



2003 ANNUAL REPORT

GALE
PACIFIC
LIMITED

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■ HARRIS SCARFE ■ BHP COLLIERS ■ ACADEMY TARPS ■ PATCHS CANVAS MANUFACTURING ■ SUN 'N SURF INTERNATIONAL ■ WALMART
■ MAXITRANS MANUFACTURING ■ C E BARTLETT ■ ICL ■ TASMAN INSULATION AUSTRALIA ■ DARLING DOWNS TARPULINS ■ ORCHARD
SUPPLY HARDWARE ■ THOR BUILDING PRODUCTS ■ ABGAL ■ DIXIELINE ■ JAYLON INDUSTRIES ■ BUNNINGS ■ FRED MEYER ■ N L PRODUCTS
■ A MART ■ HARVEY NORMAN ■ JOHN DANKS & SON ■ RADINS CANVAS ■ K MART ■ MITRE 10 ■ THE HOME DEPOT ■ STRATCO ■ VISY
■ COSTCO ■ DAVID JONES ■ PETS INTERNATIONAL ■ WESTARP ■ HOME HARDWARE ■ MAGNET MART ■ OASIS TENSION STRUCTURES ■

CHAIRMAN'S REPORT

for the year ended 30 June 2003



A YEAR OF GROWTH AND CHALLENGE

Gale Pacific Limited achieved a record after tax profit for the 2002/03 financial year as a result of strong organic growth in its Australian retail business, effective integration of the Industrial Fabrics business acquired in 2001/02 from the Visy Group and the November 2002 acquisition of the business of California Sun Shades Inc.

The strategic goal of lessening the Company's dependence upon the Australian summer season has been successful. The Industrial Fabrics business and Gale's own commercial fabrics now account for 35% of total sales. The Industrial business is positioned for organic growth with the agricultural sector poised for a much improved winter and spring season and new products and applications being launched.

The acquisition of California Sun Shades provided a strong boost to our USA operation which was impacted by a late summer season and a flat market. The external window shades complement our established product range and are expected to assist in penetrating more major retail accounts in the USA.

International growth was also achieved in the Middle East with strong sales and margin growth. New markets are continually being evaluated and the outlook for our commercial fabrics remains positive.

Gale Pacific has unique technology for the manufacture of advanced polymer fabrics at its Braeside, Victoria plant. Productivity initiatives have been successful and production costs remain most competitive. Historically Gale has sourced the large majority of its value added retail products from third party suppliers in the Peoples Republic of China. An embryonic Chinese manufacturing operation came with the California Sun Shades acquisition. This has been expanded rapidly over the past 8 months and a major new manufacturing facility is under construction in the Ningbo industrial area south of Shanghai.

It is anticipated that in the forthcoming financial year most value added products will be sourced from the Gale Pacific China operation. This initiative is of vital importance to Gale's future as the Company can better control its own costs and enhance its position as a low cost producer. Equally importantly the major USA and European retailers are increasingly demanding to be supplied directly from the Asian manufacturers and not through third parties.

A key goal is to enter the commercial/industrial markets in the USA with our new waterproof fabric range and fire retardant fabrics.

FINANCIAL PERFORMANCE

Gale Pacific Limited generated an after tax profit attributable to members of \$5.45 million, an increase of just over 50% over the prior year on revenues of \$84.6 million (\$55.7 million in prior year).

This strong result was after absorbing one time net costs of \$1.2million after tax which predominantly related to the integration and restructuring of the Industrial Fabrics and California Sun Shades businesses.

Working capital management remains a key performance indicator and operational cash flow was \$6.3 million after absorbing a substantial one-time inventory build associated with the two acquisitions and the increasing scale of production in the Chinese operation.

DIVIDENDS AND ONGOING DIVIDEND POLICY

The Directors have declared a fully franked final dividend of 3.5 cents per share payable on 16 October 2003 making a full year dividend of 7 cents per share fully franked representing 55% of after tax profits attributable to members.

This is in accordance with the policy announced on 30 August 2002. Having taken on additional debt in relation to the acquisition program, the Company intends to pay out approximately 50% - 55% of after tax profits, subject to the performance of the acquisitions. The Industrial Fabrics business has been successfully integrated and is trading well. Further, the acquisition of California Sun Shades and the on-going performance of our expanding Chinese operations is most pleasing.

The books closure date for determining entitlements for the dividend is 25 September 2003. A Dividend Reinvestment Plan is available to all shareholders.



CHAIRMAN'S REPORT (CONT'D)

for the year ended 30 June 2003

THE FUTURE

The key goals for the forthcoming financial year are:

- To generate organic growth in all facets of the business and in the Industrial Fabrics area in particular;
- To successfully produce at low cost and on time all value added products from the Chinese operation;
- To establish a foothold in the key European markets;
- To enter the commercial/industrial markets in the USA with our new waterproof fabric range and fire retardant fabrics;
- To continue the Company's growth throughout the Middle East region; and
- To maintain new product development and commercialisation initiatives.

PEOPLE

I would like to express my appreciation to all our people for the efforts over the past year which have resulted in Gale Pacific being established as a growth business with a track record of successful integration of acquisitions.

ANNUAL GENERAL MEETING

A notice of the annual general meeting is enclosed with this report. A resolution is proposed to refresh shareholder approval of the Company's Option Plan that was implemented by the Board in November, 2000. Further, Mr Theo Eversteyn retires as a Director by rotation in accordance with the constitution of the Company and, being eligible, offers himself for re-election. The Board endorses both resolutions.

DR HUW G DAVIES
CHAIRMAN
Dated: 19 September 2003



MANAGING DIRECTOR'S REPORT AND REVIEW OF OPERATIONS

for the year ended 30 June 2003



CONTINUATION OF STRONG CORE GROWTH AUGMENTED BY STRATEGIC ACQUISITIONS

The expanding product base of Gale Pacific's world leading advanced polymer fabric range and related value added products continues to deliver very strong growth in revenue and profits.

Gale's commitment to research and development led to a number of new product initiatives. In addition the Company's recent acquisitions of Visy Industrial Fabrics and California Sun Shades Inc. ("CalShades") have increased the potential for increased sales in domestic and offshore markets.

With the two acquisitions fully integrated, the focus will be on geographic expansion, continued new product development and cost reduction.

The CalShades acquisition enabled the Company to take a majority position in a Joint Venture ("JV") manufacturing enterprise in the People's Republic of China. During the year, the Company made a significant investment in skilled people and facilities, which is reducing the cost base of our core products.

The combination of an improved and successful research and development program together with the ability of our Chinese plant to reduce cost has positioned the Company well for growth.

Our Middle East operation has expanded significantly, both in the local United Arab Emirates market and geographically as far as the former Soviet Republic of Kazakhstan.

The Company is in the process of evaluating potential expansion opportunities in the European market, with recent research indicating substantial opportunities for the Company's shade-related products in Southern Europe, and also for coated products such as waterproof fabrics in Northern Europe.

Gale is also entering new retail markets with pet beds and privacy screens for fencing utilising our core knitted fabrics, and exploring non-wicking, environmentally-friendly replacement fabrics for PVC tarpaulins.

RESULTS

The Company earned a net profit of \$5.45 million attributable to members, an increase of just over 50% on the prior year. During the year, the Company incurred one time net costs of some \$1.2 million after tax, predominantly relating to the Company's acquisitions.

Revenue for the year was \$84.6 million, an increase of 51% on last year with a particularly strong Australian retail season and Middle East industrial volumes.

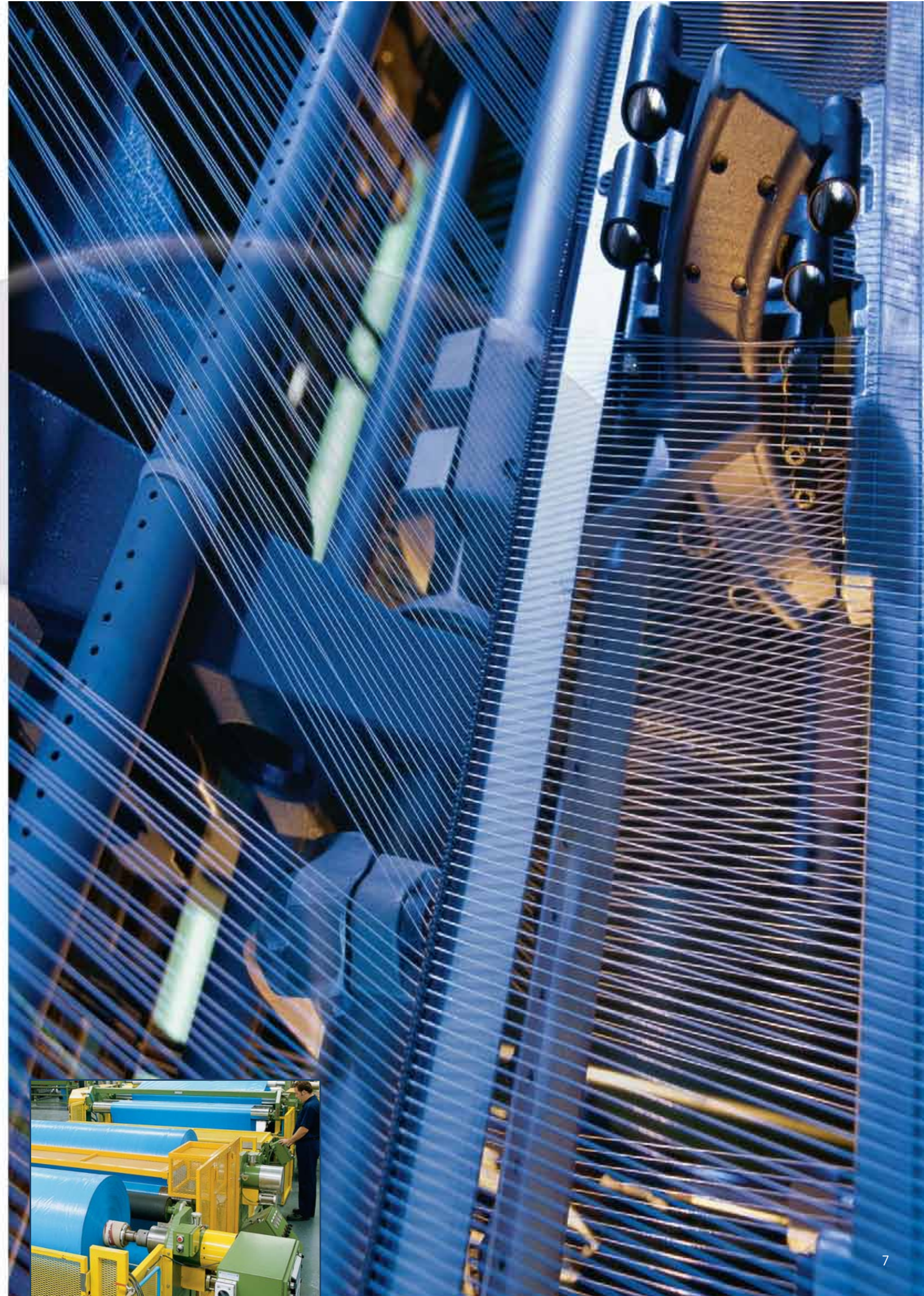
The Company benefited from the contributions of the Industrial Fabric business purchased in June 2002 from Visy Industries, the November 2002 acquisition of the CalShades business together with the associated Chinese Joint Venture. The strong Australian retail performance more than offset the drought-affected industrial fabric range. This demonstrates the success of the Company's strategy of mitigating the impact of weather on our operations.

Significantly, the Company's revenues and earnings for the year have been generated fairly equally between the first and second halves, also demonstrating the success of the Company's strategy in developing a more balanced earnings stream through the year from the northern and southern hemisphere operations. This will be more evident in the forthcoming year.

The Company has previously stated a goal of continuous improvement in working capital management and is well satisfied with this year's result. The Company consciously built inventory prior to year end to accommodate the relocation of several of the value adding operations in China from external contractors to our own in-house manufacturing facility in Ningbo. These moves are expected to translate into improved cash flows in 2003/04.



Further advances in technologies continue to strengthen our global competitiveness.



MANAGING DIRECTOR'S
REPORT AND REVIEW
OF OPERATIONS (CONT'D)

for the year ended 30 June 2003

ACQUISITIONS

The sales, marketing and manufacturing functions of the Visy Industrial Fabrics business have been fully integrated into Gale's operations. A focus on product and market development will provide ongoing growth opportunities. These include the application of newly developed fabrics for the transportation of water in large flexible pipes and applications that further manage the quality of storage water. Also, with the easing of the nationwide drought, the coming year should provide significant volume improvement in agricultural applications.

The Company is now also concentrating on realising the synergies of our new operations. A recent achievement is the introduction of waterproof shade cloth. This represents a combination of our traditional light knitted fabric with a new coating that includes an ultra-violet ("UV") blocking agent. This fabric is water proof and allows improved light penetration, while cutting UV by 99.5%.

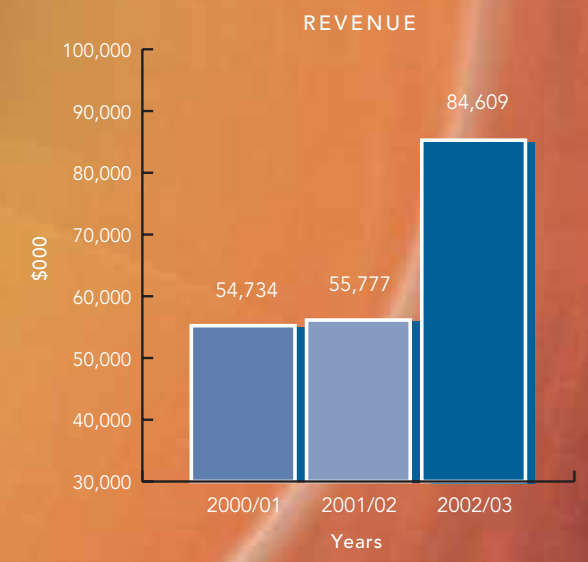
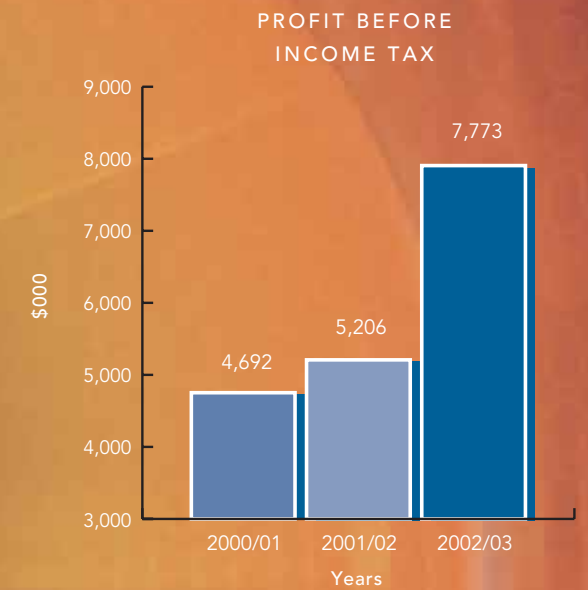
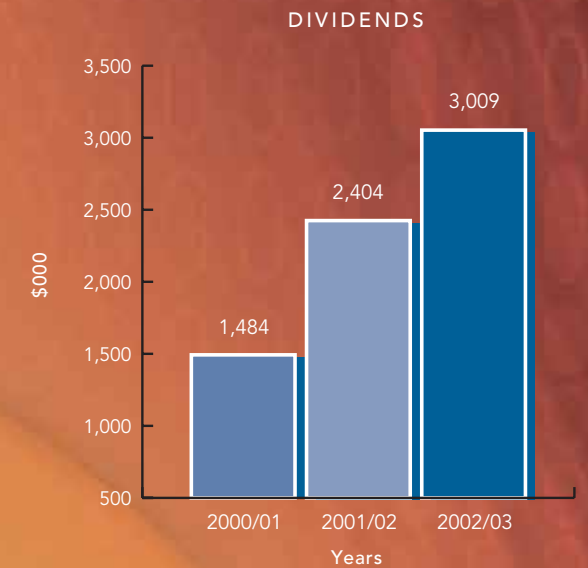
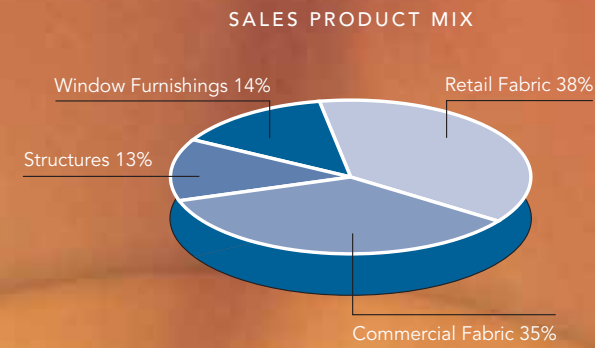
The CalShades acquisition is fully integrated and produced a solid contribution to our results this year. The addition of CalShades to Gale's USA product range allows us to offer the USA market a "Good, Better, Best" program which will enable the retailers to consolidate their sourcing to one supplier. This integration is proving very successful and has raised Gale's profile in major retailers such as Home Depot, Lowes and a major new account, Costco.

The CalShades product range will be progressively introduced into the Australian and European markets under the Coolaroo brand. The base PVC fabrics will also be incorporated into our Industrial product offering.

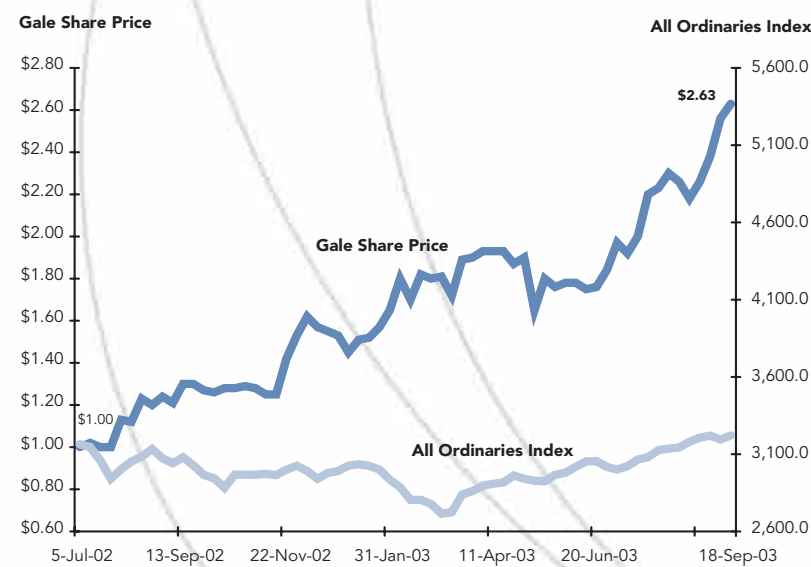
CHINA

The Company's China JV was established with CalShades' principal supplier owning 15% of the business. Gale has moved the large majority of its outsourced value added activities into the JV, achieving material cost and efficiency benefits. The mix of business of the JV has changed substantially and an opportunity arose to purchase our partner's shares for approx. US\$400,000 and convert the business to a wholly owned foreign enterprise in China. As a wholly owned foreign enterprise, Gale is afforded all of the same benefits from the Chinese Government that it received as a JV partner.

The Company has previously announced the construction of manufacturing facilities in Beilun/Ningbo costing some US\$2 million. These facilities are now starting to take shape and will be our manufacturing and administrative headquarters in China, producing at least 80% of all product sourced in China for our worldwide operations. Its first phase will be made up of some 15,000m² for manufacturing operations, administrative offices and accommodation for 850 employees. The facility will expand to 31,000m² as phases 2 and 3 are completed as required over the next 2 years.



SHARE PRICE PROGRESS



The Gale Share Price has continued to outperform the All Ordinaries Index since July, 2002



MANAGING DIRECTOR'S
REPORT AND REVIEW OF
OPERATIONS (CONT'D)

for the year ended 30 June 2003

BOARD

The audit committee of the Board includes two non-executive Directors and one executive Director and has the responsibility of monitoring the group's accounting and reporting practices, including its system of internal controls and the Company's exposure to exchange rate fluctuations, which has successfully minimized exchange differences over the last four years.

The Board's remuneration committee meets from time to time to review performance and establish the remuneration levels for the senior executives of the Company.

OUR PEOPLE

I wish all our employees well in this exciting year ahead and thank them all for their sterling efforts in meeting last year's challenges. I would also like to thank them sincerely for their efforts of support to our new Chinese team that has more than doubled our employee base.



GARY S GALE
MANAGING DIRECTOR
Dated: 19 September 2003



Our involvement in the various agribusiness sectors is adding an exciting new dimension to our growth opportunities.



CORPORATE GOVERNANCE STATEMENT

This statement sets out the corporate governance practices that were in operation throughout the financial year, which substantially comply with the ASX Corporate Governance Council recommendations. The Company has complied with the recommendations fully from the date of this report.

ROLE OF THE BOARD

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

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

COMPOSITION OF THE BOARD

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

The composition of the Board is determined according to the following principles:

- The maximum number of Directors is 12 or such other number as the Company by resolution determines;
- An independent Non-executive Director as Chairman;
- A majority of Non-executive, independent Directors.

Gale Pacific Limited's constitution provides that:

- The Directors may appoint a person to be a Director, either to fill a casual vacancy or as an addition to the existing Directors. Any Director so appointed, other than the Managing Director, only holds office until the next general meeting and then must retire from office. A Director who so retires is eligible for re-election;
- At each annual general meeting one third of the Directors or, if their number is not 3 or a multiple of 3, then the number nearest to one third, who has held

- office for 3 years or more must retire from office. A Director who so retires is eligible for re-election;
- In determining the number of Directors to retire at an annual general meeting, no account is to be taken of a Director appointed by the Directors to fill a casual vacancy or as an addition to the existing Directors and who only holds office until the next general meeting, or the Managing Director, who is exempted from retirement by rotation; and
- The number of Directors necessary to constitute a quorum at a Directors' meeting is 2, or such other number the Directors may fix.

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

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

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

- Remuneration;
- The term of appointment, subject to shareholder approval;

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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

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

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

DIRECTORS AND EXECUTIVES DEALINGS IN COMPANY SHARES

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

- Between 1 and 14 days after either the release of the Company's half-year or annual results to the Australian Stock Exchange ("ASX"), the annual general meeting or any major announcement; and
- At all other times only with the approval of the Chairman, or in his absence, the Deputy Chairman.

Directors and Executives must disclose their trading in Company shares to the Board. The Company Secretary reports to each Board Meeting the details of share trading for the largest 40 shareholders and for Directors and Executives.

AUDIT COMMITTEE

The Board has an Audit Committee. The primary objective of the Audit Committee is to assist the Board in fulfilling the Board's responsibilities relating to accounting, internal control and reporting practices of the Company and its subsidiaries.

The main functions of the Audit Committee are:

- To review the annual and half-year financial reports and new accounting policies to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- To monitor corporate risk assessment processes;

- To review the performance of the external auditor. The external audit engagement partner is not rotated; however the auditor's internal quality review processes including second partner review are accepted by the Committee.
- To monitor the establishment of an appropriate internal control framework, and appropriate ethical standards;
- To monitor the procedures to ensure compliance with the Corporations Act 2001 and the ASX Listing Rules and all other regulatory requirements; and
- To address any matters outstanding with auditors, Australian Taxation Office, Australian Securities and Investments Commission, ASX and financial institutions.

At the date of this report the Audit Committee consists of two independent Non-Executive Directors, Mr T. Eversteyn and Mr D. Reilly, and an Executive Director, Mr G. Gale. The Committee has access to management and the external auditors.

CONTINUOUS DISCLOSURE

A comprehensive policy and process is in place to identify matters that may have a material effect on the price of the Company's securities and notify them to the ASX and post them on the Company's web site. The CEO and the Company Secretary are responsible for interpreting the Company's policy and where necessary informing the Board. The Company Secretary is responsible for all communications with the ASX.

THE ROLE OF SHAREHOLDERS

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

- The annual report is distributed to all shareholders, including relevant information about the operations of the consolidated entity during the year and changes in the state of affairs;
- The half-yearly report to the ASX contains summarised financial information and a review of the operations of the consolidated entity during the period;
- All major announcements to the ASX are distributed to shareholders, and posted on the Company's website at www.galepacific.com;
- Proposed major changes in the consolidated entity which may impact on share ownership rights are submitted to a vote of shareholders;



CORPORATE GOVERNANCE STATEMENT (CONT'D)

- The Board encourages full participation of shareholders at the annual general meeting to ensure a high level of accountability and identification with the consolidated entity's strategy and goals. Important issues are presented to the shareholders as single resolutions; and
- The Company's auditor attends the annual general meeting.

BUSINESS RISK MANAGEMENT

The Audit Committee and management advise the Board and report on the status of business risks through integrated risk management programs aimed at ensuring risks are identified, assessed and appropriately managed.

The consolidated entity's risk management policies and procedures cover environment, occupational health and safety, property, financial reporting and internal control. Each business operational unit is responsible and accountable for implementing and managing the standards required by the program.

Comprehensive practices are established such that:

- Capital expenditure above a certain amount requires prior Board approval;
- Financial exposures are controlled, including the use of derivatives;
- Occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations; and
- Business transactions are properly authorised and executed.

NOMINATION COMMITTEE

The Nomination Committee consists of all members of the Board. It reviews the performance of the committees of the Board and key executives on an ongoing basis, and oversees the appointment and induction process for Directors. It reviews the composition of the Board and makes recommendations on the appropriate skill mix, personal qualities, expertise and diversity. When a vacancy exists or there is a need for particular skills, the Committee determines the selection criteria based on the skills deemed necessary. Potential candidates are identified by the Committee with advice from an external consultant.

The company's on-going investment in research and development continues to provide a technical edge.

REMUNERATION COMMITTEE

The Board has a Remuneration Committee consisting of two independent Non-executive Directors, Mr T. Eversteyn and Mr D. Reilly. The Committee meets once a year and as required. The Committee met twice during the year.

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

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

Executive Directors do not receive Director's fees and Non-executive Directors may from time to time receive additional remuneration for services performed outside their normal duties as Directors as approved by the Board from time to time.

The payment of equity based remuneration is made in accordance with thresholds set in plans approved by shareholders.

ETHICAL STANDARDS

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



DIRECTORS' REPORT

for the year ended 30 June 2003

The Directors present their report together with the financial report of Gale Pacific Limited ("the Company") and the consolidated financial statements of the economic entity, being the Company and its controlled entities, for the year ended 30 June 2003 and the Independent Audit Report thereon.

DIRECTORS

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

DR HUW GERAINT DAVIES

Chairman
BSc, PhD age - 62

Huw Davies is the Chairman of Vic Power Trading and Gascor Limited. He is a Director of Snowy Hydro Limited, Boom Logistics Limited and Administrator of the SECV. Dr Davies held senior executive positions with ACI International and BTR Nylex from 1968 to 1994.

Appointed Director on 9 October 2000.

MR THEO JOHN EVERSTEYN

Deputy Chairman
FCA, Grad Dip Industrial Accounting
and Bus. Admin. age - 62

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

Appointed Director on 8 April 1998.

MR GARY STEPHEN GALE

Managing Director age - 51

Gary Gale was responsible for the restructuring of the Gale Group both in Australia and the United States in 1996/97. He was also responsible for Gale entering the advanced polymer fabric industry as a manufacturer in

1977. Mr Gale studied textile engineering in Germany, and is the son of the founder of the Gale business. Mr Gale is a member of the Audit Committee of the Board.

Appointed Director on 8 April 1998.

MR PETER RONALD MCDONALD
Chief Operating Officer/ General Manager
Bachelor of Business (Marketing) age - 37

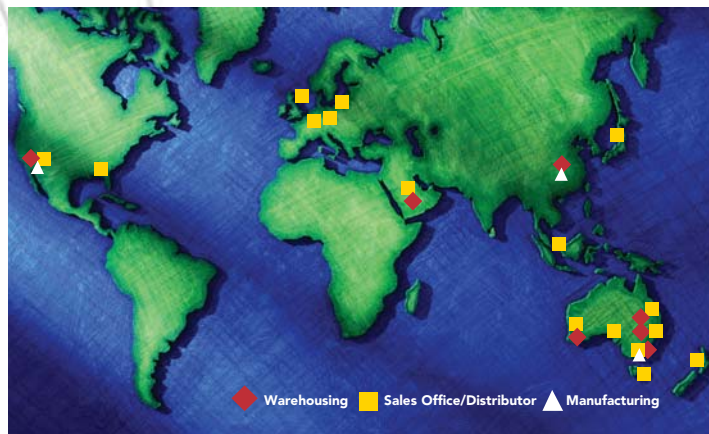
Peter McDonald has been the Chief Operating Officer/ General Manager of the Gale Group since 1997. He joined the Gale Group in 1988 and has held the position of Product Manager followed by National Marketing and National Sales and Marketing Manager. Mr McDonald is responsible for the day-to-day operations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

Appointed Director on 7 July 1998.

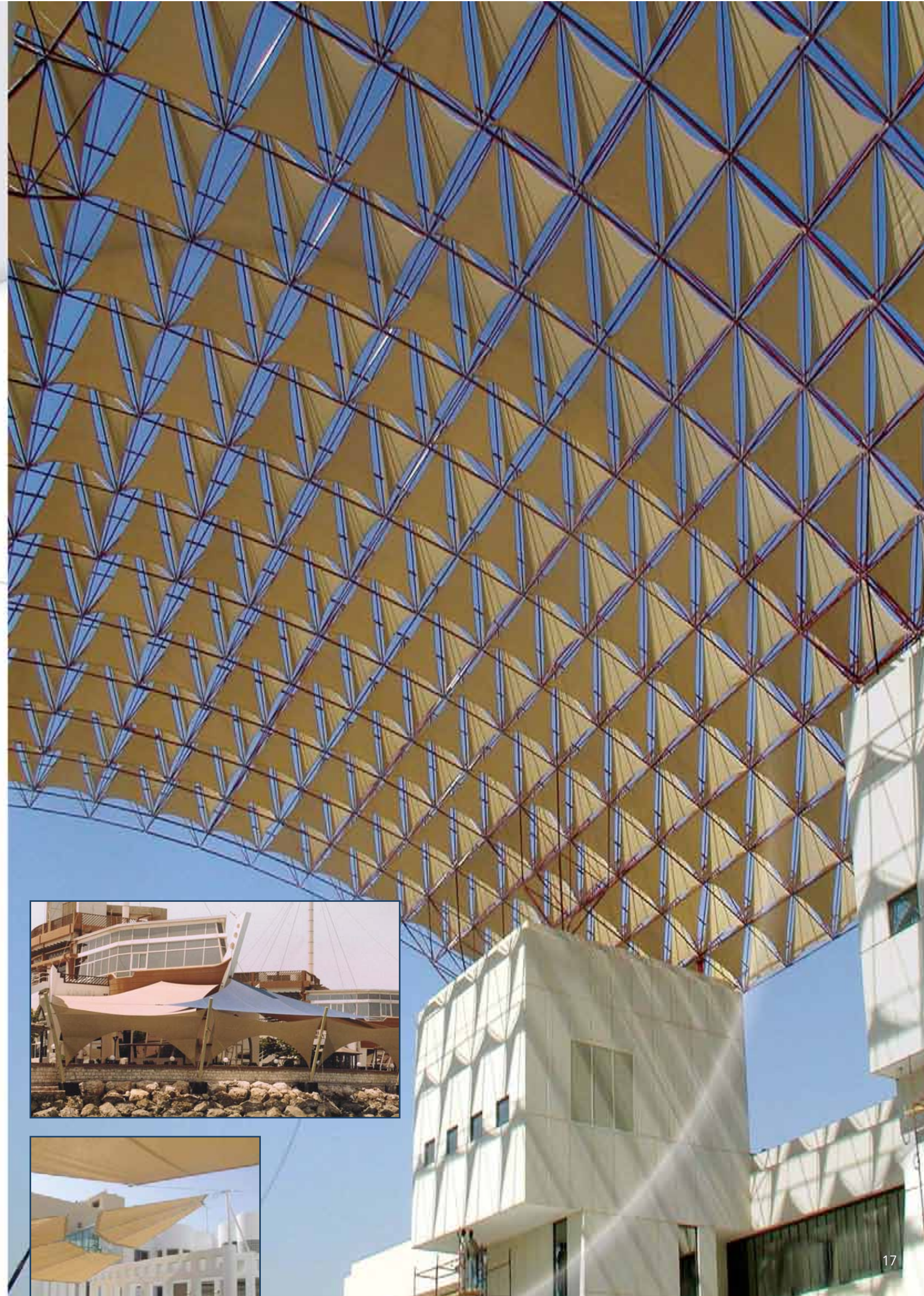
MR DARYL EDWARD JAMES REILLY
Director
Graduate Diploma of Business (Accounting),
CPA, ACIS, FTMA, AICD age - 49

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

Appointed Director on 17 July 1998.



The Company's products are finding ever increasing support worldwide.



DIRECTORS' REPORT (CONT'D)

for the year ended 30 June 2003

PRINCIPAL ACTIVITIES

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

On 25 November 2002 the economic entity acquired the business and customer base of California Sun Shades Inc., located in the USA.

RESULTS

The consolidated profit of the economic entity for the financial year attributable to the members of Gale Pacific Limited was \$5,451,000.

REVIEW OF OPERATIONS

A comprehensive review of the operations of the economic entity during the financial year and the results thereof is contained in the accompanying Chairman's Report and the Managing Director's Report and Review of Operations commencing on page 4 of this Annual Report.

STATE OF AFFAIRS

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

EVENTS SUBSEQUENT TO BALANCE DATE

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

LIKELY DEVELOPMENTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

The economic entity's operations are not subject to any significant environmental regulations under the Commonwealth or State legislation. However, the Directors believe that the economic entity has adequate

systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the economic entity.

DIVIDENDS

Dividends paid or declared by the Company during or since the end of the financial year were:

	\$
As proposed and provided for in last year's report and paid on 17 October 2002:	
• An ordinary dividend of 3.0 cents per share (fully franked to 30%)	<u>1,259,919</u>
Interim dividend in respect of the year ended 30 June 2003 paid on 17 April 2003:	
• An ordinary dividend of 3.5 cents per share (fully franked to 30%)	<u>1,487,531</u>
The final dividend determined by the Directors of the Company in respect of the year ended 30 June 2003, to be paid on 16 October 2003:	
• An ordinary dividend of 3.5 cents per share (fully franked to 30%)	<u>1,521,075</u>
Total dividends provided for or paid in respect of the year ended 30 June 2003	<u>3,008,606</u>

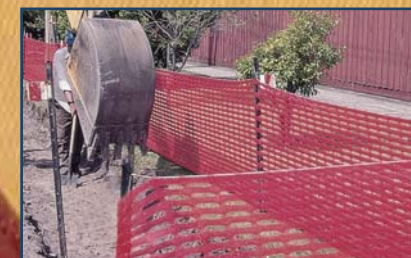
SHARE OPTIONS

The Company has entered into an option agreement to grant options to specified option holders over unissued shares in the Company. The options are exercisable upon achievement of certain conditions.

During the financial year, 100,000 options over 100,000 ordinary shares were granted to Mr R L House by the Company.

The number of unissued ordinary shares under option as at the date of this report is 1,165,785. The issue price of each option is zero. Each option entitles the option holder to 1 ordinary share in Gale Pacific Limited in the event that the option is exercised. The exercise price for the issued options is \$1.00. Options are not exercisable after 1 December 2004.

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



Innovative new materials and exciting new product uses are continually emerging as the Company's technologies improve.

DIRECTORS' REPORT (CONT'D)

for the year ended 30 June 2003

INDEMNIFICATION OF OFFICERS AND AUDITORS

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

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

DIRECTORS' MEETINGS

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

DIRECTORS	DIRECTORS' MEETINGS		AUDIT COMMITTEE MEETINGS		REMUNERATION COMMITTEE MEETINGS	
	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
G S Gale	14	14	3	3	-	-
P R McDonald	14	13	-	-	-	-
H G Davies	14	13	-	-	-	-
T J Eversteyn	14	14	3	3	2	2
D E J Reilly	14	12	3	3	2	2

DIRECTORS' SHAREHOLDINGS

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

NAME	FULLY PAID ORDINARY SHARES	SHARE OPTIONS
G S Gale	14,771,134	427,942
P R McDonald	360,510	332,843
H G Davies	16,278	-
T J Eversteyn	185,000	-
D E J Reilly	224,507	-



DIRECTORS' REPORT (CONT'D)

for the year ended 30 June 2003

DIRECTORS' AND EXECUTIVES' REMUNERATION

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

Remuneration packages contain the following key elements:

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

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

NAME	SALARY/FEES \$	BENEFITS \$	TOTAL \$
Executive Directors			
G S Gale	265,504	162,366	427,870
P R McDonald	235,537	90,928	326,465
Non-Executive Directors			
H G Davies	55,000	-	55,000
T J Eversteyn	41,250	-	41,250
D E J Reilly	41,250	-	41,250

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

The following table discloses the remuneration of the Company Secretary:

NAME	SALARY \$	BENEFITS \$	OTHER NON-CASH BENEFITS \$	TOTAL \$
R L House	166,859	43,815	17,355	228,029

PROCEEDINGS ON BEHALF OF THE COMPANY

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

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

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.

Dated this 19th day of September 2003

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

On behalf of the Directors

DR HUW G DAVIES
DIRECTOR

GARY S GALE
DIRECTOR

INDEPENDENT AUDIT REPORT

to the members of Gale Pacific Limited

SCOPE

We have audited the financial report of Gale Pacific Limited for the financial year ended 30 June 2003 comprising of the Directors' Declaration, Statement of Financial Performance, Statement of Financial Position, Statement of Cash Flows and Notes to the Financial Statements.

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

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

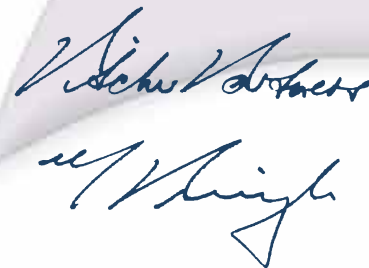
The audit opinion expressed in this report has been formed on the above basis.

AUDIT OPINION

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

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Company's and consolidated entity's financial position as at 30 June 2003 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.

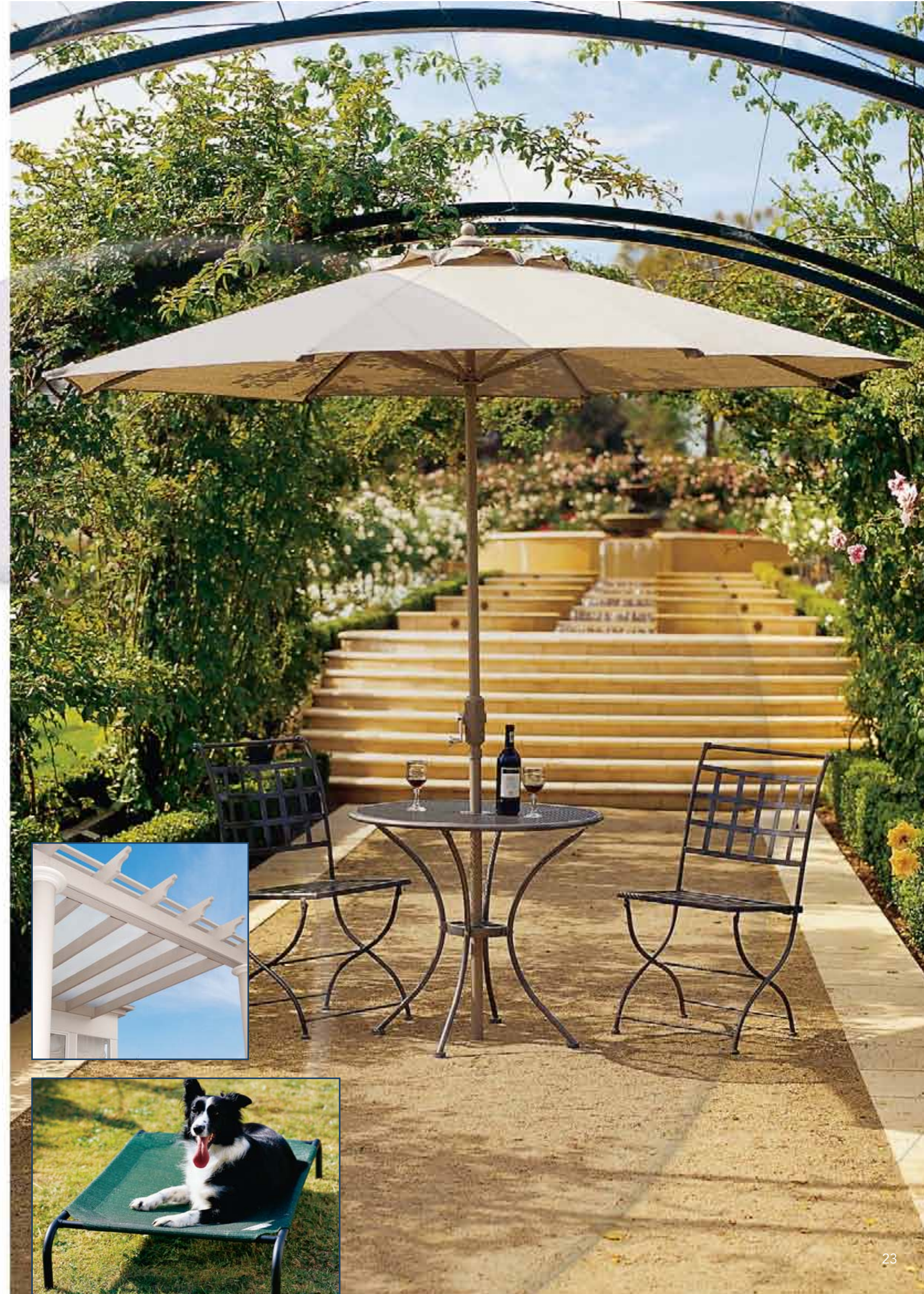
PITCHER PARTNERS



M W PRINGLE
PARTNER
Melbourne 19 September 2003



People, plants, even pets all benefit from the remarkable environmental attributes of Gale's Coolaroo fabrics.



DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The financial statements and notes, as set out on pages 26 to 53 are in accordance with the Corporations Act 2001 including:-
 - (a) compliance with Accounting Standards in Australia and the Corporations Regulations 2001; and
 - (b) providing a true and fair view of the financial position as at 30 June 2003 and of the performance, as represented by the results of the operations and the cash flows, of the Company and economic entity for the year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

Dated this 19th day of September 2003



DR HUW G DAVIES
DIRECTOR



GARY S GALE
DIRECTOR



The company continues to focus heavily on water management technologies.



STATEMENT OF FINANCIAL PERFORMANCE

for the year ended 30 June 2003

	Note	CONSOLIDATED		COMPANY	
		2002/03 \$ '000	2001/02 \$ '000	2002/03 \$ '000	2001/02 \$ '000
Revenue from ordinary activities	2	84,609	55,777	76,519	49,186
Expenses from ordinary activities, excluding borrowing costs expense:					
- Changes in inventories of finished goods and work in progress		4,349	(1,039)	3,156	(51)
- Raw materials and consumables used		(41,554)	(21,651)	(40,281)	(21,869)
- Employee benefits expense		(15,622)	(9,323)	(13,561)	(7,819)
- Depreciation and amortisation expenses		(3,345)	(2,589)	(2,956)	(2,324)
- Operating overheads		(14,889)	(12,198)	(11,450)	(9,104)
- Other expenses from ordinary activities		(4,050)	(2,626)	(3,062)	(1,886)
Borrowing costs expense		(1,725)	(1,145)	(1,725)	(1,145)
Profit from ordinary activities before income tax expense	3	7,773	5,206	6,640	4,988
Income tax expense relating to ordinary activities	4	(2,220)	(1,591)	(2,182)	(1,557)
Net profit from ordinary activities after income tax		5,553	3,615	4,458	3,431
Net profit attributable to outside equity interests		(102)	-	-	-
Net profit from ordinary activities after income tax expense attributable to the members of the parent entity	21	5,451	3,615	4,458	3,431
Net exchange difference on translation of financial reports of self-sustaining foreign operations	20	(1,198)	(408)	-	-
Total valuation adjustment attributable to members of the parent entity recognised directly in equity		(1,198)	(408)	-	-
Total changes in equity other than those resulting from transactions with owners as owners	23	4,253	3,207	4,458	3,431
Basic earnings per share (cents per share)	32	12.73	9.46		
Diluted earnings per share (cents per share)	32	12.42	9.28		

The accompanying notes form part of these financial statements

STATEMENT OF FINANCIAL POSITION

as at 30 June 2003

	Note	CONSOLIDATED		COMPANY	
		2002/03 \$ '000	2001/02 \$ '000	2002/03 \$ '000	2001/02 \$ '000
CURRENT ASSETS					
Cash assets	5	1,457	526	849	7
Receivables	6	13,420	11,934	7,680	6,586
Inventories	7	19,820	15,202	15,835	12,081
Other	8	359	416	237	326
TOTAL CURRENT ASSETS		35,056	28,078	24,601	19,000
NON-CURRENT ASSETS					
Receivables	6	-	-	7,693	5,653
Other financial assets	9	-	-	7,066	3,441
Plant and equipment	10	28,309	24,827	25,942	24,078
Intangible assets	11	7,244	3,081	3,396	3,019
Deferred tax assets	12	204	107	-	-
Other	8	597	753	597	753
TOTAL NON-CURRENT ASSETS		36,354	28,768	44,694	36,944
TOTAL ASSETS		71,410	56,846	69,295	55,944
CURRENT LIABILITIES					
Payables	13	7,736	5,245	6,479	4,608
Interest-bearing liabilities	14	11,864	7,171	11,864	7,171
Current tax liabilities	15	502	793	425	777
Provisions	16	968	1,749	935	1,735
Other	17	-	239	-	239
TOTAL CURRENT LIABILITIES		21,070	15,197	19,703	14,530
NON-CURRENT LIABILITIES					
Interest-bearing liabilities	14	13,872	10,720	13,872	10,720
Deferred tax liabilities	15	3,515	2,895	3,327	2,731
Provisions	16	110	590	110	590
TOTAL NON-CURRENT LIABILITIES		17,497	14,205	17,309	14,041
TOTAL LIABILITIES		38,567	29,402	37,012	28,571
NET ASSETS		32,843	27,444	32,283	27,373
EQUITY					
Contributed equity	19	22,798	20,858	22,798	20,858
Reserves	20	(1,496)	(298)	-	-
Retained profits	21	10,847	6,884	9,485	6,515
PARENT ENTITY INTEREST		32,149	27,444	32,283	27,373
Outside equity interests	22	694	-	-	-
TOTAL EQUITY	23	32,843	27,444	32,283	27,373

The accompanying notes form part of these financial statements

STATEMENT OF CASH FLOWS

for the year ended 30 June 2003

		CONSOLIDATED		COMPANY	
	Note	2002/03 \$ '000	2001/02 \$ '000	2002/03 \$ '000	2001/02 \$ '000
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers		83,227	56,259	75,193	49,667
Payments to suppliers and employees		(73,280)	(47,351)	(66,389)	(42,235)
Interest received		67	22	66	13
Borrowing costs paid		(1,725)	(1,145)	(1,725)	(1,145)
Income tax paid		(1,977)	(769)	(1,938)	(769)
Net cash provided by operating activities	24(b)	6,312	7,016	5,207	5,531
CASH FLOW USED IN INVESTING ACTIVITIES					
Proceeds from sale of plant and equipment		95	107	95	107
Payment for plant and equipment		(6,225)	(2,759)	(4,014)	(2,581)
Payment for acquisition of business		(3,305)	(4,900)	-	(4,900)
Investment in controlled entity		-	-	(2,375)	-
Payment for intangible assets		(787)	(33)	(730)	(33)
Payment for other non-current assets		(763)	(789)	(763)	(789)
Amounts advanced to related parties		-	-	(2,040)	-
Proceeds from repayment of related party receivables		-	-	-	1,452
Net cash used in investing activities		(10,985)	(8,374)	(9,827)	(6,744)
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from borrowings		2,812	944	2,812	944
Repayment of principal on finance leases		(1,719)	(1,411)	(1,719)	(1,411)
Proceeds from/(repayment of principal on) hire purchases		6,592	(585)	6,592	(585)
Dividends paid		(2,058)	(1,977)	(2,058)	(1,977)
Proceeds from outside equity interest		592	-	-	-
Net cash provided by/(used in) financing activities		6,219	(3,029)	5,627	(3,029)
Net increase/(decrease) in cash held		1,546	(4,387)	1,007	(4,242)
Cash at beginning of year		361	5,132	(158)	4,084
Effects of exchange rate changes on items denominated in foreign currencies		(450)	(384)	-	-
Cash at end of year	24(a)	1,457	361	849	(158)

The accompanying notes form part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

(a) Principles of Consolidation

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

(b) Income Tax

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

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

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

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

(c) Inventories

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Plant and Equipment

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

Plant and equipment

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

Depreciation

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

The depreciation rates used for each class of assets are:

CLASS OF FIXED ASSET	DEPRECIATION RATES	DEPRECIATION BASIS
Leasehold improvements	Determined by lease term	Straight Line
Plant and equipment	6.7% - 20.0%	Straight Line
Leased plant and equipment	6.7% - 20.0%	Straight Line
Motor vehicles	20.0%	Straight Line
Office equipment	14.3% - 50.0%	Straight Line

(e) Leases

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

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

(f) Investments

Controlled Entities

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

(g) Foreign Currency Transactions and Balances

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

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

(h) Employee Entitlements

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

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

(i) Research and Development Expenditure

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

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

(j) Cash

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

(k) Comparative Figures

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

(l) Revenue

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

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

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

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

(m) Intangibles

Goodwill

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

Patents and Trademarks

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	CONSOLIDATED		COMPANY	
	2002/03 \$ '000	2001/02 \$ '000	2002/03 \$ '000	2001/02 \$ '000
NOTE 2: REVENUE				
Operating activities				
- Sale of goods	81,767	53,693	73,678	47,110
- SIP income	2,562	1,780	2,562	1,780
- Interest income – other parties	68	21	67	13
- Other revenue	117	176	117	176
Outside operating activities				
- Proceeds from disposals of non-current assets	95	107	95	107
Total revenue	84,609	55,777	76,519	49,186

NOTE 3: PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities before income tax expense has been determined after:

Cost of sales	49,517	31,085	48,233	29,596
Borrowing costs				
- Other persons	1,725	1,145	1,725	1,145
Depreciation of non-current assets:				
- Leasehold improvements	17	16	14	13
- Plant and equipment	1,858	1,549	1,670	1,348
- Motor vehicles	125	82	110	82
- Office Equipment	344	206	267	149
Amortisation of non-current assets:				
- Leased plant and equipment	273	367	273	367
- Leased motor vehicles	38	76	38	76
- Goodwill	295	165	205	165
- Patents and trademarks	107	44	91	40
Research and Development expenditure:				
- Capitalised and amortised	288	85	288	85
- Expensed as incurred	4	40	3	40
Increase in provision for obsolete inventory	34	33	34	33
Bad and doubtful debts:				
- Bad debts written off - trade debtors	53	319	-	80
- Bad debt recoveries - trade debtors	-	-	(8)	-
- Movement in provisions for doubtful debts - trade debtors	8	(41)	8	(41)
Net expense of bad and doubtful debts	61	278	-	39

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	CONSOLIDATED		COMPANY	
	2002/03 \$ '000	2001/02 \$ '000	2002/03 \$ '000	2001/02 \$ '000
NOTE 3: PROFIT FROM ORDINARY ACTIVITIES (CONT'D)				
Remuneration of the auditors of parent entity for:				
- Auditing the financial report	90	67	90	67
- Other services	63	31	63	31
Remuneration of other auditors of controlled entities – audit services	69	38	-	-
Total remuneration of auditors	222	136	153	98
Foreign currency translation losses	53	17	53	17
Net loss on disposal of non-current assets				
- Plant and equipment	9	10	9	10
Operating lease rental expense	2,565	1,310	2,508	1,231

NOTE 4: INCOME TAX EXPENSE

The prima facie income tax payable on profit from ordinary activities is reconciled to the income tax expense as follows:

Prima facie tax payable on profit from ordinary activities before income tax at 30%	2,332	1,562	1,992	1,496
Add:				
Tax effect of:				
- Amortisation of intangible assets	87	50	60	50
- Tax rate differentials in foreign countries	(224)	-	-	-
- Attributed CFC income	-	-	100	-
- Other non-allowable/non-assessable items	38	83	30	9
	2,233	1,695	2,182	1,555
Less:				
(Under)/over provision for income tax in prior year	13	104	-	(2)
Income tax expense attributable to profit from ordinary activities	2,220	1,591	2,182	1,557

NOTE 5: CASH ASSETS

Cash on hand	6	3	2	1
Cash at bank	1,451	234	847	6
Deposits at call	-	289	-	-
	1,457	526	849	7

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	Note	CONSOLIDATED		COMPANY	
		2002/03 \$'000	2001/02 \$'000	2002/03 \$'000	2001/02 \$'000
NOTE 6: RECEIVABLES					
CURRENT					
Trade debtors		10,837	9,138	5,436	3,790
Less provision for doubtful debts		(32)	(40)	(32)	(40)
		<u>10,805</u>	<u>9,098</u>	<u>5,404</u>	<u>3,750</u>
Other debtors		2,615	2,836	2,276	2,836
		<u>13,420</u>	<u>11,934</u>	<u>7,680</u>	<u>6,586</u>
NON-CURRENT					
Amounts receivable from:					
- Controlled entities		-	-	7,693	5,653
NOTE 7: INVENTORIES					
CURRENT					
Raw materials at cost		1,381	340	1,034	340
Work in progress at cost		2,186	918	1,724	918
Finished goods at cost		16,350	14,007	13,174	10,886
Less provision for obsolescence		(97)	(63)	(97)	(63)
		<u>19,820</u>	<u>15,202</u>	<u>15,835</u>	<u>12,081</u>
NOTE 8: OTHER ASSETS					
CURRENT					
Prepayments		359	416	237	326
NON-CURRENT					
Research & development		597	753	597	753
NOTE 9: OTHER FINANCIAL ASSETS					
NON-CURRENT					
Shares in controlled entities at cost	30	-	-	7,066	3,441

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	CONSOLIDATED		COMPANY	
	2002/03 \$'000	2001/02 \$'000	2002/03 \$'000	2001/02 \$'000
NOTE 10: PLANT AND EQUIPMENT				
Plant and equipment				
At cost	32,673	23,040	30,186	22,032
Less accumulated depreciation	(7,471)	(4,342)	(6,947)	(3,888)
	<u>25,202</u>	<u>18,698</u>	<u>23,239</u>	<u>18,144</u>
Under lease				
At cost	1,227	5,914	1,227	5,914
Less accumulated amortisation	(220)	(1,162)	(220)	(1,162)
	<u>1,007</u>	<u>4,752</u>	<u>1,007</u>	<u>4,752</u>
Leasehold Improvements				
At cost	286	209	271	198
Less accumulated depreciation	(70)	(53)	(63)	(49)
	<u>216</u>	<u>156</u>	<u>208</u>	<u>149</u>
Motor vehicles				
At cost	1,103	646	950	611
Less accumulated depreciation	(199)	(147)	(183)	(144)
	<u>904</u>	<u>499</u>	<u>767</u>	<u>467</u>
Under lease				
At cost	139	198	139	198
Less accumulated amortisation	(60)	(89)	(60)	(89)
	<u>79</u>	<u>109</u>	<u>79</u>	<u>109</u>
Office equipment				
At cost	1,839	1,311	1,440	1,015
Less accumulated depreciation	(938)	(698)	(798)	(558)
	<u>901</u>	<u>613</u>	<u>642</u>	<u>457</u>
Total plant and equipment	<u>28,309</u>	<u>24,827</u>	<u>25,942</u>	<u>24,078</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 10: PLANT AND EQUIPMENT (CONT'D)

Movements in Carrying Amounts

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

	LEASEHOLD IMPROVEMENTS		PLANT & EQUIPMENT	
	Consolidated \$'000	Company \$'000	Consolidated \$'000	Company \$'000
2002/03				
Balance at the beginning of the year	156	149	18,698	18,144
Additions	77	73	4,789	3,192
Transfers from leased plant & equipment	-	-	3,573	3,573
Depreciation expense	(17)	(14)	(1,858)	(1,670)
Carrying amount at the end of the year	216	208	25,202	23,239

	LEASED PLANT AND EQUIPMENT		MOTOR VEHICLES	
	Consolidated \$'000	Company \$'000	Consolidated \$'000	Company \$'000
2002/03				
Balance at the beginning of the year	4,752	4,752	499	467
Additions	101	101	599	479
Disposals	-	-	(69)	(69)
Transfers to plant & equipment	(3,573)	(3,573)	-	-
Depreciation expense	(273)	(273)	(125)	(110)
Carrying amount at the end of the year	1,007	1,007	904	767

	OFFICE EQUIPMENT		LEASED MOTOR VEHICLES	
	Consolidated \$'000	Company \$'000	Consolidated \$'000	Company \$'000
2002/03				
Balance at the beginning of the year	613	457	109	109
Additions	641	461	34	34
Disposals	(9)	(9)	(26)	(26)
Depreciation expense	(344)	(267)	(38)	(38)
Carrying amount at the end of the year	901	642	79	79

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	CONSOLIDATED		COMPANY	
	2002/03 \$'000	2001/02 \$'000	2002/03 \$'000	2001/02 \$'000
NOTE 11: INTANGIBLE ASSETS				
Goodwill on consolidation at cost	7,511	3,161	3,800	3,161
Less accumulated amortisation	(950)	(655)	(860)	(655)
	6,561	2,506	2,940	2,506
Patents, trademarks and licenses at cost	863	648	604	570
Less accumulated amortisation	(180)	(73)	(148)	(57)
	683	575	456	513
	7,244	3,081	3,396	3,019

RECONCILIATION OF INTANGIBLE ASSETS

	GOODWILL		PATENTS, TRADEMARKS & LICENCES	
	Consolidated \$'000	Company \$'000	Consolidated \$'000	Company \$'000
2002/03				
Balance at the beginning of the year	2,506	2,506	575	513
Additions	4,350	639	215	34
Amortisation expense	(295)	(205)	(107)	(91)
Carrying amount at the end of the year	6,561	2,940	683	456

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	Note	CONSOLIDATED		COMPANY	
		2002/03 \$'000	2001/02 \$'000	2002/03 \$'000	2001/02 \$'000
NOTE 12: DEFERRED TAX ASSETS					
The future income tax benefits comprise:					
- Timing differences		204	107	-	-
NOTE 13: PAYABLES					
CURRENT					
Unsecured liabilities					
Trade creditors		4,335	3,744	4,062	3,414
Sundry creditors and accruals		3,401	1,501	2,417	1,194
		<u>7,736</u>	<u>5,245</u>	<u>6,479</u>	<u>4,608</u>
NOTE 14: INTEREST BEARING LIABILITIES					
CURRENT					
Secured liabilities					
Bank overdrafts	24(e)	-	165	-	165
Bank loans	24(e)	7,893	3,682	7,893	3,682
Commercial bills	24(e)	1,500	1,400	1,500	1,400
Finance lease liability	28(a)	328	1,319	328	1,319
Hire purchase liability	28(b)	2,143	605	2,143	605
		<u>11,864</u>	<u>7,171</u>	<u>11,864</u>	<u>7,171</u>
NON-CURRENT					
Secured liabilities					
Commercial bills	24(e)	6,400	7,900	6,400	7,900
Finance lease liability	28(a)	705	1,109	705	1,109
Hire purchase liability	28(b)	6,767	1,711	6,767	1,711
		<u>13,872</u>	<u>10,720</u>	<u>13,872</u>	<u>10,720</u>
NOTE 15: INCOME TAX LIABILITIES					
CURRENT					
Income tax		502	793	425	777
NON-CURRENT					
Deferred income tax		3,515	2,895	3,327	2,731

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	Note	CONSOLIDATED		COMPANY	
		2002/03 \$'000	2001/02 \$'000	2002/03 \$'000	2001/02 \$'000
NOTE 16: PROVISIONS					
CURRENT					
Dividends		-	1,260	-	1,260
Employee entitlements	16(a)	968	489	935	475
		<u>968</u>	<u>1,749</u>	<u>935</u>	<u>1,735</u>
NON-CURRENT					
Employee entitlements	16(a)	110	590	110	590
(a) Aggregate employee entitlements liability		1,078	1,079	1,045	1,065
(b) Number of employees at year end		329	136	198	128
NOTE 17: OTHER LIABILITIES					
CURRENT					
Hedge Payable		-	239	-	239
NOTE 18: NON-HEDGED FOREIGN CURRENCY BALANCES					
The Australian dollar equivalents of foreign currency balances included in the financial statements that are not effectively hedged are as follows:					
US Dollars					
Payables					
Current		10,252	8,160	8,995	7,524
		<u>10,252</u>	<u>8,160</u>	<u>8,995</u>	<u>7,524</u>
Receivables					
Current		7,248	7,080	1,507	1,732
Non-current		-	-	7,624	5,653
		<u>7,248</u>	<u>7,080</u>	<u>9,131</u>	<u>7,385</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	COMPANY	
	2002/03 \$'000	2001/02 \$'000
NOTE 19: CONTRIBUTED EQUITY		
Paid up Capital		
43,459,282 fully paid ordinary shares (2002: 41,997,296)	22,798	20,858
Movement in Share Capital		
Shares issued at the beginning of the financial year	20,858	17,550
974,811 shares issued as part of the consideration for acquisition of a business	1,250	-
3,529,412 shares issued as part of the consideration for acquisition of a business	-	3,000
487,175 shares issued under Dividend Reinvestment Plan	690	-
428,615 shares issued under Dividend Reinvestment Plan	-	308
	22,798	20,858

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

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

Options

The Company maintains an option scheme for certain staff and executives, including executive Directors, as approved by shareholders at an annual general meeting. The issue price of each option is zero. Each option entitles the option holder to 1 ordinary share in the Company in the event that the option is exercised. The exercise price for the issued options is \$1.00. The vesting of options is determined by the performance of the Company's share price over time. No options are exercisable after 1 December 2004.

Options carry no rights to dividends and no voting rights.

	No.	No.
Balance at the beginning of the financial year (issued 13 November 2000)	760,785	760,785
Granted during the financial year (18 December 2002)	650,000	-
Lapsed during the financial year (Issued 18 December 2002)	(100,000)	-
Balance at the end of the financial year	1,310,785	760,785

At 30 June 2003, 773,089 options on issue had vested.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	CONSOLIDATED		COMPANY	
	2002/03 \$'000	2001/02 \$'000	2002/03 \$'000	2001/02 \$'000
NOTE 20: RESERVES				
Foreign currency reserve	(1,496)	(298)	-	-
Movement during the year:				
Opening balance	(298)	110	-	-
Foreign currency (loss) on consolidation	(1,198)	(408)	-	-
Closing balance	(1,496)	(298)	-	-

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

NOTE 21: RETAINED PROFITS

Retained profits at the beginning of the financial year	6,884	5,673	6,515	5,488
Net profit attributable to members of the entity	5,451	3,615	4,458	3,431
Dividends provided for or paid	(1,488)	(2,404)	(1,488)	(2,404)
Retained profits at reporting date	10,847	6,884	9,485	6,515

NOTE 22: OUTSIDE EQUITY INTERESTS

Outside equity in controlled entities comprises:

Contributed equity	592	-
Retained profits	102	-
	694	-

NOTE 23: EQUITY

Total equity at the beginning of the financial year	27,444	23,332	27,373	23,037
Total changes in equity recognised in the Statement of Financial Performance	4,253	3,207	4,458	3,431
Movement in outside equity interest	694	-	-	-
Movement in contributed capital	1,940	3,309	1,940	3,309
Transactions with owners as owners				
- Dividends	(1,488)	(2,404)	(1,488)	(2,404)
Total equity at reporting date	32,843	27,444	32,283	27,373

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	CONSOLIDATED		COMPANY	
	2002/03 \$'000	2001/02 \$'000	2002/03 \$'000	2001/02 \$'000

NOTE 24: CASH FLOW INFORMATION

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

Cash on hand	6	3	2	1
Cash at bank	1,451	235	847	6
At call deposits with financial institutions	-	288	-	-
Bank overdrafts	-	(165)	-	(165)
	<u>1,457</u>	<u>361</u>	<u>849</u>	<u>(158)</u>

(b) Reconciliation of cash flow from operations with profit from ordinary activities

Profit from ordinary activities after income tax	5,553	3,615	4,458	3,431
Non-cash flows in profit from ordinary activities:				
Amortisation of intangible assets	402	185	296	443
Amortisation of other non-current assets	288	85	288	289
Depreciation and amortisation of plant and equipment	2,655	2,319	2,372	1,592
Other	8	(31)	8	(34)
Accrued SIP income	(1,315)	(1,107)	(1,315)	(1,107)
Changes in assets and liabilities:				
Decrease in receivables	74	1,039	125	1,146
(Increase)/decrease in other assets	500	(645)	871	(797)
(Increase)/decrease in inventories	(4,349)	1,493	(3,755)	505
Increase/(decrease) in payables and accruals	2,252	(759)	1,612	(725)
Increase in income tax payable	244	822	247	788
Net cash provided by operations	<u>6,312</u>	<u>7,016</u>	<u>5,207</u>	<u>5,531</u>

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	CONSOLIDATED		COMPANY	
	2002/03 \$'000	2001/02 \$'000	2002/03 \$'000	2001/02 \$'000

NOTE 24: CASH FLOW INFORMATION (CONT'D)

(c) Acquisition of business

During the financial year a business was acquired. Details of the acquisition are as follows:

Consideration

Cash	3,305	4,900	-	4,900
Ordinary shares	1,250	3,000	-	3,000
	<u>4,555</u>	<u>7,900</u>	<u>-</u>	<u>7,900</u>

Fair value of net assets acquired

Current assets

Inventories	269	5,300	-	5,300
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Non-current assets

Plant and equipment	130	2,575	-	2,575
Intellectual property	223	250	-	250
Goodwill	3,933	-	-	-

Non-current liabilities

Provisions	-	(225)	-	(225)
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Net assets acquired

	<u>4,555</u>	<u>7,900</u>	<u>-</u>	<u>7,900</u>
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Net cash outflow on acquisition

Cash consideration	3,305	4,900	-	4,900
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(d) Non-cash financing and investing activities

Plant and equipment

During the financial year the economic entity acquired plant and equipment with an aggregate fair value of \$325,000 (2002: \$1,303,746) by means of finance leases. These acquisitions are not reflected in the Statement of Cash Flows.

(e) Multi Option Facility and Bills Discount Facility

The Company has access to a Multi Option Facility (including an AUD overdraft, USD overdraft, commercial bills, fixed rate trade advances, documentary credit and trade finance), a Bills Discount Facility and a Bank Guarantee facility to a maximum of \$19,800,000 as at 30 June 2003 (2002 \$18,950,000), leaving an unused facility of \$2,017,000 (2002: \$3,653,000).

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 25: COMPANY DETAILS

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

NOTE 26: DIRECTORS' AND EXECUTIVES' REMUNERATION

The Directors of the parent entity who held office during the year were:
 Huw Geraint Davies Gary Stephen Gale Theo John Eversteyn
 Peter Ronald McDonald Daryl Edward James Reilly

	CONSOLIDATED		COMPANY	
	2002/03 \$'000	2001/02 \$'000	2002/03 \$'000	2001/02 \$'000
Total income paid or payable to all Directors of the economic entity by the parent entity and any related parties:	892	720	892	720
The number of Directors whose total income from the Company and related bodies corporate falls within each successive \$10,000 band of income:	No.	No.	No.	No.
\$30,000 – \$39,999	-	2	-	2
\$40,000 – \$49,999	2	1	2	1
\$50,000 – \$59,999	1	-	1	-
\$250,000 – \$259,999	-	1	-	1
\$320,000 – \$329,999	1	-	1	-
\$360,000 – \$369,999	-	1	-	1
\$420,000 – \$429,999	1	-	1	-
	\$'000	\$'000	\$'000	\$'000
Aggregate remuneration of executive officers of the Company working mainly in Australia and receiving \$100,000 or more from the Company:	228	171	228	171
The number of executive officers whose remuneration falls within each successive \$10,000 band of income:	No.	No.	No.	No.
\$170,000 – \$179,999	-	1	-	1
\$210,000 – \$219,999	1	-	1	-

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

	2002/03		2001/02	
	Cents Per Share	Total \$'000	Cents Per Share	Total \$'000
NOTE 27: DIVIDENDS				
Ordinary Shares				
Interim dividend – franked to 30%	3.5	1,488	3.0	1,144
Final dividend – franked to 30%	-*	-	3.0	1,260
		<u>1,488</u>		<u>2,404</u>
Adjusted franking account balance		<u>4,693</u>		<u>4,022</u>

*Since the end of the financial year, Directors have declared a fully franked final dividend of 3.5 cents per share, amounting to \$1,521,000, payable on 16 December 2003.

The final dividend for the year ended 30 June 2003 has not been recognised in this financial report because the final dividend was declared subsequent to 30 June 2003. On the basis that Directors will continue to declare dividends subsequent to reporting date, in future financial reports the amount disclosed as 'recognised' will be the final dividend in respect of the prior financial year, and the interim dividend in respect of the current financial year.

	Note	CONSOLIDATED		COMPANY	
		2002/03 \$'000	2001/02 \$'000	2002/03 \$'000	2001/02 \$'000
NOTE 28: CAPITAL AND LEASING COMMITMENTS					
(a) Finance Leasing Commitments					
Payable					
- not later than one year		433	1,567	433	1,567
- later than one year and not later than five years		833	1,351	833	1,351
Minimum lease payments		<u>1,266</u>	<u>2,918</u>	<u>1,266</u>	<u>2,918</u>
Less future finance charges		233	490	233	490
Total lease liability		<u>1,033</u>	<u>2,428</u>	<u>1,033</u>	<u>2,428</u>
Represented by:					
Current liability	14	328	1,319	328	1,319
Non-current liability	14	705	1,109	705	1,109
		<u>1,033</u>	<u>2,428</u>	<u>1,033</u>	<u>2,428</u>

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

		CONSOLIDATED		COMPANY	
	Note	2002/03 \$'000	2001/02 \$'000	2002/03 \$'000	2001/02 \$'000
NOTE 28: CAPITAL AND LEASING COMMITMENTS (CONT'D)					
(b) Hire Purchase Commitments					
Payable					
- not later than one year		2,490	802	2,490	802
- later than one year and not later than five years		8,450	1,953	8,450	1,953
Minimum hire purchase payments		10,940	2,755	10,940	2,755
Less future finance charges		2,030	439	2,030	439
Total hire purchase liability		8,910	2,316	8,910	2,316
Represented by:					
Current liability	14	2,143	605	2,143	605
Non-current liability	14	6,767	1,711	6,767	1,711
		8,910	2,316	8,910	2,316
(c) Operating Lease Commitments					
Non-cancellable operating leases contracted for but not capitalised in the accounts:					
Payable					
- not later than one year		2,808	2,527	2,663	2,470
- later than one year and not later than five years		8,353	8,751	8,269	8,641
- later than five years		-	1,445	-	1,445
		11,161	12,723	10,932	12,556

The company leases property under operating leases expiring in 1 to 5 years. Leases of property generally provide the Company with a right of renewal at which time all leases are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on the consumer price index.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 29: RELATED PARTY TRANSACTIONS

(a) Equity Investments in Controlled Entities

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

(b) Directors' Remuneration

Details of Directors' remuneration are disclosed in Note 26.

(c) Directors' Equity Holdings

	FULLY PAID ORDINARY SHARES		SHARE OPTIONS	
	2002/03 No.	2001/02 No.	2002/03 No.	2001/02 No.
Opening balance held by Directors and their Director-related entities in the controlling entity:	17,792,487	17,750,646	760,785	760,785
Net acquisitions and disposals of shares through the share market and acquisitions through the Dividend Reinvestment Plan by Directors and their Director-related entities in the controlling entity:	(2,243,019)	41,841	-	-
Held as at the reporting date by Directors and their Director-related entities in the controlling entity:	15,549,468	17,792,487	760,785	760,785

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

(d) 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	
	2002/03 \$'000	2001/02 \$'000	2002/03 \$'000	2001/02 \$'000
Current	30	10	30	10

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 29: RELATED PARTY TRANSACTIONS (CONT'D)

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

Theo Eversteyn is a Partner of the Chartered Accounting firm Bentleys MRI. In addition to Directors fees received (and disclosed in Note 26) Bentleys MRI have provided taxation and other business advice during the year ended 30 June 2003 to Gale Pacific Limited. The value of services provided was \$151,688 (2002: \$169,407).

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

(e) Transactions Within the Wholly-Owned Group

The wholly-owned group includes:

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

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

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

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

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

(f) Transactions With Non-wholly Owned Controlled Entity

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

- Net Sales of goods at cost of \$342,210.
- Reimbursement of certain operating costs of \$41,568.
- Sale of plant and equipment at net book value of \$83,907.

NOTE 30: CONTROLLED ENTITIES

	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST %	
		2002/03	2002/03
Parent Entity:			
Gale Pacific Limited	Australia	-	-
Controlled Entities:			
Gale Pacific USA Inc.	USA	100%	100%
Gale Pacific FZE	United Arab Emirates	100%	100%
Gale Pacific Special Textiles Company Limited	China	85%	-
Aquaspan Pty Ltd	Australia	50%	-

Gale Pacific Special Textiles Company Limited was formed on 21 November 2002, and manufactures advanced durable polymer fabrics and value added structures made from these fabrics. Aquaspan Pty Ltd was formed on 14 October 2002 and manufactures and erects structures for water management applications.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 31: SEGMENT REPORTING

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

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

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

Geographical segments

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

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

Australia/New Zealand

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

China

A Manufacturing facility is located in Ningbo, which supplies products to Australia and the USA.

USA

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

Middle East

A sales office is located in the United Arab Emirates which services the region.

Business Segment

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 31: SEGMENT REPORTING (CONT'D)

Primary Reporting – Geographical Segments

	AUST/NZ	CHINA	USA	MIDDLE EAST	ELIMINATIONS	CONSOLIDATION
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2003						
Revenue outside the economic entity	66,925	-	15,911	1,773	-	84,609
Inter-segment revenue	9,595	3,264	-	-	(12,859)	-
Total revenue	76,520	3,264	15,911	1,773	(12,859)	84,609
Segment operating profit	6,606	761	310	294	(198)	7,773
Income tax expense	(2,083)	-	(94)	(88)	45	(2,220)
Operating Profit after tax	4,523	761	216	206	(153)	5,553
Depreciation and Amortisation	2,903	51	285	16	90	3,345
Individually significant items:						
Reimbursement of R&D expenditure	2,562	-	-	-	-	2,562
Segment Assets	55,172	3,299	12,525	598	(388)	71,206
Unallocated Assets						204
Total Assets						71,410
Segment Liabilities	35,790	210	1,088	125	(44)	37,169
Unallocated Liabilities						2,919
Total Liabilities						40,088
Acquisition of non-current assets	6,458	1,711	3,619	-	-	11,788
2002						
Revenue outside the economic entity	39,037	-	15,648	1,092	-	55,777
Inter-segment revenue	9,340	-	-	-	(9,340)	-
Total revenue	48,377	-	15,648	1,092	(9,340)	55,777
Segment operating profit	4,988	-	432	1	(215)	5,206
Income tax expense	(1,557)	-	(34)	-	-	(1,591)
Operating Profit after tax	3,431	-	398	1	(215)	3,615
Depreciation and Amortisation	2,322	-	258	6	-	2,586
Individually significant items:						
Reimbursement of R&D expenditure	1,780	-	-	-	-	1,780
Segment Assets	46,851	-	9,339	766	(217)	56,739
Unallocated Assets						107
Total Assets						56,846
Segment Liabilities	25,841	-	641	25	-	26,507
Unallocated Liabilities						2,895
Total Liabilities						29,402
Acquisition of non-current assets	6,414	-	188	35	-	6,637

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 32: EARNINGS PER SHARE

	COMPANY	
	2002/03	2001/02
Earnings used in the calculations of basic and diluted earnings per share	\$5,451,000	\$3,615,000
Weighted average number of ordinary shares used in the calculation of basic earnings per share	42,832,976	38,204,041
Number of share options on issue	760,785	760,785
Weighted average number of Share Options issued during the year	293,836	-
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	43,887,597	38,964,826

NOTE 33: FINANCIAL INSTRUMENTS

(a) Financial instruments

Derivative Financial Instruments

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

(b) Credit Risk

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

Credit risk for derivative financial instruments arises from the potential failure by counterparties to the contract to meet their obligations. The credit risk exposure to forward exchange contracts is the net fair value of these contracts. The economic entity does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the economic entity.

(c) Net Fair Values

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

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 33: FINANCIAL INSTRUMENTS (CONT'D)

(d) Interest Rate Risk

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

	NOTE	WEIGHTED AVERAGE INTEREST RATE	FLOATING INTEREST RATE \$'000	FIXED INTEREST RATE \$'000	NON INTEREST BEARING \$'000	TOTAL \$'000	1 YEAR OR LESS \$'000	MATURING 1 TO 5 YEARS \$'000	MORE THAN 5 YEARS \$'000
30 June 2003									
Financial Assets									
Cash assets	5	4.65%	847	-	610	1,457	-	-	-
Receivables	6	-	-	-	13,420	13,420	-	-	-
			847	-	14,030	14,877	-	-	-
Financial Liabilities									
Payables	13	-	-	-	7,736	7,736	-	-	-
Bank overdrafts and loans	14	3.3%	7,893	-	-	7,893	-	-	-
Commercial bills	14	6.9%	-	3,700	-	3,700	600	2,400	700
Commercial bills	14	5.9%	-	4,200	-	4,200	900	3,300	-
Lease liabilities	14	8.3%	-	1,033	-	1,033	328	705	-
Hire purchase liabilities	14	8.4%	-	8,910	-	8,910	2,143	6,767	-
Employee entitlements	16	-	-	-	1,079	1,079	-	-	-
			7,893	17,843	8,815	34,551	3,971	13,172	700
30 June 2002									
Financial Assets									
Cash assets	5	2.0%	289	-	237	526	-	-	-
Receivables	6	-	-	-	11,934	11,934	-	-	-
			289	-	12,171	12,460	-	-	-
Financial Liabilities									
Payables	13	-	-	-	5,245	5,245	-	-	-
Bank overdrafts and loans	14	4.2%	3,847	-	-	3,847	-	-	-
Commercial bills	14	6.9%	-	4,300	-	4,300	600	2,400	1,300
Commercial bills	14	5.5%	5,000	-	-	5,000	800	4,200	-
Lease liabilities	14	8.8%	-	2,428	-	2,428	1,319	1,109	-
Hire purchase liabilities	14	8.2%	-	2,316	-	2,316	605	1,711	-
Hedge payable	17	-	-	-	239	239	239	-	-
Dividends payable	16	-	-	-	1,260	1,260	-	-	-
Employee entitlements	16	-	-	-	1,079	1,079	-	-	-
			8,847	9,044	7,823	25,714	3,563	9,420	1,300

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2003

NOTE 34: SUBSEQUENT EVENTS

Subsequent to the end of the financial year, the parent entity acquired the 15% outside equity interest in a controlled entity, Gale Pacific Special Textiles Company Limited ("GPST") for approx. \$600,000. GPST also entered a contract for \$2,470,000 for the construction of a factory in China.

ADDITIONAL STOCK EXCHANGE INFORMATION

as at 15 September 2003

Number of Holdings of Equity Securities

The fully paid issued capital of the Company consisted of 43,549,282 ordinary fully paid shares held by 1,043 shareholders. Each share entitles the holder to one vote.

Seven option holders hold 1,165,785 options over ordinary shares. Options do not carry a right to vote.

Distribution of Holders of Equity Securities

SIZE OF SHAREHOLDING	NUMBER OF SHAREHOLDERS	
	FULLY PAID ORDINARY SHARES	OPTIONS OVER ORDINARY SHARES
1 - 1,000	111	-
1,001 - 5,000	414	-
5,001 - 10,000	251	-
10,001 - 100,000	235	5
100,001 and over	32	2
	<u>1,043</u>	<u>7</u>
Holdings less than a marketable parcel	24	-

Substantial Shareholders

Shareholder	Number	%
Gale Australia Pty Ltd	13,799,134	31.7%
Gary Stephen Gale	13,799,134	31.7%
Barbara Gale	13,799,134	31.7%
Thorney Holdings Pty Ltd	5,547,541	12.7%
Equisuper Pty Ltd	2,904,809	6.7%
Commonwealth Bank of Australia	2,445,405	5.6%

The substantial shareholding of Thorney Holdings Pty Ltd includes holdings of Invia Custodian Pty Ltd, being numbers 9 and 11 on the schedule of Twenty Largest Holders of Quoted Equity Securities following.

ADDITIONAL STOCK EXCHANGE INFORMATION

as at 15 September 2003

Twenty Largest Holders of Quoted Equity Securities

Ordinary Shareholders	Number	%
1. Gale Australia Pty Ltd	13,799,134	31.7%
2. Thorney Holdings Pty Ltd	3,616,289	8.3%
3. National Nominees Limited	2,904,809	6.7%
4. Citicorp Nominees Pty Limited	2,530,354	5.8%
5. Equity Trustees Limited	1,632,198	3.7%
6. National Nominees Limited	1,179,017	2.7%
7. Ms Anne Gale	936,000	2.1%
8. Equity Trustees Limited	875,913	2.0%
9. Invia Custodian Pty Limited	765,252	1.8%
10. Thorney Holdings Pty Ltd	666,000	1.5%
11. Invia Custodian Pty Limited	458,100	1.1%
12. Benefund Limited	450,000	1.0%
13. Invia Custodian Pty Limited	411,294	0.9%
14. Cogent Nominees Pty Limited	365,679	0.8%
15. Mrs Diane Kay Riddell	319,600	0.7%
16. Commonwealth Custodial Services Limited	305,746	0.7%
17. Malla Pty Ltd	300,000	0.7%
18. Carnethy Investments Pty Ltd	236,163	0.5%
19. Queensland Investment Corporation	234,677	0.5%
20. Westpac Custodian Nominees Limited	218,900	0.5%
Total	32,205,125	74.0%

The twenty members holding the largest number of shares together held a total of 74.0% of the issued capital.

FINANCIAL REPORT

Following completion of the Financial Report, the Statement of Financial Position has been amended from the ASX Appendix 4E Preliminary Final Report to exclude the final dividend provision of \$1,521,000 which was declared subsequent to year end, in accordance with a new accounting standard. Further, an amount of \$596,000 was reallocated between current and non-current tax liabilities.

OTHER INFORMATION:

The name of the Company Secretary is Mr R L House

The address of the principal registered office in Australia, and the principal administrative office, is:
145 Woodlands Drive,
Braeside, Vic, 3195,
Tel: (03) 9518 3333

The Company is listed on the Australian Stock Exchange. The home exchange is Melbourne.

Registers of securities are held by:
Computershare Investor Services Pty Ltd
Level 12, 565 Bourke Street
Melbourne, Victoria, 3000
Ph (03) 9611 5711
Fax (03) 9275 7925

The logo for GALE PACIFIC LIMITED. The word "GALE" is in large, bold, white capital letters on a blue rectangular background. Below it, the word "PACIFIC" is in smaller, white capital letters on a green rectangular background.

GALE
PACIFIC

L I M I T E D

ABN 80 082 263 778