martin Denney — *Managing Director, USA*

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

Frank Albertsmeier — *Managing Director, Europe / Middle East / Africa*

Frank has had extensive experience in managing sales, marketing and business development in the consumer and professional goods industry in various countries in Europe. Prior to joining Gale, Frank was the Director of Sales for ICI Europe for four years, responsible for a turnover of €85 million. He played a leading role in the strategic process to develop the future direction for ICI in Europe. Frank also managed more than 100 sales and marketing people within this division while doubling the bottom line. Frank has held many sales and management positions for Black and Decker Europe through his 18 year tenure, reaching the level of Commercial Director.

Emma Xu — *Managing Director, China*

Prior to joining Gale, Emma worked as an attorney in China with extensive experience in law and international business management. Emma's responsibilities initially included government relationships, finance, internal control and communication with the Board. Emma was promoted to Managing Director of Gale Pacific Special Textiles (Ningbo) Limited ("GPST") in September 2003 as GPST became a wholly owned overseas enterprise of Gale. Emma was responsible for managing the construction of the Gale facility in Ningbo and the relocation of the manufacturing equipment from Braeside, Australia to Ningbo, the installation of new machines purchased from Europe, the set up of aluminium extrusion and powder coating lines in-house, and selecting and leading the Chinese management team.

Paul Ducray — *Chief Manufacturing Officer*

Paul joined Gale in December 2004 and relocated to China in June 2006 and taking on his current position of Chief Manufacturing Officer responsible for all manufacturing and logistics functions at GPST. Paul previously worked at BTR Dunlop in South Africa. In 2001 Paul migrated to New Zealand and joined Donaghy's NZ in the role of Manufacturing Manager. A successful turnaround of the company started with a management buyout, new management team and restructuring of the business. This led to the purchase of the Industrial Textiles division of Donaghys by Gale Pacific Limited in December 2004.

CORPORATE GOVERNANCE

This statement sets out the corporate governance practices that were in operation throughout the 2007 / 2008 financial year for Gale Pacific Limited ("the Company") and its controlled entities ("the Group"). Gale Pacific's Directors and management are committed to conducting the Company's business in an ethical manner and in accordance with the highest standards of corporate governance. The Board has continued its strategy of strengthening its corporate governance practices and the Company has adopted and complies with the ASX Corporate Governance Principles and Recommendations Second Edition August 2007. It is noted that the revised principles and recommendations are not required to be reported on until the Company's 2009 annual report is published.

The ASX Corporate Governance Council has encouraged companies to make an early transition to the revised Principles and Recommendations and the Company is reporting by reference to the revised Principles and Recommendations in this 2008 Annual Report. A summary of how the Group complies with the revised ASX Corporate Governance Principles and Recommendations is included below. The various charters and policies are all available on the Gale Pacific web site: www.galepacific.com.

Principle 1: Lay solid foundation for management oversight

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

Complying.

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

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

Principle 2: Structure the Board to add value

A majority of the board members should be independent.

Complying.

The Board comprises four directors, three of whom are non executive and independent. The directors considered by the Board to constitute independent directors are Mr H Boon, Mr G Richards and Mr J Murphy. The test to determine independence which is used by the Company is whether a director is independent of management and any business or other relationship with the Group that could materially interfere with – or could reasonably be perceived to materially interfere with – the exercise of their unfettered and independent judgement.

The chairman should be an independent director.

Complying.

The Chairman, Mr H Boon has been Chairman of the Company since 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 roles of the chairman and the chief executive officer should not be exercised by the same individual.

Complying.

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

The board should establish a nomination committee.

Complying.

The Board has a formal Nomination Committee comprising of the non executive independent directors. The Nomination Committee's functions and powers are formalised in a Charter. Mr H Boon is Chairman of the Nomination Committee.

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

Complying.

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

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

Principle 3: Promote ethical and responsible decision making

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

- The practices necessary to maintain confidence in the company's integrity.
- The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.
- The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

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

Complying.

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

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

Principle 4: Safeguard integrity in financial reporting

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

The board should establish an audit committee.

The audit committee should be structured so that it:

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

The audit committee should have a formal charter.

Companies should provide the information indicated in the Guide.

Complying.

The Directors are committed to the preparation of financial statements that present a balanced and clear assessment of the Group's financial position and prospects. The Company has an Audit & Risk Committee. 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 G Richards is the Chairman of the Audit & Risk Committee. Details of the names and qualifications of the members of the Audit & Risk Committee and the number of meetings held and attended by each member are contained in the Directors' Report of the Annual Report.

The Audit & Risk Committee has a formal charter which sets out the Audit Committee's role and responsibilities, composition, structure and membership requirements. The Audit Committee is given the necessary power and resources to meet its charter.

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

Principle 5: Make timely and balanced disclosure

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

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

Complying.

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

A copy of the Group's Disclosure Policy is posted on its website.

Principle 6: Respect the rights of shareholders

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

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

Complying.

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

1. The annual report is distributed to all shareholders who have elected to receive a copy, including relevant information about the operations of the Group during the year and changes in the state of affairs.
2. The half yearly report to the Australian Securities Exchange contains summarised financial information and a review of the operations of the Group during the period.
3. All major announcements are lodged with the Australian Securities Exchange, and posted on the Group's website.
4. Proposed major changes in the Group which may impact on share ownership rights are submitted to a vote of shareholders.
5. The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Group's strategy and goals.
6. The Company's auditor attends the Annual General Meeting.

Principle 7: Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control.

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

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

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

Companies should provide the information indicated in the Guide to reporting on Principle 7.

Complying.

The Board has responsibility for monitoring risk oversight and ensures that the Managing Director and Chief Executive Officer 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. In addition to its financial reporting obligations, the Audit & Risk Committee is responsible for reviewing the risk management framework and policies of the Group. The structure of the Audit & Risk Committee and its responsibilities reflect the requirements of ASX Principle 7. In performing this function, the Committee receives periodic reports from the auditor, senior management and, in some instances, external consultants.

The Managing Director and Chief Executive Officer 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 Group's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

Management has completed a review of the Group's major business units, organisational structure and accounting controls and processes. As a result of this review a number of risk management recommendations have been made and will be implemented. A description of the Group's risk management policy and internal compliance and control systems has been documented and is posted on the Group's web site.

Principle 8: Remunerate fairly and responsibly

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

The board should establish a remuneration committee.

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

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

Complying.

The Board has in place a Remuneration Committee. The structure of this Committee and its responsibilities reflect the requirements of ASX Principle 8. All three members of the Committee are independent directors. In addition to the members, the Managing Director and Chief Executive Officer is invited to the meetings at the discretion of the Committee. This Committee is responsible for ensuring that the recruitment and remuneration policies and practices of the Group are consistent with its strategic goals and are designed to enhance corporate and individual performance as well as meet the appropriate recruitment and succession planning needs. The Chairman of the Remuneration Committee is Mr J Murphy.

The Remuneration Committee is responsible for reviewing and monitoring executive performance, remuneration and incentive policies and the manner in which they should operate, the introduction and operation of share plans, executive succession planning and development programs to ensure that they are appropriate to the Group's needs and the remuneration framework for directors (as approved by shareholders). The Committee may consult with remuneration advisors to assist in its role.

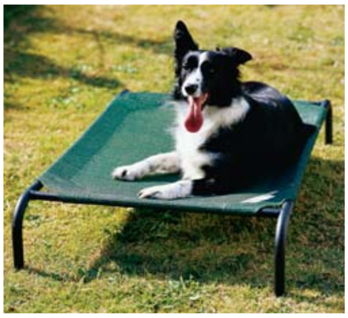
Details of the directors and key senior executives remuneration are set out in the Remuneration Report of the Annual Report.

The structure of non executive directors' remuneration is distinct from that of executives and is further detailed in the Remuneration Report of the Annual Report.

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

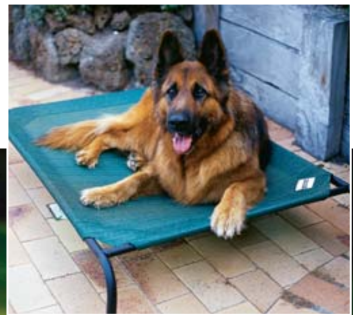
DIRECTORS' REPORT

The Directors of Gale Pacific Limited ("the Company") present their annual financial report of the consolidated entity, being the Company and its subsidiaries ("the Group") for the financial year ended 30 June 2008.



Pet Beds

Coolaroo Pet Beds feature unique Coolaroo knitted fabric that 'breathes' to keep pets cool and comfortable, promoting a healthier skin and coat condition and discouraging fleas and mites. This strong, UV-treated fabric will not be affected by moisture and temperature extremes.



coolaroo MADE FOR LIFE

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 since August 2005

Mr Boon joined the Company in August 2005 and brings to the role his experience as a senior executive in one of Australia's leading listed companies, Ansell Limited. Mr Boon's executive career culminated with the position of Chief Executive Officer of Ansell Limited from April 2002 to June 2004, having previously been President, Chief Executive Officer and Managing Director of Ansell Healthcare since February 1989.

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

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

Peter McDonald, Bachelor of Business (Marketing)

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

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

No other directorships of listed companies were held by Mr McDonald at any time during the three years prior to 30 June 2008.

John Murphy, CA, FCPA, B.Comm, M.Comm

Non Executive Director since August 2007

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

During the last three years, Mr Murphy was a Non Executive Director of the following listed companies Kids Campus Limited (2004-2006), Southcorp Limited (2003-2005), Invocare Limited (2001-2005), SMS Management and Technology Limited (2001-2004), Fone Zone Group Limited (2005-2006) and Australian Pharmaceutical Industries Limited (2004-2007).

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

George Richards, CPA, AAICD

Non Executive Director since May 2004

Mr Richards was the Chief Executive of Mitre 10 South West Ltd from 1990 to 2000 and was previously the Managing Director of Cooper Tools, a market leader in hand tools manufacture and distribution. Mr Richards has had over 45 years experience in retail, marketing, manufacturing and distribution. He is a board member of The Alfred Foundation, a Director of Magnet Mart Pty Ltd, Bowen & Pomeroy Pty Ltd, Chairman of Carpet Court Australia Limited, Associate Member of the Australian Institute of Company Directors and Australian Society of Accountants.

No other directorships of listed companies were held by Mr Richards at any time during the three years prior to 30 June 2008.

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

Ms Sophie Karzis, B JURIS LLB

Company Secretary

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

Nature of Operations and Principal Activities

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

Review and Results of Operations

The consolidated profit of the Group for the financial year attributable to the members of Gale Pacific Limited was $2.51 million. Refer to the Chairman and Managing Director's & Chief Executive Officer's Report for further details on the Group's result.

State of Affairs

In the opinion of the Directors there were no significant changes in the state of affairs of the 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

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

Likely Developments

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

Environmental Regulation and Performance

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

Dividends

In respect of the financial year ended 30 June 2008, no interim dividend was paid and the Directors have determined not to pay a final dividend.

Share Based Payments

Options

The Company maintains an option scheme for certain staff and executives, including executive directors, as approved by shareholders at an Annual General Meeting. The number of unissued ordinary shares under option as at the date of this report is 750,000. The issue price of each option is zero. Each option entitles the option holder to one (1) ordinary share in Gale Pacific Limited in the event that the option is exercised.

Of the 750,000 options on issue, 180,000 options were issued under the Company's executive share plan to the Managing Director and Chief Executive Officer, Mr Peter McDonald on 15 December 2004 (as approved by the Company's shareholders at the Company's Annual General Meeting held on 15 November 2004). 450,000 options were issued on 16 November 2005 and 120,000 options were issued on 24 October 2006 to executives and staff of Gale. Included in these issues are options issued to senior executives; 40,000 options issued to Mr Stephen Carroll Managing Director Australia, 40,000 issued options to Mr Zafar Fakroddin Business Unit Manager Gale Europe GmbH, and 20,000 options issued to Mr Paul Ducray Chief Manufacturing Officer. The exercise price of the 180,000 issued options is $3.00, the exercise price of the 450,000 issued options and the 120,000 issued options is $1.52. The vesting of options is determined in accordance with specific share price and / or performance hurdles. In the case of the 180,000 options their vesting is determined in accordance with the achievement of certain levels of adjusted weighted average earnings per share and the vesting of the 450,000 options and 120,000 options is determined in accordance with the achievement of certain levels of adjusted weighted average earnings per share. The 180,000 options and the 450,000 options are not exercisable after 1 December 2008. The 120,000 options are not exercisable after 31 December 2008. Options carry no rights to dividends and no voting rights. During the financial year no options vested.

Performance Rights

On 2 February 2007, the Company issued 150,000 performance rights to the Managing Director and Chief Executive Officer, Mr Peter McDonald. Each performance right entitles the holder to one (1) ordinary share in Gale Pacific Limited when exercised and is subject to the satisfying of relevant performance hurdles based on improvements in the Company's diluted earnings per share against the base year of the 2006 / 2007 financial year. The performance rights are not exercisable until after 30 September 2009 and expire on 2 February 2017.

On 16 November 2007 the Company issued 700,000 performance rights, 100,000 each to the following senior executives: Mr Frank Albertsmeier, Managing Director Europe / Middle East / Africa; Dr Paul Cacioli, General Manager Research & Development and Technical Services; Mr Stephen Carroll, Managing Director Australia; Mr Jeff Cox, Chief Financial Officer; Mr Martin Denney, Managing Director USA; Mr Paul Ducray, Chief Manufacturing Officer; and Ms Emma Xu, Managing Director, China. Each performance right entitles the holder to one (1) ordinary share in Gale Pacific Limited when exercised and is subject to the satisfying of relevant performance hurdles based on improvements in the Company's earnings before interest, tax, depreciation and amortisation ("EBITDA") over the two year period 1 July 2007 to 30 June 2009. The first tranche (25%) of these performance rights, which have as their hurdle, an EBITDA for the period 1 July 2007 to 30 June 2008 that has not been achieved, will now not vest. The remaining tranches are not exercisable until 30 June 2009 and expire on 16 November 2017. Any shares allocated upon vesting are subject to dealing restrictions for a period of twelve (12) months from the date of allocation.

No amount is payable on the vesting of a performance right. Performance rights carry no rights to dividends and no voting rights.

As set out in the accounting standard AASB 2 and the revised ASIC guidelines, the Company has valued the issued options and performance rights. A Binomial or a Black Scholes option pricing model was used and these models take 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 option rights.
- First exercisable date.
- Expected life.
- Expected dividend yield.
- Risk free interest rate for the expected life of the option rights.

Further details of the options and performance rights are disclosed in Note 16 to the Financial Statements.

Indemnification of Officers and Auditors

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

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

Directors' Shareholdings

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

Directors	Fully Paid Ordinary Shares	Options	Performance Rights
H Boon	263,513	-	-
P McDonald	434,714	180,000	150,000
J Murphy	-	-	-
G Richards	129,733	-	-

Directors' Meetings

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

	Directors' Meetings		Audit & Risk Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
Directors	No of meetings eligible to attend	Attended	No of meetings eligible to attend	Attended	No of meetings eligible to attend	Attended	No of meetings eligible to attend	Attended
H Boon	12	12	2	2	3	3	1	1
P McDonald	12	12	0	0	0	0	0	0
J Murphy	9	9	1	1	1	1	0	0
G Richards	12	12	2	2	3	3	1	1

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

Remuneration Report

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

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

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

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

Remuneration packages contain the following key elements:

- Primary benefits – salary / fees; and
- Benefits, including the provision of motor vehicles and incentive schemes, including share options and performance rights, as disclosed in Note 16 and Note 24 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 Securities Exchange Listing Rules specify that the aggregate remuneration of Non Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. The last determination was at the Annual General Meeting held on 14 December 2000 when shareholders' approved the Company's constitution which provides for an aggregate remuneration of $300,000 per annum. The amount of the aggregate remuneration and the manner in which it is apportioned is reviewed periodically. The Board considers fees paid to non executive directors of comparable companies when undertaking this review process.

Each Non Executive Director receives a fee for being a Director of the Company and does not participate in performance based remuneration. 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 2008 is detailed below.

Senior Manager & Executive Director Remuneration

Objective

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

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

Structure

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

Options and performance rights issued to executives as a form of compensation are dependant upon the performance conditions outlined in Note 16 of the financial statements.

Cash bonuses granted to executives are based on the respective performance of their regional business unit. Bonuses are paid out at various times during the year and are determined at the discretion of the Remuneration Committee.

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

2007 / 2008	Short term benefits			Post employ-ment	Share based payments		Total	Performance related	
Directors	Salary & fees $	Bonus $	Non-monetary $	Super $	Options $	Perform-ance rights $	$	Total %	Options %
Executive Directors									
P McDonald	380,379	85,000	26,471	37,114	5,521	49,285	583,770	23.9%	9.4%
Non Executive Directors									
H Boon	150,000	-	-	-	-	-	150,000	-	-
G Richards (i)	79,000	-	-	-	-	-	79,000	-	-
J Murphy (ii)	55,161	-	-	-	-	-	55,161	-	-
Total	664,540	85,000	26,471	37,114	5,521	49,285	867,931		

2006 / 2007	Short term benefits			Post employ-ment	Share based payments		Total	Performance related	
Directors	Salary & fees $	Bonus $	Non-monetary $	Super $	Options $	Perform-ance rights $	$	Total %	Options %
Executive Directors									
P McDonald	354,215	32,000	44,609	27,929	47,138	19,930	525,821	18.8%	12.8%
Non Executive Directors									
H Boon	150,000	-	-	-	-	-	150,000	-	-
G Richards	71,667	-	-	-	-	-	71,667	-	-
D Reilly (iii)	31,250	-	-	-	-	-	31,250	-	-
G Gale (iv)	-	-	-	-	-	-	-	-	-
Total	607,132	32,000	44,609	27,929	47,138	19,930	778,738	-	-

(i) Mr Richards currently receives a fee of $75,000 per annum for his services as a Non Executive Director and Chairman of the Company's Audit Committee. In addition, in the 2008 financial year, Mr Richards received additional fees of $4,000 per annum for additional duties undertaken at the Board's request in relation to the Company's China manufacturing plant.

(ii) Mr Murphy was appointed as a Non Executive Director on 24 August 2007. The details of his remuneration for the reporting period are from that date.

(iii) Mr Reilly retired from his role as a Non Executive Director on 21 November 2006. The details of his remuneration for the reporting period are to that date.

(iv) Mr Gale retired as a Non Executive Director on 21 November 2006. Mr Gale did not receive any remuneration in his role as Non Executive Director during the reporting period.

The following table discloses the remuneration of the key management personnel of the Group.

2007/2008	Short-term Benefits			Post Employment	Share Based Payments		Termin. Benefits	Total	Performance Related	
Key management personnel	Salary & fees $	Bonus $	Non-monetary $	Super $	Options $	Perf. Rights $	$	$	Total %	Options / Rights %
F Albertsmeier (i)	307,357	41,091	52,420	-	-	22,541	-	423,409	15.0%	5.3%
Z Fakroddin (ii)	356,807	-	-	-	6,426	-	27,932	391,165	1.6%	1.6%
J Cox	252,290	40,000	-	24,956	-	22,541	-	339,787	18.4%	6.6%
P Cacioli	246,903	25,000	-	20,510	-	22,541	-	314,954	15.1%	7.2%
S Carroll	261,373	-	-	21,957	6,426	22,541	-	312,297	9.3%	9.3%
M Denney (iii)	246,336	33,051	7,503	-	-	22,541	-	309,431	18.0%	7.3%
E Xu (iv)	242,284	19,397	9,830	-	1,832	22,541	-	295,884	14.8%	8.2%
P Ducray (v)	189,692	10,469	33,962	-	3,213	22,541	-	259,877	13.9%	9.9%
C McCallum (vi)	108,528	42,930	-	-	10,050	-	51,097	212,605	24.9%	4.7%
TOTAL	2,211,570	211,938	103,715	67,423	27,947	157,787	79,029	2,859,409		

2006/2007	Short-term Benefits			Post Employment	Share Based Payments		Termin. Benefits	Total	Performance Related	
Key management personnel	Salary & fees $	Bonus $	Non-monetary $	Super $	Options $	Perf. Rights $	$	$	Total %	Options / Rights %
F Albertsmeier (i)	320,090	77,506	33,479	-	-	-	-	431,075	18.0%	0.0%
Z Fakroddin (ii)	189,459	-	105,064	-	6,408	-	-	300,931	2.1%	2.1%
S Carroll	214,472	15,000	30,873	19,143	6,408	-	-	285,896	7.5%	2.2%
J Cox	229,358	25,000	-	20,642	-	-	-	275,000	9.1%	0.0%
P Ducray (v)	169,477	-	28,771	-	3,204	-	-	201,452	1.6%	1.6%
C McCallum (vi)	190,748	-	-	-	8,010	-	-	198,758	4.0%	4.0%
E Xu (vii)	179,517	12,457	4,028	-	2,493	-	-	198,495	7.5%	1.3%
M Denney (viii)	126,964	55,017	-	-	-	-	-	181,981	30.2%	0.0%
P Cacioli (ix)	62,713	-	1,507	5,644	-	-	-	69,864	0.0%	0.0%
TOTAL	1,682,798	184,980	203,722	45,429	26,523	-	-	2,143,452		

(i) Mr Albertsmeier is based in Germany and remunerated in euro converted to Australian dollars in the table above.

(ii) Mr Fakroddin is based in Europe and is remunerated in euro converted to Australian dollars in the table above. Mr Fakroddin departed his role on 30 June 2008.

(iii) Mr Denney is based in the United States of America and remunerated in United States dollars converted to Australian dollars in the table above.

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

(v) Mr Ducray is based in China and remunerated in Chinese renminbi and United States dollars converted to Australian dollars in the table above.

(vi) Mr McCallum is based in New Zealand and is remunerated in New Zealand dollars converted to Australian dollars in the table above. Mr MaCallum was made redundant on 31 December 2007 following the completion of the restructuring of the New Zealand operations. His remuneration details for the reporting period are to that date.

(vii) Ms Xu is based in China and is remunerated in Chinese renminbi and United States dollars converted to Australian dollars in the table above.

(viii) Mr Denney was appointed Managing Director, Gale Pacific USA on 1 August 2006 and therefore the details of his remuneration for the reporting period are from that date. He is based in the United States of America and remunerated in United States dollars converted to Australian dollars in the table above.

(ix) Dr Cacioli was appointed General Manager, Research and Development and Technical Services on 1 March 2007 and therefore the details of his remuneration for the reporting period are from that date.

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

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

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Taxation services	62	84	17	36
Corporate secretarial services	21	46	-	-
Systems review	2	25	-	25
Capital raising related services	-	13	-	13
Jung divestment	-	5	-	5
Government grant review	3	3	3	3
General assistance	2	2	2	2
Total	90	178	22	84

Proceedings on Behalf of the Company

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

Rounding Off of Amounts

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

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

On behalf of the Directors;

Mr Harry Boon
Chairman
30 September 2008

Mr Peter McDonald
Managing Director and Chief Executive Officer
30 September 2008

To the Directors of Gale Pacific Limited

In relation to the independent audit for the year ended 30 June 2008, to the best of my knowledge and belief there have been:

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

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

S Schonberg
Partner
30 September 2008

PITCHER PARTNERS
MELBOURNE

The Directors of the Company declare that:

The financial statements and notes, as set out on pages 24 to 67 are in accordance with the *Corporations Act 2001* including:

- Compliance with Accounting Standards in Australia and the *Corporations Regulations 2001*;
- Providing a true and fair view of the financial position as at 30 June 2008 and of the performance, as represented by the results of the operations and the cash flows, of the Company and the Group for the year ended on that date; and
- That the Directors have been given the declaration required under section 295A of the *Corporations Act 2001*.

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

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

Mr Harry Boon
Chairman
30 September 2008

Mr Peter McDonald
Managing Director and Chief Executive Officer
30 September 2008

We have audited the accompanying financial report of Gale Pacific Limited and controlled entities. The financial report comprises the Balance Sheet as at 30 June 2008, and the Income Statement, Statement of Changes in Equity and Cash Flow Statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

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

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

Auditor's Responsibility

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

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

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

Independence

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

Auditor's Opinion

In our opinion,

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

- (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 19 of the directors' report for the year ended 30 June 2008. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

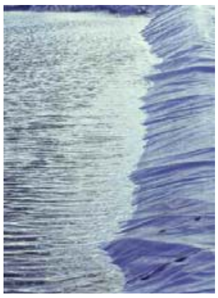
In our opinion the Remuneration Report of Gale Pacific Limited and controlled entities for the year ended 30 June 2008, complies with section 300A of the Corporations Act 2001.

S Schonberg
Partner
30 September 2008

PITCHER PARTNERS
MELBOURNE

FINANCIAL RESULTS

Synthesis Water Conservation



Water Storage Shade Covers

Synthesis shade fabrics are used to cover large potable water storages to reduce evaporation, decrease algal blooms, and protect water from contamination by birds or wind-blown debris.

Dam Liners

Synthesis fabrics such as Canvacon and Landmark are used to line rural dams to prevent water loss through seepage.

Water Containment Fabrics

Synthesis fabrics are used worldwide to produce reliable water storage liners domestic water tanks to industrial-sized tank liners.

Irrigation Channels

Canvacon and Landmark can be used to line irrigation channels to prevent water seepage, and for tough, portable fluming. Synthesis shade fabrics can be used as channel covers to reduce evaporation and minimise aquatic plant growth.

Unique fabrics to secure our most precious resource
synthesisfabrics.com

INCOME STATEMENT

For the year ended 30 June 2008

		Consolidated		Company	
	Note	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Revenue	2	105,119	110,404	60,598	57,801
Expenses	3				
Changes in inventories of finished goods and work in progress		(3,334)	5,776	(597)	(479)
Raw materials and consumables used		(42,209)	(57,624)	(30,012)	(32,147)
Employee benefits expense		(17,799)	(22,623)	(7,698)	(8,049)
Depreciation and amortisation expense		(7,361)	(7,859)	(2,604)	(3,053)
Inventory write down		(1,581)	(4,339)	-	(440)
Impairment of goodwill and assets		-	(1,031)	-	(316)
Restructuring and termination costs		-	(4,672)	-	-
Impairment of related party receivables		-	-	-	(9,699)
Operating overheads		(25,202)	(25,343)	(10,647)	(8,080)
Other expenses		(405)	(228)	(3,249)	(2,728)
Finance costs		(3,037)	(5,598)	(2,252)	(4,379)
Profit / (loss) from continuing operations before income tax		4,191	(13,137)	3,539	(11,569)
Income tax (expense) / benefit	4	(1,686)	(2,752)	(1,232)	2,884
Profit / (loss) from continuing operations after income tax		2,505	(15,889)	2,307	(8,685)
Loss from discontinued operations	23(c)	-	(471)	-	-
Profit / (loss) attributable to minority interests	19	-	-	-	-
Net profit / (loss) attributable to the members of the parent entity	18	2,505	(16,360)	2,307	(8,685)
Earnings Per Share					
From Continuing & Discontinued Operations					
Basic earnings per share (cents per share)	21	1.92	(17.07)		
Diluted earnings per share (cents per share)	21	1.90	(17.07)		
From Continuing Operations					
Basic earnings per share (cents per share)	21	1.92	(16.58)		
Diluted earnings per share (cents per share)	21	1.90	(16.58)		

The accompanying notes form part of these financial statements.

BALANCE SHEET

As at 30 June 2008

		Consolidated		Company	
	Note	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Current Assets					
Cash and cash equivalents	5	16,594	7,642	12,317	3,654
Trade and other receivables	6	19,552	19,363	5,856	5,557
Inventories	7	26,576	30,143	10,914	10,581
Current tax assets	4	178	362	-	-
Other current assets	9	760	1,517	296	1,169
Total current assets		63,660	59,027	29,383	20,961
Non Current Assets					
Amounts receivable from controlled entities	6	-	-	41,641	42,244
Other financial assets	8	-	-	30,585	25,326
Property, plant and equipment	10	55,344	60,724	7,918	9,272
Intangible assets	11	10,845	11,707	5,081	5,158
Deferred tax assets	4	175	270	2,842	2,908
Total non current assets		66,364	72,701	88,067	84,908
Total assets		130,024	131,728	117,450	105,869
Current Liabilities					
Trade and other payables	12	10,649	11,104	4,182	2,865
Borrowings	13	34,140	47,073	17,643	27,074
Other financial liabilities	14	28	31	28	31
Current tax liabilities	4	6	658	6	382
Provisions	15	1,778	6,182	883	902
Total current liabilities		46,601	65,048	22,742	31,254
Non Current Liabilities					
Borrowings	13	2,978	4,348	2,978	4,348
Deferred tax liabilities	4	1,587	1,133	-	-
Provisions	15	112	502	69	78
Total non current liabilities		4,677	5,983	3,047	4,426
Total liabilities		51,278	71,031	25,789	35,680
Net assets		78,746	60,697	91,661	70,189
Equity					
Contributed equity	16	100,813	81,936	100,813	81,936
Reserves	17	(10,026)	(6,784)	632	344
Retained earnings	18	(12,030)	(14,444)	(9,784)	(12,091)
Parent entity interest		78,757	60,708	91,661	70,189
Minority interests	19	(11)	(11)	-	-
Total equity		78,746	60,697	91,661	70,189

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2008

		Consolidated		Company	
	Note	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Total Equity at the Beginning of the Period		60,697	46,933	70,189	43,896
Exchange differences on translation of foreign operations	17(a)	(3,621)	(4,854)	-	-
Employee share based expenditure	17(b)	288	166	288	166
Net (loss) / income recognised directly in equity		(3,333)	(4,688)	288	166
Profit / (loss) for the period		2,505	(16,360)	2,307	(8,685)
Total recognised income and expense for the period		(828)	(21,048)	2,595	(8,519)
Transaction with Equity Holders in their Capacity as Equity Holders					
Contributions, net of raising costs and tax	16	18,877	34,812	18,877	34,812
Dividends provided for or paid	20	-	-	-	-
		18,877	34,812	18,877	34,812
Total equity at the end of the period		78,746	60,697	91,661	70,189
Total Recognised Income and Expense for the Period is Attributable To					
Members of the parent		2,505	(16,360)	2,307	(8,685)
Minority interest		-	-	-	-
Total		2,505	(16,360)	2,307	(8,685)

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2008

		Consolidated		Company	
	Note	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Cash Flow From Operating Activities					
Receipts from customers		109,476	127,586	62,987	59,654
Payments to suppliers and employees		(96,139)	(113,027)	(55,035)	(55,849)
Interest received		876	489	2,379	2,785
Borrowing costs paid		(3,276)	(5,740)	(2,378)	(4,379)
Income tax (payments) / refunds		(1,118)	(768)	(1,060)	59
Net cash provided by operating activities	23(b)	9,819	8,540	6,893	2,270
Cash Flow From Investing Activities					
Proceeds from sale of plant and equipment		443	537	70	7,830
Proceeds from the disposal of business	23(c)	-	15,690	-	-
Payment for plant and equipment		(3,370)	(3,953)	(402)	(1,211)
Payment for intangible assets		(866)	(174)	(836)	(174)
(Payments) / proceeds for / from investments		-	-	(5,259)	83
Amounts advanced by related parties		-	-	603	3,129
Net cash (used) / provided by investing activities		(3,793)	12,100	(5,824)	9,657
Cash Flow From Financing Activities					
Proceeds from issue of equity securities		18,395	19,017	18,395	19,017
Repayment of borrowings		(5,709)	(30,949)	(4,866)	(26,489)
Repayment of principal on finance leases		(175)	(226)	(175)	(226)
Repayment of principal on hire purchase		(2,225)	(1,783)	(2,225)	(1,783)
Net cash provided / (used) by financing activities		10,286	(13,941)	11,129	(9,481)
Net increase in cash held		16,312	6,699	12,198	2,446
Cash at beginning of year		539	(6,414)	(790)	(3,236)
Effects of exchange rate changes on items denominated in foreign currencies		(1,166)	254	-	-
Cash at the end of the year	23(a)	15,685	539	11,408	(790)

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: BASIS OF PREPARATION

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

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

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

(a). Basis of Preparation of the Financial Report

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

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

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

(b). Principals of Consolidation

The consolidated financial statements are those of the consolidated entity, comprising the financial statements of the parent entity and of all entities, which Gale Pacific Limited controlled from time to time during the year and at balance date. Details of the controlled entities are contained in Note 26.

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

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

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

(c). Net Investments in Foreign Operations

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

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

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

		Consolidated	
	Note	2007 / 2008 ($000)	2006 / 2007 ($000)
Monetary item identified as a net investment in a foreign operation			
Related party receivable to the company from Gale Europe GmbH Vertriebsgesellschaft		16,855	16,855
Related party receivable to the company from Gale Pacific Special Textiles (Ningbo) Limited		13,421	13,421
Related party receivable to the company from Gale Pacific (New Zealand) Limited		5,238	5,238
Total		35,514	35,514
Exchange movement arising on monetary item forming part of the net investment in related party, recognised in foreign currency translation reserve	17(a)	(4,374)	(2,783)

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

(d). Revenue Recognition

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

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

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

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

(e). 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.

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.

Cash has been offset against borrowings where;

- the Group has a legally enforceable right to set off cash and borrowings, and

- the Group intends to settle on a net basis or realise the asset and settle the liability simultaneously.

The amount recognised as an offset against borrowings has been disclosed in Note 5 and Note 13.

(f). 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.

(g). Plant and Equipment

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

Plant and Equipment

Plant and equipment is measured on the cost basis. The carrying value of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected discounted net cash flows that will be received from the asset's employment and subsequent disposal. Refer to Note 1(j). The cost of fixed assets constructed within the Group includes the cost of materials, direct labour and an appropriate proportion of fixed and variable overheads.

Depreciation

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

The depreciation rates used for each class of assets are:

Class of Fixed Asset	Depreciation Rates	Depreciation Basis
Buildings	2.25%	Straight line
Leasehold improvements	Determined by lease term	Straight line
Plant and equipment	6.7% - 20.0%	Straight line
Leased plant and equipment	6.7% - 20.0%	Straight line
Motor vehicles	20.0%	Straight line
Office equipment	14.3% - 50.0%	Straight line

(h). Leases

Finance Leases

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

Operating Leases

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

(i). Intangibles

Goodwill

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

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

Patents and Trademarks

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

Application Software

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

Research and Development

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

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

(j). Impairment of Assets

Assets with an indefinite useful life are not amortised but are tested annually for impairment in accordance with AASB 136. Assets subject to annual depreciation or amortisation are reviewed for impairment whenever events or circumstances arise that indicate that the carrying amount of the asset may be impaired.

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

(k). Taxes

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

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

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

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

(l). Employee Benefits

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

Contributions are made by the Group to employee superannuation funds and are charged as expenses when incurred.

Share Based Payments

The Group operates share option and performance rights schemes for certain staff and executives including executive directors. The bonus element over the exercise price for these instruments is recognised as an expense in the income statement in the period(s) when the benefit is earned.

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

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

(m). Financial Instruments

The Group classifies its financial instruments in the following categories: financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates the designation at each reporting date.

Loans and Receivables

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

Financial Liabilities

Financial liabilities include trade payables, other creditors and loans from third parties including inter-company balances and loans from or other amounts due to director-related entities.

Non derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Investment in Controlled Entities

Investments in controlled entities are carried at cost and tested for impairment.

Financial Instruments at Fair Value Through Profit and Loss

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

(n). Foreign Currencies

Functional and Presentation Currency

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

Transactions and Balances

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

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

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

Group Companies

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

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

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

(o). Rounding Amounts

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

(p). Comparatives

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

NOTE 2: REVENUE

	Consolidated			
	2007 / 2008 ($000)		2006 / 2007 ($000)	
	Continuing	Discontinuing	Continuing	Discontinuing
Operating Activities				
Sale of goods – other parties	104,020	-	109,338	8,184
SIP income	102	-	110	-
Interest income – other parties	946	-	626	-
Other revenue	51	-	330	28
Total revenue	105,119	-	110,404	8,212

	Company			
	2007 / 2008 ($000)		2006 / 2007 ($000)	
	Continuing	Discontinuing	Continuing	Discontinuing
Operating Activities				
Sale of goods – other parties	57,175	-	53,930	-
Sale of goods – related parties	814	-	969	-
SIP income	102	-	110	-
Interest income – other parties	871	-	446	-
Interest income – related parties	1,580	-	2,339	-
Other revenue	56	-	7	-
Total revenue	60,598	-	57,801	-

NOTE 3: PROFIT

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

	Consolidated			
	2007 / 2008 ($000)		2006 / 2007 ($000)	
	Continuing	Discontinuing	Continuing	Discontinuing
Cost of sales	56,577	-	74,982	4,479
Finance Costs				
Other persons	3,037	-	5,598	142
Depreciation of Non Current Assets				
Buildings	197	-	195	-
Leasehold improvements	76	-	100	-
Plant and equipment	5,375	-	5,722	12
Motor vehicles	81	-	121	5
Office equipment	476	-	545	14
Amortisation of Non Current Assets				
Leased plant and equipment	12	-	46	-
Leased motor vehicles	96	-	80	-
Patents and trademarks	63	-	55	-
Application software	167	-	71	-
Research and Development Expenditure				
Capitalised and amortised	818	-	924	-
Expensed as incurred	670	-	652	-
Impairment	-	-	317	-
Impairment of Non Current Assets				
Plant and equipment	-	-	714	-
Inventory write down	1,581	-	4,339	-
Restructuring and termination costs	-	-	4,672	-
(Decrease) / increase in provision for obsolete inventory	(709)	-	1,338	-
Bad and Doubtful Debts				
Bad debts written off – trade debtors	210	-	107	-
Movement in provisions for doubtful debts – trade debtors	103	-	49	-
Remuneration of the Auditors of the Parent Entity For				
Auditing the financial report	194	-	316	-
Taxation services	17	-	36	-
Systems review	-	-	25	-
Capital raising related services	-	-	13	-
Jung divestment	-	-	5	-
Government grant review	3	-	3	-
General assistance	2	-	2	-
Total remuneration of the auditors of the parent entity	216	-	400	-
Remuneration of Other Auditors of Controlled Entities For				
Auditing the financial report	136	-	142	-
Taxation services	45	-	48	-
Management services	21	-	46	-
Systems review	2	-	-	-
Total remuneration of other auditors	204	-	236	-
Total remuneration of auditors	420	-	636	-
Foreign currency translation (gains)	(252)	-	(1,238)	-
Net (Gain) / Loss on Disposal of Non Current Assets				
Plant and equipment	(5)	-	66	-
Motor vehicles	(3)	-	42	-
Office equipment	10	-	18	-
Operating lease rental expense	1,718	-	3,615	-
Share based payment expense	288	-	166	-

	Company			
	2007 / 2008 ($000)		2006 / 2007 ($000)	
	Continuing	Discontinuing	Continuing	Discontinuing
Cost of sales	30,428	-	32,506	-
Finance Costs				
Other persons	2,252	-	4,379	-
Depreciation of Non Current Assets				
Leasehold improvements	22	-	22	-
Plant and equipment	1,289	-	1,581	-
Motor vehicles	30	-	62	-
Office equipment	242	-	209	-
Amortisation of Non Current Assets				
Leased plant and equipment	12	-	46	-
Leased motor vehicles	96	-	80	-
Patents and trademarks	(38)	-	111	-
Application software	133	-	18	-
Research and Development Expenditure				
Capitalised and amortised	818	-	924	-
Expensed as incurred	713	-	119	-
Impairment of Non Current Assets				
Plant and equipment	-	-	316	-
Inventory write down	-	-	440	-
Impairment of related party balances	-	-	9,699	-
Loss on sale of investment in subsidiary	-	-	-	467
(Decrease) / increase in provision for obsolete inventory	(43)	-	649	-
Bad and Doubtful Debts				
Bad debts written off – trade debtors	-	-	38	-
Movement in provisions for doubtful debts – trade debtors	-	-	(28)	-
Remuneration of the Auditors of the Parent Entity For				
Auditing the financial report	194	-	316	-
Taxation services	17	-	36	-
Systems review	-	-	25	-
Capital raising related services	-	-	13	-
Jung divestment	-	-	5	-
Government grant review	3	-	3	-
General assistance	2	-	2	-
Total remuneration of auditors	216	-	400	-
Foreign currency translation (gains)	2,202	-	1,819	-
Net (Gain) / Loss on Disposal of Non Current Assets				
Plant and equipment	-	-	-	-
Motor vehicles	(5)	-	5	-
Office equipment	-	-	2	-
Operating lease rental expense	-	-	1,696	-
Share based payment expense	288	-	166	-

(a). The Components of Tax Expense

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Current tax	638	811	684	914
Deferred tax	1,048	1,917	548	(3,798)
Total income tax expense / (benefit)	1,686	2,728	1,232	(2,884)
Disclosed in the financial statements as				
Income tax expense / (benefit) from continuing business	1,686	2,752	1,232	(2,884)
Income tax benefit from discontinuing business	-	(24)	-	-
Total	1,686	2,728	1,232	(2,884)

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

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Prima facie tax payable on profit before income tax at 30%	1,257	(4,089)	1,062	(3,471)
Add tax effect of:				
Tax rate differentials in foreign countries	(682)	408	-	-
Tax losses not recognised / derecognised	1,269	5,910	-	-
Exempt income	(213)	-	-	-
Effect of tax rate changes on deferred tax balances	7	-	-	-
Interest expense non allowable	-	134	-	-
Capital loss on divestment of business	-	79	-	140
Other non allowable / (non assessable) items	43	249	170	277
	1,681	2,691	1,232	(3,054)
Less tax effect of:				
Over provision for income tax in the prior year	5	37	-	170
Income tax expense / (benefit) attributed to profit from ordinary activities	1,686	2,728	1,232	(2,884)
Less income tax benefit from discontinuing business	-	(24)	-	-
Income tax expense / (benefit) from continuing business	1,686	2,752	1,232	(2,884)

(c). Income Tax Recognised Directly in Equity

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

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Deferred Tax				
Equity raising costs deductible over 5 years	(482)	(295)	(482)	(295)
Total	(482)	(295)	(482)	(295)

(d). Current Tax

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Current tax asset	178	362	-	-
Current tax liability	(6)	(658)	(6)	(382)
Total	172	(296)	(6)	(382)

(e). Movement in Net Carrying Amount

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

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Balance at the beginning of the year	(296)	703	(382)	591
Current year tax expense	(638)	(811)	(684)	(914)
Income tax payments / (refunds)	1,118	768	1,060	(59)
Disposed businesses	-	(1,051)	-	-
Net foreign currency movements arising from foreign operations	(12)	95	-	-
Carrying amount at the end of the year	172	(296)	(6)	(382)

(f). Deferred Tax

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Deferred Tax (Liabilities) / Assets Arise from the Following				
Property, plant and equipment	(705)	(1,172)	(629)	(866)
Foreign exchange	(1,720)	(250)	(407)	585
Income not derived	(71)	(153)	(71)	(153)
Finance leases	133	(15)	133	(15)
Research and development	(203)	(449)	(203)	(449)
Doubtful debts	45	22	-	-
Other financial liabilities	91	102	71	28
Provisions	58	379	2,933	3,064
Employee benefits	327	369	265	209
Capitalised costs	(190)	(170)	116	112
Borrowing costs	44	78	44	78
Equity raising costs	590	315	590	315
Other	199	81	-	-
Total	(1,402)	(863)	2,842	2,908
Unused Tax Losses and Credits				
Tax losses	(10)	-	-	-
Net deferred tax (liability) / asset	(1,412)	(863)	2,842	2,908
Represented By				
Deferred tax asset	175	270	2,842	2,908
Deferred tax liability	(1,587)	(1,133)	-	-
Total	(1,412)	(863)	2,842	2,908

NOTE 4: INCOME TAX (CONTINUED)

(g). Unrecognised Deferred Tax Assets

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

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Tax losses – income	6,205	4,071	-	-
Temporary differences not brought to account	143	1,567	-	-
Tax losses – capital	1,990	1,990	1,990	1,990
Total	8,338	7,628	1,990	1,990

Unrecognised deferred tax assets are calculated by applying to the pre tax value the tax rate of the jurisdiction in which the asset resides. Assets are converted to Australian dollars at the prevailing period end exchange rate.

(h). Tax Losses

The Group has recognised as a deferred tax asset income tax losses of $10,000 (2007: Nil) in tax jurisdictions where it is probable that future taxable income will be available to utilise these losses.

NOTE 5: CASH & CASH EQUIVALENTS

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Cash on hand	18	13	1	1
Cash at bank	3,514	3,806	493	1,173
Cash on deposit[1]	13,062	3,823	11,823	2,480
Total	16,594	7,642	12,317	3,654

NOTE 6: TRADE & OTHER RECEIVABLES

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Current				
Trade debtors	19,117	18,784	5,526	5,012
Less provision for doubtful debts	(244)	(159)	-	-
	18,873	18,625	5,526	5,012
Other receivables	679	738	330	545
Total	19,552	19,363	5,856	5,557
Non Current				
Amounts receivable from controlled entities	-	-	51,340	51,943
Less provision for non recoverability	-	-	(9,699)	(9,699)
Total	-	-	41,641	42,244

[1] Cash on deposit is after setting off $5,827,000 (2007 : Nil) of deposit against bank loans held with the bank.

NOTE 7: INVENTORIES

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Current				
Raw materials at cost	3,659	3,892	1,185	255
Work in progress at cost	2,383	3,369	-	1,031
Finished goods at cost	21,146	24,406	9,734	9,478
Less provision for obsolescence	(612)	(1,524)	(5)	(183)
Total	26,576	30,143	10,914	10,581

NOTE 8: OTHER FINANCIAL ASSETS

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Non Current				
Investments in controlled entities at cost	-	-	30,585	25,326
Total	-	-	30,585	25,326

NOTE 9: OTHER ASSETS

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Current				
Prepayments	760	1,517	296	1,169
Total	760	1,517	296	1,169

NOTE 10: PROPERTY, PLANT & EQUIPMENT

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Buildings				
At cost	7,754	7,842	-	-
Less accumulated depreciation	(590)	(415)	-	-
	7,164	7,427	-	-
Plant and Equipment				
At cost	59,263	61,892	14,067	13,479
Less accumulated depreciation	(16,741)	(13,216)	(7,257)	(5,968)
	42,522	48,676	6,810	7,511
Plant and Equipment Under Lease				
At cost	75	270	75	270
Less accumulated amortisation	(71)	(254)	(71)	(254)
	4	16	4	16
Leasehold Improvements				
At cost	528	578	331	328
Less accumulated depreciation	(280)	(264)	(167)	(145)
	248	314	164	183
Motor Vehicles				
At cost	595	594	270	306
Less accumulated depreciation	(279)	(271)	(114)	(130)
	316	323	156	176
Motor Vehicles Under Lease				
At cost	406	342	406	342
Less accumulated amortisation	(221)	(125)	(221)	(125)
	185	217	185	217
Office Equipment				
At cost	3,869	3,584	2,498	2,099
Less accumulated depreciation	(2,917)	(2,616)	(1,937)	(1,695)
	952	968	561	404
Capital Work in Progress	3,953	2,783	38	765
Total property, plant and equipment	55,344	60,724	7,918	9,272

Movements in Carrying Amounts

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

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Buildings				
Balance at the beginning of the year	7,427	8,357	-	-
Additions / (transfers)	82	53	-	-
Depreciation expense	(197)	(195)	-	-
Net foreign currency movements arising from foreign operations	(148)	(788)	-	-
Carrying amount at the end of the year	7,164	7,427	-	-
Plant and Equipment				
Balance at the beginning of the year	48,676	57,522	7,511	17,347
Reclassifications	-	6	-	(23)
Additions / (transfers)	1,345	384	588	(7,916)
Disposals	(564)	(623)	-	-
Depreciation expense	(5,375)	(5,734)	(1,289)	(1,581)
Impairment loss	-	(714)	-	(316)
Net foreign currency movements arising from foreign operations	(1,560)	(2,165)	-	-
Carrying amount at the end of the year	42,522	48,676	6,810	7,511
Plant and Equipment Under Lease				
Balance at the beginning of the year	16	715	16	715
Reclassifications	-	(38)	-	(38)
Additions / (transfers)	-	(615)	-	(615)
Amortisation expense	(12)	(46)	(12)	(46)
Carrying amount at the end of the year	4	16	4	16
Leasehold Improvements				
Balance at the beginning of the year	314	232	183	196
Reclassifications	-	46	-	(1)
Additions / (transfers)	11	133	3	10
Depreciation expense	(76)	(100)	(22)	(22)
Net foreign currency movements arising from foreign operations	(1)	3	-	-
Carrying amount at the end of the year	248	314	164	183
Motor Vehicles				
Balance at the beginning of the year	323	836	176	364
Reclassifications	-	(25)	-	9
Additions / (transfers)	91	71	12	-
Disposals	(12)	(408)	(2)	(135)
Depreciation expense	(81)	(126)	(30)	(62)
Net foreign currency movements arising from foreign operations	(5)	(25)	-	-
Carrying amount at the end of the year	316	323	156	176
Motor Vehicles Under Lease				
Balance at the beginning of the year	217	197	217	197
Additions / (transfers)	127	100	127	100
Disposals	(63)	-	(63)	-
Amortisation expense	(96)	(80)	(96)	(80)
Carrying amount at the end of the year	185	217	185	217
Office Equipment				
Balance at the beginning of the year	968	2,206	404	588
Reclassifications	-	(80)	-	(89)
Additions / (transfers)	500	218	399	132
Disposals	(19)	(556)	-	(22)
Depreciation expense	(476)	(555)	(242)	(205)
Net foreign currency movements arising from foreign operations	(21)	(265)	-	-
Carrying amount at the end of the year	952	968	561	404

NOTE 11: INTANGIBLE ASSETS

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Goodwill at cost	9,588	10,313	4,127	4,127
Less accumulated impairment	(929)	(986)	(1,054)	(1,054)
	8,659	9,327	3,073	3,073
Patents, trademarks and licenses at cost	1,297	1,281	1,097	1,057
Less accumulated amortisation	(617)	(565)	(497)	(534)
	680	716	600	523
Application software at cost	1,074	250	886	89
Less accumulated amortisation	(245)	(81)	(155)	(22)
	829	169	731	67
Research and development	4,865	4,865	4,865	4,865
Less accumulated amortisation	(4,188)	(3,370)	(4,188)	(3,370)
	677	1,495	677	1,495
Total intangible assets	10,845	11,707	5,081	5,158
Movements in Carrying Amounts				
Movement in the carrying amounts for each class of intangible assets between the beginning and the end of the year				
Goodwill				
Balance at the beginning of the year	9,327	9,491	3,073	3,073
Net foreign currency movements arising from foreign operations	(668)	(164)	-	-
Carrying amount at the end of the year	8,659	9,327	3,073	3,073
Patents, Trademarks and Licences				
Balance at the beginning of the year	716	669	523	514
Additions / (transfers)	39	120	39	120
Amortisation expense	(63)	(55)	38	(111)
Net foreign currency movements arising from foreign operations	(12)	(18)	-	-
Carrying amount at the end of the year	680	716	600	523
Application Software				
Balance at the beginning of the year	169	-	67	-
Reclassifications	-	250	-	89
Additions / (transfers)	827	-	797	-
Amortisation expense	(167)	(81)	(133)	(22)
Carrying amount at the end of the year	829	169	731	67
Research and Development				
Balance at the beginning of the year	1,495	2,326	1,495	2,326
Reclassifications	-	356	-	39
Additions / (transfers)	-	54	-	54
Amortisation expense	(818)	(924)	(818)	(924)
Impairment loss	-	(317)	-	-
Carrying amount at the end of the year	677	1,495	677	1,495

NOTE 12: TRADE & OTHER PAYABLES

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Current				
Trade payables	6,560	6,751	2,163	1,268
Sundry payables and accruals	4,089	4,353	2,019	1,597
Total	10,649	11,104	4,182	2,865

NOTE 13: BORROWINGS

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Current				
Secured liabilities:				
Bank overdrafts	909	7,103	909	4,444
Bank loans[2]	29,600	35,197	15,001	19,215
Other loans	818	747	818	747
Finance lease liability	210	228	210	228
Hire purchase liability	359	2,225	359	2,225
	31,896	45,500	17,297	26,859
Unsecured liabilities:				
Bank loans	1,898	1,358	-	-
Other loans	346	215	346	215
	2,244	1,573	346	215
Non Current				
Secured liabilities:				
Other loans	2,449	3,267	2,449	3,267
Finance lease liability	116	273	116	273
Hire purchase liability	47	406	47	406
	2,612	3,946	2,612	3,946
Unsecured liabilities:				
Other loans	366	402	366	402
	366	402	366	402
Total	37,118	51,421	20,621	31,422
Disclosed in the Financial Statements As				
Current borrowings	34,140	47,073	17,643	27,074
Non current borrowings	2,978	4,348	2,978	4,348

The Group has a $15 million bank multi option facility in Australia and in China facilities with various banks totalling Chinese Renminbi (“RMB”) 114.5 million and a US $4.5 million facility.

At 30 June 2008 the $15 million multi option facility was fully drawn down, although the Group also held cash on deposit of $11.8 million with the bank. In China the RMB facilities were drawn down to RMB 78.8 million leaving RMB 35.7 million unused and the US $ facility was drawn down to US $4.3 million leaving US $0.2 million unused.

The $15 million multi option facility matures on 30 November 2008. The Chinese facilities all mature separately over the period 10 October 2008 to 13 March 2009.

Security - Liabilities are secured by:

- Registered charge over all unencumbered assets in Australia, New Zealand, United States of America and Germany.
- Mortgage over the buildings of Gale Pacific Special Textiles (Ningbo) Limited.
- Fixed and floating charges over the assets of Gale Pacific Special Textiles (Ningbo) Limited.

[2] Bank loans is after set off of $5,827,000 (2007 : Nil) on deposit held with the bank as an offset.

NOTE 14: OTHER FINANCIAL LIABILITIES

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Derivatives Carried at Fair Value				
Current				
Foreign currency forward contracts	28	31	28	31
Total	28	31	28	31
Disclosed in the Financial Statements As				
Current other financial liabilities	28	31	28	31

NOTE 15: PROVISIONS

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Current				
Employee benefits	1,230	1,181	813	652
Restructuring and termination costs	478	4,751	-	-
Factory make good costs	70	250	70	250
Non Current				
Employee benefits	112	502	69	78
Total	1,890	6,684	952	980
Disclosed in the Financial Statements As				
Current provisions	1,778	6,182	883	902
Non current provisions	112	502	69	78
(a) Aggregate employee benefits liability	1,299	1,683	882	730
(b) Number of employees at year end	772	815	90	86
Movements in Carrying Amounts				
Movement in the carrying amounts for the following classes of provision between the beginning and the end of the year				
Restructuring and Termination Costs[3]				
Balance at the beginning of the year	4,751	-	-	-
Provisions recognised	-	4,672	-	-
Payments made	(3,595)	-	-	-
Reductions resulting from re-measurement	(56)	-	-	-
Net foreign currency movements arising from foreign operations	(622)	79	-	-
Carrying amount at the end of the year	478	4,751	-	-
Factory Make Good[4]				
Balance at the beginning of the year	250	-	250	-
Provisions recognised	-	250	-	250
Payments made	(150)	-	(150)	-
Reductions resulting from re-measurement	(30)	-	(30)	-
Carrying amount at the end of the year	70	250	70	250

[3] The provision for restructuring and termination costs represents the Directors' best estimate of the remaining costs to be incurred by the New Zealand operation for the closure of its manufacturing facility. The restructuring is expected to be completed by 28 February 2009.

[4] The provision for factory make good represents the Directors' best estimate of the remaining costs to be incurred in Australia for the make good of the site formerly occupied by the knitting plant that has been relocated to China. The make good is expected to be completed by 28 February 2009.

NOTE 16: CONTRIBUTED EQUITY

	Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)
Paid Up Capital		
136,834,516 fully paid ordinary shares (2007: 96,834,516)	100,813	81,936
Movement in Share Capital		
Shares issued at the beginning of the financial year	81,936	47,124
23,529,412 shares issued as part of a private placement and a Share Purchase Plan – 3 July 2006	-	20,000
10,941,177 shares issued in conversion of 4,270,271 convertible notes – 5 July 2006	-	9,000
7,294,112 shares issued in conversion of 2,594,593 convertible notes – 1 August 2006	-	6,500
40,000,000 shares issued as part of a private placement and a Share Purchase Plan – 30 August 2007	20,000	-
Costs of capital raising (net of tax)	(1,123)	(688)
Total	100,813	81,936

Convertible Notes	No.	No.
Convertible notes issued at the beginning of the financial period	-	6,864,864
4,270,271 notes converted to 10,941,177 shares – 5 July 2006	-	(4,270,271)
2,594,593 notes converted to 7,294,112 shares – 1 August 2006	-	(2,594,593)
Convertible notes issued at the end of the financial period	-	-

(a). Movement in Share Capital

During the financial year, (30 August 2007) the Company raised $20 million through private placements of 40,000,000 shares issued at 50 cents per share.

(b). Share Based Payments

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

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

The number of unissued ordinary shares under option as at the date of this report is 750,000. The issue price of each option is zero. Each option entitles the holder to one (1) ordinary share in Gale Pacific Limited in the event that the option is exercised.

The number of unissued ordinary shares under the performance rights scheme at the date of this report is 850,000. This includes 700,000 performance rights issued during the year to senior executives. Each performance right entitles the holder one (1) ordinary share in Gale Pacific Limited when exercised and is subject to the satisfying of relevant performance hurdles based on improvements in the Company's diluted earnings per share.

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

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

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

Options

Grant Date	Expiry Date	Exercise Price	Balance at Start of the Year No.	Granted During the Year No.	Exercised During the Year No.	Lapsed During the Year No.	Balance at End of the Year No.	Exercisable at End of the Year No.
Consolidated and Parent Entity - 2008								
15 Dec 2004	1 Dec 2008	$3.00	180,000	-	-	-	180,000	60,000
16 Nov 2005	1 Dec 2008	$1.52	450,000	-	-	-	450,000	-
24 Oct 2006	31 Dec 2008	$1.52	120,000	-	-	-	120,000	-
Total			750,000	-	-	-	750,000	60,000
Weighted average exercise price			$1.88				$1.88	$3.00
Consolidated and Parent Entity - 2007								
5 May 2004	1 Dec 2006	$1.50	50,000	-	-	(50,000)	-	-
15 Dec 2004	1 Dec 2008	$3.00	240,000	-	-	(60,000)	180,000	-
16 Nov 2005	1 Dec 2008	$1.52	580,000	-	-	(130,000)	450,000	-
24 Oct 2006	31 Dec 2008	$1.52	-	370,000	-	(250,000)	120,000	-
Total			870,000	370,000	-	(490,000)	750,000	-
Weighted average exercise price			$1.93	$1.52	-	$1.70	$1.88	-

	Grant Date 15 December 2004	Grant Date 16 November 2005	Grant Date 24 October 2006
Options Valuation Assumptions			
Option Series			
Grant date share price	$3.00	$1.60	$0.90
Exercise price	$3.00	$1.52	$1.52
Expected volatility	35%	40%	45%
Option Life			
Tranche 1	2.50 years	2.49 years	2.10 years
Tranche 2	3.00 years	2.99 years	-
Tranche 3	3.50 years	-	-
Tranche 4	4.00 years	-	-
Dividend yield	2.47%	2.96%	1.70%
Risk Free Interest Rate			
Tranche 1	4.86%	5.21%	6.04%
Tranche 2	4.87%	5.21%	-
Tranche 3	4.91%	-	-
Tranche 4	4.95%	-	-

NOTE 16: CONTRIBUTED EQUITY (CONTINUED)

Performance Rights

Grant Date	Expiry Date	Exercise Price	Balance at Start of the Year No.	Granted During the Year No.	Exercised During the Year No.	Lapsed During the Year No.	Balance at End of the Year No.	Exercisable at End of the Year No.
Consolidated and Parent Entity - 2008								
2 Feb 2007	2 Feb 2017	N/A	150,000	-	-	-	150,000	-
16 Nov 2007	16 Nov 2017	N/A	-	700,000	-	-	700,000	-

	Grant Date 16 November 2007	Grant Date 2 February 2007
Performance Rights Valuation Assumptions		
Grant date share price	$0.45	$0.83
Exercise price	N/A	N/A
Expected volatility	N/A	N/A
Expected Life		
Tranche 1	0.9 years	2.4 years
Tranche 2	1.9 years	
Dividend yield	5.0%	1.8%
Risk free interest rate	N/A	N/A

NOTE 17: RESERVES

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Foreign currency translation reserve	(11,289)	(7,668)	-	-
Share based payment reserve	632	344	632	344
Enterprise reserve fund	631	540	-	-
Total	(10,026)	(6,784)	632	344

(a). Foreign Currency Translation Reserve

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Balance at the beginning of the year	(7,668)	(2,821)	-	-
Translation of foreign subsidiaries for the year	(2,030)	(1,833)	-	-
Movement arising from the reclassification of non current related party monetary items to net investments in foreign operations	(1,591)	(2,783)	-	-
Gain realised on disposal of foreign subsidiary	-	(231)	-	-
Balance at the end of the year	(11,289)	(7,668)	-	-

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

(b). Employee Share Based Payment Reserve

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Balance at the beginning of the year	344	178	344	178
Share based expenditure	288	166	288	166
Balance at the end of the year	632	344	632	344

NOTE 17: RESERVES (CONTINUED)

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

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Balance at the beginning of the year	540	540	-	-
Statutory transfers from retained earnings	91	-	-	-
Balance at the end of the year	631	540	-	-

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

In the Group's 2006 / 2007 accounts this reserve was incorrectly classified as a non current provision. This has been corrected for the 2007 / 2008 reporting period and the 2006 / 2007 comparatives adjusted as follows.

	2006 / 2007 Previously Stated ($000)	2006 / 2007 Adjustment ($000)	2006 / 2007 Restated ($000)
Enterprise reserve fund (GPST)	-	540	540
Foreign currency translation reserve (Adjustment to bring enterprise reserve fund into equity at historical foreign currency translation rates)	(7,624)	(44)	(7,668)
Non current provisions	998	(496)	502

NOTE 18: RETAINED EARNINGS

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Balance at the beginning of the year	(14,444)	1,916	(12,091)	(3,406)
Net profit / (loss) attributable to members of the parent entity	2,505	(16,360)	2,307	(8,685)
Transfers to reserves	(91)	-	-	-
Balance at the end of the year	(12,030)	(14,444)	(9,784)	(12,091)

NOTE 19: MINORITY INTERESTS

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Minority interest in controlled entities comprises:				
Balance at the beginning of the year	(11)	(11)	-	-
Net loss attributable to minority interest	-	-	-	-
Balance at the end of the year	(11)	(11)	-	-

NOTE 20: FRANKING ACCOUNT BALANCE

	Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)
Adjusted franking account balance	2,300	1,213

NOTE 21: EARNINGS PER SHARE

	Consolidated	
	2007 / 2008 (Cents Per Share)	2006 / 2007 (Cents Per Share)
Basic Earnings Per Share		
From continuing operations	1.92	(16.58)
From discontinued operations	-	(0.49)
Total basic earnings per share	1.92	(17.07)
Diluted Earnings Per Share		
From continuing operations	1.90	(16.58)
From discontinued operations	-	(0.49)
Total diluted earnings per share	1.90	(17.07)

	Consolidated	
	2007 / 2008 ($000)	2006 / 2007 ($000)
Earnings Per Share		
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:		
Net profit	2,505	(16,360)
Earnings Used in the Calculation of Basic EPS		
Adjustments to exclude loss for the period from discontinued operations	-	471
Earnings used in the calculation of basic and diluted EPS from continuing operations	2,505	(15,889)

	Consolidated	
	2007 / 2008 (No. 000)	2006 / 2007 (No. 000)
Weighted average number of ordinary shares for the purposes of basic earnings per share	130,168	95,852
Weighted Average Number of Shares Deemed to be Issued For No Consideration in Respect Of:		
Employee options	900	-
Performance rights	434	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	131,502	95,852

For the comparative period, potential ordinary shares have not been included in the calculation of diluted EPS as losses means that they are anti-dilutive in nature.

NOTE 22: CAPITAL AND LEASING COMMITMENTS

(a). Finance Leasing Commitments

		Consolidated		Company	
	Note	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Payable					
Not longer than one year		230	438	230	438
Longer than one year and not longer than five years		128	365	128	365
Minimum future lease payments[5]		358	803	358	803
Less future finance charges		(32)	(302)	(32)	(302)
Present value of minimum lease payments		326	501	326	501
Disclosed in the Financial Statements As					
Current borrowings	13	210	228	210	228
Non current borrowings	13	116	273	116	273

(b). Hire Purchase Commitments

		Consolidated		Company	
	Note	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Payable					
Not longer than one year		372	2,376	372	2,376
Longer than one year and not longer than five years		50	430	50	430
Minimum future hire purchase payments[6]		422	2,806	422	2,806
Less future finance charges		(16)	(175)	(16)	(175)
Present value of minimum hire purchase payments		406	2,631	406	2,631
Disclosed in the Financial Statements As					
Current borrowings	13	359	2,225	359	2,225
Non current borrowings	13	47	406	47	406

(c). Operating Lease Commitments

		Consolidated		Company	
	Note	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Non cancellable operating leases contracted for but not capitalised in the accounts					
Payable					
Not longer than one year		2,172	3,009	1,078	1,596
Longer than one year and not longer than five years		5,158	9,256	2,947	6,828
Longer than five years		-	752	-	-
Total		7,330	13,017	4,025	8,424

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

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

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

NOTE 23: CASH FLOW INFORMATION

(a). Reconciliation of Cash

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows				
Cash on hand	18	13	1	1
Cash at bank	3,514	3,806	493	1,173
Cash on deposit	13,062	3,823	11,823	2,480
Bank overdrafts	(909)	(7,103)	(909)	(4,444)
Total	15,685	539	11,408	(790)

(b). Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Profit / (loss) after income tax	2,505	(16,360)	2,307	(8,685)
Non Cash Flows in Profit				
Profit / (loss) on disposal of fixed assets	215	126	(5)	7
Profit on disposal of investments	-	-	-	467
Depreciation of fixed assets	6,313	6,911	1,691	2,018
Impairment of fixed assets	-	714	-	316
Impairment of related party balances	-	-	-	9,699
Amortisation / impairment of intangible assets	1,048	1,296	913	1,035
Equity settled share based payments	288	166	288	166
Changes in tax balances processed directly in equity	482	295	482	295
Changes in tax balances due to foreign exchange movements	4	(15)	-	-
Changes in assets and liabilities due to the divestment of Jung	-	(15,914)	-	76
Changes in Assets and Liabilities				
(Increase) / decrease in receivables	(189)	17,339	(299)	857
Decrease / (increase) in inventories	3,567	17,456	(333)	676
Decrease / (increase) in other assets	757	(20)	873	(804)
(Decrease) / increase in payables, accruals and other financial liabilities	(5,252)	(6,185)	1,286	(733)
Increase / (decrease) in tax balances	81	2,731	(310)	(3,120)
Net cash inflow provided by operations	9,819	8,540	6,893	2,270

(c). Discontinued Business

On 24 August 2006 the Group announced the sale of its German garden products entity Jung Garten Freizeit Vertriebsgesellschaft mbH ("Jung"). The subsidiary was sold on 1 September 2006 and is reported in the comparatives of this financial report as a discontinued operation. This sale has no impact in the current period.

Financial information relating to the discontinued operation for the period to the date of the disposal is set out below. Further information is set out in Note 27 Segment Reporting.

	Consolidated	
	2007 / 2008 ($000)	2006 / 2007 ($000)
Profit From Discontinued Operations		
Revenue	-	8,212
Expenses	-	(8,442)
Loss before income tax	-	(230)
Income tax benefit	-	24
Loss after income tax of discontinued operations	-	(206)
Loss on sale of division before income tax	-	(265)
Income tax (expense) / benefit	-	-
Loss on sale of division after income tax	-	(265)
Loss from discontinued operations	-	(471)
Cash Flows From Discontinued Operations		
Net cash inflow from ordinary activities	-	1,400
Net cash inflow from investing activities	-	15,674
Effect of exchange rate changes on items nominated in foreign currencies	-	(1,111)
Net increase in cash generated by Jung	-	15,963
Details of Sale of Jung		
Consideration received	-	83
Foreign currency translation reserve realised on sale	-	231
	-	314
Carrying amount of net assets sold	-	(654)
Foreign currency movements on deferred consideration from date of sale written off on final settlement	-	75
Loss on sale before income tax	-	(265)
Income tax (expense) / benefit	-	-
Loss on sale after income tax	-	(265)
Reconciliation of Proceeds From Disposal of Business		
Repayment of related party balances by the purchaser	-	12,416
Assumption of debt	-	3,191
Sale consideration received from the purchaser	-	83
Total proceeds from disposal of business	-	15,690

NOTE 24: DIRECTORS AND EXECUTIVES' COMPENSATION

The key management personnel of the Group who held office during the year were:

Directors

H Boon (Chairman, Non Executive)

J Murphy (Non Executive)

G Richards (Non Executive)

P McDonald (Managing Director and Chief Executive Officer)

Executives

F Albertsmeier (Managing Director, Europe / Middle East / Africa)

P Cacioli (General Manager, Research & Development and Technical Services)

S Carroll (Managing Director, Australia)

J Cox (Chief Financial Officer)

M Denney (Managing Director, USA)

P Ducray (Chief Manufacturing Officer)

Z Fakroddin (Business Unit Manager, Gale Europe GmbH)

C McCallum (Managing Director, New Zealand)

E Xu (Managing Director, China)

Key Management Personnel Compensation

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 bonus and share options and performance rights under options and performance right schemes as disclosed in Note 16 to the Financial Statements.

NOTE 24: DIRECTORS AND EXECUTIVES' COMPENSATION (CONTINUED)

2007/2008	Short-term Benefits			Post Employment	Share Based Payments		Termin. Benefits	Total	Performance Related	
Key management personnel	Salary & fees $	Bonus $	Non-monetary $	Super $	Options $	Perf. Rights $	$	$	Total %	Options / Rights %
F Albertsmeier (i)	307,357	41,091	52,420	-	-	22,541	-	423,409	15.0%	5.3%
Z Fakroddin (ii)	356,807	-	-	-	6,426	-	27,932	391,165	1.6%	1.6%
J Cox	252,290	40,000	-	24,956	-	22,541	-	339,787	18.4%	6.6%
P Cacioli	246,903	25,000	-	20,510	-	22,541	-	314,954	15.1%	7.2%
S Carroll	261,373	-	-	21,957	6,426	22,541	-	312,297	9.3%	9.3%
M Denney (iii)	246,336	33,051	7,503	-	-	22,541	-	309,431	18.0%	7.3%
E Xu (iv)	242,284	19,397	9,830	-	1,832	22,541	-	295,884	14.8%	8.2%
P Ducray (v)	189,692	10,469	33,962	-	3,213	22,541	-	259,877	13.9%	9.9%
C McCallum (vi)	108,528	42,930	-	-	10,050	-	51,097	212,605	24.9%	4.7%
TOTAL	2,211,570	211,938	103,715	67,423	27,947	157,787	79,029	2,859,409		

2006/2007	Short-term Benefits			Post Employment	Share Based Payments		Termin. Benefits	Total	Performance Related	
Key management personnel	Salary & fees $	Bonus $	Non-monetary $	Super $	Options $	Perf. Rights $	$	$	Total %	Options / Rights %
F Albertsmeier (i)	320,090	77,506	33,479	-	-	-	-	431,075	18.0%	0.0%
Z Fakroddin (ii)	189,459	-	105,064	-	6,408	-	-	300,931	2.1%	2.1%
S Carroll	214,472	15,000	30,873	19,143	6,408	-	-	285,896	7.5%	2.2%
J Cox	229,358	25,000	-	20,642	-	-	-	275,000	9.1%	0.0%
P Ducray (v)	169,477	-	28,771	-	3,204	-	-	201,452	1.6%	1.6%
C McCallum (vi)	190,748	-	-	-	8,010	-	-	198,758	4.0%	4.0%
E Xu (vii)	179,517	12,457	4,028	-	2,493	-	-	198,495	7.5%	1.3%
M Denney (viii)	126,964	55,017	-	-	-	-	-	181,981	30.2%	0.0%
P Cacioli (ix)	62,713	-	1,507	5,644	-	-	-	69,864	0.0%	0.0%
TOTAL	1,682,798	184,980	203,722	45,429	26,523	-	-	2,143,452		

(i) Mr Albertsmeier is based in Germany and remunerated in euro converted to Australian dollars in the table above.

(ii) Mr Fakroddin is based in Europe and is remunerated in euro converted to Australian dollars in the table above. Mr Fakroddin departed his role on 30 June 2008.

(iii) Mr Denney is based in the United States of America and remunerated in United States dollars converted to Australian dollars in the table above.

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

(v) Mr Ducray is based in China and remunerated in Chinese renminbi and United States dollars converted to Australian dollars in the table above.

(x) Mr McCallum is based in New Zealand and is remunerated in New Zealand dollars converted to Australian dollars in the table above. Mr MaCallum was made redundant on 31 December 2007 following the completion of the restructuring of the New Zealand operations. His remuneration details for the reporting period are to that date.

(xi) Ms Xu is based in China and is remunerated in Chinese renminbi and United States dollars converted to Australian dollars in the table above.

(xii) Mr Denney was appointed Managing Director, Gale Pacific USA on 1 August 2006 and therefore the details of his remuneration for the reporting period are from that date. He is based in the United States of America and remunerated in United States dollars converted to Australian dollars in the table above.

(xiii) Dr Cacioli was appointed General Manager, Research and Development and Technical Services on 1 March 2007 and therefore the details of his remuneration for the reporting period are from that date.

Compensation by Category

	Consolidated		Company	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Short term employment benefits	3,303	2,755	1,602	1,263
Post employment benefits	104	73	104	73
Share based payments	241	94	129	73
Termination benefits	79	-	-	-
Total	3,727	2,922	1,835	1,409

Directors' Equity Holdings: Fully Paid Ordinary Shares

2007 / 2008	Balance 30 June 2007 No.	Received as Remuneration No.	Options Exercised No.	Net Change No.	Balance 30 June 2008 No.
Executive Directors					
P McDonald	334,714	-	-	100,000	434,714
Non Executive Directors					
H Boon	73,000	-	-	190,513	263,513
J Murphy	-	-	-	-	-
G Richards	78,851	-	-	50,882	129,733
Executives					
J Cox	10,000	-	-	148,923	158,923
Total	496,565	-	-	490,318	986,883

2006 / 2007	Balance 30 June 2006 No.	Received as Remuneration No.	Options Exercised No.	Net Change No.	Balance 30 June 2007 No.
Executive Directors					
P McDonald	334,714	-	-	-	334,714
Non Executive Directors					
H Boon	73,000	-	-	-	73,000
G Richards	78,851	-	-	-	78,851
Executives					
J Cox	-	-	-	10,000	10,000
Total	486,565	-	-	10,000	496,565

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

					Terms & Conditions for Each Grant			
2007 / 2008	Vested Number	Granted Number	Grant Date	Value Per Option / Right at Grant Date	Exercise Price	Expiry Date	First Exercise Date	Last Exercise Date
Executive Directors								
None								
Non Executive Directors								
None								
Executives (Performance Rights)								
F Albertsmeier	-	25,000	16/11/2007	$0.43	Nil	16/11/2017	30/09/2008	16/11/2017
	-	75,000	16/11/2007	$0.41	Nil	16/11/2017	30/09/2009	16/11/2017
P Cacioli	-	25,000	16/11/2007	$0.43	Nil	16/11/2017	30/09/2008	16/11/2017
	-	75,000	16/11/2007	$0.41	Nil	16/11/2017	30/09/2009	16/11/2017
S Carroll	-	25,000	16/11/2007	$0.43	Nil	16/11/2017	30/09/2008	16/11/2017
	-	75,000	16/11/2007	$0.41	Nil	16/11/2017	30/09/2009	16/11/2017
J Cox	-	25,000	16/11/2007	$0.43	Nil	16/11/2017	30/09/2008	16/11/2017
	-	75,000	16/11/2007	$0.41	Nil	16/11/2017	30/09/2009	16/11/2017
M Denney	-	25,000	16/11/2007	$0.43	Nil	16/11/2017	30/09/2008	16/11/2017
	-	75,000	16/11/2007	$0.41	Nil	16/11/2017	30/09/2009	16/11/2017
P Ducray	-	25,000	16/11/2007	$0.43	Nil	16/11/2017	30/09/2008	16/11/2017
	-	75,000	16/11/2007	$0.41	Nil	16/11/2017	30/09/2009	16/11/2017
E Xu	-	25,000	16/11/2007	$0.43	Nil	16/11/2017	30/09/2008	16/11/2017
	-	75,000	16/11/2007	$0.41	Nil	16/11/2017	30/09/2009	16/11/2017
Total	-	700,000						

					Terms & Conditions for Each Grant			
2006 / 2007	Vested Number	Granted Number	Grant Date	Value Per Option / Right at Grant Date	Exercise Price	Expiry Date	First Exercise Date	Last Exercise Date
Executive Directors (Performance Rights)								
P McDonald	-	150,000	02/02/2007	$0.79	Nil	02/02/2017	30/09/2009	02/02/2017
Non Executive Directors								
None								
Executives (Options)								
E Xu	-	80,000	24/10/2006	$0.10	$1.52	31/12/2008	29/09/2008	31/12/2008
Total	-	230,000						

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

2007 / 2008	Balance 1 July 2007 No.	Granted as Compensation No.	Exercised No.	Lapsed No.	Net Other Change No.	Balance 30 June 2008 No.	Balance Held Nominally No.
Executive Directors (Options)							
P McDonald	180,000	-	-	-	-	180,000	-
Executive Directors (Performance Rights)							
P McDonald	150,000	-	-	-	-	150,000	-
Non Executive Directors							
None							
Executives (Options)							
S Carroll	40,000	-	-	-	-	40,000	-
Z Fakroddin	40,000	-	-	-	-	40,000	-
P Ducray	20,000	-	-	-	-	20,000	-
C McCallum (i)	50,000	-	-	-	(50,000)	-	-
E Xu	40,000	-	-	-	-	40,000	-
Executives (Performance Rights)							
F Albertsmeier	-	100,000	-	-	-	100,000	-
S Carroll	-	100,000	-	-	-	100,000	-
P Cacioli	-	100,000	-	-	-	100,000	-
J Cox	-	100,000	-	-	-	100,000	-
M Denney	-	100,000	-	-	-	100,000	-
P Ducray	-	100,000	-	-	-	100,000	-
E Xu	-	100,000	-	-	-	100,000	-
Total	520,000	700,000	-	-	(50,000)	1,170,000	-

2006 / 2007	Balance 1 July 2006 No.	Granted as Compensation No.	Exercised No.	Lapsed No.	Net Other Change No.	Balance 30 June 2008 No.	Balance Held Nominally No.
Executive Directors (Options)							
P McDonald	240,000	-	-	(60,000)	180,000	-	-
Executive Directors (Performance Rights)							
P McDonald	-	150,000	-	-	150,000	-	-
Non Executive Directors							
None							
Executives (Options)							
S Carroll	40,000	-	-	-	40,000	-	-
P Ducray	20,000	-	-	-	20,000	-	-
Z Fakroddin	40,000	-	-	-	40,000	-	-
C McCallum	50,000	-	-	-	50,000	-	-
E Xu	50,000	80,000	-	(90,000)	40,000	-	-
Total	440,000	230,000	-	(150,000)	520,000	-	-

(i) Mr McCallum was made redundant on 31 December 2007 following the completion of the restructuring of the New Zealand operations.

Remuneration Practices

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

Options and performance rights issued to executives as a form of compensation are dependant upon the performance conditions outlined in Note 16(b). For the current year bonuses have been granted as at 30 June 2008. Bonuses are paid out in cash as determined at the discretion of the Remuneration Committee.

Equity Investments in Controlled Entities

Details of the percentage of ordinary shares held in controlled entities are disclosed in Note 26 to the financial statements.

Directors' Remuneration

Details of Directors' remuneration are disclosed in Note 24.

(a). 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 or payable to entities in the wholly owned group are disclosed in Note 6. These amounts are unsecured and are subordinate to other liabilities. The provision for impairment, totalling $9,699,000, created as at 30 June 2007 was renewed at 30 June 2008 and considered adequate as at that date.

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

- Sale and purchase of goods totalling $32,119,000 (2007: $39,624,000)
- Gale Pacific Limited received interest income from its subsidiaries totalling $3,044,000 (2007: $2,339,000)
- Gale Pacific Limited made interest payments to its subsidiaries totalling $1,558,000 (2007: $1,337,000)
- Plant and equipment was transferred totalling $7,335,000 (2007: $9,084,000)
- Reimbursement of certain operating costs totalling $1,066,000 (2007: $1,577,000)

(b). 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	
	2007 / 2008 ($000)	2006 / 2007 ($000)	2007 / 2008 ($000)	2006 / 2007 ($000)
Current – accrued bonus and director fees	108	38	108	38

NOTE 26: CONTROLLED ENTITIES

	Country of Incorporation	Ownership Interest (%)	
		2007 / 2008	2006 / 2007
Parent Entity			
Gale Pacific Limited	Australia		
Controlled Entities			
Aquaspan Pty Ltd	Australia	50%	50%
Gale Europe GmbH Vertriebsgesellschaft	Germany	100%	100%
Gale Pacific (New Zealand) Limited	New Zealand	100%	100%
Gale Pacific Employees Superannuation Fund Pty Ltd	Australia	100%	100%
Gale Pacific FZE	United Arab Emirates	100%	100%
Gale Pacific Special Textiles (Ningbo) Limited	China	100%	100%
Gale Pacific USA Inc	United States of America	100%	100%

NOTE 27: 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 Group comprises the following main geographical segments, based on the Group's management reporting system.

Asia / Pacific

Manufacturing and distribution facilities are located in Australia, China and New Zealand which supplies products to Australia, New Zealand, Europe, USA and the Middle East. Sales offices are located in all states in Australia and in New Zealand.

Americas

Sales offices are located in Florida and custom blind manufacturing and distribution facilities are located in 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 Group operates predominantly in one business segment, being the advanced polymer fabrics industry. The Group manufactures and markets advanced durable knitted and woven polymer fabrics and value added structures made from these fabrics.

Segment Information Primary Reporting – Geographical Segments

	Asia / Pacific ($'000)	Americas ($'000)	Europe / Middle East / Africa ($'000)	Discontinued Business ($'000)	Eliminations ($'000)	Consolidation ($'000)
30 June 2008						
Revenue outside the economic entity	71,847	20,904	11,869	-	499	105,119
Inter segment revenue	16,421	172	234	-	(16,827)	-
Total revenue	88,268	21,076	12,103	-	(16,328)	105,119
Segment operating profit / (loss)	6,651	40	(3,222)	-	722	4,191
Income tax (expense) / benefit	(1,683)	(40)	-	-	37	(1,686)
Operating profit / (loss) after tax	4,968	-	(3,222)	-	759	2,505
Depreciation and amortisation	6,004	516	841	-	-	7,361
Individually Significant Items						
Reimbursement of R & D expenditure	102	-	-	-	-	102
Inventory write down	-	-	(1,581)	-	-	(1,581)
Segment assets	105,077	16,354	9,331	-	(842)	129,920
Unallocated assets	-	-	-	-	-	104
Total assets	105,077	16,354	9,331	-	(842)	130,024
Segment liabilities	48,527	1,660	1,227	-	(126)	51,288
Unallocated liabilities	-	-	-	-	-	(10)
Total liabilities	48,527	1,660	1,227	-	(126)	51,278
Acquisition of non current assets	3,638	573	25	-	-	4,236
30 June 2007						
Revenue outside the economic entity	72,787	27,837	10,279	8,212	(499)	118,616
Inter segment revenue	23,938	43	222	-	(24,203)	-
Total revenue	96,725	27,880	10,501	8,212	(24,702)	118,616
Segment operating profit / (loss)	(4,298)	1,947	(10,472)	(495)	(314)	(13,632)
Income tax (expense) / benefit	(492)	(737)	(1,609)	24	86	(2,728)
Operating profit / (loss) after tax	(4,790)	1,210	(12,081)	(471)	(228)	(16,360)
Depreciation and amortisation	6,524	564	771	31	-	7,890
Individually Significant Items						
Reimbursement of R & D expenditure	110	-	-	-	-	110
Impairment of non current assets	(1,031)	-	-	-	-	(1,031)
Inventory write down	(440)	-	(3,899)	-	-	(4,339)
Restructuring and termination costs	(4,672)	-	-	-	-	(4,672)
Segment assets	101,856	18,052	13,280	-	(1,564)	131,624
Unallocated assets	-	-	-	-	-	104
Total assets	101,856	18,052	13,280	-	(1,564)	131,728
Segment liabilities	65,940	2,714	2,672	-	(89)	71,237
Unallocated liabilities	-	-	-	-	-	(206)
Total liabilities	65,940	2,714	2,672	-	(89)	71,031
Acquisition of non current assets	3,570	453	88	16	-	4,127

(a). Financial Instruments

Derivative financial instruments may be used by the Group to limit exposure to exchange rate risk associated with foreign currency transactions and interest rate risk. Derivative financial instruments are recognised in the financial statements. Transactions to reduce foreign currency and interest rate exposure are undertaken without the use of collateral as the Group deals with reputable institutions with sound financial positions.

(b). 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.

(c). Credit Risk

Exposure to credit risk

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

		Consolidated		Company	
	Note	As at 30 Jun 2008	As at 30 June 2007	As at 30 Jun 2008	As at 30 June 2007
The maximum exposure to credit risk at the reporting date was:					
Investments in controlled entities	8	-	-	30,585	25,326
Amounts receivable from controlled entities	6	-	-	41,641	42,244
Trade and other receivables	6	19,552	19,363	5,856	5,557
Cash and cash equivalents	5	16,594	7,642	12,317	3,654
Total		36,146	27,005	90,379	76,781
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:					
Asia Pacific		7,647	7,399	5,526	5,012
Americas		6,266	7,190	-	-
Europe / Middle East / Africa		4,960	4,036	-	-
Total		18,873	18,625	5,526	5,012
The ageing of trade receivables not impaired at the reporting date was:					
Not outside credit terms		13,215	13,692	2,779	3,564
Outside credit terms 0-30 days		3,283	3,301	1,264	1,189
Outside credit terms 31-120 days		1,816	1,057	1,231	259
Outside credit terms 121 days to one year		411	155	252	-
More than one year		148	420	-	-
Total		18,873	18,625	5,526	5,012
The ageing of impaired receivables at the reporting date was:					
Outside credit terms 0-30 days		-	-	-	-
Outside credit terms 31-120 days		14	-	-	-
Outside credit terms 121 days to one year		-	-	-	-
More than one year		230	-	-	-
Total		244	-	-	-

(d). Liquidity Risk

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

Consolidated 30 June 2008	Note	Weighted Average Effective Interest Rate	Carrying Amount	Contractual Cash Flows	Contractual Cash Flows Maturing In:			
					Less Than 6 Months	6 To 12 Months	1 To 2 Years	2 To 5 Years
		%	($000)	($000)	($000)	($000)	($000)	($000)
Non Derivative Financial Liabilities								
Bank overdrafts	13	9.54%	909	946	946	-	-	-
Bank loans	13	5.07%	31,498	32,267	27,991	4,276	-	-
Other loans	13	8.79%	3,979	4,568	736	736	1,393	1,703
Finance lease liabilities	13	7.82%	326	358	172	58	63	65
Hire purchase liabilities	13	8.84%	406	422	352	19	32	19
Derivative Financial Liabilities								
Foreign currency forward contracts	14	-	28	28	28	-	-	-
Total			37,146	38,589	30,225	5,089	1,488	1,787

Company 30 June 2008	Note	Weighted Average Effective Interest Rate	Carrying Amount	Contractual Cash Flows	Contractual Cash Flows Maturing In:			
					Less Than 6 Months	6 To 12 Months	1 To 2 Years	2 To 5 Years
		%	($000)	($000)	($000)	($000)	($000)	($000)
Non Derivative Financial Liabilities								
Bank overdrafts	13	9.54%	909	946	946	-	-	-
Bank loans	13	3.03%	15,001	15,368	15,368	-	-	-
Other loans	13	8.79%	3,979	4,568	736	736	1,393	1,703
Finance lease liabilities	13	7.82%	326	358	172	58	63	65
Hire purchase liabilities	13	8.84%	406	422	352	19	32	19
Derivative Financial Liabilities								
Foreign currency forward contracts	14	-	28	28	28	-	-	-
Total			20,649	21,690	17,602	813	1,488	1,787

Consolidated 30 June 2007	Note	Weighted Average Effective Interest Rate	Carrying Amount	Contractual Cash Flows	Contractual Cash Flows Maturing In:			
					Less Than 6 Months	6 To 12 Months	1 To 2 Years	2 To 5 Years
		%	($000)	($000)	($000)	($000)	($000)	($000)
Non Derivative Financial Liabilities								
Bank overdrafts	13	10.22%	7,103	7,105	7,105	-	-	-
Bank loans	13	5.90%	36,555	36,798	32,991	3,807	-	-
Other loans	13	8.80%	4,631	5,552	666	666	1,331	2,889
Finance lease liabilities	13	7.04%	501	543	106	152	229	56
Hire purchase liabilities	13	8.77%	2,631	2,790	1,032	1,336	371	51
Derivative Financial Liabilities								
Foreign currency forward contracts	14	-	31	31	31	-	-	-
Total			51,452	52,819	41,931	5,961	1,931	2,996

Company 30 June 2007	Note	Weighted Average Effective Interest Rate	Carrying Amount	Contractual Cash Flows	Contractual Cash Flows Maturing In:			
					Less Than 6 Months	6 To 12 Months	1 To 2 Years	2 To 5 Years
		%	($000)	($000)	($000)	($000)	($000)	($000)
Non Derivative Financial Liabilities								
Bank overdrafts	13	9.76%	4,444	4,445	4,445	-	-	-
Bank loans	13	5.65%	19,215	19,218	19,218	-	-	-
Other loans	13	8.80%	4,631	5,552	666	666	1,331	2,889
Finance lease liabilities	13	7.04%	501	543	106	152	229	56
Hire purchase liabilities	13	8.77%	2,631	2,790	1,032	1,336	371	51
Derivative Financial Liabilities								
Foreign currency forward contracts	14	-	31	31	31	-	-	-
Total			31,453	32,579	25,498	2,154	1,931	2,996

(e). Market Risk

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

Foreign Exchange Risk

The Group is mainly exposed to United States dollars, Euros and New Zealand dollars.

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

	Consolidated		Company	
30 June 2008	Carrying Value ($000)	Profit//(Loss) AUD +/-10% ($000)	Carrying Value ($000)	Profit//(Loss) AUD +/ -10% ($000)
Financial Assets				
Cash and cash equivalents				
United States dollars	313	(31)	313	(31)
Euro	167	(17)	167	(17)
Trade receivables				
United States dollars	6	(1)	6	(1)
Australian dollars	1,060	114	-	-
Amounts receivable from controlled entities				
United States dollars	-	(1,243)	23,056	(2,306)
Euro	-	(818)	24,173	(2,417)
New Zealand dollars	-	46	4,055	(406)
Financial Liabilities				
Trade payables				
United States dollars	783	78	783	78
Euro	164	16	164	16
Borrowings				
United States dollars	13,189	1,319	13,189	1,319
Euro	7,996	800	7,996	800
New Zealand dollars	150	15	150	15
Foreign currency forward contracts				
United States dollars	688	(69)	688	(69)
Euro	591	(59)	591	(59)
Profit or (loss) impact		150		(3,078)
Currency Asset / (Liability) Breakdown				
United States dollars	(14,341)	53	8,715	(1,010)
Euro	(8,584)	(78)	15,589	(1,677)
New Zealand dollars	(150)	61	3,905	(391)
Australian dollars	1,060	114	-	-
Profit or (loss) impact		150		(3,078)

	Consolidated		Company	
30 June 2007	Carrying Value ($000)	Profit/(Loss) AUD +/-10% ($000)	Carrying Value ($000)	Profit/(Loss) AUD +/ -10% ($000)
Financial Assets				
Cash and cash equivalents				
United States dollars	254	(26)	254	(26)
Euro	2	-	2	-
Trade receivables				
Australian dollars	1,230	123	-	-
Amounts receivable from controlled entities				
United States dollars	-	(1,317)	24,054	(2,405)
Euro	-	(759)	21,460	(2,146)
New Zealand dollars	-	(117)	6,374	(637)
Financial Liabilities				
Trade payables				
United States dollars	276	28	276	28
Euro	392	39	392	39
Borrowings				
United States dollars	13,057	1,306	13,057	1,305
Euro	10,602	1,060	10,602	1,060
Foreign currency forward contracts				
United States dollars	67	(7)	67	(7)
Euro	281	(28)	281	(28)
Profit or (loss) impact		302		(2,817)
Currency Asset / (Liability) Breakdown				
United States dollars	(13,146)	(16)	10,908	(1,105)
Euro	(11,272)	312	10,188	(1,075)
New Zealand dollars	-	(117)	6,374	(637)
Australian dollars	1,230	123	-	-
Profit or (loss) impact		302		(2,817)

The following exchange rates to the Australian dollar applied during the year.

	As at	As at	Average Rate	
	30 Jun 2008	30 Jun 2007	2007 / 2008	2006 / 2007
United States dollars	0.9596	0.8456	0.8986	0.7743
Euro	0.6065	0.6272	0.6084	0.5806
New Zealand dollars	1.2616	1.0954	1.1647	1.1138

Interest Rate Risk

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

The following table details the Group's sensitivity to a 1% increase or decrease in interest rates at reporting date with the change taking place at the beginning of the following financial year and held constant throughout the reporting period. All other variables remain constant. Disclosed in the tables below is the profit effect of a 1% increase in interest rates. For a 1% decrease in interest rates there would be an equal and opposite impact on profit to the amount shown.

	Consolidated		Company	
30 June 2008	Carrying Value ($000)	Profit//(Loss) +/-1% ($000)	Carrying Value ($000)	Profit//(Loss) +/-1% ($000)
Financial Assets				
Cash & cash equivalents	16,576	166	12,316	123
Amounts receivable from controlled entities	-	-	26,981	270
Financial Liabilities				
Borrowings	21,666	(217)	15,910	(159)
Profit or (loss) impact		(51)		234

	Consolidated		Company	
30 June 2007	Carrying Value ($000)	Profit//(Loss) +/-1% ($000)	Carrying Value ($000)	Profit//(Loss) +/-1% ($000)
Financial Assets				
Cash & cash equivalents	6,833	70	3,651	37
Amounts receivable from controlled entities	-	-	46,684	467
Financial Liabilities				
Trade payables	759	(9)	-	-
Borrowings	31,879	(321)	23,659	(236)
Profit or (loss) impact		(260)		268

(f). Forward Exchange Contracts

The Group enters into forward exchange contracts to buy and sell specified amounts of foreign currency in the future at stipulated exchange rates. The objective in entering the forward exchange contracts is to protect the Group against unfavourable exchange rate movements for both the contracted and anticipated future sales and purchases undertaken in foreign currencies.

The full amount of the foreign currency the Group will be required to pay or purchase when settling the brought forward exchange contracts should the counterparty not pay the currency it is committed to deliver to the Group has been recognised in the Company's balance sheet. At balance date the net amount payable was $28,000 (2007: $31,200).

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

At balance date, the details of outstanding forward exchange contracts are:

	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value	
	2008	2007	2008 (FC000)	2007 (FC000)	2008 ($000)	2007 ($000)	2008 ($000)	2007 ($000)
Buy United States Dollars / Sell Australian Dollars								
Less than 6 months	0.9310	0.7741	660	57	709	73	(21)	(6)
Buy European Euro / Sell Australian Dollars								
Less than 6 months	0.5990	0.5742	358	176	598	306	(7)	(25)
Total							(28)	(31)

NOTE 29: SUBSEQUENT EVENTS

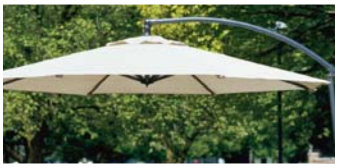
There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

NOTE 30: COMPANY DETAILS

The registered office of the Company is:

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

ADDITIONAL SECURITIES EXCHANGE INFORMATION



Umbrellas

Coolaroo Umbrellas feature a unique knitted fabric specially designed to breathe. This simple air-flow principle keeps you cooler and more comfortable in hot weather when you're enjoying the outdoors.

Beach Umbrellas

Catch the shade no matter what the sun's position with the Coolaroo range of Beach Umbrellas. Simply tilt the head to stay cool and protected. Features long life Coolaroo fabric cover and powdercoated steel frame.

coolaroo
MADE FOR LIFE

Number of Holdings of Equity Securities as at 26 September 2008

The fully paid issued capital of the Company consisted of 136,834,516 ordinary fully paid shares held by 886 shareholders. Each share entitles the holder to one vote.

Thirty nine holders hold 750,000 options and 850,000 performance rights over ordinary shares. Options and performance rights do not carry a right to vote.

Distribution of Holders of Equity Securities

	Ordinary Fully Paid Shares		
Range	Total Holders	Units	% Issued Capital
1 – 1,000	134	54,412	0.04
1,001 – 5,000	291	826,595	0.60
5,001 – 10,000	158	1,219,078	0.89
10,001 – 100,000	241	7,646,028	5.59
100,001 and over	62	127,088,403	92.88
Total	886	136,834,516	100.00

Distribution of Holders of Equity Securities

Unmarketable Parcels as at 18 September 2007	Minimum Parcel Size	Holders	Units
Minimum $500 parcel at $0.25 per unit	2,000	204	156,919

Substantial Shareholders as at 26 September 2008

Shareholder	No.	%
Investec Wentworth Private Equity Limited And Its Associated Entities	30,300,000	22.14
Thorney Holdings Pty Ltd	29,536,560	21.59
Gale Australia Pty Ltd	13,927,844	10.18
UBS Nominees Pty Ltd And Its Associated Entities	13,846,188	10.12
Monterrey Investment Management Limited	9,979,561	7.3

Twenty Largest Holders of Quoted Equity Securities

Shareholder	No.	%
Thorney Holdings Pty Ltd	16,567,324	12.11
Gale Australia Pty Ltd	13,927,844	10.18
INVIA Custodian Pty Limited	12,701,938	9.28
IWPE Nominees Pty Ltd	12,120,000	8.86
UBS Nominees Pty Ltd	11,612,746	8.49
ANZ Nominees Limited	8,852,984	6.47
IWPE Nominees Pty Ltd	7,791,428	5.69
Investec Bank (Australia) Limited	6,060,000	4.43
MGB Equity Growth Pty Limited	4,328,572	3.16
National Nominees Limited	4,303,200	3.14
Equity Trustees Limited	3,978,058	2.91
Citicorp Nominees Pty Limited	2,996,566	2.19
Ruminator Pty Ltd	2,164,705	1.58
ANZ Nominees Limited	1,612,601	1.18
National Australia Trustees Limited	1,410,791	1.03
UBS Wealth Management Australia Nominees Pty Ltd	1,382,494	1.01
Merrill Lynch (Australia) Nominees Pty Limited	1,367,227	1.00
GFS Securities Pty Ltd	1,154,638	0.84
Beta Gamma Pty Ltd	1,000,000	0.73
LIPPO Securities Nominees (BVI) Ltd	1,000,000	0.73
Top 20 Holders of Ordinary Fully Paid Shares as at 8 September 2008	116,333,116	85.01

Other Information

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

Australia PO Box 892, Braeside, Victoria 3195 Ph: +61 3 9518 3399 Toll Free: 1800 331 521
New Zealand PO Box 15 118 Aranui, Christchurch Ph: + 64 3 373 9500 Toll Free: 0800 555 171
United States PO Box 951509, Lake Mary, Florida, 32795-1509 Phone +1 407 333 1038
Middle East PO Box 17696 Jebel Ali, Dubai, U.A.E. Ph: +971 4 881 7114
Europe GmbH Am Blücherflöz 6, 66538 Neunkirchen, Germany Ph.+ 49 6821 920 640
China No.777 Hengshan West Rd, Beilun, Ningbo 315800 Ph: +86 574 5626 8888

Gale Pacific Limited
ABN 80 082 263 778