2009 Annual Report

CONTENTS



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 AND MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER

Dear Shareholders,

THE YEAR IN REVIEW

The Group reported revenue from continuing operations for the full year on a consolidated basis in line with last year at $98.3 million. In local currencies, revenue increased in the Middle East and was in line with last year in Australia. Difficult trading conditions in New Zealand and the USA resulted in a sales decline from the same period last year.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was $14.1 million (14.3% of revenue) from continuing operations compared with $17.7 million (17.9% of revenue) from continuing operations for the previous corresponding period. This result is in line with the Directors Statement guidance as advised in the Company's announcement on 26 February 2009.

The reported loss after tax of $12.0 million for the 12 months ended 30 June 2009 compares with a reported profit after tax of $2.5 million for the previous corresponding period. This result was after incurring charges relating to a number of initiatives designed to strengthen the balance sheet and provide a base for improved company performance in the future.

These additional costs include, the impairment of goodwill for the New Zealand operations of $3.2 million, additional lease charges for the New Zealand leased premises of $0.4 million and $11.5 million losses from discontinued operations. Excluding these costs, the profit after tax for continuing operations was $3.1 million compared with $7.3 million for the previous corresponding period.

The reduction in profit year on year is a direct result of record high polymer raw material prices combined with volatile currency movements which led to lower margins. Both of these factors have since stabilised.

The Group continued to generate strong cash flows. Cash provided from operating activities was $11.4 million compared to $9.8 million for the previous corresponding period.

Net debt reduced to $14.1 million at 30 June 2009 compared to $20.5 million at 30 June 2008.

Key structural changes included:

- the Group closed the loss-making full service European operation and entered into a distribution agreement with European sales and distribution company Windhager GmbH. This new distribution structure substantially reduces the Groups operating costs in a highly seasonal market. Sale of remaining inventory and recovery of some receivables reduced the one off loss from the closure of European operation to $11.5 million, slightly less than originally anticipated;

- restructuring of New Zealand operations was completed in response to increased competition following structural changes in that market. As part of the reorganisation, a provision for lease costs has been taken-up in the current year ($0.4 million) and the carrying value of New Zealand goodwill has been written down by ($3.2 million); and

- the Group successfully completed a rights issue raising $4.7 million. These funds, together with the ongoing strong cash generated from operations, give the Group an improved balance sheet with significant head room and flexibility within existing facilities.

A summary profit and loss account for continuing and discontinued operations appears below. Individually significant items for the year are shown separately to provide greater understanding of the Group's performance for the year:

Profit and Loss	**Year to 30 June 2009 ($000)**	**Year to 30 June 2008 ($000)**
Continuing Operations		
Sales revenue	98,251	98,653
EBITDA pre New Zealand lease provision	14,499	17,658
New Zealand lease provision	422	-
Continuing operations EBITDA	14,077	17,658
Depreciation and amortisation expense	8,180	6,543
Net interest expense	2,066	2,085
Profit before significant items and tax	3,831	9,030
New Zealand goodwill impairment	3,155	-
Profit before income tax	676	9,030
Tax expense	1,166	1,686
Continuing operations (NLAT) / NPAT	(490)	7,344
Discontinued Operations		
Loss from discontinued operations	(11,461)	(4,839)
Loss attributable to minority interests	(11)	-
Reported net (loss) / profit after tax	(11,962)	2,505

CAPITAL RAISING

In March 2009 the Company completed a capital raising for $4.7 million by way of a 1.25 for 1 pro rata renounceable rights issue resulting in an additional 142,857,142 shares being issued.

CASH FLOW AND BALANCE SHEET

It is particularly pleasing to report that, in a difficult trading environment, cash provided from operating activities was $11.4 million compared to $9.8 million for the previous corresponding period.

Inventory was reduced by $2.9 million from June 2008. In local currencies (US dollars), inventory in USA, Middle East and China reduced by US$2.7 million. The weaker Australian dollar compared to prior periods resulted in an increase of $9 million in the reported value of non current assets in China.

Capital expenditure on plant and equipment was substantially reduced to $1.0 million and compares to $3.4 million for the prior comparable period. With the manufacturing operations now fully established in China there has been a minimal requirement for capital expenditure.

Net tangible assets remained constant at $68 million, however net tangible asset per ordinary security was 24.3 cents per share as at 30 June 2009 compared to 49.6 cents at 30 June 2008, due to the increase in the number of shares on issue after the March 2009 capital raising.

BANKING

The Group uses bank debt to finance operations in Australia (multicurrency facility denominated in Australian dollars) and China (US dollar and Renminbi facilities). At 30 June 2009, the amount drawn of these facilities net of cash on deposit had been reduced to $14.1 million compared with $20.5 million at 30 June 2008.

Until October 2008, the Group maintained a portion of the Australian dollar multicurrency facility in US dollars and Euros to match physical assets in those regions as a strategy to manage the impact on profit of exchange rate risk. As previously advised in the Group's announcements on 23 December 2008 and the 26 February 2009, the rapid fall in the Australian dollar against the US dollar and Euro increased overall bank borrowings as measured in Australian dollars by approximately $10 million.

In October 2008, to prevent further increases in banking borrowings due to currency movements in the volatile foreign exchange rate environment, the Group used available Australian dollar facilities, working capital and cash to repay all Euro facilities and substantially reduce US dollar exposures to ensure that the Group continued to operate within facility limits.

The Group's Australian banking partner has renewed its banking facilities until January 2011 conditional on the ongoing renewal of Chinese banking facilities as they mature. It has also agreed to exclude European closure and restructuring costs, the impairment of goodwill in New Zealand and the additional lease costs in New Zealand from covenant calculations.

The Group's Chinese banking partners have renewed current facilities as they fell due for an additional 12 month period, being the customary maximum term for our Chinese banking facilities. As is normal in our Chinese banking, renewal of a loan facility involves two steps; firstly the repayment of the facility and then the subsequent redrawing of the new facility, which can be days or even weeks later. Based on all available information and past experience, the Group believes that the Chinese banking facilities will continue to be renewed as they fall due.

The March 2009 capital raising and the ongoing strong cash generation has resulted in the Group having significant head room and flexibility within existing banking facilities.

The Group's banking facilities at 30 June 2009 are summarised in the following table:

Region	Facility Currency	Total Facility Limit (Local Currency Million)	Total Facility Limit (AUD Million)	Facility Maturity
Australia	AUD multi-currency	15.0	15.0	January 2011
Australia	Chattel Mortgage	2.4	2.4	February 2011
China	USD/Renminbi	11.0	13.6	Various dates in September, October and November 2009, and January 2010
Total		n/a	31.0	

The US dollar and Renminbi facilities for the China region have various sizes and maturity dates over the next year. The maturity profile for these facilities is as follows:

China Facility Maturity Dates	(USD Million)
July 2009 (renewed to July 2010)	1.0
September 2009	0.6
October 2009	0.5
November 2009	0.5
January 2010	5.7
January 2010 – Letter of Credit Facilities	2.7
Total China facilities	11.0

OPERATIONS

The following table outlines regional sales performance (excluding other income) in local currency.

	Australia & Japan AUD 000's	New Zealand NZD 000's	Americas USD 000's	Middle East/Africa USD 000's	Europe (Discontinued) EURO 000's	China External Sales USD 000's
Full Year 2009	59,144	8,788	17,726	6,074	1,209	565
Full Year 2008	58,556	13,687	18,766	5,841	3,265	416

Asia / Pacific

Asia / Pacific revenue reduced to $67.0 million from $70.8 million in the previous corresponding period. Revenue increased in Australia / Japan by $0.6 million (1%), and was lower in New Zealand by $4.9 million (36%), due to difficult economic conditions particularly in the agricultural net market. Operating profit before tax for the region decreased to $0.5 million from $6.7 million in the previous corresponding period due to higher Australian dollar cost of product imported into Australia and New Zealand from our China operations and from overseas suppliers where product is usually purchased in US dollars. Our major base raw material, polymer, was at record high prices during the period, however has since stabilised at lower levels. The region recorded an operating loss after tax of $0.7 million and includes the impairment of goodwill for New Zealand ($3.2 million) and an additional lease charge for the previous manufacturing site at Christchurch, New Zealand ($0.4 million).

Sales to the retail market in Australia were 5% higher than the previous year following the introduction of new products, mainly a new range of blinds, as well as particularly warm weather in the early part of the calendar year. Sales of retail products to the Japanese market were also very strong for the year. Sales of industrial fabrics in Australia were 14% lower compared to the prior year and reflect the lower demand for grain covers. Sales of architectural fabrics also experienced slower demand due to weaker economic conditions.

The demand for nets to protect crops in New Zealand has fallen significantly and is representative of this weakened sector. Additionally, some sales to New Zealand export customers were transferred to other Gale regions during the year, making year-on-year comparisons difficult.

China operations were focused on waste and efficiency improvements. In February 2009, the Group appointed a new General Manager, Mr Bernie Wang, for our Chinese manufacturing operation. Mr Wang has over 20 years experience in plastic and textile manufacturing in China.

Middle East / Africa

Revenue in the Middle East increased 4% in local currency to US Dollars 6.1 million, driven by increased market penetration despite recent subdued levels of construction and development in this region. Revenue measured in Australian dollars increased to $8.0 million from $6.5 million, while operating profit after tax for this region was $1.5 million compared with $1.6 million for the previous corresponding period.

The Americas

Sales in the Americas reduced by 5% in local currency (to US Dollars 17.7 million) in difficult economic conditions. Measured in Australian dollars, sales increased to $23.3 million from $20.9 million. The operating loss after tax for this region was $1.5 million compared with a break even result for the previous corresponding period.

The sell through rates with the Group's two major retail customers, Lowe's and The Home Depot were impacted by lower overall consumer spending in the DIY home improvement market sector. Although Gale sold products through more stores than in previous years, sell through rates per store were lower. Sales to the commercial market were in line with the previous corresponding period in local currency at US Dollars 2.4 million. The operating loss is due to the lower sales performance and the inability to pass on price increases in a timely manner to absorb the sharp increase in product costs arising from the increase in raw material costs. The increase in the raw material costs has now abated and stabilised.

CLOSURE COSTS OF THE EUROPEAN BUSINESS

The establishment of a full service distribution operation in Europe has been a significant drain on resources, management focus and shareholders funds over the past few years. The Group has reported significant losses in prior years from the sale of the Jung distribution business and the related European inventory write downs. The decision to close the loss-making full service European operation and enter into a distribution agreement with European sales and distribution company Windhager GmbH has resulted in closure costs of $11.5 million, which include:

- $2.5 million for the write off of the accumulated foreign currency translation reserve (non-cash) which relates to the currency movements in the investment in Europe since inception; and
- $9 million for the loss from operations for the twelve months to June 2009 which included;
  - $3.5 million losses from Trading in 2008 / 2009
  - $2.6 million for the liquidation below cost of remaining finished goods inventories and the write down of related raw material inventories in China, including European specific packaging, components and fabric;
  - $1.2 million for remaining non collectable debts from distressed customers after the company aggressively pursued these debtors and made some recoveries;
  - $0.7 million for residual costs in respect to employees, leases, office closure, legal and accounting;
  - $1.0 million fixed asset write offs including some European specific manufacturing equipment in China, merchandising stands, software and office equipment.

DIVIDENDS

Directors believe it is prudent to maintain a strong balance sheet with reduced borrowings in the current economic environment. No dividend will be declared, and Directors will continue to review the position each reporting period.

CORPORATE GOVERNANCE

The Group is committed to the principles of good corporate governance. The full discussion on the Group's progress in maintaining strong, transparent and improving corporate governance and in meeting the best practice recommendations is contained in the Directors report section of this annual report.

ANNUAL GENERAL MEETING

A notice of the Company's Annual General Meeting to be held on 17th November 2009 and a proxy voting form is enclosed with this report.

MANAGEMENT AND STAFF

On behalf of the Directors, we would like to thank all Gale employees for their dedication and commitment to the business during these uncertain and volatile times. The senior management team has been strengthened throughout the year and we are confident in the team's ability to deliver improved performance for the business.

OUTLOOK

While there is still a degree of uncertainty in the current market, the recent stabilisation of lower polymer prices and the strengthening of the Australian dollar should be favourable to the Group's performance if sustained for the full year. Together with the operational improvements made throughout the year, the Group is well positioned for any opportunities when the global economy returns to growth. However, due to the current uncertain economic outlook worldwide, forecasting financial performance remains challenging, and the Group is not in a position to provide specific profit guidance.

DIRECTORS

Mr Harry Boon has announced that he will be stepping down as Chairman and retiring from the Board after the Company's 2009 Annual General Meeting. The Directors would like to thank Harry for his service and contribution during more than four years as Chairman, seeing the Group through a period of difficult restructuring, refinancing and key management changes. A search is underway to find a suitable replacement to fill the role and an announcement will be made as soon as an appointment is made.

Mr Harry Boon
Chairman
25 September 2009

Mr Peter McDonald
Managing Director and Chief Executive Officer
25 September 2009

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 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. 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 and Risk and Remuneration Committees. He recently announced his retirement as a director of Gale Pacific Limited, effective after the Company's Annual General Meeting on 17 November 2009.

PETER MCDONALD

Managing Director and Chief Executive Officer since April 2006

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 Group'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, 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: 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 and 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 Bowen & Pomeroy Pty Ltd, Chairman of Carpet Court Australia Limited, Associate Member of the Australian Institute of Company Directors and Australian Society of Accountants.

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

SENIOR MANAGEMENT

JEFF COX

Chief Financial Officer ("CFO")

Jeff joined Gale in March 2006 and 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.

SHAUN MCPHERSON

Managing Director, Asia Pacific

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

MARTIN DENNEY

Managing Director, USA

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

BERNIE WANG

Managing Director, China

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

CORPORATE GOVERNANCE

This statement sets out the corporate governance practices that were in operation throughout the 2009 financial year for Gale Pacific Limited ("the Company") and its controlled entities ("the Group") and includes a summary of how the Group complies with the revised ASX Corporate Governance Principles and Recommendations. The various charters and policies are all available on the Gale Pacific web site: www.galepacific.com.

PRINCIPLE 1: LAY SOLID FOUNDATION FOR MANAGEMENT OVERSIGHT

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

Complying.

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

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

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

A majority of the board members should be independent.

Complying.

The Board comprises four directors, three of whom are non executive and independent. The directors considered by the Board to constitute independent directors are Mr 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. Mr Boon recently advised the Company of his intention to retire from the Board and step down as Chairman at the conclusion of the Company's 2009 Annual General Meeting. It is the Board's intention that the role of chairman will be filled by an independent director to be appointed prior to Mr Boon's retirement.

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

Complying.

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

The board should establish a nomination committee.

Complying.

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

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

Complying.

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

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

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

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

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

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

Complying.

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

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

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

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

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

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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

The board should establish an audit committee.

The audit committee should be structured so that it:

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

The audit committee should have a formal charter.

Companies should provide the information indicated in the Guide.

Complying.

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

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

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

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

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

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

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

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

Complying.

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

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

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

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

Complying.

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

1. The annual report is distributed to all shareholders who have elected to receive it, including relevant information about the operations of the consolidated entity during the year and changes in the state of affairs.
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 Company'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 policies for the oversight and management of material business risks and disclose a summary of those policies.

Complying.

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

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

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

Complying.

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

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

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

Complying.

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

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

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

Complying.

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

The board should establish a remuneration committee.

Complying.

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

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

Complying.

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

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

Complying.

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

DIRECTORS' REPORT

The Directors of Gale Pacific Limited ("the Company") present their annual financial report for the Company and its controlled entities ("the Group") for the financial year ended 30 June 2009.

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 Chairman of Tatts Group Limited, Non Executive Director of Paperlinx 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 and Risk and Remuneration Committees. Mr Boon recently announced his retirement as a director of Gale Pacific Limited, effective after the Company's Annual General Meeting on 17 November 2009.

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 Group's United States operations.

No other directorships of listed companies were held by Mr McDonald at any time during the three years prior to 30 June 2009.

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 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 and Risk and Nomination Committees.

GEORGE RICHARDS, CPA, AAICD

Non Executive Director since May 2004

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

No other directorships of listed companies were held by Mr Richards at any time during the three years prior to 30 June 2009.

Mr Richards is Chairman of the Company's Audit and 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 loss of the Group for the financial year attributable to the members of Gale Pacific Limited was $11.962 million. Refer to the Chairman and Managing Director's and Chief Executive Officer's Report for further details on the Group's result.

STATE OF AFFAIRS

In the opinion of the Directors there were no significant changes in the state of affairs of the Group that occurred during the financial year under review not otherwise disclosed in this report or the accompanying financial report. During the financial year the Company conducted a capital raising the details of which are disclosed in note 16(a) to the Financial Statements. This capital raising was considered by the Directors to be a defensive measure in the best interest of the Company in difficult and volatile economic times.

EVENTS SUBSEQUENT TO BALANCE DATE

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

LIKELY DEVELOPMENTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

DIVIDENDS

In respect of the financial year ended 30 June 2009, 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. At the date of this report the number of unissued ordinary shares under option was nil. All options on issue at the end of the previous reporting period lapsed unexercised during the reporting period. No new options were issued during the reporting period.

Performance Rights

The number of performance rights on issue at the date of this report is 9,450,000. No amount is payable on the vesting of a performance right. Each performance right entitles the holder to one (1) ordinary share in Gale Pacific Limited in the event that the performance right is exercised. Performance rights carry no rights to dividends and no voting rights.

Of the performance rights on issue, 150,000 performance rights were issued to the Managing Director and Chief Executive Officer, Mr Peter McDonald on 2 February 2007. The Board has determined that these rights will lapse on 30 September 2009.

525,000 of the performance rights are the second tranche (75%) of an issue on 16 November 2007. The hurdles for the first tranche were not achieved at 30 June 2008 so they expired unvested during the reporting period. The second tranche includes 75,000 each to the following current senior executives Dr Paul Cacioli, General Manager Research & Development and Technical; Mr Jeff Cox, Chief Financial Officer; Mr Martin Denney, Managing Director USA; and Mr Paul Ducray, Chief Manufacturing Officer. These performance rights are subject to satisfying of relevant performance hurdles based on improvements in the Group's earnings before interest, tax, depreciation and amortisation ("EBITDA") over the two year period 1 July 2007 to 30 June 2009. These hurdles have not been achieved so these performance rights will now also not vest.

9,000,000 of the performance rights were issued on 30 June 2009 to the following senior executives, 2,000,000 each to Mr Jeff Cox, Chief Financial Officer; Mr Martin Denney, Managing Director USA; Mr Shaun McPherson, Managing Director Asia Pacific; Mr Bernie Wang, Managing Director, China and 1,000,000 to Dr Paul Cacioli, General Manager Research & Development and Technical Services. These performance rights are subject to the satisfying of relevant performance hurdles based on improvements in the Group's diluted earnings per share over the three year period 1 July 2009 to 30 June 2012. None of these performance rights can vest until 30 June 2012 and expire on 30 June 2019.

Further details of the options and performance rights are disclosed in Note 24 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	607,500	-	-
P McDonald	978,105	-	150,000[1]
J Murphy	-	-	-
G Richards	491,899	-	-

[1] The Board has determined that these rights will lapse on 30 September 2009.

DIRECTORS' MEETINGS

The table below sets out the attendance by Directors at meetings either in person or via their alternate.

	Directors' Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
Directors	**No of meetings eligible to attend**	**Attended**	**No of meetings eligible to attend**	**Attended**	**No of meetings eligible to attend**	**Attended**	**No of meetings eligible to attend**	**Attended**
H Boon	19	19	3	3	3	3	1	1
P McDonald	19	19	3	3	3	3	1	1
J Murphy	19	19	3	3	3	3	1	1
G Richards	19	19	3	3	3	3	1	1

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

The members of the Nomination Committee are Mr Harry Boon, Mr John Murphy and Mr George Richards. The Chairman of the Nomination Committee is Mr Harry Boon.

REMUNERATION REPORT

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

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

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

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

Remuneration packages contain the following key elements:

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

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

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

  Details of these benefits are disclosed below in this report.

Remuneration Practices

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

Remuneration Structure

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

Non Executive Director Remuneration

Objective

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

Structure

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

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

The remuneration of Non Executive Directors for the period ended 30 June 2009 is detailed below.

Senior Manager and Executive Director Remuneration

Objective

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

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

Structure

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

(a). Share Based Payments

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

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

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

The number of unissued ordinary shares under the performance rights scheme at the date of this report is 9,450,000. Each performance right entitles the holder one (1) ordinary share in Gale Pacific Limited when exercised and is subject to the satisfying of relevant performance hurdles based on improvements in the Group's diluted earnings per share.

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

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

(b). Cash Bonuses

Cash bonuses granted to executives are based on the respective performance of their regional business unit. Bonuses are paid out at various times during the year and are determined at the discretion of the Remuneration Committee. For the current year bonuses have been granted as at 30 June 2009.

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

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)
S McPherson (Managing Director, Asia Pacific)
B Wang (Managing Director, China)
E Xu (Managing Director, China)

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

2008 / 2009	**Short term benefits**			**Post employ-ment**	**Share based payments**		**Total**	**Performance related**		
Directors	**Salary & fees $**	**Bonus $**	**Non monetary $**	**Super $**	**Options $**	**Performa-nce rights $**	**$**	**Total %**	**Options %**	**Rights %**
Executive Directors										
P McDonald	401,200	50,000	27,591	36,209	12,011	49,285	576,296	19.3	2.1	8.6
Non Executive Directors										
H Boon	137,615	-	-	12,385	-	-	150,000	-	-	-
G Richards	68,807	-	-	6,193	-	-	75,000	-	-	-
J Murphy	65,000	-	-	-	-	-	65,000	-	-	-
Total	672,622	50,000	27,591	54,787	12,011	49,285	866,296			

2007 / 2008	**Short term benefits**			**Post employ-ment**	**Share based payments**		**Total**	**Performance related**		
Directors	**Salary & fees $**	**Bonus $**	**Non monetary $**	**Super $**	**Options $**	**Performa-nce rights $**	**$**	**Total %**	**Options %**	**Rights %**
Executive Directors										
P McDonald	380,379	85,000	26,471	37,114	5,521	49,285	583,770	23.9	0.9	8.4
Non Executive Directors										
H Boon	137,615	-	-	12,385	-	-	150,000	-	-	-
G Richards	72,807	-	-	6,193	-	-	79,000	-	-	-
J Murphy[1]	55,161	-	-	-	-	-	55,161	-	-	-
Total	645,962	85,000	26,471	55,692	5,521	49,285	867,931			

[1] 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.

The following table discloses the remuneration of the key management personnel of the Group which includes the five highest paid executives.

2008 / 2009	Short-term Benefits			Post Employ-ment	Share Based Payments		Termin. Benefits	Total	Performance Related		
Key management personnel	Salary & fees $	Bonus $	Non-monetary $	Super $	Options $	Perf. Rights $	$	$	Total %	Options %	Rights %
F Albertsmeier[1]	300,033	-	47,497	-	-	-	66,846	414,376	-	-	-
M Denney[2]	304,923	15,262	15,612	-	-	-	-	335,797	4.5	-	-
J Cox	262,853	25,000	-	25,894	-	-	-	313,747	8.0	-	-
P Cacioli[3]	260,092	-	-	23,137	-	-	-	283,229	-	-	-
P Ducray[4]	223,967	-	40,411	-	808	-	-	265,186	0.3	0.3	-
E Xu[5]	174,319	4,672	4,573	-	461	-	32,374	216,399	2.4	0.2	-
S McPherson[6]	160,417	25,000	-	14,583	-	-	-	200,000	12.5	-	-
S Carroll[7]	22,214	19,774	-	1,828	1,615	-	132,345	177,776	12.0	0.9	-
B Wang[8]	50,958	32,641	9,004	-	-	-	-	92,603	35.2	-	-
Total	1,759,776	122,349	117,097	65,442	2,884	-	231,565	2,299,113			

2007 / 2008	Short-term Benefits			Post Employ-ment	Share Based Payments		Termin. Benefits	Total	Performance Related		
Key management personnel	Salary & fees $	Bonus $	Non-monetary $	Super $	Options $	Perf. Rights $	$	$	Total %	Options %	Rights %
F Albertsmeier	307,357	41,091	52,420	-	-	22,541	-	423,409	15.0	-	5.3
Z Fakroddin[9]	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	2.1	7.2
M Denney	246,336	33,051	7,503	-	-	22,541	-	309,431	18.0	-	7.3
E Xu	242,284	19,397	9,830	-	1,832	22,541	-	295,884	14.8	0.6	7.6
P Ducray	189,692	10,469	33,962	-	3,213	22,541	-	259,877	13.9	1.2	8.7
C McCallum[10]	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			

---

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

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

[3] Mr Cacioli will depart his role on 9 October 2009.

[4] Mr Ducray is based in China and remunerated in Chinese renminbi and United States dollars converted to Australian dollars in the table above. Mr Ducray will depart his role on the 30 September 2009.

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

[6] Mr McPherson was appointed Managing Director Asia Pacific on 24 November 2008. The details of his remuneration for the reporting period are from that date.

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

[8] Mr Wang was appointed Managing Director China on 26 February 2009 and the details of his remuneration for the reporting period are from that date.

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

[10] Mr McCallum is based in New Zealand and remunerated in New Zealand dollars converted to Australian dollars in the table above. Mr McCallum departed his role as Managing Director of New Zealand on 31 December 2007 following the completion of the restructuring of the New Zealand operations. His remuneration details for the comparative period are to 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 non audit services provided by the Company's auditor, Pitcher Partners are disclosed in the table below under the Company. Non audit services have been approved by the Audit Committee and reported to the Board. The Directors are satisfied that the provision of non audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act. The nature and scope of each non audit service provided means that auditor independence was not compromised.

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

	Consolidated		Company	
	2008 / 2009 ($000)	**2007 / 2008 ($000)**	**2008 / 2009 ($000)**	**2007 / 2008 ($000)**
Taxation services	50	62	19	17
Corporate secretarial and management services	86	21	-	-
Systems review	2	2	-	-
Capital raising related services	-	-	2	-
Government grant review	2	3	2	3
General assistance	-	2	-	2
Total	140	90	23	22

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
25 September 2009

Mr Peter McDonald
Managing Director and Chief Executive Officer
25 September 2009

PITCHER PARTNERS
An independent Victorian Partnership
ABN 27 975 255 196

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of Gale Pacific Limited

In relation to the independent audit for the year ended 30 June 2009, 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
25 September 2009

PITCHER PARTNERS
MELBOURNE

Liability limited by a scheme approved under Professional Standards Legislation

Pitcher Partners, including Johnston Rorke, is an association of independent firms
Melbourne | Sydney | Perth | Adelaide | Brisbane
An independent member of Baker Tilly International

DIRECTORS' DECLARATION

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 2009 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
25 September 2009

Mr Peter McDonald
Managing Director and Chief Executive Officer
25 September 2009

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

We have audited the accompanying financial report of Gale Pacific Limited and controlled entities. The financial report comprises the Balance Sheet as at 30 June 2009, 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 2009 and of their 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 20 of the directors' report for the year ended 30 June 2009. 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.

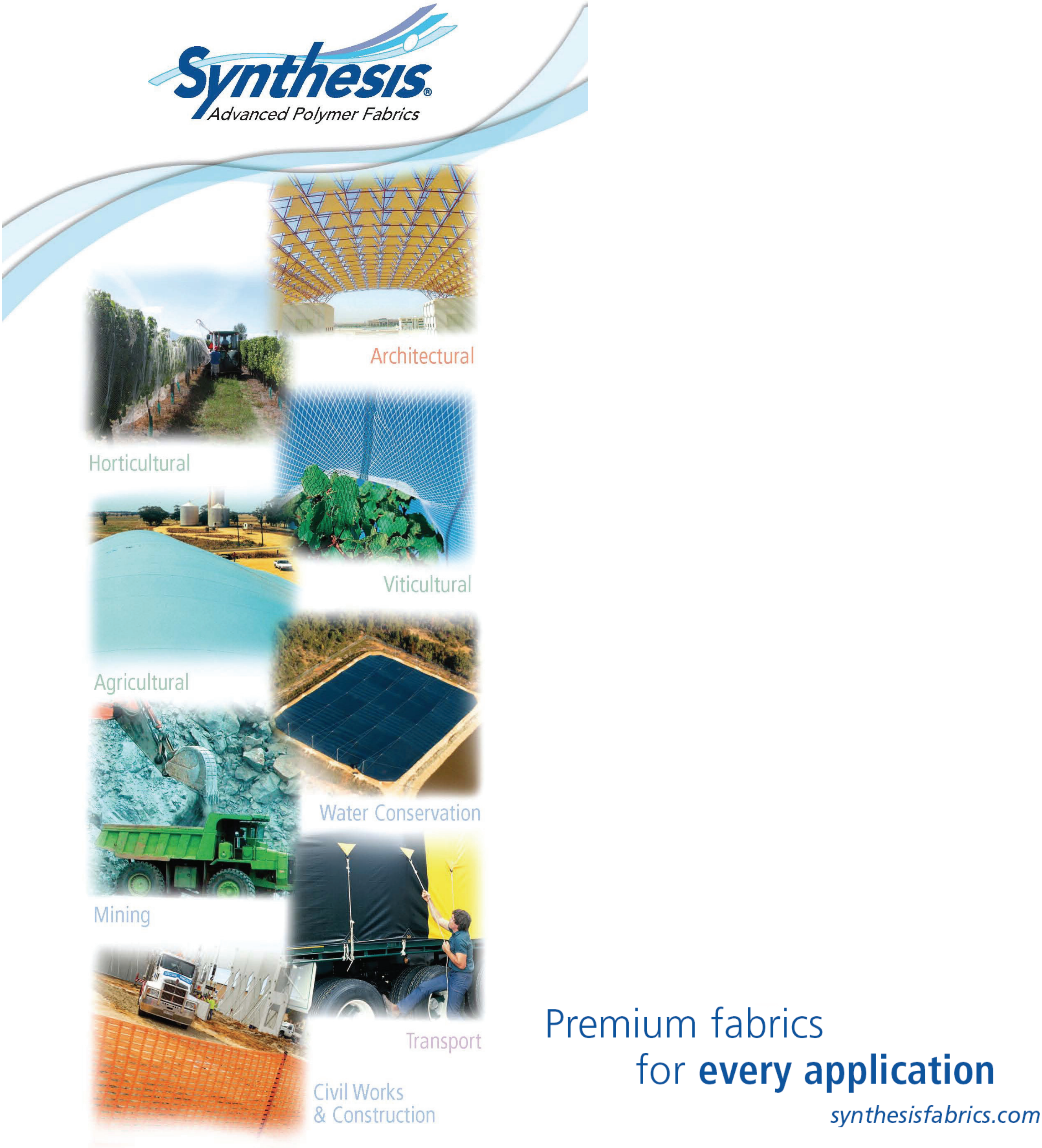
Auditor's Opinion

In our opinion the Remuneration Report of Gale Pacific Limited and controlled entities for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

S Schonberg
Partner
25 September 2009

PITCHER PARTNERS
MELBOURNE

FINANCIAL RESULTS



INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Company	
	Note	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Revenue	2	98,251	98,653	56,960	57,989
Other income	3	2,453	1,735	9,592	2,609
Expenses	3				
Changes in inventories of finished goods and work in progress		75	(706)	635	(597)
Raw materials and consumables used		(42,160)	(39,098)	(29,951)	(27,570)
Employee benefits expense		(16,384)	(16,519)	(7,544)	(7,698)
Depreciation and amortisation expense		(8,180)	(6,543)	(2,313)	(2,604)
Impairment of goodwill and assets		(3,155)	-	-	-
Restructuring and termination costs		(422)	-	-	-
Impairment of related party receivables		-	-	(9,473)	-
Operating overheads		(27,210)	(24,901)	(13,963)	(13,089)
Other expenses		(151)	(562)	(1,860)	(3,249)
Finance costs		(2,441)	(3,029)	(1,497)	(2,252)
Profit from continuing operations before income tax		676	9,030	586	3,539
Income tax expense	4	(1,166)	(1,686)	(161)	(1,232)
(Loss) / profit from continuing operations after income tax		(490)	7,344	425	2,307
Loss from discontinued operations	23	(11,461)	(4,839)	(27,311)	-
Profit attributable to minority interests	19	(11)	-	-	-
Net (loss) / profit attributable to the members of the parent entity	18	(11,962)	2,505	(26,886)	2,307
Earnings Per Share					
From Continuing and Discontinued Operations					
Basic earnings per share (cents per share)	21	(6.75)	1.92		
Diluted earnings per share (cents per share)	21	(6.75)	1.90		
From Continuing Operations					
Basic earnings per share (cents per share)	21	(0.28)	5.64		
Diluted earnings per share (cents per share)	21	(0.28)	5.58		

The accompanying notes form part of these financial statements.

BALANCE SHEET

AS AT 30 JUNE 2009

	Note	Consolidated		Company	
		2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Current Assets					
Cash and cash equivalents	5	7,141	16,594	1,893	12,317
Trade and other receivables	6	14,674	19,552	4,449	5,856
Inventories	7	23,663	26,576	11,731	10,914
Current tax assets	4	980	178	949	-
Other current assets	9	741	760	271	296
Total current assets		47,199	63,660	19,293	29,383
Non Current Assets					
Amounts receivable from controlled entities	6	-	-	7,935	41,641
Other financial assets	8	-	-	45,103	30,585
Property, plant and equipment	10	57,505	55,344	6,369	7,918
Intangible assets	11	7,405	10,845	4,380	5,081
Deferred tax assets	4	1,038	175	1,185	2,842
Total non current assets		65,948	66,364	64,972	88,067
Total assets		113,147	130,024	84,265	117,450
Current Liabilities					
Trade and other payables	12	8,703	10,649	2,897	4,182
Borrowings	13	19,419	34,140	8,996	17,643
Other financial liabilities	14	459	28	459	28
Current tax liabilities	4	217	6	-	6
Provisions	15	2,689	1,778	922	883
Total current liabilities		31,487	46,601	13,274	22,742
Non Current Liabilities					
Borrowings	13	1,754	2,978	1,754	2,978
Deferred tax liabilities	4	4,372	1,587	-	-
Provisions	15	118	112	88	69
Total non current liabilities		6,244	4,677	1,842	3,047
Total liabilities		37,731	51,278	15,116	25,789
Net assets		75,416	78,746	69,149	91,661
Equity					
Contributed equity	16	105,594	100,813	105,594	100,813
Other reserves	17	(5,965)	(10,026)	225	632
Accumulated losses	18	(24,213)	(12,030)	(36,670)	(9,784)
Parent entity interest		75,416	78,757	69,149	91,661
Minority interests	19	-	(11)	-	-
Total equity		75,416	78,746	69,149	91,661

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Company	
	Note	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Total Equity at the Beginning of the Period		78,746	60,697	91,661	70,189
Cash flow hedges, net of tax	17	(316)	-	(261)	-
Exchange differences on translation of foreign operations	17	4,302	(3,621)	-	-
Employee share based expenditure	17	(146)	288	(146)	288
Net income / (loss) recognised directly in equity		3,840	(3,333)	(407)	288
(Loss) / profit for the period		(11,951)	2,505	(26,886)	2,307
Total recognised income and expense for the period		(8,111)	(828)	(27,293)	2,595
Transaction with Equity Holders in their Capacity as Equity Holders					
Contributions, net of raising costs and tax	16	4,781	18,877	4,781	18,877
		4,781	18,877	4,781	18,877
Total equity at the end of the period		75,416	78,746	69,149	91,661
Total Recognised Income and Expense for the Period is Attributable To					
Members of the parent		(11,962)	2,505	(26,886)	2,307
Minority interest		11	-	-	-
Total		(11,951)	2,505	(26,886)	2,307

The accompanying notes form part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated		Company	
	Note	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Cash Flow From Operating Activities					
Receipts from customers		114,700	109,476	63,563	62,987
Payments to suppliers and employees		(100,090)	(96,139)	(54,171)	(55,035)
Interest received		471	876	1,777	2,379
Borrowing costs paid		(2,468)	(3,276)	(1,365)	(2,378)
Income tax payments		(1,225)	(1,118)	(1,093)	(1,060)
Dividends received		-	-	192	-
Net cash provided by operating activities	23	11,388	9,819	8,903	6,893
Cash Flow From Investing Activities					
Proceeds from sale of plant and equipment		470	443	87	70
Payment for plant and equipment		(1,007)	(3,370)	(176)	(402)
Payment for intangible assets		(198)	(866)	(198)	(836)
Payment for investments		-	-	(14,518)	(5,259)
Proceeds from related parties		-	-	662	603
Net cash used by investing activities		(735)	(3,793)	(14,143)	(5,824)
Cash Flow From Financing Activities					
Proceeds from issue of equity securities		4,687	18,395	4,687	18,395
Repayment of borrowings		(20,584)	(5,709)	(11,413)	(6,025)
Repayment of principal on finance leases		(148)	(175)	(148)	(175)
Repayment of principal on hire purchase		(359)	(2,225)	(359)	(2,225)
Net cash (used) / provided by financing activities		(16,404)	10,286	(7,233)	9,970
Net (decrease) / increase in cash held		(5,751)	16,312	(12,473)	11,039
Cash at beginning of year		15,685	539	11,408	(790)
Effects of exchange rate changes on items denominated in foreign currencies		(2,793)	(1,166)	2,958	1,159
Cash at the end of the year	23	7,141	15,685	1,893	11,408

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

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

During the reporting period, the net investment in Gale Europe GmbH has been written off following the closure of the European full service operation; a portion of the net investment in Gale Pacific Special Textiles (Ningbo) Limited was converted to equity and the Group's forecasts identified additional balances in Gale Pacific (New Zealand) Limited and Gale Pacific USA Inc where settlement is not planned, so these balances have been reclassified as net investments in foreign operations.

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	2008 / 2009 ($000)	2007 / 2008 ($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
Related party receivable to the company from Gale Pacific Special Textiles (Ningbo) Limited		6,842	13,421
Related party receivable to the company from Gale Pacific (New Zealand) Limited		6,800	5,238
Related party receivable to the company from Gale Pacific USA Inc		9,473	-
Total		23,115	35,514
Exchange movement arising in the reporting period on monetary item forming part of the net investment in related party, recognised in foreign currency translation reserve	17	1,334	(1,591)

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

(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 a cost basis. The carrying value of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected discounted net cash flows that will be received from the asset's employment and subsequent disposal. Refer to Note 1(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 or over the term of the lease where it is likely that the Group will obtain ownership of the asset. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating Leases

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

(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.

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

(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.

Tax Offset

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

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

(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

Non Derivative Financial Instruments

Loans and Receivables

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

Financial Liabilities

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

Investment in Controlled Entities

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

Derivative Financial Instruments

Cash Flow Hedges

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

Financial Instruments at Fair Value Through Profit and Loss

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

(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 restatement are recognised as revenues and expenses for the financial year.

Group Companies

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

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

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

(q). Discontinued Operations

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

(r). New Accounting Standards and Interpretations

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

(s). Significant Estimates and Assumptions

Goodwill

The recoverable amount of the cash generating units (CGU) have been determined based on a value in use calculation using financial projections approved by the Board of Directors covering the next five financial years. The revenue growth for the five year period varies within the range of 2% to 10% depending on the demographic, economic, trading conditions and growth potential, of the CGU. The discount rate applied to the cash flow projections is 7.5% (2008 : 9.8%) being the Group's pre tax weighted average cost of capital.

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

Key assumptions used in value in use calculations

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

NOTE 1: BASIS OF PREPARATION (CONTINUED)

Impairment losses recognised

An impairment loss on consolidation, based upon a value in use calculation of $3.155 million (refer note 11) relating to goodwill was recognised for continuing operations in the 2009 financial year. The impaired goodwill related to Gale Pacific New Zealand. The impairment loss has been recognised in the income statement in the line item “impairment of goodwill and assets”. The cash generating units consist of the working capital, property, plant and equipment and goodwill of the subsidiary. The impairment is a consequence of lower profitability in response to increased competition following structural changes in that market and therefore, the current and forecast results do not support the carrying value of the full amount of goodwill paid upon acquisition.

Impairment testing of investments in controlled entities and loans with related parties

The recoverable amount of the investments in controlled entities and loans with related parties has been determined based on a value in use calculation as described above.

Impairment losses recognised

An impairment loss in the Company, based upon a value in use calculation, relating to loans from related parties was recognised for continuing operations in the 2009 financial year.

The impairment loss has been recognised in the income statement in the line item “impairment of related party assets”.

Net investment in foreign operations

As described in Note 1 (c).

NOTE 2: REVENUE

	Consolidated			
	2008 / 2009 ($000)		2007 / 2008 ($000)	
	Continuing	Discontinued	Continuing	Discontinued
Operating Activities				
Sale of goods – other parties	98,251	2,219	98,653	5,367
Sale of goods – related parties	-	-	-	148
Total revenue	98,251	2,219	98,653	5,515

	Company			
	2008 / 2009 ($000)		2007 / 2008 ($000)	
	Continuing	Discontinued	Continuing	Discontinued
Operating Activities				
Sale of goods – other parties	56,046	-	57,175	-
Sale of goods – related parties	722	-	814	-
Dividends – related parties	192	-	-	-
Total revenue	56,960	-	57,989	-

NOTE 3: PROFIT

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

	Consolidated			
	2008 / 2009 ($000)		2007 / 2008 ($000)	
	Continuing	Discontinued	Continuing	Discontinued
Other Income				
Interest income – other parties	375	-	944	2
Interest income – related parties	174	-	417	-
SIP income	321	-	102	-
Other revenue	31	248	51	-
Net foreign exchange gains	1,552	79	221	31
Total other income	2,453	327	1,735	33
Cost of sales	58,925	4,254	53,280	3,445
Finance Costs				
Other persons	2,441	-	3,029	8
Related parties	-	174	-	417
Depreciation of Non Current Assets				
Buildings	227	-	197	-
Leasehold improvements	86	-	76	-
Plant and equipment	6,441	247	4,557	818
Motor vehicles	54	-	81	-
Office equipment	423	-	476	-
Amortisation of Non Current Assets				
Leased plant and equipment	4	-	12	-
Leased motor vehicles	84	-	96	-
Patents and trademarks	62	-	63	-
Application software	252	-	167	-
Research and Development Expenditure				
Amortisation of previously capitalised expenditure	547	-	818	-
Expensed as incurred	373	-	670	-
Impairment of Non Current Assets				
Goodwill	3,155	-	-	-
Intangible assets	-	144	-	-
Inventory write down	-	-	-	1,581
Restructuring and termination costs	422	-	-	-
Increase / (decrease) in provision for obsolete inventory	189	-	(1,177)	468
Bad and Doubtful Debts				
Bad debts written off – trade debtors	122	-	115	95
Movement in provisions for doubtful debts – trade debtors	22	-	103	-
Remuneration of the Auditors of the Parent Entity For				
Auditing the financial report	207	18	194	-
Taxation services	19	-	17	-
Capital raising related services	2	-	-	-
Government grant review	2	-	3	-
General assistance	-	-	2	-
Total remuneration of the auditors of the parent entity	230	18	216	-
Remuneration of Other Auditors of Controlled Entities For				
Auditing the financial report	138	37	105	31
Taxation services	25	6	33	12
Secretarial and management services	-	86	14	7
Systems review	-	-	2	-
Total remuneration of other auditors	163	129	154	50
Total remuneration of auditors	393	147	370	50
Net Loss / (Gain) on Disposal of Non Current Assets				
Plant and equipment	1	-	(5)	-
Motor vehicles	63	-	(3)	-
Office equipment	7	-	10	-
Operating lease rental expense	2,213	753	2,115	674
Share based payment (benefit) / expense	(146)	-	288	-

NOTE 3: PROFIT (CONTINUED)

	Company			
	2008 / 2009 ($000)		2007 / 2008 ($000)	
	Continuing	Discontinued	Continuing	Discontinued
Other Income				
Interest income – other parties	330	-	871	-
Interest income – related parties	1,220	-	1,580	-
SIP income	321	-	102	-
Other revenue	-	-	56	-
Net foreign exchange gains	7,721	-	-	-
Total other income	9,592	-	2,609	-
Cost of sales	32,730	-	30,428	-
Finance Costs				
Other persons	1,362	-	2,158	-
Related parties	135	-	94	-
Depreciation of Non Current Assets				
Leasehold improvements	22	-	22	-
Plant and equipment	1,219	-	1,289	-
Motor vehicles	6	-	30	-
Office equipment	189	-	242	-
Amortisation of Non Current Assets				
Leased plant and equipment	4	-	12	-
Leased motor vehicles	84	-	96	-
Patents and trademarks	42	-	(38)	-
Application software	200	-	133	-
Research and Development Expenditure				
Amortisation of previously capitalised expenditure	547	-	818	-
Expensed as incurred	373	-	713	-
Impairment of Non Current Assets				
Intangible assets	-	144	-	-
Impairment of related party balances	9,473	25,236	-	-
Increase / (decrease) in provision for obsolete inventory	205	-	(43)	-
Bad and Doubtful Debts				
Movement in provisions for doubtful debts – trade debtors	201	-	-	-
Remuneration of the Auditors of the Parent Entity For				
Auditing the financial report	207	5	194	-
Taxation services	19	-	17	-
Capital raising related services	2	-	-	-
Government grant review	2	-	3	-
General assistance	-	-	2	-
Total remuneration of auditors	230	5	216	-
Net foreign exchange losses	-	-	2,202	-
Net Loss / (Gain) on Disposal of Non Current Assets				
Plant and equipment	12	-	-	-
Motor vehicles	68	-	(5)	-
Operating lease rental expense	1,165	-	1,071	-
Share based payment (benefit) / expense	(146)	-	288	-

(a). The Components of Tax Expense

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Current tax	659	638	138	684
Deferred tax	1,760	1,048	1,863	548
Total income tax expense	2,419	1,686	2,001	1,232
Disclosed in the financial statements as				
Income tax expense from continuing operations	1,166	1,686	161	1,232
Income tax expense from discontinued operations	1,253	-	1,840	-
Total	2,419	1,686	2,001	1,232

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

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Prima facie tax payable on profit before income tax at 30%	202	2,709	176	1,062
Add tax effect of:				
Tax rate differentials in foreign countries	(515)	(682)	-	-
Impairment of goodwill	946	-	-	
Tax losses not recognised / (derecognised)	1,166	(103)	-	-
Exempt income	-	(213)	(58)	-
Effect of tax rate changes on deferred tax balances	-	7	-	-
Tax credits	(321)	-	-	-
Other (non assessable) / non allowable items	(322)	(37)	33	170
	1,156	1,681	151	1,232
Less tax effect of:				
Over provision for income tax in the prior year	10	5	10	-
Income tax expense attributed to profit from continuing operations	1,166	1,686	161	1,232
Plus income tax expense from discontinued operations	1,253	-	1,840	-
Total income tax expense	2,419	1,686	2,001	1,232

(c). Income Tax Recognised Directly in Equity

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

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Deferred Tax				
Equity raising costs deductible over 5 years	(94)	(482)	(94)	(482)
Cash flow hedges	(135)	-	(112)	-
Total	(229)	(482)	(206)	(482)

(d). Current Tax

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Current tax asset	980	178	949	-
Current tax liability	(217)	(6)	-	(6)
Total	763	172	949	(6)

(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	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Balance at the beginning of the year	172	(296)	(6)	(382)
Current year tax expense	(659)	(638)	(138)	(684)
Income tax payments	1,225	1,118	1,093	1,060
Net foreign currency movements arising from foreign operations	25	(12)	-	-
Carrying amount at the end of the year	763	172	949	(6)

(f). Deferred Tax

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Deferred Tax (Liabilities) / Assets Arise from the Following				
Property, plant and equipment	(406)	(705)	(287)	(629)
Foreign exchange	(3,881)	(1,720)	(2,874)	(407)
Income not derived	126	(71)	(84)	(71)
Finance leases	80	133	80	133
Research and development	(39)	(203)	(39)	(203)
Doubtful debts	77	45	60	-
Other financial liabilities	(298)	91	23	71
Provisions	262	58	3,432	2,933
Employee benefits	300	327	228	265
Capitalised costs	(295)	(190)	135	116
Borrowing costs	19	44	19	44
Equity raising costs	492	590	492	590
Other	229	199	-	-
Total	(3,334)	(1,402)	1,185	2,842
Unused Tax Losses and Credits				
Tax losses	-	(10)	-	-
Net deferred tax (liability) / asset	(3,334)	(1,412)	1,185	2,842
Represented By				
Deferred tax asset	1,038	175	1,185	2,842
Deferred tax liability	(4,372)	(1,587)	-	-
Total	(3,334)	(1,412)	1,185	2,842

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	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Tax losses – income	2,228	6,205	-	-
Temporary differences not brought to account	-	143	-	-
Tax losses – capital	33,360	1,990	33,360	1,990
Total	35,588	8,338	33,360	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 nil (2008: $10,000) in tax jurisdictions where it is probable that future taxable income will be available to utilise these losses.

NOTE 5: CASH AND CASH EQUIVALENTS

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Cash on hand	8	18	1	1
Cash at bank	4,647	3,514	942	493
Cash on deposit [1]	2,486	13,062	950	11,823
Total	7,141	16,594	1,893	12,317

NOTE 6: TRADE AND OTHER RECEIVABLES

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Current				
Trade debtors	14,315	19,117	4,348	5,526
Less provision for doubtful debts	(258)	(244)	(201)	-
	14,057	18,873	4,147	5,526
Other receivables	617	679	302	330
Total	14,674	19,552	4,449	5,856
Non Current				
Amounts receivable from related parties	-	-	19,041	51,340
Less provision for non recoverability	-	-	(11,106)	(9,699)
Total	-	-	7,935	41,641

[1] Cash on deposit is after setting off nil (2008 : $5,827,000) of deposit against bank loans held with the bank.

NOTE 7: INVENTORIES

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Current				
Raw materials at cost	3,174	3,659	1,367	1,185
Work in progress at cost	2,200	2,383	-	-
Finished goods at cost	18,500	21,146	10,447	9,734
Less provision for obsolescence	(211)	(612)	(83)	(5)
Total	23,663	26,576	11,731	10,914

NOTE 8: OTHER FINANCIAL ASSETS

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Non Current				
Investments in controlled entities at cost	-	-	45,103	30,585
Total	-	-	45,103	30,585

NOTE 9: OTHER ASSETS

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Current				
Prepayments	741	760	271	296
Total	741	760	271	296

NOTE 10: PROPERTY, PLANT AND EQUIPMENT

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Buildings				
At cost	9,246	7,754	-	-
Less accumulated depreciation	(917)	(590)	-	-
	8,329	7,164	-	-
Plant and Equipment				
At cost	69,909	59,263	14,096	14,067
Less accumulated depreciation	(22,406)	(16,741)	(8,435)	(7,257)
	47,503	42,522	5,661	6,810
Plant and Equipment Under Lease				
At cost	75	75	75	75
Less accumulated amortisation	(75)	(71)	(75)	(71)
	-	4	-	4
Leasehold Improvements				
At cost	605	528	331	331
Less accumulated depreciation	(387)	(280)	(189)	(167)
	218	248	142	164
Motor Vehicles				
At cost	328	595	-	270
Less accumulated depreciation	(196)	(279)	-	(114)
	132	316	-	156
Motor Vehicles Under Lease				
At cost	251	406	251	406
Less accumulated amortisation	(79)	(221)	(79)	(221)
	172	185	172	185
Office Equipment				
At cost	4,097	3,869	2,519	2,498
Less accumulated depreciation	(3,276)	(2,917)	(2,125)	(1,937)
	821	952	394	561
Capital Work in Progress	330	3,953	-	38
Total property, plant and equipment	57,505	55,344	6,369	7,918

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Movements in Carrying Amounts				
Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the year.				
Buildings				
Balance at the beginning of the year	7,164	7,427	-	-
Additions / (transfers)	-	82	-	-
Depreciation expense	(227)	(197)	-	-
Net foreign currency movements arising from foreign operations	1,392	(148)	-	-
Carrying amount at the end of the year	8,329	7,164	-	-
Plant and Equipment				
Balance at the beginning of the year	42,522	48,676	6,810	7,511
Additions / (transfers)	5,012	1,345	82	588
Disposals	(374)	(564)	(12)	-
Depreciation expense	(6,688)	(5,375)	(1,219)	(1,289)
Net foreign currency movements arising from foreign operations	7,031	(1,560)	-	-
Carrying amount at the end of the year	47,503	42,522	5,661	6,810
Plant and Equipment Under Lease				
Balance at the beginning of the year	4	16	4	16
Amortisation expense	(4)	(12)	(4)	(12)
Carrying amount at the end of the year	-	4	-	4
Leasehold Improvements				
Balance at the beginning of the year	248	314	164	183
Additions / (transfers)	37	11	-	3
Depreciation expense	(86)	(76)	(22)	(22)
Net foreign currency movements arising from foreign operations	19	(1)	-	-
Carrying amount at the end of the year	218	248	142	164
Motor Vehicles				
Balance at the beginning of the year	316	323	156	176
Reclassifications	(137)	-	(137)	-
Additions / (transfers)	-	91	-	12
Disposals	(25)	(12)	(13)	(2)
Depreciation expense	(54)	(81)	(6)	(30)
Net foreign currency movements arising from foreign operations	32	(5)	-	-
Carrying amount at the end of the year	132	316	-	156
Motor Vehicles Under Lease				
Balance at the beginning of the year	185	217	185	217
Reclassifications	137	-	137	-
Additions / (transfers)	76	127	76	127
Disposals	(142)	(63)	(142)	(63)
Amortisation expense	(84)	(96)	(84)	(96)
Carrying amount at the end of the year	172	185	172	185
Office Equipment				
Balance at the beginning of the year	952	968	561	404
Reclassifications	(2)	-	-	-
Additions / (transfers)	224	500	22	399
Disposals	(12)	(19)	-	-
Depreciation expense	(423)	(476)	(189)	(242)
Net foreign currency movements arising from foreign operations	82	(21)	-	-
Carrying amount at the end of the year	821	952	394	561

NOTE 11: INTANGIBLE ASSETS

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Goodwill at cost	9,894	9,588	4,127	4,127
Less accumulated impairment	(3,944)	(929)	(1,054)	(1,054)
	5,950	8,659	3,073	3,073
Patents, trademarks and licenses at cost	1,330	1,297	1,097	1,097
Less accumulated amortisation	(695)	(617)	(539)	(497)
	635	680	558	600
Application software at cost	1,494	1,074	1,119	886
Less accumulated amortisation	(804)	(245)	(500)	(155)
	690	829	619	731
Research and development	4,865	4,865	4,865	4,865
Less accumulated amortisation	(4,735)	(4,188)	(4,735)	(4,188)
	130	677	130	677
Total intangible assets	7,405	10,845	4,380	5,081
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	8,659	9,327	3,073	3,073
Impairment	(3,155)	-	-	-
Net foreign currency movements arising from foreign operations	446	(668)	-	-
Carrying amount at the end of the year	5,950	8,659	3,073	3,073
Patents, Trademarks and Licences				
Balance at the beginning of the year	680	716	600	523
Additions / (transfers)	-	39	-	39
Amortisation expense	(62)	(63)	(42)	38
Net foreign currency movements arising from foreign operations	17	(12)	-	-
Carrying amount at the end of the year	635	680	558	600
Application Software				
Balance at the beginning of the year	829	169	731	67
Reclassifications	36	-	34	-
Additions / (transfers)	198	827	198	797
Amortisation expense	(252)	(167)	(200)	(133)
Impairment loss	(144)	-	(144)	-
Net foreign currency movements arising from foreign operations	23	-	-	-
Carrying amount at the end of the year	690	829	619	731
Research and Development				
Balance at the beginning of the year	677	1,495	677	1,495
Amortisation expense	(547)	(818)	(547)	(818)
Carrying amount at the end of the year	130	677	130	677

NOTE 12: TRADE AND OTHER PAYABLES

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Current				
Trade payables	6,219	6,560	1,654	2,163
Sundry payables and accruals	2,484	4,089	1,243	2,019
Total	8,703	10,649	2,897	4,182

NOTE 13: BORROWINGS

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Current				
Secured liabilities:				
Bank overdrafts	-	909	-	909
Bank loans [1]	8,387	29,600	-	15,001
Other loans	895	818	895	818
Commercial bills	7,700	-	7,700	-
Finance lease liability	69	210	69	210
Hire purchase liability	29	359	29	359
	17,080	31,896	8,693	17,297
Unsecured liabilities:				
Bank loans	2,036	1,898	-	-
Other loans	303	346	303	346
	2,339	2,244	303	346
Non Current				
Secured liabilities:				
Other loans	1,553	2,449	1,553	2,449
Finance lease liability	109	116	109	116
Hire purchase liability	18	47	18	47
	1,680	2,612	1,680	2,612
Unsecured liabilities:				
Other loans	74	366	74	366
	74	366	74	366
Total	21,173	37,118	10,750	20,621
Disclosed in the Financial Statements As				
Current borrowings	19,419	34,140	8,996	17,643
Non current borrowings	1,754	2,978	1,754	2,978

NOTE 14: OTHER FINANCIAL LIABILITIES

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)		2007 / 2008 ($000)
Derivatives Carried at Fair Value				
Current				
Foreign currency forward contracts	459	28	459	28
Total	459	28	459	28
Disclosed in the Financial Statements As				
Current other financial liabilities	459	28	459	28

[1] Bank loans are after set off of nil (2008 : $5,827,000) on deposit held with the bank as an offset.

NOTE 15: PROVISIONS

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Current				
Employee benefits	1,170	1,230	832	813
Restructuring and termination costs	860	478	59	-
Factory make good costs	-	70	-	70
Discontinued operations closure	628	-	-	-
Warranty claims	31	-	31	-
Non Current				
Employee benefits	118	112	88	69
Total	2,807	1,890	1,010	952
Disclosed in the Financial Statements As				
Current provisions	2,689	1,778	922	883
Non current provisions	118	112	88	69
(a) Aggregate employee benefits liability	1,288	1,342	920	882
(b) Number of employees at year end	734	772	86	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 [1]				
Balance at the beginning of the year	478	4,751	-	-
Provisions recognised	490	-	68	-
Payments made	(115)	(3,595)	(9)	-
Reductions resulting from re measurement	-	(56)	-	-
Net foreign currency movements arising from foreign operations	7	(622)	-	-
Carrying amount at the end of the year	860	478	59	-
Factory Make Good				
Balance at the beginning of the year	70	250	70	250
Payments made	(70)	(150)	(70)	(150)
Reductions resulting from re measurement	-	(30)	-	(30)
Carrying amount at the end of the year	-	70	-	70
Discontinued operations closure [2]				
Balance at the beginning of the year	-	-	-	-
Provisions recognised	628	-	-	-
Carrying amount at the end of the year	628	-	-	-
Warranty claims				
Balance at the beginning of the year	-	-	-	-
Provisions recognised	31	-	31	-
Carrying amount at the end of the year	31	-	31	-

[1] $801,000 of the provision for the restructuring and termination costs is an onerous lease provision raised by the New Zealand operation from the closure of its manufacturing facility

[2] The provision for discontinued operations closure represents the Directors best estimate of the remaining costs to be incurred for the closure of the European full service operation.

NOTE 16: CONTRIBUTED EQUITY

	Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)
Paid Up Capital		
279,691,658 fully paid ordinary shares (2008: 136,834,516)	105,594	100,813
Movement in Share Capital		
Shares issued at the beginning of the financial year	100,813	81,936
40,000,000 shares issued as part of a private placement and a Share Purchase Plan – 30 August 2007	-	20,000
142,857,142 shares issued in a rights issue – 18 March 2009	5,000	-
Costs of capital raising (net of tax)	(219)	(1,123)
Total	105,594	100,813

(a). Movement in Share Capital

During the financial year, (18 March 2009) the Company raised $5 million through a 1.25 for 1 pro rata renounceable rights issue of 142,857,142 shares issued at 3.5 cents per share.

(b). Share Based Payments

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

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

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

The number of unissued ordinary shares under the performance rights scheme at the date of this report is 9,450,000. Each performance right entitles the holder one (1) ordinary share in Gale Pacific Limited when exercised and is subject to the satisfying of relevant performance hurdles based on improvements in the Company's diluted earnings per share.

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

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

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

Options

Grant Date	Expiry Date	Exercise Price	Balance 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 - 2009								
15 Dec 2004	1 Dec 2008	$3.00	180,000	-	-	(180,000)	-	-
16 Nov 2005	1 Dec 2008	$1.52	450,000	-	-	(450,000)	-	-
24 Oct 2006	31 Dec 2008	$1.52	120,000	-	-	(120,000)	-	-
Total			750,000			(750,000)	-	-
Weighted average exercise price			$1.88					
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

	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 - 2009								
2 Feb 2007	2 Feb 2017	N/A	150,000	-	-		150,000	-
16 Nov 2007	16 Nov 2017	N/A	700,000	-	-	(400,000)	300,000	-
30 Jun 2009	30 Jun 2019	N/A	-	9,000,000	-	-	9,000,000	-
Total			850,000	9,000,000	-	(400,000)	9,450,000	-
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	-
Total			150,000	700,000	-	-	850,000	-

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

NOTE 17: RESERVES

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Foreign currency translation reserve	(6,987)	(11,289)	-	-
Share based payment reserve	486	632	486	632
Hedging reserve	(316)	-	(261)	-
Enterprise reserve fund	852	631	-	-
Total	(5,965)	(10,026)	225	632

(a). Foreign Currency Translation Reserve

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Balance at the beginning of the year	(11,289)	(7,668)	-	-
Translation of foreign controlled entities for the year	2,968	(2,030)	-	-
Movement arising from the reclassification of non current related party monetary items to net investments in foreign operations	1,334	(1,591)	-	-
Balance at the end of the year	(6,987)	(11,289)	-	-

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	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Balance at the beginning of the year	632	344	632	344
Share based (benefit) / expenditure	(146)	288	(146)	288
Balance at the end of the year	486	632	486	632

NOTE 17: RESERVES (CONTINUED)

(c). Hedging Reserve

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Balance at the beginning of the year	-	-	-	-
Loss recognised on cash flow hedges	(451)	-	(373)	-
Income tax related to losses recognised in equity	135	-	112	-
Balance at the end of the year	(316)	-	(261)	-

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

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

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Balance at the beginning of the year	631	540	-	-
Statutory transfers from retained earnings	221	91	-	-
Balance at the end of the year	852	631	-	-

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

NOTE 18: ACCUMULATED LOSSES

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Balance at the beginning of the year	(12,030)	(14,444)	(9,784)	(12,091)
Net (loss) / profit attributable to members of the parent entity	(11,962)	2,505	(26,886)	2,307
Transfers to reserves	(221)	(91)	-	-
Balance at the end of the year	(24,213)	(12,030)	(36,670)	(9,784)

NOTE 19: MINORITY INTERESTS

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Minority interest in controlled entities comprises:				
Balance at the beginning of the year	(11)	(11)	-	-
Net profit attributable to minority interest	11	-	-	-
Balance at the end of the year	-	(11)	-	-

NOTE 20: FRANKING CREDITS

	Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)
Adjusted franking account balance	3,066	2,273

NOTE 21: EARNINGS PER SHARE

	Consolidated	
	2008 / 2009 ($000)	2007 / 2008 (Cents Per Share)
Basic Earnings Per Share		
From continuing operations	(0.28)	5.64
From discontinued operations	(6.47)	(3.72)
Total basic earnings per share	(6.75)	1.92
Diluted Earnings Per Share		
From continuing operations	(0.28)	5.58
From discontinued operations	(6.47)	(3.72)
Total diluted earnings per share	(6.75)	1.90

	Consolidated	
	2008 / 2009 ($000)	2007 / 2008 ($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	(11,951)	2,505
Earnings Used in the Calculation of Basic EPS		
Adjustments to exclude loss for the period from discontinued operations	11,461	4,839
Earnings used in the calculation of basic and diluted EPS from continuing operations	(490)	7,344

	Consolidated	
	2008 / 2009 (No. 000)	2007 / 2008 (No. 000)
Weighted average number of ordinary shares for the purposes of basic earnings per share	177,148	130,168
Weighted average number of shares deemed to be issued for no consideration in respect of:		
Employee options	378	900
Performance rights	719	434
Weighted average number of ordinary shares for the purposes of diluted earnings per share	178,245	131,502

Due to the anti-dilutent effect from discontinued operations, total diluted earnings per share in the comparative period is not the sum of diluted earnings per share from continuing operations and diluted earnings per share from discontinued operations.

NOTE 22: CAPITAL AND LEASING COMMITMENTS

(a). Finance Leasing Commitments

		Consolidated		Company	
	Note	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Payable					
Not longer than one year		153	230	153	230
Longer than one year and not longer than five years		170	128	170	128
Minimum future lease payments [1]		323	358	323	358
Less future finance charges		(145)	(32)	(145)	(32)
Present value of minimum lease payments		178	326	178	326
Disclosed in the Financial Statements As					
Current borrowings	13	69	210	69	210
Non current borrowings	13	109	116	109	116
Total		178	326	178	326

(b). Hire Purchase Commitments

		Consolidated		Company	
	Note	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Payable					
Not longer than one year		35	372	35	372
Longer than one year and not longer than five years		20	50	20	50
Minimum future hire purchase payments [2]		55	422	55	422
Less future finance charges		(8)	(16)	(8)	(16)
Present value of minimum hire purchase payments		47	406	47	406
Disclosed in the Financial Statements As					
Current borrowings	13	29	359	29	359
Non current borrowings	13	18	47	18	47
Total		47	406	47	406

(c). Operating Lease Commitments

		Consolidated		Company	
	Note	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Non cancellable operating leases contracted for but not capitalised in the accounts					
Payable					
Not longer than one year		2,664	2,172	1,375	1,078
Longer than one year and not longer than five years		4,164	5,158	2,379	2,947
Total		6,828	7,330	3,754	4,025

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

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

NOTE 23: CASH FLOW INFORMATION

(a). Reconciliation of Cash

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($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 balance sheet as follows				
Cash on hand	8	18	1	1
Cash at bank	4,647	3,514	942	493
Cash on deposit	2,486	13,062	950	11,823
Bank overdrafts	-	(909)	-	(909)
Total	7,141	15,685	1,893	11,408

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

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
(Loss) / profit after income tax	(11,951)	2,505	(26,886)	2,307
Non Cash Flows in Profit				
Loss / (profit) on disposal of fixed assets	83	215	80	(5)
Depreciation of fixed assets	7,566	6,313	1,524	1,691
Impairment of related party balances	-	-	32,777	-
Amortisation / impairment of intangible assets	4,160	1,048	933	913
Equity settled share based payments	(146)	288	(146)	288
Changes in tax balances processed directly in equity	(222)	482	(167)	482
Changes in tax balances due to foreign exchange movements	(9)	4	-	-
Changes in Assets and Liabilities				
Decrease / (increase) in receivables	6,854	(189)	1,407	(299)
Decrease / (increase) in inventories	5,349	3,567	(817)	(333)
Decrease in other assets	99	757	292	873
(Decrease) / increase in payables, accruals and other financial liabilities	(1,690)	(5,252)	(796)	1,286
Increase / (decrease) in tax balances	1,295	81	702	(310)
Net cash provided by operating activities	11,388	9,819	8,903	6,893

(c). Discontinued Operations

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

Financial information relating to discontinuing operations for the period 30 June 2009 is set out below. Further information is set out in Note 27 Segment Reporting.

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Loss From Discontinued Operations				
Revenue	2,219	5,515	-	-
Other income	307	33	-	-
Expenses	(12,754)	(10,387)	(25,471)	-
Loss before income tax	(10,208)	(4,839)	(25,471)	-
Income tax expense	(1,253)	-	(1,840)	-
Loss after income tax from discontinued operations	(11,461)	(4,839)	(27,311)	-
Cash Flows From Discontinued Operations				
Net cash outflow from operating activities	(4,419)	(2,531)	-	-
Net cash outflow from investing activities	(146)	93	-	-
Effect of exchange rate changes on items nominated in foreign currencies	4,525	(13)	-	-
Net decrease in cash from discontinued operations	(40)	(2,451)	-	-

NOTE 24: DIRECTORS AND EXECUTIVES' COMPENSATION

Details of directors and key executives remuneration is disclosed in the remuneration report.

Directors and Executives Compensation by Category

	Consolidated		Company	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Short term employment benefits	2,749	3,284	1,715	1,583
Post employment benefits	120	123	93	123
Share based payments	64	241	62	129
Termination benefits	232	79	32	-
Total	3,165	3,727	1,902	1,835

Directors' and Executives Equity Holdings: Fully Paid Ordinary Shares

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

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	-	-	50,000	128,851
Executives					
J Cox	10,000	-	-	148,923	158,923
Total	496,565	-	-	489,436	986,001

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

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

The performance rights disclosed above are subject to hurdles based on improvements in the Group's diluted earnings per share over the three year period 1 July 2009 to 30 June 2012.

					Terms and 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						

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

2008 / 2009	Balance 1 July 2008 No.	Granted as Compensation No.	Exercised No.	Lapsed No.	Net Other Change No.	Balance 30 June 2009 No.	Balance Held Nominally No.	Value of Lapsed Options/Rights $
Executive Directors (Options)								
P McDonald	180,000	-	-	(180,000)	-	-	-	(137,250)
Executive Directors (Performance Rights)								
P McDonald [1]	150,000	-	-	-	-	150,000	-	-
Non Executive Directors								
None								
Executives (Options)								
S Carroll [2]	40,000	-	-	(40,000)	-	-	-	(18,400)
P Ducray [3]	20,000	-	-	(20,000)	-	-	-	(9,200)
Z Fakroddin [4]	40,000	-	-	(40,000)	-	-	-	(18,400)
E Xu [5]	40,000	-	-	(40,000)	-	-	-	(4,000)
Executives (Performance Rights)								
F Albertsmeier [6]	100,000	-	-	(100,000)	-	-	-	(41,500)
P Cacioli [7]	100,000	1,000,000	-	(25,000)	-	1,075,000	-	(10,750)
S Carroll	100,000	-	-	(100,000)	-	-	-	(41,500)
J Cox	100,000	2,000,000	-	(25,000)	-	2,075,000	-	(10,750)
M Denney	100,000	2,000,000	-	(25,000)	-	2,075,000	-	(10,750)
P Ducray	100,000	-	-	(25,000)	-	75,000	-	(10,750)
S McPherson	-	2,000,000	-	-	-	2,000,000	-	-
B Wang	-	2,000,000	-	-	-	2,000,000	-	-
E Xu	100,000	-	-	(100,000)	-	-	-	(41,500)
Total	1,170,000	9,000,000		(720,000)	-	9,450,000	-	(354,750)

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.	Value of Lapsed Options/Rights $
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	-	-
P Ducray	20,000	-	-	-	-	20,000	-	-
Z Fakroddin	40,000	-	-	-	-	40,000	-	-
C McCallum [8]	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	-	

[1] The Board has determined that these rights will lapse on the 30 September 2009.

[2] Mr Carroll departed his role as Managing Director Australia on 1 August 2008

[3] Mr Ducray will depart his role on 30 September 2009

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

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

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

[7] Mr Cacioli will depart his role on 9 October 2009

[8] Mr McCallum departed his role as Managing Director New Zealand on 31 December 2007 following the completion of the restructuring of the New Zealand operations.

NOTE 25: RELATED PARTY TRANSACTIONS

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 the remuneration report.

(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. These amounts will be settled in cash. The provision for impairment of $9,699,000 as at 30 June 2008 was restructured and increased to $11,106,000 during the reporting period.

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

- Sale and purchase of goods totalling $35,715,000 (2008: $32,119,000)
- Gale Pacific Limited received interest income from its subsidiaries totalling $1,220,000 (2008: $1,580,000)
- Gale Pacific Limited made interest payments to its subsidiaries totalling $135,000 (2008: $94,000)
- Plant and equipment was transferred totalling nil (2008: $7,335,000)
- Reimbursement of certain operating costs totalling $3,371,000 (2008: $1,066,000)

(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	
	2008 / 2009 ($000)	2007 / 2008 ($000)	2008 / 2009 ($000)	2007 / 2008 ($000)
Current – accrued bonus and director fees	73	108	73	108

NOTE 26: CONTROLLED ENTITIES

	Country of Incorporation	Ownership Interest (%)	
		2008 / 2009	2007 / 2008
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 comprise consolidation generated assets and liabilities that cannot be reasonably allocated.

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.

Middle East / Africa

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

Business Segment

The Group operates predominantly in one business segment, being the 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)	Middle East / Africa ($000)	Discontinued Operations ($000)	Eliminations ($000)	Consolidation ($000)
30 June 2009						
Revenue outside the economic entity	67,017	23,263	7,971	2,219	-	100,470
Inter segment revenue	16,495	484	236	-	(17,215)	-
Total revenue	83,512	23,747	8,207	2,219	(17,215)	100,470
Segment operating profit / (loss)	466	(1,506)	1,520	(10,208)	196	(9,532)
Income tax expense	(1,127)	-	-	(1,253)	(39)	(2,419)
Operating (loss) / profit after tax	(661)	(1,506)	1,520	(11,461)	157	(11,951)
Depreciation and amortisation	7,436	717	27	247	-	8,427
Individually Significant Items						
Impairment of goodwill	(3,155)	-	-	-	-	(3,155)
Lease restructuring costs	(422)	-	-	-	-	(422)
Segment assets	92,995	16,017	4,503	175	(647)	113,043
Unallocated assets	-	-	-	-	-	104
Total assets	92,995	16,017	4,503	175	(647)	113,147
Segment liabilities	34,089	2,387	278	1,072	(87)	37,739
Unallocated liabilities	-	-	-	-	-	(8)
Total liabilities	34,089	2,387	278	1,072	(87)	37,731
Acquisition of non current assets	876	327	2	-	-	1,205
30 June 2008						
Revenue outside the economic entity	70,771	20,884	6,499	5,367	499	104,020
Inter segment revenue	13,377	144	36	148	(13,705)	-
Total revenue	84,148	21,028	6,535	5,515	(13,206)	104,020
Segment operating profit / (loss)	6,651	40	1,617	(4,839)	722	4,191
Income tax (expense) / benefit	(1,683)	(40)	-	-	37	(1,686)
Operating profit / (loss) after tax	4,968	-	1,617	(4,839)	759	2,505
Depreciation and amortisation	6,004	516	23	818	-	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	2,833	6,498	(842)	129,920
Unallocated assets	-	-	-	-	-	104
Total assets	105,077	16,354	2,833	6,498	(842)	130,024
Segment liabilities	48,527	1,660	286	941	(126)	51,288
Unallocated liabilities	-	-	-	-	-	(10)
Total liabilities	48,527	1,660	286	941	(126)	51,278
Acquisition of non current assets	3,638	573	10	15	-	4,236

Financial Risk Management

Overview

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

Financial Instruments

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

Net Fair Values

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

(a). Credit Risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Group's receivables from customers and deposits with banks. For the Company it also arises from receivables due from controlled entities.

Trade and other receivables

The individual characteristics of a customer are the main determinant of credit risk. Approximately 25% percent of the Group's revenue is attributable to sales transactions with a single customer. The geographic risk is set out in the segment reporting note 27. Asia Pacific, which is predominantly Australia and New Zealand represents 70% of the Group's sales and the USA represents 25%.The industry concentration of credit risk is spread between retail, commercial and agricultural markets.

Group policy is that a customer credit account is only opened after credit verification procedures have been conducted. These include an assessment of a customer's independent credit rating, financial position, past experience and industry reputation. Credit limits are established for each customer based on this assessment and these are regularly monitored by management. Customers that do not show sufficient creditworthiness to satisfy management only transact on a cash in advance basis. While this reporting period the Group has provided for a potentially large bad debt in Australia (Nylex $0.2million), in the Group's past experience bad debts have not been significant.

Financial assets

The Group limits its exposure to credit risk from financial assets by only using its banks as counterparties to these transactions.

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.

	Note	Consolidated		Company	
		As at 30 Jun 2009 ($000)	As at 30 Jun 2008 ($000)	As at 30 Jun 2009 ($000)	As at 30 Jun 2008 ($000)
The maximum exposure to credit risk at the reporting date was:					
Investments in controlled entities	8	-	-	45,103	30,585
Amounts receivable from related parties	6	-	-	7,935	41,641
Loans and receivables	6	14,674	19,552	4,449	5,856
Cash and cash equivalents	5	7,141	16,594	1,893	12,317
Total		21,815	36,146	59,380	90,399
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:					
Asia Pacific		5,179	7,647	4,147	5,526
Americas		6,173	6,266	-	-
Middle East / Africa		2,696	1,654	-	-
Discontinued operations		9	3,306	-	-
Total	6	14,057	18,873	4,147	5,526
The ageing of trade receivables not impaired at the reporting date was:					
Not outside credit terms		10,527	13,215	2,358	2,779
Outside credit terms 0-30 days		1,509	3,283	867	1,264
Outside credit terms 31-120 days		1,157	1,816	175	1,231
Outside credit terms 121 days to one year		842	411	747	252
More than one year		22	148	-	-
Total	6	14,057	18,873	4,147	5,526
The ageing of impaired receivables at the reporting date was:					
Outside credit terms 0-30 days		-	-	-	-
Outside credit terms 31-120 days		44	14	44	-
Outside credit terms 121 days to one year		210	-	157	-
More than one year		4	230	-	-
Total	6	258	244	201	-

(b). Liquidity Risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group manages this risk by ensuring that, as far as possible, it will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group centrally monitors its cash flows on a weekly basis, in detail for a 16 week forecast period and in summary for the longer term. This ensures all short term financial obligations can be met and longer term obligations can be foreseen and planned for. A cash flow forecast is reviewed by the Board at its meetings. In addition, the Group maintains the following lines of credit:

- $15 million multi option facility in Australia with the Commonwealth Bank of Australia.
- Credit facilities totaling approximately US$ 11 million with a range of banks in China.

The Commonwealth Bank facility has been recently been extended until 31 January 2011, while the Chinese bank facilities are reviewed annually as is the practice with the Group's facilities in that country. The Group endeavours to ensure that these Chinese annual reviews are spread over the year as much as possible.

During the reporting period, management continued to focus on the Group's liquidity risk and achieved a further reduction in net debt through a combination of cash generation from operating activities, minimal capital expenditure and a shareholders rights issue.

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 2009	Note	Weighted Average Effective Interest Rate	Carrying Amount	Contractual Cash Flows	Contractual Cash Flows Maturing In:			
					Less Than 6 Months	6 To 12 Months	1 To 2 Years	2 To 5 Years
		(%)	($000)	($000)	($000)	($000)	($000)	($000)
Non Derivative Financial Liabilities								
Bank loans	13	4.12%	18,123	18,340	11,765	6,575	-	-
Other loans	13	8.89%	2,825	3,109	738	663	1,708	-
Finance lease liabilities	13	9.66%	178	200	60	23	117	-
Hire purchase liabilities	13	9.25%	47	51	16	16	19	-
Derivative Financial Liabilities								
Tradeable foreign currency forward contracts	14	-	459	459	388	71	-	-
Total			21,632	22,159	12,967	7,348	1,844	-

Company 30 June 2009	Note	Weighted Average Effective Interest Rate	Carrying Amount	Contractual Cash Flows	Contractual Cash Flows Maturing In:			
					Less Than 6 Months	6 To 12 Months	1 To 2 Years	2 To 5 Years
		(%)	($000)	($000)	($000)	($000)	($000)	($000)
Non Derivative Financial Liabilities								
Bank loans	13	3.23%	7,700	7,700	7,700	-	-	-
Other loans	13	8.89%	2,825	3,109	738	663	1,708	-
Finance lease liabilities	13	9.66%	178	200	60	23	117	-
Hire purchase liabilities	13	9.25%	47	51	16	16	19	-
Derivative Financial Liabilities								
Foreign currency forward contracts	14	-	459	459	388	71	-	-
Total			11,209	11,519	8,902	773	1,844	-

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

(c). Market Risk

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

Foreign Exchange Risk

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

Foreign Exchange Contracts

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

The Group has this financial year adopted hedge accounting and now classifies forward exchange contracts as cash flow hedges where these contracts are hedging highly probably forecasted transactions and they are timed to mature when the cash flow from the underlying transaction is scheduled to occur. Cash flows are expected to occur during the next financial year. Changes in fair value on forward exchange contracts designated as cash flow hedges are taken directly to equity. There was no cash flow hedge ineffectiveness during the reporting period.

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

The full amount of foreign currency the Group will be required to pay or purchase when settling forward exchange contracts should the counterparty not pay the currency it is committed to deliver to the Group has been recognised in the Group's balance sheet. At balance date the net amount payable was $459,000 (2008: $28,000).

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

	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value	
	2008 / 2009	2007 / 2008	2008 / 2009	2007 / 2008	2008 / 2009	2007 / 2008	2008 / 2009	2007 / 2008
			(FC000)	(FC000)	($000)	($000)	($000)	($000)
Foreign Exchange Contracts Designated as Cash Flow Hedges								
Buy United States dollars / sell Australian dollars								
Less than 6 months	0.7599	-	4,167	-	5,484	-	(326)	-
6 – 12 months	0.7520	-	610	-	811	-	(56)	-
Sell United States dollars / buy Australian dollars								
Less than 6 months	0.8008	-	800	-	999	-	9	-
Buy United States dollars / sell New Zealand dollars								
Less than 6 months	0.5869	-	445	-	614	-	(63)	-
6 – 12 months	0.5825	-	96	-	133	-	(15)	-
Buy European euro / sell Australian dollars								
Less than 6 months	0.5720	-	59	-	103	-	-	-
							(451)	-
Foreign Exchange Contracts Not Designated as Cash Flow Hedges								
Buy United States dollars / sell Australian dollars								
Less than 6 months	0.7160	0.9310	54	660	75	709	(8)	(21)
Buy European euro / sell Australian dollars								
Less than 6 months	-	0.5990	-	358	-	598	-	(7)
							(8)	(28)
Total							(459)	(28)

Foreign Exchange Risk Sensitivity

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

The following table details the Group's sensitivity to a 10% (2008: 10%) increase or decrease in the Australian dollar against these currencies. This analysis includes only unhedged foreign currency denominated monetary items, including loans to foreign operations within the Group, as shown at the carrying value, and details the profit effect from each of these items of a 10% strengthening in the Australian dollar on the reporting date with all other variables held constant. For a weakening of the Australian dollar there would be an equal and opposite impact on profit to that shown below.

	Consolidated		Company	
30 June 2009	**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	458	(46)	458	(46)
Euro	9	(1)	9	(1)
Trade receivables				
Australian dollars	69	7	-	-
Amounts receivable from related parties				
United States dollars	-	136	5,074	(507)
New Zealand dollars	-	(29)	2,820	(282)
Financial Liabilities				
Trade payables				
United States dollars	304	30	304	30
Foreign currency forward contracts				
United States dollars	67	(7)	67	(7)
Profit or (loss) impact	-	90	-	(813)
Currency Asset / (Liability) Breakdown				
United States dollars	87	113	5,161	(530)
Euro	9	(1)	9	(1)
New Zealand dollars	-	(29)	2,820	(282)
Australian dollars	69	7	-	-
Profit or (loss) impact	-	90	-	(813)

	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 related parties				
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)

NOTE 28: FINANCIAL INSTRUMENTS (CONTINUED)

Interest Rate Risk

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

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

	Consolidated		Company	
30 June 2009	**Carrying Value ($000)**	**Profit//(Loss) +1% Movement ($000)**	**Carrying Value ($000)**	**Profit//(Loss) +1% Movement% ($000)**
Financial Assets				
Cash and cash equivalents	7,133	71	1,315	13
Amounts receivable from controlled entities	-	-	14,400	144
Financial Liabilities				
Borrowings	7,700	(77)	7,700	(77)
(Loss) or profit impact		(6)		80

	Consolidated		Company	
30 June 2008	**Carrying Value ($000)**	**Profit//(Loss) +1% Movement ($000)**	**Carrying Value ($000)**	**Profit//(Loss) +1% Movement ($000)**
Financial Assets				
Cash and 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)
(Loss) or profit) impact		(51)		234

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

Nothing lasts like a Coolaroo

• Window Shades • Umbrellas • Shade Sails • Gazebos • Shade Fabrics •

coolaroo

MADE FOR LIFE

NUMBER OF HOLDINGS OF EQUITY SECURITIES AS AT 14 SEPTEMBER 2009

The fully paid issued capital of the Company consisted of 279,691,658 ordinary fully paid shares held by 856 shareholders. Each share entitles the holder to one vote.

7 holders have been granted 9,450,000 performance rights over ordinary shares. Performance rights do not carry a right to vote.

DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES

	Ordinary Fully Paid Shares		
Range	**Total Holders**	**Units**	**% Issued Capital**
1 – 1,000	119	43,168	0.02
1,001 – 5,000	255	722,073	0.26
5,001 – 10,000	145	1,099,581	0.39
10,001 – 100,000	247	7,994,447	2.86
100,001 and over	92	269,832,389	96.47
Total	858	279,691,658	100.00

DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES

Unmarketable Parcels as at 31 August 2009	Minimum Parcel Size	Holders	Units
Minimum $500 parcel at $0.075 per unit	6,667	420	1,027,450

SUBSTANTIAL SHAREHOLDERS AS AT 14 SEPTEMBER 2009

Shareholder	No.	%
Thorney Holdings Pty Ltd	71,427,646	25.54
Investec Wentworth Private Equity	70,913,423	25.35
Windhager Handels Gesmbh	41,925,781	14.99
Gale Australia Pty Ltd	13,997,844	5.00

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

Shareholder	No.	%
ANZ Nominees Limited	72,184,460	25.81
Windhager Handels Gesmbh	41,925,781	14.99
IWPE Nominees Pty Ltd	28,365,369	10.14
IWPE Nominees Pty Ltd	18,234,879	6.52
Investec Bank (Australia) Limited	14,182,685	5.07
Gale Australia Pty Ltd	13,927,844	4.98
ANZ Nominees Limited	12,791,957	4.57
MGB Equity Growth Pty Ltd	10,130,490	3.62
USB Nominees Pty Ltd	8,626,135	3.08
Ruminator Pty Ltd	4,870,586	1.74
Citicorp Nominees Pty Ltd	3,883,411	1.39
Gernis Holdings Pty ltd	3,800,000	1.36
Mr Geoffrey Duncan Nash	3,327,428	1.19
GFS Securities Pty Ltd	2,498,335	0.89
Venn Milner Superannuation Pty Ltd	2,000,000	0.72
Atkone Pty Ltd	1,919,796	0.69
Mr Simon Gautier Hannes	1,732,003	0.62
Mr David Corley	1,005,882	0.36
Beta Gamma Pty Ltd	1,000,000	0.36
Lippo Securities Nominees L:td	1,000,000	0.36
Top 20 Holders of Ordinary Fully Paid Shares as at 31 August 2009	**247,407,041**	**88.46**

OTHER INFORMATION

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

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
China No.777 Hengshan West Rd, Beilun, Ningbo 315800 Ph: +86 574 5626 8888

Gale Pacific Limited
ABN 80 082 263 778