Appendix 4E

Preliminary Final Report
For the Year ended 30 June 2006

Gale Pacific Limited and its Controlled Entities
ACN 082 263 778

8 September 2006

DIRECTORS' STATEMENT TO THE STOCK EXCHANGE
RESULTS FOR THE YEAR ENDED 30 JUNE 2006

The Year in Review

In the past year, the Company has made progress with its strategy to have greater Northern Hemisphere presence to balance the seasonality inherent in the Southern Hemisphere business. The objectives include growing our presence in the European and USA markets, the completion of a world class manufacturing operation in China, delivering improvements in our management of working capital and inventory control, the reduction of debt and the strengthening of our management team.

We continued to restructure our manufacturing, where a significant portion of the Company's production plant in Australia was successfully relocated to a purpose built facility in China, which is now complete. This is a significant achievement and one which we believe will be the cornerstone of the Company's ability to be more competitive on the global stage through reduced lead times to our customers and lower costs. However, the performance improvements associated with this strategy have been slower to reach the bottom line than originally anticipated due to delays in the commissioning and realisation of operating efficiencies from the new facility and the consequent additional costs of extending Australian manufacturing operations through that transition period.

Another important element of our strategy was to improve working capital management and to reduce debt. To achieve this, the Company completed a number of initiatives, both during the financial year and early in the new year, which have significantly strengthened the Company and its balance sheet. In June 2006 the Company successfully completed a capital raising of $20 million via a combination of a private placement and a share purchase plan for shareholders. In addition, $15.5 million of debt represented by unsecured convertible notes was converted to ordinary shares.

Directors and management also undertook a comprehensive review of the Company's major business units, R&D activities, organisational structure and accounting controls and processes. This review was completed in August 2006 and resulted in writing off plant, equipment and raw material remaining from the transfer of the Company's knitting plant to China, writing down the carrying value of certain R&D activities, and taking up additional provisions for slow moving inventories. The review was designed to embed risk management and oversight into the company's management processes so as to ensure an environment where shareholders' interests are protected.

Finalisation of the Sale of Jung Garten - Germany

In August 2006, we sold our garden product distribution business, Jung, which resulted in a book loss on sale, but importantly contributed significant cash, which was used to further reduce debt. The sale has been completed with proceeds of $12.5 million received and a further $1.5 million is receivable within 60 days. Jung has been the Company's vehicle for accelerated entry into the European retail market, and, having achieved this goal, was no longer considered to be a core part of the company's future strategy.

Management and Staff

In April the Board appointed Peter McDonald, the former COO, to the role of Managing Director and CEO, this followed the retirement of Gary Gale.

Also in March 2006, Jeff Cox joined Gale as Chief Financial Officer and Frank Albertsmeier joined Gale Europe as Managing Director. These appointments have strengthened the Gale team and will help grow and consolidate the businesses.

Results

The Company has reported a loss after tax of $11.9 million for the year ended 30 June 2006 which is predominantly a reflection of the previously mentioned write downs and provisions and the loss on sale of the Jung business. The non recoverability of tax losses in relation to the accounts of Jung upon consolidation has resulted in a further loss of A$0.7million, bringing the total loss on sale to A$6.5 million. This loss is A$0.7 million greater than the figure previously reported. Despite the disappointing result, Directors believe that the restructuring that has occurred in the past 12 months has put the Company in a much better position to implement its business growth strategy in Australia, New Zealand, China, the United States, the Middle East and Europe.

Your Directors believe that the benefits of these initiatives should become increasingly evident over the next few years. Positively, group sales revenue remained on track with growth of 12% compared with last year, reflecting generally increased volumes and consistent selling prices. Removing the effect of Jung garden products, the revenue growth compared to last year was 19%.

Outlook

Our forward strategy continues to be the development and expansion of both retail and commercial product ranges across a more diversified customer base through innovative new products as well as continued improvements in working capital management as our low cost supply from China starts to provide greater flexibility in managing inventory in response to demand changes offshore. The new senior management team will be more focused on growing our core business, delivering the organic sales growth and operational efficiencies. Directors believe that foundations are now in place for significantly improved results in 2006/7 and beyond.

Dividends

The company paid a fully franked interim dividend of 1.5 cents on 18th April 2006. Following this year's disappointing result, and as reported in April 2006, the Directors consider it prudent not to pay a final dividend this financial year.

Directors expect that the Company's overall dividend policy of paying out 50-55% of profit will be resumed on 2006/7's anticipated improved result.

Adoption of Australian equivalents to IFRS

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

Entities complying with AIFRS for the first time are required to restate their comparative financial statements to amounts reflecting the application of AIFRS to that comparative period. Notes explaining the impact of the application of AIFRS on the statements of financial performance and position are set out in the Appendix 4E statement attached to this announcement.

Peter McDonald
Managing Director & CEO

For further information, please contact the Managing Director & CEO, Mr. Peter McDonald on (03) 9518 3312.

Gale Pacific is Australia's leading manufacturer and exporter of advanced polymer fabrics and related products, with subsidiaries in the United States of America, Germany, United Arab Emirates, the People's Republic of China and New Zealand.

GALE PACIFIC LIMITED
ACN 082 263 778

Appendix 4E - Australian Stock Exchange Listing Rule 4.3A
Preliminary Final Report

Results for Announcement to the Market

1.	**Current Period:**	Year ended 30 June, 2006
	Previous Corresponding Period:	Year ended 30 June, 2005

2. Key Information

				$'000
Revenues from ordinary activities	up	12.2%	to	167,169
Profit/(Loss) from ordinary activities after tax attributable to members	down		to	(11,942)
Net Profit/(Loss) for the period attributable to members	down		to	(11,942)

Dividends – Current Period	**Amount per security**	**Franked amount per security**
Final dividend (cents per share)	-	-
Interim dividend (cents per share)	1.5	1.5

Please refer to the accompanying Directors' Statement to the Stock Exchange for explanations of the above figures.

3. Income Statement for the year ended 30 June 2006

	Note	Consolidated 2005/06 $'000	Consolidated 2004/05 $'000
Revenue	2	167,169	149,010
Expenses:	3		
- Changes in inventories of finished goods and work in progress		2,978	(16,484)
- Raw materials and consumables used		(91,763)	(58,114)
- Employee benefits expense		(27,823)	(21,824)
- Depreciation and amortisation expenses		(9,472)	(5,572)
- Operating overheads		(41,821)	(33,567)
- Impairment of goodwill and assets		(5,827)	-
- Other expenses		(3,591)	(2,280)
- Finance costs		(5,831)	(4,926)
Profit/(Loss) before income tax expense		(15,981)	6,243
Income tax expense	4	4,037	(960)
Profit/(Loss) after income tax		(11,944)	5,283
Profit attributable to minority interests	21	2	2
Net profit/(loss) attributable to the members of the parent entity	20	(11,942)	5,285
Basic Earnings Per Share (cents per share)		(22.57)	10.32
Diluted Earnings Per Share (cents per share)		(22.87)	10.31

4. Balance Sheet as at 30 June 2006

	Note	Consolidated 2005/06 $'000	Consolidated 2004/05 $'000
CURRENT ASSETS			
Cash and cash equivalents	5	10,552	3,965
Receivables	6	36,702	32,753
Inventories	7	47,599	50,577
Current tax assets	8	1,047	1,239
Other current assets	9	1,497	1,449
TOTAL CURRENT ASSETS		97,397	89,983
NON-CURRENT ASSETS			
Plant and equipment	10	70,220	57,765
Intangible assets	11	12,486	16,210
Deferred tax assets	12	2,054	426
TOTAL NON-CURRENT ASSETS		84,760	74,401
TOTAL ASSETS		182,157	164,384
CURRENT LIABILITIES			
Payables	13	22,654	19,790
Short term borrowings	14	89,172	62,247
Current tax liabilities	15	344	165
Provisions	16	872	1,226
TOTAL CURRENT LIABILITIES		113,042	83,428
NON-CURRENT LIABILITIES			
Long term borrowings	14	20,570	20,650
Deferred tax liabilities	15	1,185	5,225
Provisions	16	427	547
TOTAL NON-CURRENT LIABILITIES		22,182	26,422
TOTAL LIABILITIES		135,224	109,850
NET ASSETS		46,933	54,534
EQUITY			
Contributed equity	18	47,124	42,071
Reserves	19	(2,096)	(2,989)
Retained profits	20	1,916	15,461
PARENT ENTITY INTEREST		46,944	54,543
Minority interests	21	(11)	(9)
TOTAL EQUITY		46,933	54,534

5. Statement of Cash Flows for the year ended 30 June 2006

	Note	Consolidated 2005/06 $'000	Consolidated 2004/05 $'000
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from customers		181,639	155,693
Payments to suppliers and employees		(176,266)	(153,127)
Interest received		114	1,231
Borrowing costs paid		(6,157)	(4,926)
Income tax paid		(1,260)	(1,588)
Net cash provided by operating activities	22(b)	(1,930)	(2,717)
CASH FLOW USED IN INVESTING ACTIVITIES			
Proceeds from sale of plant and equipment		134	167
Payment for plant and equipment		(19,443)	(25,051)
Payment for acquisition of business	22(c)	-	(11,646)
Payment for intangible assets		(1,921)	(138)
Payment for other non-current assets		-	(2,609)
Net cash used in investing activities		(21,230)	(39,277)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		14,297	51,885
Repayment of borrowings		(5,448)	(17,325)
Proceeds from issue of equity securities		4,681	277
Proceeds from issue of convertible notes		9,000	6,500
Proceeds from/(repayment of) principle on lease agreements		(219)	(186)
Proceeds from/(repayment of) principal on hire purchases		(1,646)	(1,839)
Dividends paid		(1,232)	(2,866)
Proceeds from (repayment of) outside equity interest		-	(2)
Net cash provided by/(used in) financing activities		19,433	36,444
NET INCREASE/(DECREASE) IN CASH HELD		(3,727)	(5,550)
Cash at beginning of year		(2,348)	5,430
Effects of exchange rate changes on items denominated in foreign currencies		(339)	(2,228)
Cash at end of year	22(a)	(6,414)	(2,348)

6. Dividends

	Amount $000	Amount per security (cents)	Franked amount per security at 30% tax (cents)	Amount per security of foreign source dividend
Final dividend:				
Current year payable	Nil	Nil	Nil	N/A
Previous year paid on 17 October 2005	779	1.5 ¢	1.5 ¢	N/A
Interim dividend:				
Current year paid on 18 April 2006	824	1.5 ¢	1.5 ¢	N/A
Previous year paid on 15 April 2005	1,810	3.5 ¢	3.5 ¢	N/A

7. Dividend Reinvestment Plan ("DRP")

Shareholders can elect to have all or a certain number of their shares participate in the Company's DRP. The issue price of the shares under the DRP is the weighted average price per share of the Company's shares sold through the Australian Stock Exchange during the twenty (20) days immediately prior to and including the book's closing date, rounded down to the whole cent, less a discount of 2.5%.

Following this year's result, Directors consider it prudent not to pay a final dividend this financial year.

8. Retained Earnings

	Consolidated	
	2005/06 $'000	**2004/05 $'000**
Retained profits at the beginning of the financial period	15,461	14,001
Net profit/(loss) attributable to members	(11,942)	5,285
Dividends paid or payable	(1,603)	(3,825)
Retained profits at end of the financial period	1,916	15,461

9. Net Tangible Asset backing

	2005/06 $	**2004/05 $**
Net tangible asset backing per ordinary security	$0.63	$0.74

10. Foreign Entities

The accounts of foreign entities included in the consolidated accounts were prepared in accordance with AIFRS.

11. Segment Information
Primary Reporting – Geographical Segments

	Asia/ Pacific	Americas	Europe / Middle East/Africa	Elim	Consolidation
30 June 2006	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue outside the economic entity	80,402	22,511	64,256	-	167,169
Inter-segment revenue	32,703	-	-	(32,703)	-
Total revenue	**113,105**	**22,511**	**64,256**	**(32,703)**	**167,169**
Segment operating profit	(10,954)	340	(5,202)	(165)	(15,981)
Income tax expense	2,931	(145)	1,278	(27)	4,037
Operating Profit/(Loss) after tax	**(8,023)**	**195**	**(3,924)**	**(192)**	**(11,944)**
Depreciation and Amortisation	8,198	453	940	(119)	9,472
Individually significant items:					
Reimbursement of R&D expenditure	751	-	-	-	751
Segment Assets	117,313	14,099	48,622	1,790	181,824
Unallocated Assets					333
Total Assets					**182,157**
Segment Liabilities	119,858	1,360	13,001	-	134,219
Unallocated Liabilities					905
Total Liabilities					**135,124**
Acquisition of non-current assets	17,749	583	1,319	-	19,651

30 June 2005	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Revenue outside the economic entity	69,812	15,430	63,768	-	149,010
Inter-segment revenue	32,625	-	-	(32,625)	-
Total revenue	**102,437**	**15,430**	**63,768**	**(32,625)**	**149,010**
Segment operating profit	5,850	(959)	1,609	(257)	6,243
Income tax expense	(932)	351	(576)	197	(960)
Operating Profit/(Loss) after tax	**4,918**	**(608)**	**1,033**	**(60)**	**5,283**
Depreciation and Amortisation	4,892	211	181	288	5,572
Individually significant items:					
Reimbursement of R&D expenditure	718	-	-	-	718
Segment Assets	109,490	11,722	39,769	3,109	164,090
Unallocated Assets	-	-	-	-	294
Total Assets					**164,384**
Segment Liabilities	93,491	878	10,628	-	104,997
Unallocated Liabilities	-	-	-	-	4,853
Total Liabilities					**109,850**
Acquisition of non-current assets	26,708	596	2,892	-	30,196

SEGMENT REPORTING (cont'd)

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

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

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

Geographical segment

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

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

Asia/Pacific	Manufacturing and distribution facilities are located in Australia, China and New Zealand which supplies products to Australia, New Zealand, Europe, USA and the Middle East. Sales offices are located in all states in Australia (except Tasmania) and through distribution agreements in New Zealand.
Americas	Sales offices are located in Florida and California which service the North American region.
Europe/Middle East/Africa	Sales offices and distribution facilities are located in the United Arab Emirates and Germany which service those regional markets.

Business Segment

The consolidated entity operates predominantly in one business segment, being the advanced polymer fabrics industry. The consolidated entity manufactures and markets advanced durable knitted and woven polymer fabrics and value added products and structures. With the 2005 acquisition of "Jung" the company marketed domestic garden products to the home hardware sector in Europe. Subsequent to balance date the Jung business has been sold.

12. Earnings per Security (EPS)

	2005/06	2004/05
Earnings used in the calculations of basic and diluted earnings per share	(11,942,000)	$5,285,000
Weighted average number of ordinary shares used in the calculation of basic earnings per share.	52,910,527	51,189,261
Share Options on issue	870,000	610,000
Weighted average number of Share Options issued during the year	780,164	302,247
Weighted average number of Share Options lapsed during the year	(85,041)	-
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share	52,215,650	51,241,777

13. Audit

The accounts are in the process of being audited.

Sign here:

Peter McDonald
Managing Director & CEO

GALE PACIFIC LIMITED
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2006

NOTE 1: BASIS OF PREPARATION

This financial report is a general purpose financial report that has been prepared in accordance with Australian 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 a consolidated entity. Gale Pacific Limited is a company limited by shares, incorporated and domiciled in Australia.

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

(a) Basis of preparation of the financial report

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

This is the first annual financial report of Gale Pacific Limited prepared in accordance with Australian Equivalents of International Financial Reporting Standards (AIFRS). The financial reports of Gale Pacific Limited were prepared in accordance with the previous Australian Generally Accepted Accounting Principles (AGAAP) until 30 June 2005. There are certain differences between accounting policies under AIFRS and AGAAP and where applicable the comparative figures have been restated to reflect these adjustments. A summary of the significant accounting policies under AIFRS is provided below. Reconciliations of equity and operating profit/loss between AGAAP and AIFRS are provided in note 28.

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

Summary of the significant accounting policies under AIFRS:

(b) Principles of Consolidation

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

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

All inter-company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation.

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

(c) Revenue Recognition

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).

NOTE 1: BASIS OF PREPARATION (cont'd)

(d) Cash and Cash Equivalents

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

(e) 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.

(f) Plant and equipment

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

Plant and equipment

Plant and equipment is measured on the cost basis. The carrying value of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected discounted net cash flows that will be received from the asset's employment and subsequent disposal. Refer to Note 1(i). 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

(g) Leases

Finance Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entities within the 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 amortised 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.

NOTE 1: BASIS OF PREPARATION (cont'd)

Operating Leases

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

(h) Intangibles

Goodwill

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

Goodwill is not amortised but is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Goodwill is carried at cost less accumulated impairment losses. (Refer also to note 28 regarding first-time adoption of AIFRS).

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.

Research and Development

Research and Development costs are charged to profit 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.

(i) Impairment of assets

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

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

(j) Taxes

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

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

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

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

NOTE 1: BASIS OF PREPARATION (cont'd)

(k) Employee Benefits

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.

Share-based payments

The group operates an employee share option plan for senior executives. The bonus element over the exercise price for the options is recognised as an expense in the Income Statement in the period(s) when the benefit is earned.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the options at grant date. Under the transitional arrangements for first-time adoption of AIFRS, no expense has been recognised for options granted before 7 November 2002 and/or vested before 1 January 2005. For options granted after 7 November 2002 and vesting after 1 January 2005 the fair value of options at grant date is determined using a Black-Scholes option pricing model, and is recognised as an employee expense over the period during which the employees become entitled to the option.

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

(l) Classification

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

Loans and Receivables

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

Financial Liabilities

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

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

(m) Foreign Currencies

Functional and presentation currency

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

Transactions and Balances

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

NOTE 1: BASIS OF PREPARATION (cont'd)

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

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

Group Companies

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

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

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

(n) Comparatives

In accordance with the first-time adoption of AIFRS, comparative information has been reclassified where appropriate through retrospective application of AIFRS to the previous years results so as to achieve consistency with current year disclosures.

(o) Rounding Amounts

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

NOTE 2: REVENUE

	Consolidated 2005/06 $'000	Consolidated 2004/05 $'000
Operating activities		
- Sale of goods	165,885	146,850
- SIP income	748	718
- Interest income – other parties	114	1,231
- Other revenue	422	211
Total revenue	167,169	149,010

NOTE 3: PROFIT

Profit before income tax expense has been determined after:

	Consolidated 2005/06 $'000	Consolidated 2004/05 $'000
Cost of sales	108,439	87,771
Finance costs		
- Other persons	6,157	4,926
Depreciation of non-current assets:		
- Leasehold improvements	44	31
- Plant and equipment	5,690	3,691
- Motor vehicles	295	220
- Office equipment	720	613
Amortisation of non-current assets:		
- Leased plant and equipment	162	289
- Leased motor vehicles	40	5
- Patents and trademarks	76	125
Research and Development expenditure:		
- Capitalised and amortised	2,445	598
- Expensed as incurred	-	308
Impairment of non-current assets		
- Plant and equipment	1,464	-
- Goodwill	2,998	-
- Inventory	1,365	-
Increase/(Decrease) in provision for obsolete inventory	2,490	(84)
Bad and doubtful debts:		
- Bad debts written off - trade debtors	36	-
- Decrease in provisions for doubtful debts - trade debtors	(179)	(123)

	Consolidated	
	2005/06	2004/05
	$'000	$'000

NOTE 3: PROFIT (cont'd)

Remuneration of the auditors of parent entity for:		
- Auditing the financial report	117	102
- Taxation services	74	64
Remuneration of other auditors of controlled entities – audit services		
- Auditing the financial report	193	115
- Taxation services	25	51
Total remuneration of auditors	409	332
Foreign currency translation gains / (losses)	984	(398)
Net gain / (loss) on disposal of non-current assets		
- Plant and equipment	(5)	32
Operating lease rental expense	3,713	3,294

NOTE 4: INCOME TAX EXPENSE

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

Prima facie tax payable on profit before income tax at 30%	(4,794)	1,585
Add:		
Tax effect of:		
- Tax rate differentials in foreign countries	(271)	(523)
- Impairment of goodwill	899	-
- Tax losses not recognised	1,151	-
- Attributed CFC income	303	247
- Other non-allowable/non-assessable items	(12)	(141)
- Movements in SIP income	(70)	(200)
	(2,794)	968
Less:		
Over provision for income tax in prior year	(1,243)	(8)
Income tax expense attributable to profit	(4,037)	960

	Consolidated	
	2005/06	2004/05
	$'000	$'000
NOTE 5: CASH AND CASH EQUIVALENTS		
Cash on hand	2	2
Cash at bank	10,550	3,963
	10,552	3,965
NOTE 6: RECEIVABLES		
CURRENT		
Trade debtors	32,243	29,110
Less provision for doubtful debts	(135)	(314)
	32,108	28,796
Other debtors	4,594	3,957
	36,702	32,753
NOTE 7: INVENTORIES		
CURRENT		
Raw materials at cost	4,891	4,121
Work in progress at cost	4,608	4,794
Finished goods at cost	42,334	42,041
Less provision for obsolescence	(2,869)	(379)
	48,964	50,577
Less impairment loss	(1,365)	-
	47,599	50,577
NOTE 8: CURRENT TAX ASSETS		
CURRENT		
Income tax	1,047	1,239
NOTE 9: OTHER ASSETS		
CURRENT		
Prepayments	1,497	1,449

NOTE 10: PLANT AND EQUIPMENT

	Consolidated 2005/06 $'000	Consolidated 2004/05 $'000
Plant and equipment		
At cost	85,807	67,950
Less accumulated depreciation	(19,773)	(14,088)
	66,034	53,862
Under lease		
At cost	1,376	1,376
Less accumulated amortisation	(661)	(499)
	715	877
Leasehold Improvements		
At cost	409	391
Less accumulated depreciation	(177)	(132)
	232	259
Motor vehicles		
At cost	2,174	1,687
Less accumulated depreciation	(1,338)	(687)
	836	1,000
Under lease		
At cost	240	32
Less accumulated amortisation	(43)	(3)
	197	29
Office equipment		
At cost	5,430	3,767
Less accumulated depreciation	(3,224)	(2,029)
	2,206	1,738
Total plant and equipment	70,220	57,765

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 Consolidated $'000	Plant & Equipment Consolidated $'000
2005/06		
Balance at the beginning of the year	259	53,862
Additions	7	18,492
Disposals	-	(99)
Depreciation expense	(44)	(5,690)
Impairment loss	-	(1,464)
Net foreign currency movements arising from foreign operations	10	933
Carrying amount at the end of the year	232	66,034

	Leased Plant & Equipment Consolidated $'000	Motor Vehicles Consolidated $'000
2005/06		
Balance at the beginning of the year	877	1,000
Additions/Transfers	-	65
Disposals	-	(28)
Depreciation expense	(162)	(295)
Net foreign currency movements arising from foreign operations	-	94
Carrying amount at the end of the year	715	836

	Office Equipment Consolidated $'000	Leased Motor Vehicles Consolidated $'000
2005/06		
Balance at the beginning of the year	1,738	29
Additions/Transfers	879	208
Disposals	(12)	-
Depreciation expense	(720)	(40)
Net foreign currency movements arising from foreign operations	321	-
Carrying amount at the end of the year	2,206	197

NOTE 11: INTANGIBLE ASSETS

	Consolidated 2005/06 $'000	Consolidated 2004/05 $'000
Goodwill on consolidation at cost	13,928	13,754
Less accumulated impairment	(4,437)	(1,439)
	9,491	12,315
Patents, trademarks and licenses at cost	1,169	1,072
Less accumulated amortisation	(500)	(424)
	669	648
Research and development	2,326	3,247
Total intangible assets	12,486	16,210

Reconciliation of Intangible Assets

	Goodwill Consolidated $'000	Patents, Trademarks & Licences Consolidated $'000	Research and Development Consolidated $'000
2005/06			
Balance at the beginning of the year	12,315	648	3,247
Net foreign currency movements arising from foreign operations	(120)	(6)	-
Impairment of Goodwill	(2,998)	-	-
Additions	294	103	1,524
Amortisation expense	-	(76)	(2,445)
Carrying amount at the end of the year	9,491	669	2,326
2004/05			
Balance at the beginning of the year	9,006	635	1,382
Additions	3,309	138	2,463
Amortisation expense	-	(125)	(598)
Carrying amount at the end of the year	12,315	648	3,247

		Consolidated	
		2005/06	2004/05
		$'000	$'000

NOTE 12: DEFERRED TAX ASSETS

The deferred tax asset comprises:			
- Temporary differences		613	426
- Tax losses		1,441	-
		2,054	426

NOTE 13: PAYABLES

CURRENT			
Unsecured liabilities			
Trade creditors		16,702	14,398
Sundry creditors and accruals		5,952	5,392
		22,654	19,790

NOTE 14: BORROWINGS

CURRENT			
Secured liabilities			
Bank overdrafts	22	16,966	6,313
Bank loans	22	53,587	51,885
Commercial bills	22	1,200	1,600
Finance lease liability	25(a)	239	334
Hire purchase liability	25(b)	1,680	2,115
Convertible notes	22	6,500	-
Convertible notes	22	9,000	-
		89,172	62,247
NON-CURRENT			
Secured liabilities			
Bank loans	22	8,848	-
Commercial bills	22	8,500	9,800
Convertible notes	22	-	6,500
Finance lease liability	25(a)	488	405
Hire purchase liability	25(b)	2,734	3,945
		20,570	20,650

NOTE 15: INCOME TAX LIABILITIES

CURRENT			
Income tax		344	165
NON-CURRENT			
Deferred tax liability		1,185	5,225

	Consolidated	
	2005/06	2004/05
	$'000	$'000

NOTE 16: PROVISIONS

	2005/06 $'000	2004/05 $'000
CURRENT		
Employee entitlements	872	1,226
NON-CURRENT		
Employee entitlements	427	547
(a) Aggregate employee entitlements liability	1,299	1,773
(b) Number of employees at year end	1,218	1,197

NOTE 17: 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:

	2005/06 $'000	2004/05 $'000
US Dollar, Euro & NZD		
Receivables		
Current	30,288	24,537
Non-current	-	-
	30,288	24,537
Payables		
Current	71,902	52,140
Non-current	2,013	2,382
	73,915	54,522

NOTE 18: CONTRIBUTED EQUITY

	Consolidated 2005/06 $'000	Consolidated 2004/05 $'000
Paid up Capital 55,069,815 fully paid ordinary shares (2005: 51,905,861)	47,124	42,071
Movement in Share Capital		
Shares issued at the beginning of the financial year	42,071	39,027
GST on IPO Costs (net of tax)		(147)
Costs of capital raising (net of tax)	(162)	
717,671 shares issued as part of the consideration for acquisition of a business – 15 December 2004	-	1,804
224,490 shares issued under Dividend Reinvestment Plan – 18 October 2004	-	591
427,942 shares issued under the Company option scheme – 29 November 2004	-	428
177,333 shares issued under Dividend Reinvestment Plan – 15 April 2005	-	368
99,969 shares issued under Dividend Reinvestment Plan – 17 October 2005	160	-
2,936,000 shares issued as part of a share placement offer – 9 March 2006	4,844	-
127,985 shares issued under Dividend Reinvestment Plan – 18 April 2006	211	-
	47,124	42,071

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.

Following this year's result, Directors consider it prudent not to pay a final dividend this financial year.

(a). Movement in share capital

During the financial year, the Company undertook a capital raising via a private placement on 9 March 2006 where 2,936,000 shares were issued at $1.65 per share (raising $4,844,400).

On 18 April 2006, the Company issued 127,985 shares to shareholders under its Dividend Reinvestment Plan at $1.6479 per share.

Subsequent to the financial year, (on 3 July 2006) the Company raised $20 million through a combination of a private placement and a Share Purchase Plan where 23,529,412 shares were issued at $0.85.

On 5 July 2006 the Company issued 10,941,177 ordinary shares in conversion of 4,270,271 convertible notes.

On 1 August 2006 the Company issued 7,294,112 ordinary shares in conversion of 2,594,593 convertible notes.

NOTE 18: CONTRIBUTED EQUITY (cont'd)

(b). 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 2006. Options carry no rights to dividends and no voting rights.

	Company	
	2005/2006	2004/2005
	No.	No.
Balance at the beginning of the financial year	610,000	477,942
Options Exercised during the financial year	-	(427,942)
Granted during the financial year (15 December 2004)		560,000
Lapsed during the financial year (Issued 18 December 2004)	(320,000)	-
Granted during the financial year (16 November 2005)	1,260,000	-
Lapsed during the financial year (Issued 16 November 2005)	(680,000)	-
Balance at the end of the financial year	870,000	610,000

As at 30 June 2006, no options on issue were exercisable.

NOTE 19: RESERVES

		Consolidated	
		2005/06	2004/05
		$'000	$'000
Foreign currency reserve	(a)	(2,274)	(3,087)
Share based payment reserve	(b)	178	98
		(2,096)	(2,989)

(a) Foreign currency reserve

Opening balance	(3,087)	(273)
Foreign currency loss on consolidation for the year	813	(2,814)
Closing balance	(2,274)	(3,087)

(b) Share based payment reserve

Opening balance	98	5
Movement for the year	80	93
Closing balance	178	98
Total reserves	(2,096)	(2,989)

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(m).

	Consolidated	
	2005/06	2004/05
	$'000	$'000

NOTE 20: RETAINED PROFITS

	2005/06 $'000	2004/05 $'000
Retained profits at the beginning of the financial year	15,461	14,001
Net profit attributable to members of the entity	(11,942)	5,285
Dividends provided for or paid	(1,603)	(3,825)
Retained profits at reporting date	1,916	15,461

NOTE 21: OUTSIDE EQUITY INTERESTS

	2005/06 $'000	2004/05 $'000
Outside equity in controlled entities comprises:		
Opening Balance	(9)	(7)
Net profit attributable to outside equity interest	(2)	(2)
	(11)	(9)

NOTE 22: CASH FLOW INFORMATION

(a) Reconciliation of cash

	Consolidated 2005/06 $'000	Consolidated 2004/05 $'000
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:		
Cash on hand	2	2
Cash at bank	10,550	3,963
Bank overdrafts	(16,966)	(6,313)
	(6,414)	(2,348)

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

	Consolidated 2005/06 $'000	Consolidated 2004/05 $'000
Profit after income tax	(11,944)	5,283
Non-cash flows in profit from ordinary activities:		
(Profit)/Loss on disposal of fixed assets	5	32
Amortisation of intangible assets	2,723	723
Impairment of goodwill	2,998	-
Depreciation and amortisation of plant and equipment	6,749	4,849
Impairment of assets	2,829	-
Other		(609)
Changes in assets and liabilities:		
(Increase)/decrease in receivables	(3,949)	(5,310)
(Increase)/decrease in other assets	(48)	1,704
(Increase)/decrease in inventories	1,613	(12,291)
Increase/(decrease) in payables and accruals	2,391	3,531
Increase/(decrease) in provision for tax	371	(1,798)
Increase/(decrease) in deferred tax balance	(5,668)	1,169
Net cash provided by operations	(1,930)	(2,717)

NOTE 22: CASH FLOW INFORMATION (cont'd)

(c) Acquisition of business

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

	Consolidated 2005/06 $'000	Consolidated 2004/05 $'000
Consideration		
Cash	-	11,646
Ordinary shares	-	1,804
	-	13,450
Fair value of net assets acquired		
Current assets		
Cash	-	-
Inventories	-	4,562
Receivables	-	-
Other Assets		
Non-current assets		
Plant and equipment	-	6,108
Intellectual property		
Goodwill	-	3,309
Current Liabilities		
Creditors & Accruals	-	(529)
Non-current liabilities		
Interest Bearing Liabilities		-
Net assets acquired	-	13,450
Net cash outflow on acquisition		
Cash consideration	-	11,646

(d) Multi Option Facility and Bill 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 $81,829,000 as at 30 June 2006 (2005: $72,195,000), leaving an unused facility of $3,278,000 (2005: $2,162,000).

These facilities are 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 and a fixed and floating charge (or equivalent) over all of the assets of Jung Garten & Freizeit Vertriebsgesellschaft mbH,Gale Europe Vertriebsgesesellschaft GmbH and Gale Pacific (New Zealand) Limited.

NOTE 23: COMPANY DETAILS

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

NOTE 24: DIVIDENDS

	2005/06		2004/05	
	Cents per Share	Total $'000	Cents per Share	Total $'000
Ordinary Shares				
Final dividend – fully franked	1.5	779	4.0	2,015
Interim dividend – fully franked	1.5	824	3.5	1,810
		1,603		3,825

Since the end of the financial year, Directors have not declared a final dividend.

NOTE 25: CAPITAL AND LEASING COMMITMENTS

	Note	Consolidated 2005/06 $'000	Consolidated 2004/05 $'000
(a) Finance Leasing Commitments			
Payable			
- not later than one year		444	389
- later than one year and not later than five years		691	603
Minimum lease payments		1,135	992
Less future finance charges		(408)	(253)
Total lease liability		727	739
Represented by:			
Current liability	14	239	334
Non-current liability	14	488	405
		727	739

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

	Note	2005/06 $'000	2004/05 $'000
(b) Hire Purchase Commitments			
Payable			
- not later than one year		2,002	2,186
- later than one year and not later than five years		2,909	4,252
Minimum hire purchase payments		4,911	6,438
Less future finance charges		(497)	(378)
Total hire purchase liability		4,414	6,060
Represented by:			
Current liability	14	1,680	2,115
Non-current liability	14	2,734	3,945
		4,414	6,060

The consolidated entity leases production plant and equipment and motor vehicles under hire purchase arrangements expiring from one to five years.

	2005/06 $'000	2004/05 $'000
(c) Operating Lease Commitments		
Non-cancellable operating leases contracted for but not capitalised in the accounts:		
Payable		
- not later than one year	3,156	3,860
- later than one year and not later than five years	6,146	7,334
- later than five years	3,321	4,014
	12,623	15,208

The company leases property under operating leases expiring in 1 to 8 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.

NOTE 26: CONTROLLED ENTITIES

	Country of Incorporation	Ownership Interest (%)	
		2005/06	2004/05
Parent Entity:			
Gale Pacific Limited	Australia		
Controlled Entities:			
Gale Pacific USA Inc.	USA	100%	100%
Gale Pacific FZE	United Arab Emirates	100%	100%
Aquaspan Pty Ltd	Australia	50%	50%
Gale Pacific Special Textiles Company Limited	China	100%	100%
Jung Garten & Freizeit Vertriebsgesellschaft mbH	Germany	100%	100%
Gale Europe Vertriebsgesellschaft GmbH	Germany	100%	100%
Gale Pacific (New Zealand) Limited	New Zealand	100%	100%

Subsequent to balance date, Jung Garten & Freizet Vertriebsgesellschaft mbH has been sold.

NOTE 27: FINANCIAL INSTRUMENTS

(a) 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.

NOTE 27: 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:

							Maturing		
30 June 2006	**Note**	**Weighted Average Interest Rate**	**Floating Interest Rate $'000**	**Fixed Interest Rate $'000**	**Non Interest Bearing $'000**	**Total $'000**	**1 year or less $'000**	**1 to 5 years $'000**	**More than 5 years $'000**
Financial Assets									
Cash assets	5	5.5%	10,550	-	2	10,552	10,552	-	-
Receivables	6	-	-	-	36,702	36,702	36,702	-	-
			10,550	-	36,704	47,254	47,254	-	-
Financial Liabilities									
Payables	13	-	-	-	22,654	22,654	22,654	-	-
Bank overdrafts	14	8.1%	16,966	-	-	16,966	16,966	-	-
Bank loan	14	9.1%	-	4,696	-	4,696	682	4,014	-
Bank loan	14	6.2%	57,739	-	-	57,739	52,905	4,834	-
Commercial bills	14	6.0%	-	1,200	-	1,200	1,200		-
Commercial bills	14	6.2%	-	1,900	-	1,900	-	1,900	-
Commercial bills	14	6.2%	6,600	-	-	6,600	-	6,600	-
Convertible notes	14	8.5%	-	6,500	-	6,500	6,500		-
Convertible notes	14	8.8%	-	9,000	-	9,000	9,000	-	-
Lease liabilities	14	7.5%	-	727	-	727	239	488	-
Hire purchase liabilities									
	14	8.2%	-	4,414	-	4,414	1,680	2,734	-
Employee benefits	16	-	-	-	1,299	1,299	872	427	-
			81,305	28,437	23,953	133,695	112,698	20,997	-

							Maturing		
30 June 2005	**Note**	**Weighted Average Interest Rate**	**Floating Interest Rate $'000**	**Fixed Interest Rate $'000**	**Non Interest Bearing $'000**	**Total $'000**	**1 year or less $'000**	**1 to 5 years $'000**	**More than 5 years $'000**
Financial Assets									
Cash assets	5	5.4%	3,965	-	-	3,965	3,965	-	-
Receivables	6		-	-	32,753	32,753	32,753	-	-
			3,965	-	32,753	36,718	36,718	-	-
Financial Liabilities									
Payables	13		-	-	19,790	19,790	19,790	-	-
Bank overdrafts and loans	14	5.5%	6,313	-	-	6,313	6,313	-	-
Commercial bills	14	5.5%	51,885	-	-	51,885	51,885	-	-
Commercial bills	14	6.0%	-	2,300	-	2,300	1,000	1,300	-
Commercial bills	14	6.3%	-	2,500	-	2,500	600	1,900	-
Commercial bills	14	6.0%	6,600	-	-	6,600	-	6,600	-
Convertible notes	14	8.5%		6,500	-	6,500	-	6,500	
Lease liabilities	14	7.5%	-	739	-	739	334	405	-
Hire purchase liabilities			-						
	14	8.2%		6,060	-	6,060	2,115	3,945	-
Employee benefits	16		-	-	1,773	1,773	1,226	547	-
			64,798	18,099	21,563	104,460	83,263	21,197	-

NOTE 28: FIRST - ADOPTION OF AIFRS - RECONCILIATION OF EQUITY REPORTED UNDER AGAAP TO EQUITY UNDER AIFRS

(a) At the date of transition to AIFRS – 1 July 2004

	AGAAP $	Adjustments $	AIFRS $
CURRENT ASSETS			
Cash and cash equivalents	6,710	-	6,710
Receivables	28,605	-	28,605
Inventories	34,093	-	34,093
Other	1,058	-	1,058
TOTAL CURRENT ASSETS	70,466	-	70,466
NON-CURRENT ASSETS			
Property, plant and equipment	32,168	-	32,168
Intangible assets	11,023	-	11,023
Deferred tax assets	346	128	474
TOTAL NON-CURRENT ASSETS	43,537	128	43,665
TOTAL ASSETS	114,003	128	114,131
CURRENT LIABILITIES			
Payables	15,942	-	15,942
Short term borrowings	20,783	-	20,783
Current tax liabilities	724	-	724
Provisions	989	-	989
TOTAL CURRENT LIABILITIES	38,438	-	38,438
NON-CURRENT LIABILITIES			
Long term borrowings	18,046	-	18,046
Deferred tax liabilities	4,213	570	4,783
Provisions	110	-	110
TOTAL NON-CURRENT LIABILITIES	22,369	570	22,939
TOTAL LIABILITIES	60,807	570	61,377
NET ASSETS	53,196	(442)	52,754
EQUITY			
Contributed equity	38,899	128	39,027
Reserves	(273)	5	(268)
Retained profits	14,576	(575)	14,001
PARENT ENTITY INTEREST	53,202	(442)	52,760
Minority interests	(6)	-	(6)
TOTAL EQUITY	53,196	(442)	52,754

NOTE 28: FIRST - ADOPTION OF AIFRS - RECONCILIATION OF EQUITY REPORTED UNDER AGAAP TO EQUITY UNDER AIFRS (cont'd)

(b) At the end of the last annual reporting period under AGAAP – 30 June 2005

	AGAAP $	Adjustments $	AIFRS $
CURRENT ASSETS			
Cash and cash equivalents	3,965	-	3,965
Receivables	32,753	-	32,753
Inventories	50,577	-	50,577
Deferred tax assets	1,239	-	1,239
Other	1,449	-	1,449
TOTAL CURRENT ASSETS	89,983	-	89,983
NON-CURRENT ASSETS			
Property, plant and equipment	57,765	-	57,765
Intangible assets	15,715	495	16,210
Deferred tax assets	294	132	426
TOTAL NON-CURRENT ASSETS	73,774	627	74,401
TOTAL ASSETS	163,757	627	164,384
CURRENT LIABILITIES			
Payables	19,790	-	19,790
Short term borrowings	62,247	-	62,247
Current tax liabilities	165	-	165
Provisions	1,226	-	1,226
TOTAL CURRENT LIABILITIES	83,428	-	83,428
NON-CURRENT LIABILITIES			
Long term borrowings	20,650	-	20,650
Deferred tax liabilities	4,853	372	5,225
Provisions	547	-	547
TOTAL NON-CURRENT LIABILITIES	26,050	372	26,422
TOTAL LIABILITIES	109,478	372	109,850
NET ASSETS	54,279	255	54,534
EQUITY			
Contributed equity	41,939	132	42,071
Reserves	(3,087)	98	(2,989)
Retained profits	15,436	25	15,461
PARENT ENTITY INTEREST	54,288	255	54,543
Minority interests	(9)	-	(9)
TOTAL EQUITY	54,279	255	54,534

NOTE 28: FIRST - ADOPTION OF AIFRS - RECONCILIATION OF PROFIT REPORTED UNDER AGAAP TO PROFIT REPORTED UNDER AIFRS (cont'd)

(c) Reconciliation of Profit for the year ended 30 June 2005

	AGAAP $	Adjustments $	AIFRS $
Revenue			
Sales revenue	146,850	-	146,850
Other income	2,327	(167)	2,160
	149,177	-	149,010
Changes in inventories of finished goods and work in progress	(16,484)	-	(16,484)
Raw materials, consumables and other cost of sale	(58,114)	-	(58,114)
Employee benefits expenses	(21,731)	(93)	(21,824)
Depreciation and amortisation expenses	(6,067)	495	(5,572)
Operating overheads	(33,734)	-	(33,734)
Other expense	(2,280)	167	(2,113)
Finance cost	(4,926)	-	(4,926)
Profit before income tax	5,841	402	6,243
Income tax expense (income tax benefit)	(1,158)	198	(960)
Net profit for the year	4,683	600	5,283
Profit attributable to minority interests	2	-	2
Net profit attributable to the members of the entity	4,685	600	5,285