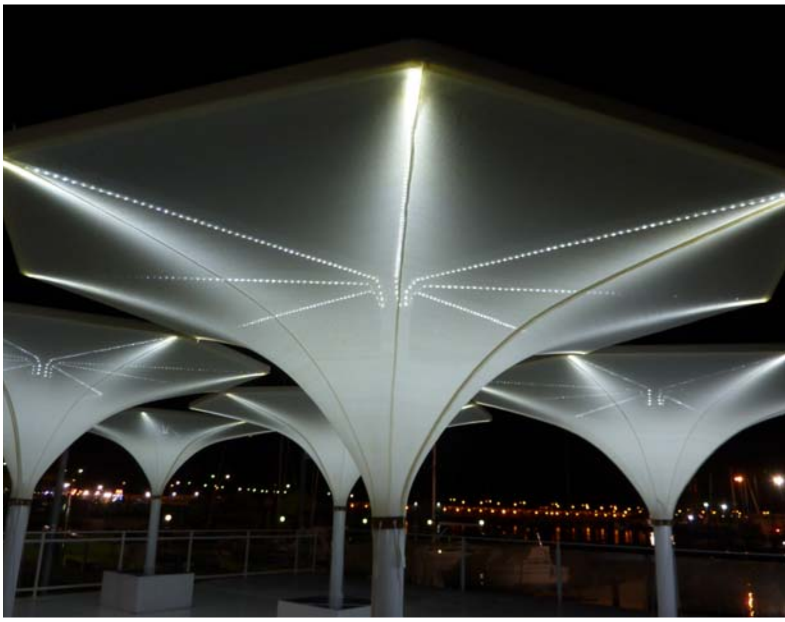
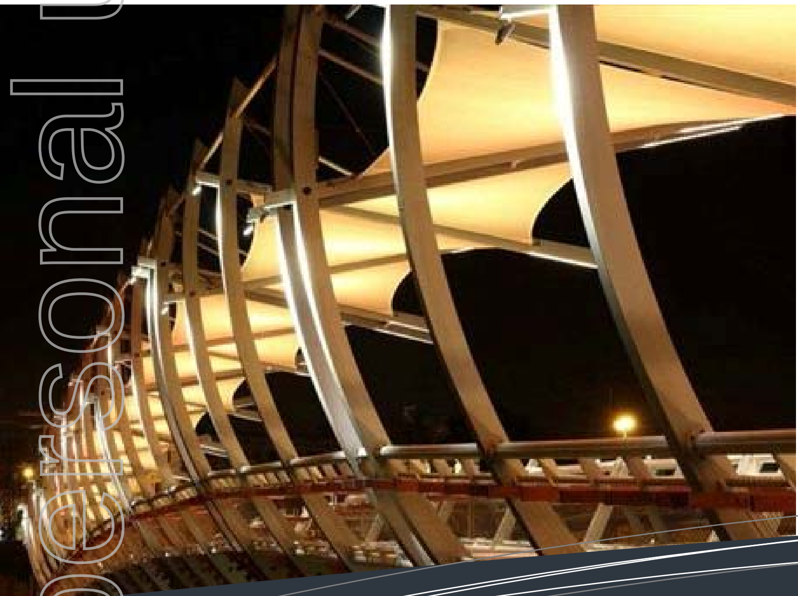
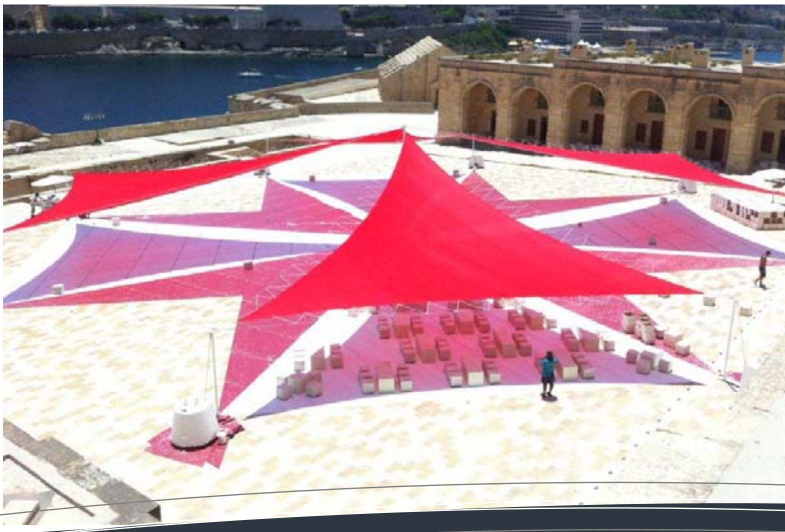






2012 Annual Report

CONTENTS

2012 Annual General Meeting

The Annual General Meeting will be held on Friday 26 October 2012.

The Notice of Meeting and Proxy Form are separate items accompanying this 2012 Annual Report.

CORPORATE DIRECTORY

GALE PACIFIC LIMITED

ABN 80 082 263 778

DIRECTORS

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

COMPANY SECRETARY

Ms Sophie Karzis

REGISTERED OFFICE

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

SOLICITORS

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

AUDITOR

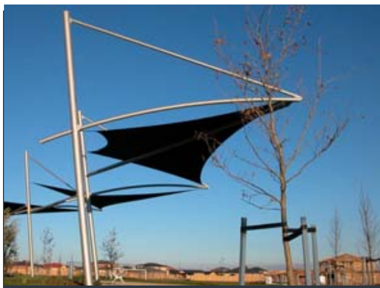
Deloitte Touche Tohmatsu
550 Bourke Street, Melbourne, Victoria, 3000
T + 613 9671 7000

SHARE REGISTERY

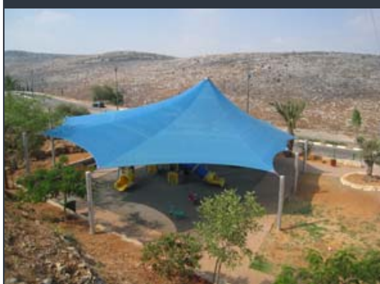
Computershare
Yarra Falls, 452 Johnston Street, Abbotsford, Victoria, 3067
T + 613 9415 4000

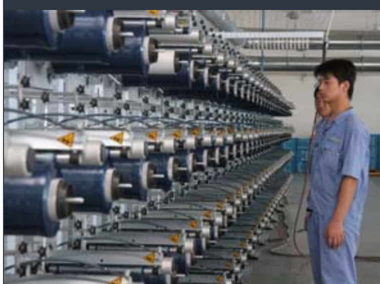
WEBSITE ADDRESS

www.galepacific.com


Shade Structure by Oasis


Manufacturing Facilities, Australia


Shade Structure by Paturiz


Manufacturing Facilities, China


Shade Structure, Middle East

CHAIRMAN'S & MANAGING DIRECTOR AND CHIEF EXECUTIVE OFFICER'S REPORT

DEAR SHAREHOLDERS,

It is again very pleasing to report to shareholders that the results have continued to significantly improve, with record results for the year ended 30 June 2012. The company recorded an increase in net profit after tax of 20% to $8.5 million compared to $7.1 million for the previous corresponding period. The results were generated in ongoing weak economic conditions in many markets and also after enduring a second year of very wet and cool summer conditions in most parts of Australia. The stronger Australian dollar also had an unfavourable impact on the translation of foreign currency revenue and earnings.

We are very excited about the increase in revenue from the newly resourced international sales team, with some outstanding success in the Japanese, South African and European markets. The integration of the Zone Hardware and Riva Window Fashions businesses which were acquired in June 2011, was completed during the year and has provided broader growth opportunities for the business.

The key items of the results were;

	2011 / 2012 (A $ Million)	2010 / 2011 (A $ Million)	Change (%)
Sales	110.5	95.6	16%
EBITDA	18.0	15.8	14%
Depreciation and amortisation	5.5	5.9	(2)%
EBIT	12.5	9.9	26%
Interest	1.0	0.9	11%
Profit before tax	11.5	9.0	28%
Tax	3.0	1.9	58%
Reported profit after tax	8.5	7.1	20%
Net cash provided by operating activities	9.5	11.4	(17)%
Net debt	4.1	5.7	(29)%
Diluted earnings per share	2.86	2.42	18%

Outdoor Garden, Bunnings

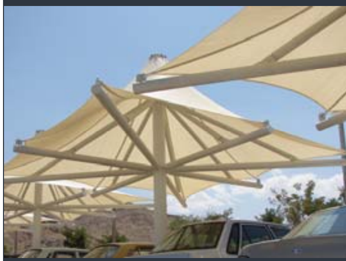
Revenue Increase Of 16% To $110.5 Million

Revenue for the year increased by 16% to $110.5 million which was impacted by the unfavourable effect of translating foreign currency revenues to a stronger Australian dollar. Sales revenues in local currencies grew by 10% in the USA and 27% in the Middle East. We continued to build our international business as we increased our market penetration into the Japanese, South African and European markets following the increase in international sales and marketing resources in 2010 / 2011. Lower sales were recorded in our traditional markets in Australia due to weaker consumer demand, competitive conditions and the strength of the Australian dollar which lead to significant price deflation, and another poor summer in most parts of the country. Sales to retail and commercial channels in New Zealand were 13% lower than the previous year due to weak consumer demand and another poor agricultural season in that market.


Shade Structure by Amin Al Shaer

EBITDA Increase Of 14% To $18.0 Million

Earnings before interest, tax, depreciation and amortisation (EBITDA) was $18.0 million for the year compared to $15.8 million for the previous corresponding period. The increase over the prior year is due to the strong sales growth in the businesses outside of Australasia and includes the unfavourable impact of translating foreign currency EBITDA in the Middle East, USA and Chinese businesses to a stronger Australian dollar. The unfavourable impact of the year on year exchange rate variation equates to approximately A$0.5 million in the 2011 / 2012 financial year.


Shade Structure, Middle East

EBIT Increase Of 26% To $12.5 Million

Earnings before interest and tax (EBIT) was $12.5 million compared to $9.9 million for the previous corresponding period. The increase was achieved through sales growth in the USA, Middle East, Japan, South Africa and Europe and contribution from the Zone Hardware and Riva Window Fashions businesses which have now been fully integrated into the operations of the Australian business. Substantial yield and efficiency improvements and the benefits of additional production volume in the Company's Chinese and Australian manufacturing facilities also contributed to the increased earnings.


Shade Structure by Arkan Shades

NPAT Increase Of 20% To $8.5 Million

Net profit after tax of $8.5 million for the financial year ended 30 June 2012 is the highest on record for the Company. This result is a 20% or $1.4 million increase on the reported result for the previous corresponding period.


Shade Structure by Diba

Final Dividend Payment Of 1.25 Cents Fully Franked

Directors are pleased to announce to shareholders that the Company has increased the ordinary final dividend to 1.25 cents per share. Dividends for the full year of 2.45 cents per share have been declared on diluted earnings of 2.86 cents per share. This represents an 11% increase on full year ordinary dividends compared to last year. The final dividend payment of 1.25 cents per share will be fully franked and will be paid to shareholders on Wednesday 3 October 2012.

Cash From Operations $9.5 Million

The Company continued to generate strong cash flow from operations which is the result of strong profitability.

The business required only maintenance capital expenditure of $1.4 million for the year, an increase of $0.8 million on the prior year. Dividends of $6.9 million were paid to shareholders.

The company had net debt of $4.1 million as at 30 June 2012 compared to net debt of $5.7 million at 30 June 2011.


Shade Structure by Diba

AUSTRALASIA (AUSTRALIAN DOLLARS)

Local Currency	FY12 (A$M's)	FY11 (A$M's)	Change (%)
Sales	71.0	64.4	+10%
EBITDA	7.8	8.4	-7%

A sales increase over the prior year of 10% (reported in Australian dollars) includes the full year contribution from the Zone Hardware and Riva Window Fashions businesses. Consumer demand in Australia was weak, and cool, wet summer conditions prevailed across most of Australia. Sales of Coolaroo branded products sold to retail channels in Australia were down due to the poor summer in Australia and the reduced selling prices passed on to customers due to the strength of the Australian dollar and competitive market forces. Sales of some of the newer products including weed control fabrics and synthetic grass increased as these branded product programs had a full year of sales and are growing categories in the retail market.

Sales of Synthesis branded coated fabrics were lower than the previous year due to softer market conditions and price pressure across most market segments due to the stronger Australian dollar and strong market competition. Significant efficiency gains were again made in the Australian manufacturing operation during the year which contributed positively to the overall result.

The continued weak horticultural market in New Zealand resulted in lower sales of commercial shade cloth and protective nets. Sales of Coolaroo products sold through retail channels in New Zealand decreased by 9% over the prior year due to weaker consumer demand and a poor summer season which affected sales of outdoor sun protection products.

EBITDA for the Australasia region fell 7% year on year which was a disappointing result in tough market conditions and another poor summer in key markets.

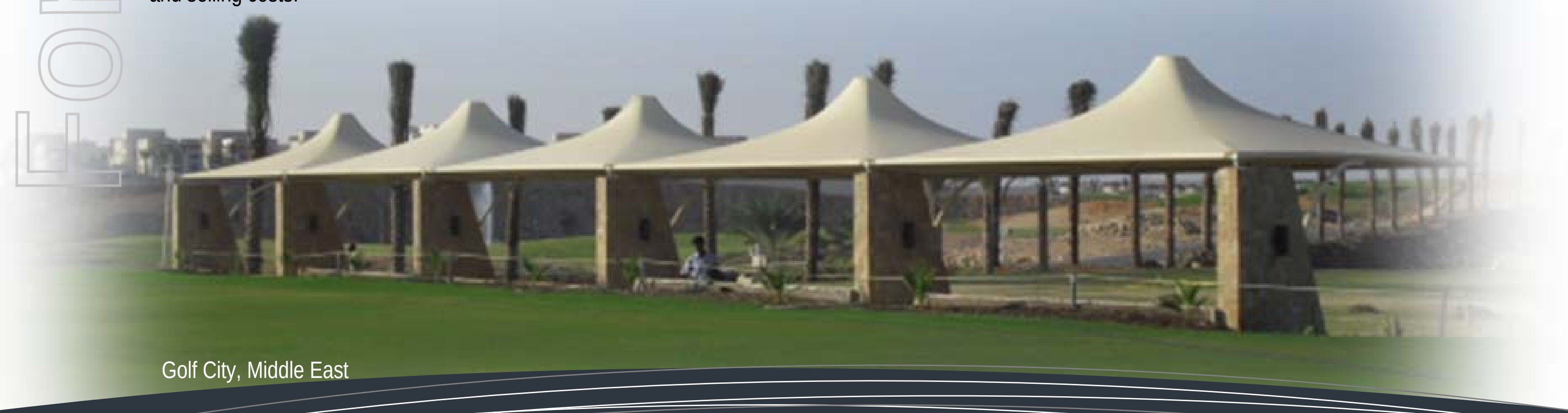
AMERICAS (US DOLLARS)

Local Currency	FY12 (US$M's)	FY11 (US$M's)	Change (%)
Sales	21.2	19.3	+10%
EBITDA	1.6	0.5	+220%

Whilst market conditions in the USA continue to be extremely challenging and remain subdued, we are very pleased to report a positive uplift in sales of 10% year on year in local currency. Most parts of the USA experienced hot weather conditions in spring and summer which boosted demand for outdoor shading and screening products. During the year we have expanded our retail sales and marketing resources to drive product range expansion and future sales growth.

Sales of commercial fabrics increased by more than 25% due to strengthened field sales resources and increased activity in commercial markets also driven by the hot weather. We have launched a full range of fire retardant architectural commercial knitted fabrics along with the release of the waterproof Synthesis Commercial 95 range in the USA market.

EBITDA increased in the USA by US$1.1 million for the year due to the sales growth and improved margins partially offset by increased freight and selling costs.



Golf City, Middle East

MIDDLE EAST (US DOLLARS)

Local Currency	FY12 (US$M's)	FY11 (US$M's)	Change (%)
Sales	8.1	6.4	+27%
EBITDA	1.6	1.3	+23%

The Middle East business performed extremely well throughout the year and recorded sales growth of 27% over the prior year in local currency. This result was achieved despite the political and social turmoil in parts of the region. Construction activity has been patchy, but the demand for Gale commercial fabrics has been enhanced by the well earned and long held reputation in the market for quality and long lasting products which is essential in the extreme weather conditions of the region.

Another major source of sales growth has been building on the successful market launch of our new waterproof range of Synthesis Commercial 95 fabric which has gained wide market acceptance in a very short period of time.

EBITDA increased by a healthy US$300,000 or 23% in our Middle East business due to the increased sales activity and tight expense controls in place. Debtor collections in the Middle East have been excellent as we continue to operate with very tight trading terms in the region.

CHINA (US DOLLARS)

Local Currency	FY12 (US$M's)	FY11 (US$M's)	Change (%)
Sales - International	10.4	5.1	+104%
Sales - Internal	23.0	22.7	+1%
EBITDA	7.0	5.8	+21%

Our Chinese manufacturing operation has again been able to deliver improved results on top of the efficiency improvements generated over the past two years. Scrap rates have continued to reduce throughout the year as part of the continuous manufacturing improvement program. Higher production volumes, continuing labour efficiencies, and improved yields have more than offset the negative impact of higher wage rates and labour on costs in China. We have also increased the resources for China based product sourcing operations with the objective of securing higher quality and lower cost sourced products which are becoming an increasing part of the business. We will establish a trading company in the coming months to improve the process of sourcing from third party Chinese suppliers.

INTERNATIONAL MARKETS (US DOLLARS)

International market sales increased by 104% to $10.4 million driven by increases in sales to Japan, South Africa and European markets. Sales to Japanese customers increased by more than 100% on the previous year by expanding the retail product offering and also assisted by government targets set to encourage homeowners to reduce energy consumption which has increased demand for exterior window shade products. Sales to South Africa also increased by more than 100% as extended range offerings were listed in several major DIY retailers during the 2011 / 2012 summer season. Strong sales of commercial fabrics into Israel and increased retail product offering through our distributors in Europe were also key elements of the 2011 / 2012 growth for the business.

ORGANIC AND ACQUISITION GROWTH

Gale maintains a strong continuous improvement culture, skilled and motivated employees and management, and an effective and efficient infrastructure. Innovation and product development continues to be a main focus as a driver of growth from our core business base. The Company has ongoing strong cash generation and a strong balance sheet. The acquisition of the Zone Hardware and Riva Window Fashions businesses in June 2011 has provided a broader product offering and additional growth opportunities for our business. Further complementary acquisitions are being assessed and actively pursued.

MANAGEMENT AND STAFF

On behalf of the Directors, we would like to thank all Gale employees for their hard work, dedication and commitment to the business during another challenging year and congratulate the whole team for the results which have been achieved this year. In all areas of the business the team has focused on continuing to improve the way we operate and do business with our customers. Many improvements have been made during the year, particularly the ongoing manufacturing efficiency gains and waste reduction achievements. A very pleasing area of improvement has been identifying and implementing areas to grow the sales of the business in the many new geographic markets of the world where our products are now sold.

OUTLOOK

Trading conditions are expected to remain challenging with consumer and business confidence levels low in most markets. Retail conditions in Australia are difficult, but on a positive note we do expect good conditions in the agricultural market in Australia for the coming season and there are predictions of the return to more normal summer weather patterns in Australia.

Further sales expansion of Coolaroo, Zone, Riva and Synthesis branded products is expected to deliver another solid financial result in 2012 / 2013 in what is expected to be a volatile global market environment.

Gale continues to generate strong positive cash flows and operates with a solid balance sheet with the capacity to support further growth opportunities which we continue to explore.

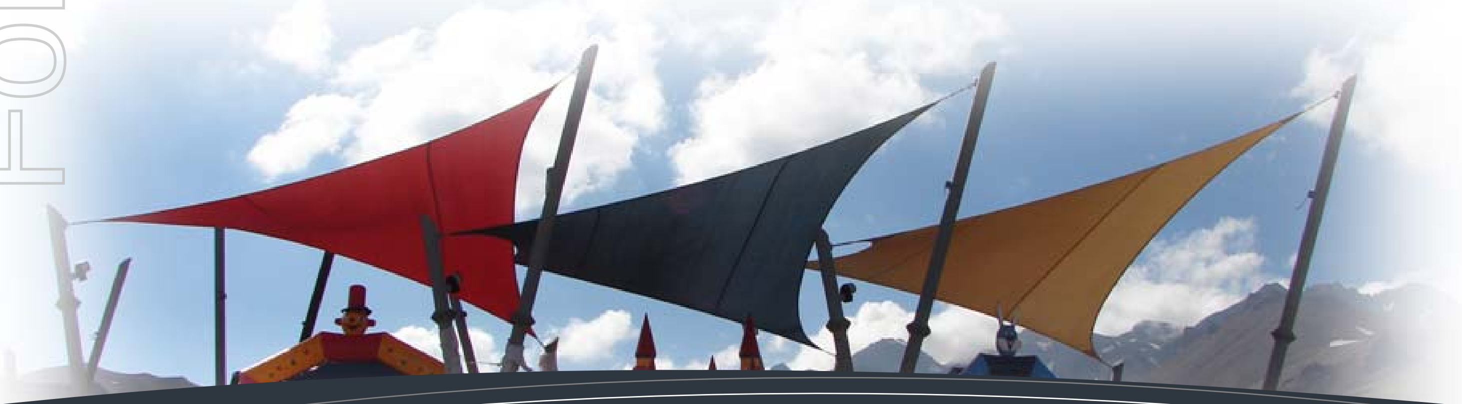
ANNUAL GENERAL MEETING

A notice of the Company's Annual General Meeting to be held on 26 October 2012 and a voting form is enclosed with this report.

D. T. Alle

Mr David Allman
Chairman
24 August 2012

Mr Peter McDonald
Managing Director and Chief Executive Officer
24 August 2012



BOARD OF DIRECTORS

DAVID ALLMAN B.SC.

Chairman and Non Executive Director since November 2009.

Mr Allman was Managing Director of McPherson's Limited from 1995 to 2009 and prior to that he was Managing Director of Cascade Group Limited for 7 years. Before this he held senior positions with Elders IXL Limited and Castlemaine Tooheys Limited. Mr Allman holds a degree in engineering and prior to obtaining general management positions held managerial roles in production management, finance and marketing. Mr Allman is Chairman of McPherson's Limited and Muir Engineering Pty Ltd.

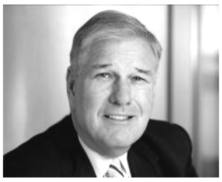
Mr Allman is the Chairman of the Company's Nomination Committee and is a member of the Audit and Risk and Remuneration Committees.

PETER MCDONALD B.BUS (MARKETING)

Managing Director and Chief Executive Officer since April 2006.

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

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



Non Executive Director since August 2007.

Mr Murphy was the Managing Director of Investec Wentworth Private Equity Limited until September 30, 2011 and sits on the board of a number of the fund's investments, including the following listed companies: Ariadne Australia Limited, Staging Connections Group Limited, Vocus Communications Limited (formally First Opportunity Fund Limited), ClearView Wealth Limited and Gale Pacific Limited. Mr Murphy is also a non-executive Director of Investec Bank (Australia) Limited.

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

GEORGE RICHARDS CPA, AAICD

Non Executive Director since May 2004.

Mr Richards joined the Board in 2004. Mr Richards was the Chief Executive of Mitre 10 South West Ltd from 1990 to 2000 and was previously the Managing Director of Cooper Tools, a market leader in hand tools manufacture and distribution. Mr Richards has had over 50 years experience in retail, marketing, manufacturing and distribution. He is a board member of The Alfred Foundation, a Director of Bowen & Pomeroy Pty Ltd, Associate Member of the Australian Institute of Company Directors and Australian Society of Accountants.

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

SENIOR MANAGEMENT

JEFF COX — CHIEF FINANCIAL OFFICER ("CFO")

Jeff joined Gale in March 2006 and is an experienced CFO having held senior finance positions for over 20 years. He has been the CFO of major divisions within the Pacific Dunlop Group including the Battery Group, Food Group and at Ansell. All these businesses had revenues in excess of $1 billion and significant international sales, distribution and manufacturing operations. Jeff's experience at Ansell included residing in the USA for 5 years while playing a significant part in a successful and global company.

SHAUN MCPHERSON — MANAGING DIRECTOR, AUSTRALASIA

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

MARTIN DENNEY — MANAGING DIRECTOR, USA

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

BERNIE WANG — MANAGING DIRECTOR, CHINA

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

CORPORATE GOVERNANCE

This statement sets out the corporate governance practices that were in operation throughout the 2012 financial year for Gale Pacific Limited ("the Company") and its controlled entities ("the Group") and includes a summary of how the Group complies with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments, 2nd Edition.

The various charters and policies are all available on the Gale Pacific web site: www.galepacific.com

PRINCIPLE 1: LAY SOLID FOUNDATION FOR MANAGEMENT OVERSIGHT

Companies should establish and disclose the respective roles and responsibilities of board and management.

Recommendation 1.1: Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

Complying.

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

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

Recommendation 1.2: Companies should disclose the process for evaluating the performance of senior executives.

Complying.

The Company's Remuneration Committee together with the Company's Managing Director, evaluate the performance of the Group's Key Executives annually. The Remuneration Committee also reviews the Managing Director's performance annually. A performance evaluation for the Group's Key Executives and the Managing Director has taken place in the reporting period in accordance with this process.

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

Companies should have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.

Recommendation 2.1: A majority of the board members should be independent.

Complying.

The Board comprises four Directors, three of whom are non executive and independent. The Directors considered by the Board to constitute independent Directors are Mr D Allman, Mr G Richards and Mr J Murphy. The test to determine independence which is used by the Company is whether a Director is independent of management and any business or other relationship with the Group that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement. The Board has not set a quantitative materiality threshold, but rather relies on qualitative factors to determine materiality such as whether a Director is a substantial shareholder of the Company or an officer of, or otherwise associated directly with, a substantial shareholder of the Company; is employed, or has previously been employed in an executive capacity by the Company or another Group member, and there has not been a period of at least three years between ceasing such employment and serving on the Board; has within the last three years been a principal of a professional adviser or a consultant to the Company or another Group member, or an employee associated with the service provided; is a supplier or customer of the Company or other Group member, or an officer of or otherwise associated directly or indirectly with a supplier or customer; or has a contractual relationship with the Company or another Group member other than as a director.

Directors may seek independent professional advice, at the Company's expense, on any matter connected with the discharge of their responsibilities, provided the advice, together with a copy of the letter of instructions, is provided to the Board.

Recommendation 2.2: The chairman should be an independent director.

Complying.

The Chairman, Mr D Allman has been Chairman of the Company since 17 November 2009 and was, at the date of his appointment and continues to be, independent. The Chairman leads the Board and is responsible for the efficient organisation and conduct of the Board's functions.

Recommendation 2.3: The roles of the chairman and the chief executive officer should not be exercised by the same individual.

Complying.

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

Recommendation 2.4: The board should establish a nomination committee.

Complying.

The Board has a formal Nomination Committee comprising of all of the independent Non Executive Directors. The Nomination Committee's functions and powers are formalised in a Charter and is posted on the Group's website.

Recommendation 2.5: Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The Directors undertake an annual process to review the performance and effectiveness of the Board, the Board Committees and individual directors. The Company Secretary oversees this process. As part of the review, each Director completes a questionnaire relating to the Board's role, composition, procedures, practices and behavior. The questionnaires are confidential. The Chairman leads a discussion of the questionnaire results with the Board as a whole, and provides feedback to individual Directors as necessary.

Recommendation 2.6: Provide the information indicated in the Guide to reporting on Principle 2.

Complying.

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

- the skills, experience and expertise relevant to the position of director held by each director in office at the date of the annual report;
- the directors considered by the Board to constitute independent directors and the Company's materiality threshold;
- the existence of any of the relationships listed in Box 2.1 and an explanation of why the board considers a director to be independent notwithstanding the existence of these relationships;
- a statement regarding directors' ability to take independent professional advice at the expense of the Company;
- a statement as to the mix of skills and diversity for which the board of directors is looking to achieve in membership of the Board;
- the term of office held by each director in office at the date of the report;
- the names of members of the Company's committees and their attendance at committee meetings;
- whether a performance evaluation for the board, its committees and directors has taken place in the reporting period and whether it was in accordance with the process disclosed; and
- an explanation of any departures from Recommendations 2.1, 2.2, 2.3, 2.4, 2.5 or 2.6.

The following material is made publicly available, on the Company's website in a clearly marked corporate governance section:

- a description of the procedure for the selection and appointment of new directors and the re-election of incumbent directors;
- the charter of the nomination committee; and
- the Board's policy for the nomination and appointment of directors.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

Companies should actively promote ethical and responsible decision making.

Recommendation 3.1: Establish a code of conduct and disclose the code as to:

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

Complying.

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

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

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

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

Recommendation 3.2: Companies should establish a policy concerning diversity and disclose the policy or a summary of that policy. The policy should include requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them.

Complying.

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

The Diversity Policy has the commitment of the Directors and Senior Management to promote the specific objective of gender diversity and seeks to ensure, to the extent that is practicable and appropriate, that the Company's director appointment and employee recruitment processes are undertaken with reference to the objectives of the Diversity Policy. The policy also includes requirements for the Board to establish measurable objectives for achieving gender diversity for the Board to assess annually both the objectives and progress in achieving them.

Recommendation 3.3: Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the board in accordance with the diversity policy and progress towards achieving them.

Part complying.

The Company is committed to the principles of employing people with a broad range of experiences, skills and views. All executives, managers and employees are responsible for promoting workforce diversity. The Company's Nomination Committee is charged with the responsibility of undertaking an annual review to:

- assess its policies and procedures in reference to its diversity objectives;
- determine whether its diversity policies and procedures are and are likely to continue to be appropriate; and
- ensure that the Company, and its policies and procedures, comply with all applicable legal requirements in respect of diversity and that such policies and procedures remain relevant and effective.

The Nomination Committee is then required to report on the findings of such an annual review, and make relevant recommendations in relation to changes proposed. The Company's Nomination Committee will perform its first annual review on gender diversity in October 2012 and the Company will communicate these objectives as well as its progress in realising these objectives in the Annual Report for the year ending 30 June 2013.

Recommendation 3.4: Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.

Complying.

The Company employs a total of 657 employees; of these, 204 are female, and of these 5 hold senior management roles. There are currently no female directors on the Company's Board.

Recommendation 3.5: Companies should provide the information indicated in the Guide to reporting on Principle 3.

Complying.

The Company's Code of Conduct, Share Trading Policy and Diversity Policy can be viewed on its website.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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

Recommendation 4.1: The board should establish an audit committee.

Complying.

The Company has an Audit Committee that reports to the Board. The role of the Audit Committee is to advise on the establishment and maintenance of a framework of internal controls and appropriate ethical standards for the management of the Group and to advise on financial information prepared for use by the Board or for inclusion in financial statements. The Directors are committed to the preparation of financial statements that present a balanced and clear assessment of the Group's financial position and prospects. The Board reviews the Group's half yearly and annual financial statements. The Board requires that the Chief Executive Officer and the Chief Financial Officer state in writing to the Board that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with relevant accounting standards.

Recommendation 4.2: The audit committee should be structured so that it:

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

Complying.

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

Recommendation 4.3: The audit committee should have a formal charter.

Complying.

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

Recommendation 4.4: Companies should provide the information indicated in the Guide.

Complying.

The following material is included in the Company's 2012 annual report:

- the names and qualifications of those appointed to the audit committee and their attendance at meetings of the committee; and
- the number of meetings of the audit committee.

The following material is available on the Company's website in a clearly marked corporate governance section:

- the audit committee charter;
- information on procedures for the selection and appointment of the external auditor, and
- for the rotation of external audit engagement partners.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

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

Recommendation 5.1: Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Complying.

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

Recommendation 5.2: Companies should provide the information indicated in the Guide.

Complying.

The policy on continuous disclosure is posted on the Company's website in a clearly marked corporate governance section.

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

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

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

Complying.

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

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

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

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

Recommendation 7.1: Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Complying.

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

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

Recommendation 7.2: The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.

Complying.

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

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

Recommendation 7.3: The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks. Companies should provide the information indicated in the Guide to reporting on Principle 7.

Complying.

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

Recommendation 7.4: Companies should provide the information indicated in the Guide.

Complying.

The Board has received the report from management under Recommendation 7.2, and has received assurance from the Chief Executive Officer and the chief financial officer under Recommendation 7.3.

A summary of the Company's policies on risk oversight and management of material business risks is available on the Company's website in a clearly marked corporate governance section.

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

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

Recommendation 8.1: The board should establish a remuneration committee.

Complying.

The Board has established a Remuneration Committee. The role of the Remuneration Committee is to review and make recommendations to the Board on remuneration packages and practices applicable to the Chief Executive Officer, Senior Executives and Directors themselves. This role also includes responsibility for share option schemes incentive performance packages and retirement and termination entitlements. Remuneration levels are competitively set to attract the most qualified and experienced Directors and Senior Executives. The Remuneration Committee may obtain independent advice on the appropriateness of remuneration packages.

Recommendation 8.2: The remuneration committee should be structured so that it:

- consists of a majority of independent directors;
- is chaired by an independent chair; and
- has at least three members.

Complying.

The Company's Remuneration Committee comprises three non executive independent directors and is chaired by an independent chairman.

Recommendation 8.3: Companies should clearly distinguish the structure of non executive directors' remuneration from that of executive directors and senior executives.

Complying.

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

Recommendation 8.4: Companies should provide the information indicated in the Guide to reporting on Principle 8.

Complying.

The names of the members of the Remuneration Committee and their attendance at meetings of the Committee is detailed in the Directors' Report of this Annual Report.

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

The members of the Remuneration Committee during the year and attendance at meetings of the Committee are disclosed in the Directors' Report section of this the Annual Report.

There are no schemes for retirement benefits, other than superannuation, for non executive directors.

A copy of the Company's Remuneration Committee charter is posted on the Company's website in a clearly marked corporate governance section, together with a summary of the Company's policy on prohibiting entering into transactions in associated products which limit the economic risk of participating in unvested entitlements under any equity based remuneration schemes.

DIRECTORS' REPORT

The Directors of Gale Pacific Limited ("the Company") present their annual financial report for the Company and its controlled entities ("the Group") for the financial year ended 30 June 2012.

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

DAVID ALLMAN, B.SC.

Chairman and Non Executive Director since November 2009

Mr Allman was Managing Director of McPherson's Limited from 1995 to 2009 and prior to that he was Managing Director of Cascade Group Limited for 7 years. Before this he held senior positions with Elders IXL Limited and Castlemaine Tooheys Limited. Mr Allman holds a degree in engineering and prior to obtaining general management positions held managerial roles in production management, finance and marketing.

Mr Allman is Chairman of McPherson's Limited and Muir Engineering Pty Ltd.

Other than the above, no other directorships of listed companies were held by Mr Allman at anytime during the three years prior to 30 June 2012.

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

PETER MCDONALD, B.BUS (MARKETING)

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

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

No other directorships of listed companies were held by Mr McDonald at any time during the three years prior to 30 June 2012.

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

Non Executive Director since August 2007

Mr Murphy was the Managing Director of Investec Wentworth Private Equity Limited until 30 September 2011 and is a board member of a number of the fund's investments, including the following listed companies: Ariadne Australia Limited, Staging Connections Group Limited, Vocus Communications Limited, ClearView Wealth Limited and Gale Pacific Limited. Also at that date Mr Murphy changed from an executive to a non executive director of Investec Bank (Australia) Limited.

No other directorships of listed companies were held by Mr Murphy at any time during the three years prior to 30 June 2012.

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

GEORGE RICHARDS, CPA, AAICD

Non Executive Director since May 2004

Mr Richards was the Chief Executive of Mitre 10 South West Ltd from 1990 to 2000 and was previously the Managing Director of Cooper Tools, a market leader in hand tools manufacture and distribution. Mr Richards has had over 50 years experience in retail, marketing, manufacturing and distribution. He is a board member of The Alfred Foundation, Director of Bowen & Pomeroy Pty Ltd, Associate Member of the Australian Institute of Company Directors and Australian Society of Accountants.

No other directorships of listed companies were held by Mr Richards at any time during the three years prior to 30 June 2012.

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

MS SOPHIE KARZIS, B JURIS LLB

Company Secretary

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

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The Group's principal activities in the course of the financial year were the marketing, sales, manufacture and distribution of screening, shading and home improvement products to global markets.

REVIEW AND RESULTS OF OPERATIONS

The consolidated profit of the Group for the financial year attributable to the members of Gale Pacific Limited was $8.477 million. Refer to the Chairman and Managing Director and Chief Executive Officers' Report for further details on the Group's result.

STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the financial year.

EVENTS SUBSEQUENT TO BALANCE DATE

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

LIKELY DEVELOPMENTS

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

ENVIRONMENTAL REGULATION AND PERFORMANCE

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

DIVIDENDS

Dividends paid to members during the financial year were as follows:

	2011 / 2012 ($000)	2010 / 2011 ($000)
Final ordinary dividend for the year ended 30 June 2011 of 1.2 cents per share paid on 3 October 2011	3,446	2,797
Interim ordinary dividend for the year ended 30 June 2012 of 1.2 cents per share paid on 26 March 2012	3,446	2,797
Special dividend for the year ended 30 June 2010 of 1.0 cent per share paid on 22 October 2010	-	2,797

In addition to the above dividends, since the end of the financial year the Directors have declared the payment of a final ordinary dividend of 1.25 cents per share to be paid on 3 October 2012.

Dividends for the full year of 2.45 cents per share have been declared on diluted earnings of 2.86 cents per share. This represents an 11% increase on full year ordinary dividends compared to last year. The final dividend payment of 1.25 cents per share will be fully franked and will be paid to shareholders on 3 October 2012.

SHARE BASED PAYMENTS

Performance Rights

11,000,000 performance rights were granted to key management personnel (including the Managing Director) in previous financial years. On 30 June 2012, 2,750,000 performance rights lapsed and 8,250,000 performance rights vested and were exercised. No amount is payable on the vesting of a performance right. Each performance right entitles the holder to one (1) ordinary share in Gale Pacific Limited in the event that the performance right is exercised. Performance rights carry no rights to dividends and no voting rights.

2,940,000 performance rights were granted to Senior Executives outside the key management group on 18 August 2010. On 30 June 2012, 2,205,000 performance rights lapsed. The remaining 735,000 performance rights will be vested subject to a continuation of employment to 30 June 2013 and the satisfying of relevant performance hurdles based on the Group's diluted earnings per share over the two year period 1 July 2010 to 30 June 2012. None of these performance rights can vest until 30 June 2013 and expire on 18 August 2020.

Further details of the options and performance rights movements during the reporting period are disclosed in Note 24 to the Financial Statements.

INDEMNIFICATION OF OFFICERS AND AUDITORS

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

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

DIRECTORS' SHAREHOLDINGS

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

Directors	Fully Paid Ordinary Shares	Options	Performance Rights
D Allman	-	-	-
P McDonald	3,228,105	-	-
J Murphy	1,000,000	-	-
G Richards	491,899	-	-

DIRECTORS' MEETINGS

The table below sets out the attendance by Directors.

	Directors' Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
Directors	No of Meetings Eligible to Attend	Attended	No of Meetings Eligible to Attend	Attended	No of Meetings Eligible to Attend	Attended	No of Meetings Eligible to Attend	Attended
D Allman	12	11	2	2	1	1	1	1
P McDonald	12	12	0	2	0	1	0	1
J Murphy	12	12	2	2	1	1	1	1
G Richards	12	12	2	2	1	1	1	1

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

The members of the Audit and Risk Committee are David Allman, John Murphy and George Richards. The Chairman of the Audit and Risk Committee is George Richards.

The members of the Remuneration Committee are David Allman, John Murphy and George Richards. The Chairman of the Remuneration Committee is John Murphy.

The members of the Nomination Committee are David Allman, John Murphy and George Richards. The Chairman of the Nomination Committee is David Allman.

REMUNERATION REPORT

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

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

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

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

Remuneration packages contain the following key elements:

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

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

  Details of these benefits are disclosed in this report.

Remuneration Practices

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

Remuneration Structure

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

Non Executive Director Remuneration

Objective

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

Structure

The Company's Constitution and the Australian Securities Exchange Listing Rules specify that the aggregate remuneration of Non Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The last determination was at the Annual General Meeting held on 28 October 2011 when shareholders' approved the Company's constitution which provides for an aggregate remuneration of $500,000 per annum. The amount of the aggregate remuneration and the manner in which it is apportioned is reviewed periodically. The Board considers fees paid to Non Executive Directors of comparable companies when undertaking this review process.

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

The remuneration of Non Executive Directors for the period ended 30 June 2012 is detailed below.

Senior Manager and Executive Director Remuneration

Objective

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

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

Structure

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

(a). Share Based Payments

The Group maintains a performance rights scheme for certain staff and executives, including the Managing Director, as approved by shareholders at an annual general meeting. These schemes are designed to reward key personnel when the Group meets performance hurdles increasing the diluted earnings per share and relate to:

- Improvement in earnings per share; and
- Improvement in return to shareholders.

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

The number of unissued ordinary shares under the performance rights scheme at the date of this report is 735,000. Each performance right entitles the holder one (1) ordinary share in Gale Pacific Limited when exercised and is subject to the satisfying of relevant performance hurdles based on improvements in the Group's diluted earnings per share.

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

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

(b). Cash Bonuses

One year short term performance cash bonus payments are awarded in accordance with the company's remuneration policy. The budget targets for each business unit and the company overall is established each year by the Board. The performance criteria include sales and earnings before interest and tax growth and working capital management. For corporate executives, the performance criteria include growth in earnings before interest and tax and profit after tax.

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

Directors

D Allman (Chairman, Non Executive)
J Murphy (Non Executive)
G Richards (Non Executive)
P McDonald (Managing Director and Chief Executive Officer)

Executives

J Cox (Chief Financial Officer)
M Denney (Managing Director USA)
S McPherson (Managing Director Australasia)
B Wang (Managing Director China)
A Scott (General Manager International Sales and Marketing)

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

2011 / 2012	Short Term Benefits			Post Employment	Share Based Payments	Total	Performance Related	
Directors	Salary & Fees $	Bonus $	Non Monetary $	Super $	Performance Rights $	$	Total %	Performance Rights %
Executive Directors								
P McDonald	463,250	70,000	-	25,000	58,183	616,433	20.8	9.4
Non Executive Directors								
D Allman	105,505	-	-	9,495	-	115,000	-	-
G Richards	68,807	-	-	6,193	-	75,000	-	-
J Murphy	60,975	-	-	4,025	-	65,000	-	-
Total	698,537	70,000	-	44,713	58,183	871,433		

2010 / 2011	Short Term Benefits			Post Employment	Share Based Payments	Total	Performance Related	
Directors	Salary & Fees $	Bonus $	Non Monetary $	Super $	Performance Rights $	$	Total %	Performance Rights %
Executive Directors								
P McDonald	458,241	-	5,009	25,000	162,739	650,989	25.0	25.0
Non Executive Directors								
D Allman	105,505	-	-	9,495	-	115,000	-	-
G Richards	63,073	-	-	11,927	-	75,000	-	-
J Murphy	65,000	-	-	-	-	65,000	-	-
Total	691,819	-	5,009	46,422	162,739	905,989		

The following table discloses the remuneration of the Group's key management personnel and the five highest paid executives:

2011 / 2012	Short Term Benefits			Post Employment	Share Based Payments	Total	Performance Related	
Key management personnel	Salary & Fees $	Bonus $	Non Monetary $	Super $	Performance Rights $	$	Total %	Performance Rights %
J Cox	265,315	60,000	-	50,000	10,241	385,556	18.2	2.7
S McPherson	280,099	-	22,500	25,000	10,241	337,840	3.0	3.0
M Denney[1]	244,528	48,912	8,684	-	10,241	312,365	18.9	3.3
A Scott[2]	162,157	53,025	-	19,206	(10,156)	224,232	19.1	(4.5)
B Wang[3]	161,794	57,215	6,217	-	10,241	235,467	28.6	4.3
Total	1,113,893	219,152	37,401	94,206	30,808	1,495,460		

2010 / 2011	Short Term Benefits			Post Employment	Share Based Payments	Total	Performance Related	
Key management personnel	Salary & Fees $	Bonus $	Non Monetary $	Super $	Performance Rights $	$	Total %	Performance Rights %
J Cox	273,240	47,681	-	29,948	40,630	391,499	22.6	10.4
S McPherson	292,083	20,000	-	22,917	40,630	375,630	16.1	10.8
M Denney	257,389	12,388	12,380	-	40,630	322,787	16.4	12.6
A Scott	158,659	52,667	-	16,381	59,156	286,863	39.0	20.6
B Wang	147,736	53,583	7,266	-	40,630	249,215	37.8	16.3
Total	1,129,107	186,319	19,646	69,246	221,676	1,625,994		

[1] Mr Denney is based in the United States of America and remunerated in United States dollars converted to Australian dollars in the table above.
[2] Mr Scott is the General Manager International Sales and Marketing and is located in Australia.
[3] Mr Wang is based in China and remunerated in Chinese renminbi converted to Australian dollars in the table above.

Share Based Compensation

The terms and conditions of each grant of performance rights granted as at 30 June 2012 affecting remuneration in the current or a future reporting period are as follows:

Grant Date	18 August 2010
Value per performance rights at grant date	0.20

Each performance right entitles the holder to one (1) ordinary share in Gale Pacific in the event that the performance rights are exercised. Performance rights carry no rights to dividends and no voting rights.

The performance rights are subject to a continuation of employment to 30 June 2013 and then the satisfying of relevant performance hurdles based on improvements in the Group's diluted earnings per share over the two year period 1 July 2010 to 30 June 2012. None of these performance rights can vest until 30 June 2013 and expire on 30 June 2020.

	No of Performance Rights Granted During the Year	Value Per Performance Rights at Grant Date	Value of Performance Rights at Grant Date ($)	No. of Performance Rights Lapsed During the Year	Value of Lapsed Performance Rights ($)
Executive Directors					
P McDonald	-	0.14	-	750,000	105,000
Executives					
J Cox	-	0.06	-	500,000	30,500
M Denney	-	0.06	-	500,000	30,500
S McPherson	-	0.06	-	500,000	30,500
A Scott	-	0.20	-	735,000	147,000
B Wang	-	0.06	-	500,000	30,500
Other Management Personnel					
Other Management	-	0.20	-	1,470,000	294,000
Total	-		-	4,955,000	668,000

Employment Agreements

Executives serve under terms and conditions contained in a standard executive employment agreement, that allows for termination under certain conditions with two to three months' notice. The agreements include restraints of trade on the employee as well as confidentiality and intellectual property agreements.

AUDITOR INDEPENDENCE AND NON AUDIT SERVICES

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

NON AUDIT SERVICES

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

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

	Consolidated	
	2011 / 2012 ($)	2010 / 2011 ($)
Taxation services	-	37,000
Assurance services regarding acquisition	-	37,000
Capital registration audit	-	2,000
Government grant review	-	2,000
Total	-	78,000

PROCEEDINGS ON BEHALF OF THE COMPANY

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

ROUNDING OFF OF AMOUNTS

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

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

On behalf of the Directors;

Mr David Allman
Chairman
24 August 2012

Mr Peter McDonald
Managing Director and Chief Executive Officer
24 August 2012

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The Board of Directors
Gale Pacific Limited
145 Woodlands Drive
BRAESIDE, VIC, 3195

24 August 2012

Dear Board Members

Gale Pacific Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Gale Pacific Limited.

As lead audit partner for the audit of the financial statements of Gale Pacific Limited for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu
DELOITTE TOUCHE TOHMATSU

D. A. Watson
David A Watson
Partner
Chartered Accountants

Deloitte.

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Independent Auditor's Report to the members of Gale Pacific Limited

Report on the Financial Report

We have audited the accompanying financial report of Gale Pacific Limited which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 28 to 74.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Deloitte

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Gale Pacific Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

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

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 23 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Gale Pacific Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D. A. Watson

David A Watson
Partner
Chartered Accountants
Melbourne, 24 August 2012

DIRECTORS' DECLARATION

The Directors of the Company declare that:

The financial statements and notes, as set out on pages 29 to 74 are in accordance with the *Corporations Act 2001* including:

- Compliance with Accounting Standards in Australia and the *Corporations Regulations 2001*;
- Providing a true and fair view of the financial position as at 30 June 2012 and of the performance, as represented by the results of the operations and the cash flows, of the Group for the year ended on that date;
- As stated in Note 1, the financial statements also comply with International Financial Reporting Standards; and
- That the Directors have been given the declaration required under section 295A of the *Corporations Act 2001*.

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

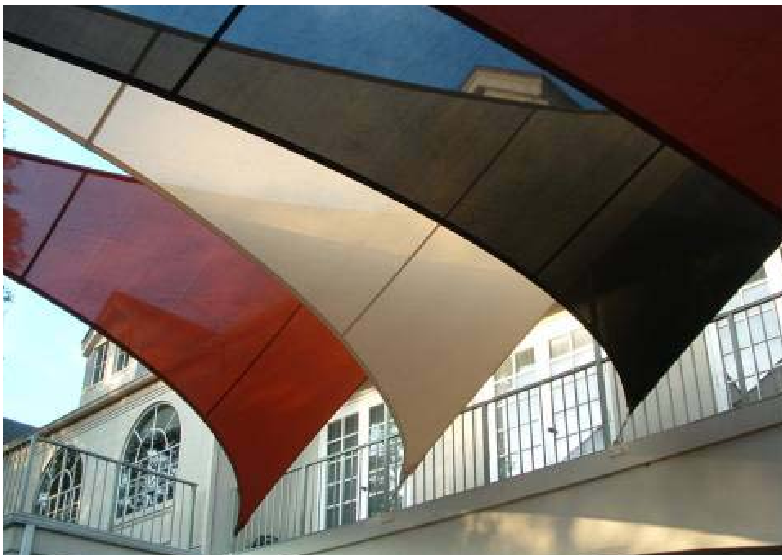
This declaration is made in accordance with a resolution of the Board of Directors.

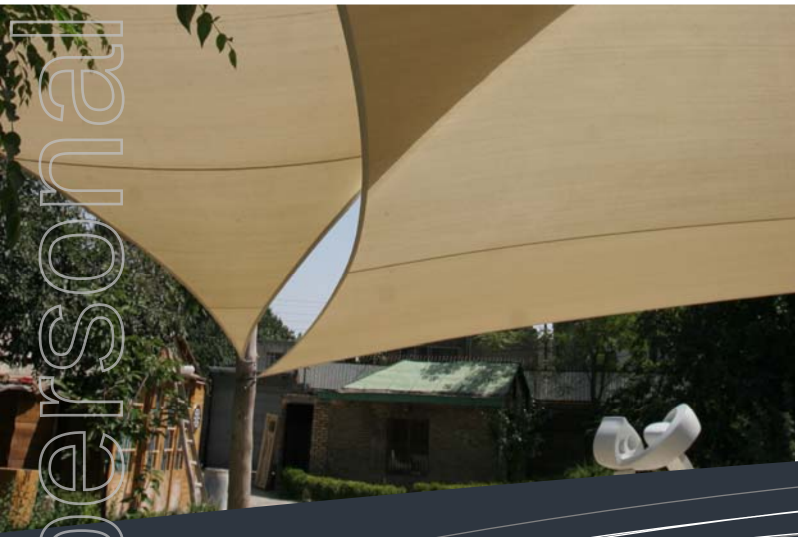
D. J. Allman

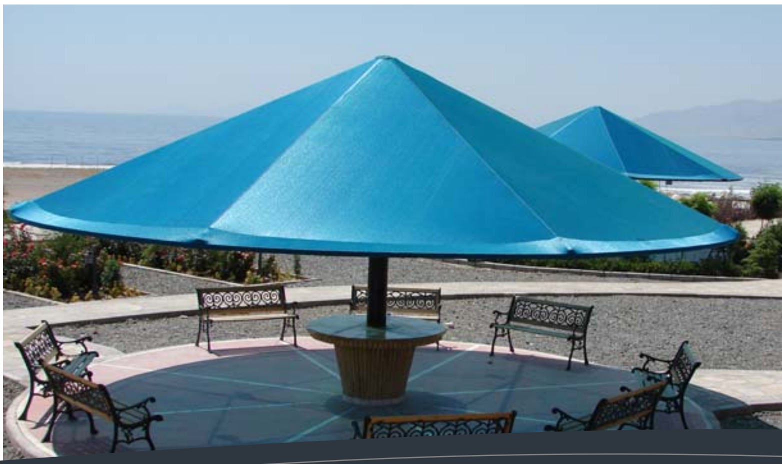
Mr David Allman
Chairman
24 August 2012

Mr Peter McDonald
Managing Director and Chief Executive Officer
24 August 2012

FINANCIAL RESULTS







CONTENTS

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated 2011 / 2012 ($000)	Consolidated 2010 / 2011 ($000)
Revenue	2	110,473	95,580
Cost of goods sold		(65,429)	(58,808)
Gross profit		45,044	36,772
Other Income	3	173	140
Warehousing and distribution		(10,885)	(7,937)
Marketing and selling		(9,713)	(7,407)
Administration		(9,156)	(9,461)
Other expenses		(3,043)	(2,187)
Net finance costs	3	(966)	(859)
Profit from continuing operations before income tax (i)		11,454	9,061
Income tax expense	4	(2,977)	(1,961)
Profit from continuing operations after income tax		8,477	7,100
Profit from discontinued operations	23	-	10
Profit for the year	19	8,477	7,110
(i) Profit includes depreciation and amortisation	3	(5,553)	(5,938)
Earnings Per Share			
From continuing and discontinued operations			
Basic earnings per share (cents per share)	21	2.95	2.54
Diluted earnings per share (cents per share)		2.86	2.42
From continuing operations			
Basic earnings per share (cents per share)		2.95	2.54
Diluted earnings per share (cents per share)		2.86	2.42

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated 2011 / 2012 ($000)	Consolidated 2010 / 2011 ($000)
Profit for the year		8,477	7,110
Other Comprehensive Income			
Net changes in fair value of cash flow hedges, net tax	18	654	(807)
Exchange differences on translation of foreign operations	18	3,865	(11,406)
Other comprehensive loss for the year		4,519	(12,213)
Total comprehensive income / (loss) for the year		12,996	(5,103)
Profit Attributable To			
Members of the parent		8,477	7,110
Profit for the year		8,477	7,110
Total Comprehensive Income Attributable To			
Members of the parent		12,996	(5,103)
Total comprehensive income / (loss) for the year		12,996	(5,103)

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated	
	Note	2011 / 2012 ($000)	2010 / 2011 ($000)
Current Assets			
Cash and cash equivalents	6	3,121	9,596
Receivables	7	16,992	13,971
Other financial assets	9	127	-
Inventories	8	24,538	21,827
Current tax assets	4	-	72
Other current assets	10	661	638
Total current assets		45,439	46,104
Non Current Assets			
Property, plant and equipment	11	35,368	36,905
Intangible assets	12	17,044	17,003
Deferred tax assets	4	235	418
Total non current assets		52,647	54,326
Total assets		98,086	100,430
Current Liabilities			
Trade and other payables	13	8,134	7,458
Borrowings	14	7,225	15,177
Other financial liabilities	15	-	1,063
Current tax liabilities	4	1,561	1,688
Provisions	16	2,257	2,225
Total current liabilities		19,177	27,611
Non Current Liabilities			
Borrowings	14	-	155
Deferred tax liabilities	4	4,650	4,651
Provisions	16	82	54
Total non current liabilities		4,732	4,860
Total liabilities		23,909	32,471
Net assets		74,177	67,959
Equity			
Contributed equity	17	70,988	107,086
Reserves	18	(15,592)	(19,544)
Retained earnings	19	18,781	(19,583)
Total equity		74,177	67,959

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2012

30 June 2012	Note	Contributed Equity ($000)	Reserves ($000)	Retained Earnings ($000)	Total Equity ($000)
Balance at 1 July 2011		107,086	(19,544)	(19,583)	67,959
Profit for the year		-	-	8,477	8,477
Other comprehensive income for the year		-	4,519	-	4,519
Total comprehensive income for the year		-	4,519	8,477	12,996
Transactions With Owners In Their Capacity As Owners					
Shares issued	17	681	(681)	-	-
Share capital reduction	17	(36,779)	-	36,779	-
Employee share based payments	18	-	114	-	114
Dividends paid		-	-	(6,892)	(6,892)
Total transactions with owners in their capacity as owners		(36,098)	(567)	29,887	(6,778)
Balance at 30 June 2012		70,988	(15,592)	18,781	74,177

30 June 2011	Note	Contributed Equity ($000)	Reserves ($000)	Retained Earnings ($000)	Total Equity ($000)
Balance at 1 July 2010		105,586	(7,899)	(18,191)	79,496
Profit for the year		-	-	7,110	7,110
Other comprehensive income / (loss) for the year		-	(12,213)	-	(12,213)
Total comprehensive income / (loss) for the year		-	(12,213)	7,110	(5,103)
Transactions With Owners In Their Capacity As Owners					
Contributions, net of raising costs and tax	17	1,500	-	-	1,500
Employee share based payments	18	-	457	-	457
Statutory transfer to reserves		-	111	(111)	-
Dividends paid		-	-	(8,391)	(8,391)
Total transactions with owners in their capacity as owners		1,500	568	(8,502)	(6,434)
Balance at 30 June 2011		107,086	(19,544)	(19,583)	67,959

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated 2011 / 2012 ($000)	Consolidated 2010 / 2011 ($000)
Cash Flow From Operating Activities			
Receipts from customers		114,235	100,699
Payments to suppliers and employees		(100,627)	(87,200)
Interest received		7	105
Borrowing costs paid		(973)	(964)
Income tax payments		(3,186)	(1,222)
Net cash provided by operating activities	23	9,456	11,418
Cash Flow From Investing Activities			
Proceeds from sale of plant and equipment		256	254
Proceeds / (payment) from / for disposal / acquisition of business	29	219	(11,150)
Payment for plant and equipment		(1,372)	(626)
Payment for intangible assets		(57)	(35)
Net cash used by investing activities		(954)	(11,557)
Cash Flow From Financing Activities			
Proceeds from / (repayment of) borrowings		(7,891)	5,017
Proceeds from / (repayment of) principal on finance leases		(321)	212
Repayment of principal on hire purchase		-	(18)
Dividends paid		(6,892)	(8,391)
Net cash used by financing activities		(15,104)	(3,180)
Net increase / (decrease) in cash held		(6,602)	(3,319)
Cash at beginning of year		9,391	15,139
Effects of exchange rate changes on items denominated in foreign currencies		332	(2,429)
Cash at the end of the year	23	3,121	9,391

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: Statement of Significant Accounting Policies

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

(a). Basis of Preparation of the Financial Report

Gale Pacific Limited is a for profit entity. The financial report of Gale Pacific Limited and controlled entities is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act, comply with Australian equivalents to International Financial Reporting Standards.

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

The financial report was authorised for issue by the Directors at the date of the Directors' Report.

The financial report also complies with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

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

(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. Subsidiaries are consolidated from the date on which control is established and are derecognised from the date that control ceases.

(c). Use of Estimates and Judgements

The preparation of the financial report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information about areas of estimation and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial report is included in the following notes:

- Note 12 – Intangible Assets

NOTE 1: Statement of Significant Accounting Policies (continued)

(d). Foreign Currencies

Functional and Presentation Currency

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

Transactions and Balances

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

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

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

(e). Net Investments in Foreign Operations

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 statement of financial position.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

(f). Segment Reporting

Operating segments are reported based on internal reporting provided to the Managing Director and Chief Executive Officer who is the Group's chief operating decision maker.

NOTE 1: Statement of Significant Accounting Policies (continued)

(g). Revenue Recognition

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of the delivery of goods to the customer.

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

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

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

(h). Cash and Cash Equivalents

Cash and cash equivalents include cash on hand at call, deposits with banks or financial institutions, investments in money market instruments maturing within less than three months and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

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 three months and net of bank overdrafts.

(i). Inventories

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

(j). Plant and Equipment

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

Plant and Equipment

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

Depreciation

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

The depreciation rates used for each class of assets are:

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

NOTE 1: Statement of Significant Accounting Policies (continued)

(k). Leases

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Finance Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the entities within the Group are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. The interest expense is calculated using the interest rate implicit in the lease and is included in finance costs in the statement of comprehensive income. Leased assets are depreciated on a straight line basis over their estimated useful lives or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Operating Leases

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

(l). Intangibles

Goodwill

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

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

Patents and Trademarks

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

Application Software

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

Research and Development

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

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

(m). Impairment of Assets

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

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

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

(n). Taxes

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

NOTE 1: Statement of Significant Accounting Policies (continued)

(n) Taxes (continued)

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Tax consolidation

- Relevance of tax consolidation to the Group

  The Company and all its wholly-owned Australian resident entities are part of a tax-consolidated group (formed on 1 June 2011), under Australian taxation law. Gale Pacific Limited is the head entity in the tax-consolidated group. The members of the tax-consolidated group are identified in note 26. A tax funding arrangement and a tax sharing agreement has been entered into between the entities. As such a notional current and deferred tax calculation for each entity as if it were a taxpayer in its own right (except that unrealised profits, distributions made and received and capital gains and losses and similar items arising on transactions within the tax-consolidated group are treated as having no tax consequences) has been performed. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax consolidated group).

- Nature of tax funding arrangements and tax sharing agreements

  Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Gale Pacific Limited and each of the other entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

  The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

(o). Provisions

A provision is recognised if, as a result of a past event , the Group has a present legal or constructive obligation that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation.

NOTE 1: Statement of Significant Accounting Policies (continued)

(p). Employee Benefits

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

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

Share Based Payments

The Group operates a share performance rights scheme for certain staff and Executives including Executive Directors.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options and performance rights at grant date. The fair value of options and performance rights at grant date is determined using weighted average share price, and is recognised as an employee expense over the period during which the employees become entitled to the option or performance right.

(q). Financial Instruments

The Group classifies its financial instruments in the following categories:

Non Derivative Financial Instruments

Loans and Receivables

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

Financial Liabilities

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

Derivative Financial Instruments

Cash Flow Hedges

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

Financial Instruments at Fair Value Through Profit and Loss

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

(r). 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.

(s). Comparatives

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

NOTE 1: Statement of Significant Accounting Policies (continued)

(t). New Accounting Standards and Interpretations

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are also set out below.

Standards affecting presentation and disclosure

Amendments to AASB 7 'Financial Instruments: Disclosure'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans.
Amendments to AASB 101' Presentation of Financial Statements'	The amendments (part of AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project') clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.
AASB 1054 'Australian Additional Disclosures' and AASB 2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project'	AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss). AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Interpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs. The application of AASB 1054 and AASB 2011-1 in the current year has resulted in the simplification of disclosures in regards to audit fees, franking credits and capital and other expenditure commitments as well as an additional disclosure on whether the Group is a for-profit or not-for-profit entity.
AASB 124 'Related Party Disclosures' (revised December 2009)	AASB 124 (revised December 2009) has been revised on the following two aspects: (a) AASB 124 (revised December 2009) has changed the definition of a related party and (b) AASB 124 (revised December 2009) introduces a partial exemption from the disclosure requirements for government-related entities. The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in AASB 124 (revised December 2009) in the current year has resulted in the identification of related parties that were not identified as related parties under the previous Standard. Specifically, associates of the ultimate holding company of the Company are treated as related parties of the Group under the revised Standard whilst such entities were not treated as related parties of the Group under the previous Standard. The related party disclosures set out in note 25 to the consolidated financial statements have been changed to reflect the application of the revised Standard. Changes have been applied retrospectively.

Standards and Interpretations affecting the reported results or financial position

There are no new and revised Standards and Interpretations adopted in these financial statements affecting the reporting results or financial position.

NOTE 1: Statement of Significant Accounting Policies (continued)

(t) New Accounting Standards and Interpretations (continued)

Standards and Interpretations adopted with no effect on financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2009-14 'Amendments to Australian Interpretation – Prepayments of a Minimum Funding Requirement'	Interpretation 114 addresses when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of AASB 119; how minimum funding requirements might affect the availability of reductions in future contributions; and when minimum funding requirements might give rise to a liability. The amendments now allow recognition of an asset in the form of prepaid minimum funding contributions. The application of the amendments to Interpretation 114 has not had material effect on the Group's consolidated financial statements.
AASB 2009-12 'Amendments to Australian Accounting Standards'	The application of AASB 2009-12 makes amendments to AASB 8 'Operating Segments' as a result of the issuance of AASB 124 'Related Party Disclosures' (2009). The amendment to AASB 8 requires an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. The Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2009-12 has not had any material effect on amounts reported in the Group's consolidated financial statements.
AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations. The application of AASB 2010-5 has not had any material effect on amounts reported in the Group's consolidated financial statements.

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014

NOTE 1: Statement of Significant Accounting Policies (continued)

(t) New Accounting Standards and Interpretations (continued)

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued. Management has not yet assessed the impact of these standards and interpretations.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)	1 January 2014	30 June 2015
Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)	1 January 2013	30 June 2014
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015	30 June 2016

NOTE 1: Statement of Significant Accounting Policies (continued)

(u). Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred to the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with AASB 2 'Share-based Payments' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another Standard.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with AASB 139 'Financial Instruments', or AASB 137 'Provisions, Contingent Liabilities and Contingent Assets', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

NOTE 2: Revenue

Consolidated	2011 / 2012 ($000)	2010 / 2011 ($000)
Operating Activities		
Sale of goods – other parties	110,473	95,580
Total revenue	110,473	95,580

NOTE 3: Profit

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

Consolidated	2011 / 2012 ($000)	2010 / 2011 ($000)	
	Continuing	Continuing	Discontinued
Other Income			
Government grant income	-	102	-
Other revenue	173	38	-
Total other income	173	140	-
Changes in inventories of finished goods and work in progress and raw materials and consumables used	44,219	38,792	-
Employee benefits	21,225	18,500	-
Net Finance Costs			
Finance income – other parties	(7)	(105)	-
Finance expense – other parties	973	964	-
Net finance costs	966	859	-
Depreciation of Non Current Assets			
Buildings	233	303	-
Leasehold improvements	65	33	-
Plant and equipment	4,733	4,983	233
Motor vehicles	50	27	-
Office equipment	197	266	-
Amortisation of Non Current Assets			
Leased motor vehicles	42	32	-
Patents and trademarks	73	60	-
Application software	160	234	-
Total depreciation and amortisation	5,553	5,938	-
Increase / (decrease) in provision for obsolete inventory	(169)	75	-
Bad and Doubtful Debts			
Bad debts written off – trade debtors	42	38	-
Movement in provisions for doubtful debts – trade debtors	(47)	2	-
Net foreign exchange losses	48	166	-
Net Loss on Disposal of Non Current Assets			
Plant and equipment	92	463	-
Motor vehicles	37	13	-
Office equipment	9	1	-
Total net loss on disposal	138	477	472
Operating lease rental expense	1,962	1,951	-
Share based payment (benefit) / expense	114	457	-

Consolidated	2011 / 2012 ($)	2010 / 2011 ($)
The auditor of the parent entity is Deloitte Touche Tohmatsu (2011 : Pitcher Partners)		
Remuneration of the Auditors of the Parent Entity For		
Auditing the financial report	175,000	211,000
Taxation services	-	24,000
Assurance services regarding acquisition	-	37,000
Government grant review	-	2,000
Total remuneration of the auditors of the parent entity	175,000	274,000
The auditors of the overseas controlled entities are overseas affiliates of Deloitte Touche Tohmatsu (2011 : Other unrelated auditors)		
Remuneration of Other Auditors of Controlled Entities For		
Auditing the financial report	50,000	112,000
Taxation services	-	13,000
Capital registration review	-	2,000
Total remuneration of other auditors	50,000	127,000
Total remuneration of auditors	225,000	401,000

NOTE 4: Income Tax

(a). The Components of Tax Expense

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Current tax	3,104	944
Deferred tax	(127)	668
Total income tax expense	2,977	1,612
Disclosed in the financial statements as		
Income tax expense from continuing operations	2,977	1,961
Income tax (benefit) / expense from discontinued operations	-	(349)
Total	2,977	1,612

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

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Prima facie tax payable on profit before income tax at 30%	3,435	2,615
Add tax effect of:		
Tax rate differentials in foreign countries	(501)	(445)
Tax losses not recognised	-	110
Previously unrecognised tax losses utilised	-	(359)
Exempt income	-	(77)
Tax credits	-	(11)
Other non allowable / (non assessable) items	43	126
Total	2,977	1,959
Less tax effect of:		
Over provision for income tax in the prior year	-	2
Income tax expense attributed to profit from continuing operations	2,977	1,961
Add income tax (benefit) / expense from discontinued operations	-	(349)
Total income tax expense	2,977	1,612

(c). Income Tax Recognised Directly in Equity

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

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Deferred Tax		
Cash flow hedges	293	(362)
Total	293	(362)

NOTE 4: Income Tax (continued)

(d). Current Tax

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Current tax asset	-	72
Current tax liability	(1,561)	(1,688)
Total	(1,561)	(1,616)

(e). Movement in Net Carrying Amount

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

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Balance at the beginning of the year	(1,616)	(1,355)
Current year tax expense	(3,104)	(944)
Income tax payments / (refunds)	3,186	1,222
Acquired business	-	(541)
Net foreign currency movements arising from foreign operations	(27)	2
Carrying amount at the end of the year	(1,561)	(1,616)

(f). Deferred Tax

	Consolidated			
	Opening Balance ($000)	Recognised in Profit or Loss ($000)	Recognised Directly in Equity ($000)	Closing Balance ($000)
Deferred Tax Assets / (Liabilities) Arise from the Following				
Property, plant and equipment	127	(186)	-	(59)
Foreign exchange	(5,135)	(95)	293	(4,937)
Doubtful debts	5	7	-	12
Other financial liabilities	107	54	-	161
Provisions	254	(27)	-	227
Employee benefits	390	33	-	423
Capitalised costs	(253)	(251)	-	(504)
Equity raising costs	135	(68)	-	67
Other	137	58	-	195
Net deferred tax liability	(4,233)	(475)	293	(4,415)
Represented By				
Deferred tax asset[1]	418			235
Deferred tax liability[1]	(4,651)			(4,650)
Total	(4,233)			(4,415)

[1] The deferred tax balances do not offset as they relate to different tax jurisdictions

NOTE 4: Income Tax (continued)

(g). Unrecognised Deferred Tax Assets

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

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Tax losses – income	1,615	1,794
Tax losses – capital	33,403	33,403
Total	35,018	35,197

NOTE 5: Operating Segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Chief Executive Officer in assessing performance and determining the allocation of resources.

The Group's four operating segments are identified by geographic location and identity of the service line manager. Discrete financial information about each of these segments is reported on a monthly basis.

Revenue, result, depreciation and amortisation, significant items, assets and liabilities for the Group's four operating segments plus discontinued operations are set out in the tables below.

Australasia

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

China & Rest of the World Export Sales

Manufacturing facilities are located in Beilun, China which supply to the Group's sales and marketing operations throughout the world.

Americas

Sales offices are located in Florida and custom blind assembly and distribution facilities are located in California which service the North American region.

Middle East

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

Business Segment

The Group operates predominantly in one business segment, being the branded shading, screening and home improvement products. The Group manufactures, sources and markets advanced durable knitted and woven polymer fabrics and value added structures made from these fabrics.

NOTE 5: Operating Segments (continued)

Segment Information Reporting – Geographical Segments

30 June 2012	Australasia ($000)	China & ROW Export Sales ($000)	Americas ($000)	Middle East ($000)	Unallocated / Elimination ($000)	Total Continuing Operations ($000)	Discontinued Operations ($000)	Total Group ($000)
Revenue outside the economic entity	70,982	10,430	21,189	7,872	-	110,473	-	110,473
Inter segment revenue	1,708	23,043	(128)	33	(24,656)	-	-	-
Total revenue	72,690	33,473	21,061	7,905	(24,656)	110,473	-	110,473
Segment EBITDA	7,810	7,162	1,624	1.568	(191)	17,973	-	17,973
Depreciation and amortisation	(1,039)	(4,230)	(281)	(3)	-	(5,553)	-	(5,553)
Segment EBIT	6,771	2,932	1,343	1,565	(191)	12,420	-	12,420
Net finance expense						(966)	-	(966)
Profit before income tax						11,454	-	11,454
Income tax expense						(2,977)	-	(2,977)
Profit for the year						8,477	-	8,477
Segment assets	40,694	38,784	14,968	4,489	(849)	98,086	-	98,086
Segment liabilities	18,439	3,198	2,054	336	(118)	23,909	-	23,909

30 June 2011	Australasia ($000)	China & ROW Export Sales ($000)	Americas ($000)	Middle East ($000)	Unallocated / Elimination ($000)	Total Continuing Operations ($000)	Discontinued Operations ($000)	Total Group ($000)
Revenue outside the economic entity	64,350	5,117	19,605	6,508	-	95,580	-	95,580
Inter segment revenue	798	22,660	(130)	169	(23,497)	-	-	-
Total revenue	68,347	24,578	19,475	6,677	(23,497)	95,580	-	95,580
Segment EBITDA	8,353	5,782	501	1,337	(115)	15,858	(106)	15,752
Depreciation and amortisation	(1,380)	(4,255)	(295)	(8)	-	(5,938)	(233)	(6,171)
Segment EBIT	6,973	1,527	206	1,329	(115)	9,920	(339)	9,581
Net finance expense						(859)	-	(859)
Profit before income tax						9,061	(339)	8,722
Income tax expense						(1,961)	349	(1,612)
Profit for the year						7,100	10	7,110
Segment assets	46,472	39,079	11,908	3,620	(660)	100,419	11	100,430
Segment liabilities	24,459	6,001	1,789	294	(72)	32,471	-	32,471

Notes:

(a). All inter segment pricing is on a commercial basis.

(b). Australasia result excludes finance costs, interest revenue and income tax expense.

(c). Australasia includes foreign exchange hedge and Australian Corporate costs.

(d). Revenue from one customer in the Australasia region represents $39,545,000 (2011 : $28,961,000) of the Group's total revenues.

NOTE 6: Cash And Cash Equivalents

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Cash on hand	15	20
Cash at bank	2,662	9,068
Cash on deposit	444	508
Total	3,121	9,596

NOTE 7: Trade And Other Receivables

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Current		
Trade debtors	17,238	13,623
Less provision for doubtful debts	(403)	(324)
Total	16,835	13,299
Other receivables	157	672
Total	16,992	13,971
Movement in the provision for doubtful debts were:		
Balance at the beginning of the year	(324)	(282)
Charge for the year	(101)	(37)
Amounts written off	30	35
Acquired businesses	-	(87)
Net foreign currency movements arising from foreign operations	(8)	47
Balance at the end of the year	(403)	(324)

Trade Receivables

The average credit period on sales of goods varies by geographic region and market from 0 to 90 days. No interest is charged on trade receivables.

Before accepting any new customer, the Group uses internal resources and criteria to assess the potential customer's credit quality and defines credit limits by customer.

NOTE 8: Inventories

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Current		
Raw materials at cost	4,997	2,723
Work in progress at cost	1,928	1,844
Finished goods at cost	17,707	17,555
Less provision for obsolescence – finished goods	(94)	(295)
Total	24,538	21,827

NOTE 9: Other Financial Assets

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Current		
Foreign currency forward contracts	127	-
Total	127	-

NOTE 10: Other Assets

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Current		
Prepayments	661	638
Total	661	638

NOTE 11: Property, Plant And Equipment

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Buildings		
At cost	8,172	8,019
Less accumulated depreciation	(964)	(1,181)
Total	7,208	6,838
Plant and Equipment		
At cost	60,552	57,715
Less accumulated depreciation	(33,524)	(28,689)
Total	27,028	29,026
Leasehold Improvements		
At cost	457	474
Less accumulated depreciation	(367)	(327)
Total	90	147
Motor Vehicles		
At cost	462	149
Less accumulated depreciation	(302)	(110)
Total	160	39
Motor Vehicles Under Lease		
At cost	-	831
Less accumulated amortisation	-	(511)
Total	-	320
Office Equipment		
At cost	5,399	4,429
Less accumulated depreciation	(4,573)	(3,905)
Total	826	524
Capital Work in Progress	56	11
Total property, plant and equipment	35,368	36,905

NOTE 11: Property, Plant And Equipment (continued)

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Movements in Carrying Amounts		
Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the year.		
Buildings		
Balance at the beginning of the year	6,838	8,512
Reclassifications	-	-
Additions	-	-
Disposals	-	(3)
Depreciation expense	(233)	(303)
Net foreign currency movements arising from foreign operations	603	(1,368)
Carrying amount at the end of the year	7,208	6,838
Plant and Equipment		
Balance at the beginning of the year	29,026	40,001
Reclassifications	(82)	-
Additions / (transfers)	819	475
Disposals	(189)	(686)
Acquisitions through business combinations	-	39
Depreciation expense	(4,731)	(5,216)
Net foreign currency movements arising from foreign operations	2,185	(5,587)
Carrying amount at the end of the year	27,028	29,026
Leasehold Improvements		
Balance at the beginning of the year	147	129
Reclassifications	-	-
Additions / (transfers)	8	33
Disposals	-	(1)
Acquisitions through business combinations	-	20
Depreciation expense	(65)	(33)
Net foreign currency movements arising from foreign operations	-	(1)
Carrying amount at the end of the year	90	147
Motor Vehicles		
Balance at the beginning of the year	39	89
Reclassifications	51	-
Additions / (transfers)	186	-
Disposals	(68)	(9)
Depreciation expense	(50)	(27)
Net foreign currency movements arising from foreign operations	2	(14)
Carrying amount at the end of the year	160	39
Motor Vehicles Under Lease		
Balance at the beginning of the year	320	103
Reclassifications	(16)	-
Additions / (transfers)	(154)	-
Disposals	(108)	(27)
Acquisitions through business combinations	-	276
Amortisation expense	(42)	(32)
Carrying amount at the end of the year	-	320
Office Equipment		
Balance at the beginning of the year	524	555
Reclassifications	47	-
Additions / (transfers)	468	240
Disposals	(29)	(1)
Acquisitions through business combinations	-	35
Depreciation expense	(199)	(266)
Net foreign currency movements arising from foreign operations	15	(39)
Carrying amount at the end of the year	826	524

NOTE 12: Intangible Assets

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Goodwill at cost	17,721	17,507
Less accumulated impairment	(1,054)	(1,054)
Total	16,667	16,453
Patents, trademarks and licenses at cost	1.362	1,295
Less accumulated amortisation	(1,011)	(930)
Total	351	365
Application software at cost	1,315	1,298
Less accumulated amortisation	(1,289)	(1,113)
Total	26	185
Research and development	4,865	4,865
Less accumulated amortisation	(4,865)	(4,865)
Total	-	-
Total intangible assets	17,044	17,003

Movements in Carrying Amounts		
Movement in the carrying amounts for each class of intangible assets between the beginning and the end of the year		
Goodwill		
Balance at the beginning of the year	16,453	5,829
Acquisition through business combinations	90	11,112
Net foreign currency movements arising from foreign operations	124	(488)
Carrying amount at the end of the year	16,667	16,453
Patents, Trademarks and Licences		
Balance at the beginning of the year	365	397
Additions / (transfers)	57	35
Acquisitions through business combinations	-	4
Amortisation expense	(73)	(60)
Net foreign currency movements arising from foreign operations	2	(11)
Carrying amount at the end of the year	351	365
Application Software		
Balance at the beginning of the year	185	423
Amortisation expense	(160)	(234)
Net foreign currency movements arising from foreign operations	1	(4)
Carrying amount at the end of the year	26	185

Goodwill

The recoverable amount of the cash generating units (CGU) have been determined based on a value in use calculation using the financial budget for the 2012 / 2013 reporting period as approved by the Board of Directors and revenue growth for the further four year period within the range of 3% to 5% depending on the demographic, economic, trading conditions and growth potential, of the CGU. The discount rate applied to the cash flow projections is 9.74% (2011 : 11.42%) being the Group's post tax weighted average cost of capital.

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

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Australia	14,275	14,185
USA – (2011 / 2012 US$2,077,000: 2010 / 2011 US$2,077,000)	2,045	1,921
China	347	347
Total	16,667	16,453

NOTE 12: Intangible Assets (continued)

Key Assumptions Used in Value in Use Calculations

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

Assumptions Applicable To Five Year Cash Flow Forecast For Each Cash Generating Unit	2011 / 2012	2010 / 2011
Year one cash flows based on	2013 Budget	2012 Budget
Years two to five	3% to 5%	3% to 8%

The five year cash flow projections are based on the 2013 year budget (2011: based on 2012 budget) and an ongoing growth rate of 3% to 5% which is considered reasonable in light of past performance and future operating plans and business strategies.

Sensitivity Analysis

Any reasonable change in the key assumptions of the value in use calculations would not result in an impairment.

NOTE 13: Trade And Other Payables

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Current		
Trade payables	5,885	4,364
Sundry payables and accruals	2,249	3,094
Total	8,134	7,458

NOTE 14: Borrowings

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Current		
Secured liabilities:[1]		
Bank overdrafts	-	205
Bank loans	425	4,574
Commercial bills	6,800	10,000
Finance lease liability	-	166
Total	7,225	14,945
Unsecured liabilities:		
Bank loans	-	232
Total	-	232
Non Current		
Secured liabilities:[1]		
Finance lease liability	-	155
Total	-	155
Total	7,225	15,332
Disclosed in the Financial Statements As		
Current borrowings	7,225	15,177
Non current borrowings	-	155

[1] Secured by general security interests over certain assets of the Group.

NOTE 15: Other Financial Liabilities

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Derivatives Carried at Fair Value		
Current		
Foreign currency forward contracts	-	1,063
Total	-	1,063
Disclosed in the Financial Statements As		
Current other financial liabilities	-	1,063

NOTE 16: Provisions

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Current		
Employee benefits	1,648	1,541
Restructuring and termination costs	501	353
Warranty claims	108	331
Non Current		
Employee benefits	82	54
Total	2,339	2,279
Disclosed in the Financial Statements As		
Current provisions	2,257	2,225
Non current provisions	82	54
(a) Aggregate employee benefits liability	1,730	1,595
Movements in Carrying Amounts		
Movement in the carrying amounts for the following classes of provision between the beginning and the end of the year		
Restructuring and Termination Costs [1]		
Balance at the beginning of the year	353	445
Provisions recognised	141	43
Payments made	-	(60)
Reductions resulting from re-measurement	-	(110)
Net foreign currency movements arising from foreign operations	7	35
Carrying amount at the end of the year	501	353
Discontinued operations closure		
Balance at the beginning of the year	-	553
Provisions recognised	-	-
Reductions resulting from re measurement	-	(553)
Carrying amount at the end of the year	-	-
Warranty claims		
Balance at the beginning of the year	331	58
Provisions recognised	30	631
Provisions written back	(253)	-
Payments made	-	(358)
Carrying amount at the end of the year	108	331

[1] The provision for restructuring and termination costs represents the Directors' best estimate of the remaining costs to be incurred by the New Zealand operation for the closure of its manufacturing facility. The restructuring is expected to be completed by January 2014 when the lease expires.

NOTE 17: Contributed Equity

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Paid Up Capital		
Fully paid ordinary shares	70,988	107,086

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

	Consolidated		Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)	2011 / 2012 (No. of Shares)	2010 / 2011 (No. of Shares)
Movement In Share Capital				
Shares issued at the beginning of the financial year	107,086	105,586	287,191,658	279,691,658
Shares issued during the year	681	1,500	8,250,000	7,500,000
Share capital reduction	(36,779)	-		
Total	70,988	107,086	295,441,658	287,191,658

(a). Movement in Share Capital

On 30 June 2012 the Company issued 8,250,000 ordinary shares under the terms of the Performance Rights Plan.

On 23 August 2011 in accordance with s258F of the *Corporations Act 2001*, the Company reduced its share capital by $36.779 million by cancelling share capital that was lost or not represented by available assets.

On 1 June 2011 the Company issued 7,500,000 ordinary shares at 20 cents per share as part of the purchase consideration for the acquisition of Zone Hardware Pty Ltd and Riva Window Fashions Pty Ltd.

(b). Rights of Each Type of Share

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At shareholders meetings each ordinary share is entitled to one vote when a poll is called.

(c). Capital Management

When managing capital, management's objective is to ensure the consolidated entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. This is achieved through monitoring of historical and forecast performance and cashflows.

During the year the Company paid dividends of $6,892,600 (2011 : $8,390,750)

(d). Share Based Payments

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

- Improvement in earnings per share; and
- Improvement in return to shareholders.

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

The number of unissued ordinary shares under the performance rights scheme at the reporting date is 735,000. Each performance right entitles the holder one (1) ordinary share in Gale Pacific Limited when exercised and is subject to the satisfying of relevant performance hurdles based on improvements in the Company's diluted earnings per share.

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

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

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

NOTE 17: Contributed Equity (continued)

Performance Rights

Grant Date	Expiry Date	Exercise Price	Balance Start of Year No.	Granted During Year No.	Exercised During Year No.	Lapsed During Year No.	Balance End of Year No.	Exercisable End of Year No.
Consolidated and Parent Entity - 2012								
30 Jun 2009	30 Jun 2019	Nil	8,000,000	-	(6,000,000)	(2,000,000)	-	-
1 Dec 2009	30 Jun 2019	Nil	3,000,000	-	(2,250,000)	(750,000)	-	-
18 Aug 2010	30 Jun 2020	Nil	2,940,000	-	-	(2,205,000)	735,000	-
Total			13,940,000	-	(8,250,000)	(4,955,000)	735,000	-
Consolidated and Parent Entity - 2011								
30 Jun 2009	30 Jun 2019	Nil	8,000,000	-	-	-	8,000,000	-
1 Dec 2009	30 Jun 2019	Nil	3,000,000	-	-		3,000,000	-
18 Aug 2010	30 Jun 2020	Nil	-	2,940,000	-	-	2,940,000	-
Total			11,000,000	2,940,000	-	-	13,940,000	-

	Grant Date 18 August 2010	Grant Date 1 December 2009	Grant Date 30 June 2009
Performance Rights Valuation Assumptions			
Grant date share price	$0.20	$0.14	$0.061
Exercise price	Nil	Nil	Nil
Expected Life			
Tranche 1	2.9 years	2.6 years	3 years
Tranche 2	2.9 years	2.6 years	3 years
Dividend yield	0.0%	0.0%	0.0%

The market price of shares on the grant date has been used as the fair value.

NOTE 18: Reserves

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Foreign currency translation reserve	(17,277)	(21,142)
Share based payments reserve	633	1,200
Hedging reserve	89	(565)
Enterprise reserve fund	963	963
Total	(15,592)	(19,544)

(a). Foreign Currency Translation Reserve

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Balance at the beginning of the year	(21,142)	(9,736)
Translation of foreign controlled entities for the year	4,639	(14,405)
Movement arising from the reclassification of non current related party monetary items to net investments in foreign operations	(774)	2,999
Balance at the end of the year	(17,277)	(21,142)

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

(b). Employee Share Based Payments Reserve

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Balance at the beginning of the year	1,200	743
Share based expense	114	457
Transfer to share capital	(681)	-
Balance at the end of the year	633	1,200

(c). Hedging Reserve

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Balance at the beginning of the year	(565)	242
Forward exchange contracts	947	(1,169)
Income tax related to cash flow hedges recognised	(293)	362
Balance at the end of the year	89	(565)

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

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

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Balance at the beginning of the year	963	852
Statutory transfers from retained earnings	-	111
Balance at the end of the year	963	963

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

NOTE 19: Retained Earnings

	Note	Consolidated 2011 / 2012 ($000)	Consolidated 2010 / 2011 ($000)
Balance at the beginning of the year		(19,583)	(18,191)
Net profit attributable to members of the parent entity		8,477	7,110
Dividends paid		(6,892)	(8,391)
Transfers to reserves		-	(111)
Share capital reduction	17(a)	36,779	-
Balance at the end of the year		18,781	(19,583)

NOTE 20: Dividends

The following dividends were paid during the year.

Fully Paid Ordinary Shares	Consolidated 2011 / 2012 Cents Per Share	Consolidated 2011 / 2012 ($000)
Final Dividend		
Fully franked at a 30% tax rate (date of payment 3 October 2011)	1.2	3,446
Interim Dividend		
Fully franked at a 30% tax rate (date of payment 26 March 2012)	1.2	3,446
Total	2.4	6,892

On 24 August 2012, the Directors declared a fully franked dividend of 1.25 cents per share to the holders of fully paid ordinary shares in respect of the year ended 30 June 2012, to be paid to shareholders on 3 October 2012. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $3.693 million.

Fully Paid Ordinary Shares	Consolidated 2010 / 2011 Cents Per Share	Consolidated 2010 / 2011 ($000)
Final Dividend		
Fully franked at a 30% tax rate (date of payment 22 October 2010)	1.0	2,797
Special Dividend		
Fully franked at a 30% tax rate (date of payment 22 October 2010)	1.0	2,797
Interim Dividend		
Fully franked at a 30% tax rate (date of payment 25 March 2011)	1.0	2,797
Total	3.0	8,391

Dividend Franking Account	Consolidated 2011 / 2012 ($000)	Consolidated 2010 / 2011 ($000)
Balance of franking account on a tax paid basis at financial year end adjusted for franking credits arising from payment of provision for income tax and franking debits arising from payment of the declared final dividend on 3 October 2012.	19	445

NOTE 21: Earnings Per Share

	Consolidated	
	2011 / 2012 (Cents Per Share)	2010 / 2011 (Cents Per Share)
Basic Earnings Per Share		
From continuing operations	2.95	2.54
From discontinued operations	-	-
Total basic earnings per share	2.95	2.54
Diluted Earnings Per Share		
From continuing operations	2.86	2.42
From discontinued operations	-	-
Total diluted earnings per share	2.86	2.42

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Earnings Per Share		
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:		
Profit for the year	8,477	7,110
Earnings Used in the Calculation of Basic EPS		
Adjustments to exclude profit for the period from discontinued operations	-	(10)
Earnings used in the calculation of basic and diluted EPS from continuing operations	8,477	7,100

	Consolidated	
	2011 / 2012 (000)	2010 / 2011 (000)
Weighted average number of ordinary shares for the purposes of basic earnings per share	287,192	280,288
Weighted average number of shares deemed to be issued for no consideration in respect of:		
Performance rights	8,985	13,545
Weighted average number of ordinary shares for the purposes of diluted earnings per share	296,177	293,833

NOTE 22: Capital and Leasing Commitments

(a). Finance Leasing Commitments

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Payable		
Not longer than one year	-	259
Longer than one year and not longer than five years	-	109
Minimum future lease payments [1]	-	368
Less future finance charges	-	(47)
Present value of minimum lease payments	-	321
Disclosed in the Financial Statements As		
Current borrowings	-	166
Non current borrowings	-	155
Total	-	321

(b). Operating Lease Commitments

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Non cancellable operating leases contracted for but not capitalised in the accounts		
Payable		
Not longer than one year	2,138	1,726
Longer than one year and not longer than five years	1,696	902
Total	3,834	2,628

The above lease commitments relate to property leases. The Company has no rights to purchase the properties at the end of the lease term.

(c). Capital Expenditure Commitments

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Payable		
Not longer than one year	-	39
Total	-	39

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

NOTE 23: Cash Flow Information

(a). Reconciliation of Cash

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($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	15	20
Cash at bank	2,662	9,068
Cash on deposit	444	508
Bank overdrafts	-	(205)
Total	3,121	9,391

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

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Profit after income tax	8,477	7,110
Non Cash Flows in Profit		
Loss on disposal of fixed assets	138	476
Depreciation of fixed assets	5,320	5,877
Amortisation / impairment of intangible assets	233	294
Equity settled share based payments	114	457
Gain / (loss) on the foreign exchange forward contracts	654	(807)
Changes in Assets and Liabilities		
(Increase) / decrease in receivables	(2,045)	(121)
(Increase) / decrease in inventories	(2,119)	(1,559)
(Increase) / decrease in other assets	(4)	182
Decrease in payables, accruals and other financial liabilities	(1,396)	(523)
Increase in tax balances	123	518
Foreign exchange / other non operation movements backed out of assets and liabilities	(39)	(486)
Net cash provided by operating activities	9,456	11,418

NOTE 23: Cash Flow Information (continued)

(c). Discontinued Operations

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

Financial information relating to discontinuing operations for the period 30 June 2012 is set out below. Further information is set out in Note 5 Segment Information.

	Consolidated	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Profit From Discontinued Operations		
Expenses	-	(339)
Loss before income tax	-	(339)
Income tax benefit	-	349
Profit after income tax from discontinued operations	-	10
Cash Flows From Discontinued Operations		
Net cash inflow / (outflow) from operating activities	-	(59)
Net cash outflow from investing activities	-	-
Net cash outflow from financing activities	(10)	-
Effect of exchange rate changes on items nominated in foreign currencies	(1)	(4)
Net decrease in cash from discontinued operations	(11)	(63)

NOTE 24: Directors’ and Executives’ Compensation

Details of Directors and Key Executives remuneration is disclosed in the Remuneration Report.

Directors’ and Executives’ Compensation by Category

	Consolidated	
	2011 / 2012 ($)	2010 / 2011 ($)
Short term employment benefits	2,138,983	2,031,900
Post employment benefits	138,919	115,668
Share based payments	88,991	384,415
Termination benefits	-	-
Total	2,366,893	2,531,983

Directors’ and Executives’ Equity Holdings:
Fully Paid Ordinary Shares

2011 / 2012	Balance 30 June 2011 No.	Granted as Compensation No.	Received on Exercise of Options No.	Other Movements No.	Balance 30 June 2012 No.
Executive Directors					
P McDonald	978,105	-	2,250,000	-	3,228,105
Non Executive Directors					
D Allman	-	-	-	-	-
J Murphy	-	-	-	1,000,000	1,000,000
G Richards	491,899	-	-	-	491,899
Executives					
J Cox	500,000	-	1,500,000	-	2,000,000
S McPherson	-	-	1,500,000	-	1,500,000
M Denney	-	-	1,500,000	-	1,500,000
B Wang	-	-	1,500,000	-	1,500,000
Total	1,970,004	-	8,250,000	1,000,000	11,220,004

2010 / 2011	Balance 30 June 2010 No.	Granted as Compensation No.	Received on Exercise of Options No.	Other Movements No.	Balance 30 June 2011 No.
Executive Directors					
P McDonald	978,105	-	-	-	978,105
Non Executive Directors					
D Allman	-	-	-	-	-
J Murphy	-	-	-	-	-
G Richards	491,899	-	-	-	491,899
Executives					
J Cox	500,000	-	-	-	500,000
Total	1,970,004	-	-	-	1,970,004

NOTE 24: Directors' and Executives' Compensation (continued)

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

					Terms and Conditions for Each Grant			
2011 / 2012	Vested Number	Granted Number	Grant Date	Value Per Option / Right at Grant Date	Exercise Price	Expiry Date	First Exercise Date	Last Exercise Date
Executive Directors (Performance Rights)								
P McDonald	2,250,000				Nil			
Non Executive Directors								
None								
Executives (Performance Rights)								
J Cox	1,500,000				Nil			
S McPherson	1,500,000				Nil			
M Denney	1,500,000				Nil			
B Wang	1,500,000				Nil			
Other Management Personnel (Performance Rights)								
None								
Total	8,250,000				Nil			

The performance rights disclosed above are subject to a continuation of employment to 30 June 2013 and hurdles based on improvements in the Group's diluted earnings per share over the two year period 1 July 2010 to 30 June 2012.

					Terms and Conditions for Each Grant			
2010 / 2011	Vested Number	Granted Number	Grant Date	Value Per Option / Right at Grant Date	Exercise Price	Expiry Date	First Exercise Date	Last Exercise Date
Executive Directors (Performance Rights)								
None								
Non Executive Directors								
None								
Executives (Performance Rights)								
A Scott	-	980,000	18/10/2010	$0.20	Nil	30/06/2020	30/06/2013	30/06/2020
Other Management Personnel (Performance Rights)								
Other Management	-	1,960,000	18/10/2010	$0.20	Nil	30/06/2020	30/06/2013	30/06/2020
Total		2,940,000						

The performance rights disclosed above are subject to a continuation of employment to 30 June 2013 and hurdles based on improvements in the Group's diluted earnings per share over the two year period 1 July 2010 to 30 June 2012.

NOTE 24: Directors' and Executives' Compensation (continued)

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

2011 / 2012	Balance 1 July 2011 No.	Granted as Compensation No.	Exercised No.	Lapsed No.	Net Other Change No.	Balance 30 June 2012 No.	Balance Held Nominally No.	Value of Lapsed Options/Rights $
Executive Directors (Performance Rights)								
P McDonald	3,000,000		(2,250,000)	(750,000)	-	-	-	(105,000)
Non Executive Directors								
None								
Executives (Performance Rights)								
J Cox	2,000,000		(1,500,000)	(500,000)	-	-	-	(30,500)
M Denney	2,000,000		(1,500,000)	(500,000)	-	-	-	(30,500)
S McPherson	2,000,000		(1,500,000)	(500,000)	-	-	-	(30,500)
B Wang	2,000,000		(1,500,000)	(500,000)	-	-	-	(30,500)
A Scott	980,000		-	(735,000)	-	245,000	-	(147,000)
Other Management Personnel (Performance Rights)								
Other Management	1,960,000		-	(1,470,000	-	490,000	-	(294,000)
Total	13,940,000		(8,250,000)	(4,955,000)	-	735,000	-	(668,000)

2010 / 2011	Balance 1 July 2010 No.	Granted as Compensation No.	Exercised No.	Lapsed No.	Net Other Change No.	Balance 30 June 2011 No.	Balance Held Nominally No.	Value of Lapsed Options/Rights $
Executive Directors (Performance Rights)								
P McDonald	3,000,000	-	-	-	-	3,000,000	-	-
Non Executive Directors								
None								
Executives (Performance Rights)								
J Cox	2,000,000	-	-	-	-	2,000,000	-	-
M Denney	2,000,000	-	-	-	-	2,000,000	-	-
S McPherson	2,000,000	-	-	-	-	2,000,000	-	-
B Wang	2,000,000	-	-	-	-	2,000,000	-	-
A Scott	-	980,000	-	-	-	980,000	-	-
Other Management Personnel (Performance Rights)								
Other Management	-	1,960,000	-	-	-	1,960,000	-	-
Total	11,000,000	2,940,000	-	-	-	13,940,000	-	-

NOTE 25: Related Party Transactions

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 Group.

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

- Sale and purchase of goods totalling $25,219,000 (2011 : $24,655,000)
- Gale Pacific Limited received interest income from its subsidiaries totalling $558,000 (2011 : $521,000)
- Gale Pacific Limited made interest payments to its subsidiaries totalling $34,000 (2011 : $155,000)
- Reimbursement of certain operating costs totalling $261,000 (2011 : $288,000)

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	
	2011 / 2012 ($000)	2010 / 2011 ($000)
Current – Accrued bonus and Director fees	70	22

NOTE 26: Controlled Entities

	Country of Incorporation	Ownership Interest (%)	
		2011 / 2012	2010 / 2011
Parent Entity			
Gale Pacific Limited[1]	Australia	-	-
Controlled Entities			
Gale Europe GmbH Vertriebsgesellschaft (Liquidated 2011)	Germany	De-Registered	100%
Gale Pacific (New Zealand) Limited	New Zealand	100%	100%
Gale Pacific FZE	United Arab Emirates	100%	100%
Gale Pacific Special Textiles (Ningbo) Limited	China	100%	100%
Gale Pacific USA Inc	United States of America	100%	100%
Zone Hardware Pty Ltd [2,3]	Australia	100%	100%
Riva Window Fashions Pty Ltd [2,3]	Australia	100%	100%

[1] Gale Pacific Limited is the head entity within the tax consolidated group.

[2] These companies are members of the tax consolidated group.

[3] These wholly owned subsidiaries are small proprietary companies and are relieved from the requirement to prepare and lodge an audited financial report.

NOTE 27: Financial Instruments

Financial Risk Management

Overview

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

The Group's financial risk management processes and procedures seek to minimise the potential adverse effects on the Group's financial performance that may occur due to the unpredictability of financial markets. Risk management policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

Financial Instruments

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

Net Fair Values

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

(a). Credit Risk

Exposure to Credit Risk

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

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and derivative financial instruments.

To manage this risk, the Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. Transactions involving derivative financial instruments are with counterparties with sound credit ratings. Given their high credit ratings, the Group does not expect any counterparty to fail to meet its obligations.

The Group's most significant customer accounts for $1,933,000 of the trade receivables carrying balance at 30 June 2012 (2011 : $1,868,000). The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position. In respect to those financial assets and the credit risk embodied within them, the Group holds no significant collateral as security and there are no other significant credit enhancements in respect of these assets. The credit quality of all financial assets that are neither past due nor impaired is appropriate and is consistently monitored in order to identify any potential adverse changes in the credit quality.

		Consolidated	
	Note	As at 30 Jun 2012 ($000)	As at 30 Jun 2011 ($000)
The maximum exposure to credit risk at the reporting date was:			
Loans and receivables	7	16,992	13,971
Cash and cash equivalents	6	3,121	9,596
Tradeable foreign currency forward contracts	9	127	-
Total		20,240	23,567
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:			
Australasia		6,550	5,528
China		1,017	1,001
Americas		6,833	4,629
Middle East		2,435	2,141
Total		16,835	13,299
The ageing of trade receivables not impaired at the reporting date was:			
Not outside credit terms		12,989	9,591
Outside credit terms 0-30 days		3,025	2,268
Outside credit terms 31-120 days		723	1,018
Outside credit terms 121 days to one year		97	409
More than one year		1	13
Total		16,835	13,299
The ageing of impaired receivables at the reporting date was:			
Outside credit terms 31-120 days		12	94
Outside credit terms 121 days to one year		153	113
More than one year		238	117
Total		403	324

NOTE 27: Financial Instruments (continued)

(b). Liquidity Risk

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

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

					Contractual Cash Flows Maturing In:		
Consolidated 30 June 2012	Note	Weighted Average Effective Interest Rate (%)	Carrying Amount ($000)	Contractual Cash Flows ($000)	Less Than 6 Months ($000)	6 To 12 Months ($000)	1 To 2 Years ($000)
Trade and Other Payables							
Trade payables	13		5,885	5,885	5,885	-	-
Sundry payables and accruals	13		2,249	2,249	2,249	-	-
Non Derivative Financial Liabilities							
Bank loans	14	5.48%	7,225	7,225	7,225		
Derivative Financial Liabilities							
Foreign currency forward exchange contracts used	15		-	-	-	-	-
Total			15,359	15,359	15,359	-	-

					Contractual Cash Flows Maturing In:		
Consolidated 30 June 2011	Note	Weighted Average Effective Interest Rate (%)	Carrying Amount ($000)	Contractual Cash Flows ($000)	Less Than 6 Months ($000)	6 To 12 Months ($000)	1 To 2 Years ($000)
Trade and Other Payables							
Trade payables	13		4,364	4,364	4,364	-	-
Sundry payables and accruals	13		3,094	3,094	2,344	750	-
Non Derivative Financial Liabilities							
Bank overdrafts	14	9.84%	205	205	205	-	-
Bank loans	14	6.95%	14,806	14,889	14,889	-	-
Finance lease liabilities	14	8.62%	321	368	130	129	109
Derivative Financial Liabilities							
Foreign currency forward exchange contracts used	15		1,063	1,063	983	80	-
Total			23,853	23,983	22,915	959	109

NOTE 27: Financial Instruments (continued)

(c). Market Risk

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

Foreign Exchange Contracts

The Group is exposed to currency risk on purchases and sales that are denominated in a currency other than the respective currencies of the group entities, primarily the United States dollar, the New Zealand dollar and the European Euro.

The Group's policy is to review its foreign currency exposures at least on a monthly basis and hedge an appropriate portion of its foreign currency exposures in respect of forecast purchases and sales over the following 12 months.

The Group enters into foreign exchange contracts to buy and sell specified amounts of foreign currency in the future at stipulated exchange rates. There was no cash flow hedge ineffectiveness during the reporting period.

The Group has adopted hedge accounting and classifies forward exchange contracts as cash flow hedges where these contracts are hedging highly probable forecasted transactions and they are timed to mature when the cash flow from the underlying transaction is scheduled to occur. Cash flows are expected to occur during the next financial year. Changes in fair value on forward exchange contracts designated as cash flow hedges are taken directly to equity.

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

The full amount of foreign currency the Group will be required to pay or purchase when settling the bought forward exchange contracts should the counterparty not pay the currency it is committed to deliver to the Group has been recognised in the Group's statement of financial position. At balance date the fair value (level 2) was $127,000 receivable (2011 : $1,063,000 payable).

The Company holds cash in foreign currency as an effective hedge against foreign currency intercompany loans.

The Company does not hedge net investments in foreign operations.

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

	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value	
	2011 / 2012	2010 / 2011	2011 / 2012 (FC000)	2010 / 2011 (FC000)	2011 / 2012 ($000)	2010 / 2011 ($000)	2011 / 2012 ($000)	2010 / 2011 ($000)
Foreign Exchange Contracts Designated as Cash Flow Hedges								
Buy United States dollars / sell Australian dollars								
Less than 6 months	0.9968	0.9700	13,200	12,300	13,243	12,664	120	(944)
6 – 12 months	0.9825	0.9788	1,300	3,300	1,323	3,306	7	(113)
Buy United States dollars / sell New Zealand dollars								
Less than 6 months	-	-	-	-	-	-	-	-
Buy European euro / sell Australian dollars								
Less than 6 months	-	0.7064	-	130	-	184	-	(6)
6 – 12 months	-	-	-	-	-	-	-	-
Total							127	(1,063)

Foreign Exchange Risk Sensitivity

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

The following table details the Group's sensitivity to a 10% (2011: 10%) increase or decrease in the Australian dollar against these currencies. This analysis includes only unhedged foreign currency denominated monetary items, including loans to foreign operations within the Group, as shown at the carrying value, and details the profit effect from each of these items of a 10% strengthening in the Australian dollar on the reporting date with all other variables held constant. For a weakening of the Australian dollar there would be an equal and opposite impact on profit to that shown on the following page.

NOTE 27: Financial Instruments (continued)

30 June 2012	CONSOLIDATED			
	Australian Dollar Carrying Value Australian Entities ($000)	Australian Dollar Carrying Value Foreign Entities ($000)	Profit / (Loss) AUD +10% ($000)	Equity AUD +10% ($000)
Financial Assets				
Cash and cash equivalents				
United States dollars	85	1,520	(9)	(152)
Chinese renminbi	-	327	-	(33)
New Zealand dollars	1	93	-	(9)
UAE dirham	-	136	-	(14)
Trade receivables				
United States dollars	-	10,518	-	(1,052)
Chinese renminbi	-	226	-	(23)
New Zealand dollars	-	209	-	(21)
Amounts receivable from related parties				
United States dollars	-	-	6	-
New Zealand dollars	-	-	7	-
Foreign currency forward contracts				
United States dollars	127	-	-	-
Financial Liabilities				
Trade payables				
United States dollars	8	429	1	43
Chinese renminbi	-	2,435	-	244
Euro	-	19	-	2
New Zealand dollars	-	77	-	8
UAE dirham	-	59	-	6
Borrowings				
United States dollars	140	-	14	-
Chinese renminbi	-	285	-	29
Profit or (loss) impact			19	(972)
Currency Asset / (Liability) Breakdown				
United States dollars	64	11,610	12	(1,161)
Chinese renminbi	-	(2,167)	-	217
Euro	-	(19)	-	2
New Zealand dollars	1	224	7	(22)
UAE dirham	-	77	-	(8)
Profit or (loss) impact			19	(972)

30 June 2011	CONSOLIDATED			
	Australian Dollar Carrying Value Australian Entities ($000)	Australian Dollar Carrying Value Foreign Entities ($000)	Profit / (Loss) AUD +10% ($000)	Equity AUD +10% ($000)
Financial Assets				
Cash and cash equivalents				
United States dollars	4,040	1,778	(404)	(178)
Chinese renminbi	-	375	-	(38)
Euro	56	11	(6)	(1)
New Zealand dollars	-	337	-	(34)
UAE dirham	-	53	-	(5)
Trade receivables				
United States dollars	-	7,641	-	(764)
Chinese renminbi	-	445	-	(44)
New Zealand dollars	-	434	-	(43)
Amounts receivable from related parties				
United States dollars	-	-	444	-
New Zealand dollars	-	-	(56)	-
Financial Liabilities				
Trade payables				
United States dollars	183	(20)	18	(2)
Chinese renminbi	-	1,630	-	163
Euro	84	44	8	4
New Zealand dollars	-	191	-	19
UAE dirham	-	70	-	7
Borrowings				
Chinese renminbi	-	4,806	-	481
Foreign currency forward contracts				
United States dollars	1,057	-	-	1,597
Euro	6	-	-	18
Profit or (loss) impact			4	1,180
Currency Asset / (Liability) Breakdown				
United States dollars	2,800	9,439	58	653
Chinese renminbi	-	(5,617)	-	562
Euro	(34)	(33)	2	21
New Zealand dollars	-	580	(56)	(58)
UAE dirham	-	(17)	-	2
Profit or (loss) impact			4	1,180

NOTE 27: Financial Instruments (continued)

Interest Rate Risk

The Group is exposed to interest rate risk as entities in the Group borrow and deposit funds at both fixed and variable interest rates. Effective weighted average interest rates on classes of financial liabilities are disclosed under liquidity risk. The Group does not have long term borrowings and does not use interest rate swaps to manage the risk of interest rate changes.

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

30 June 2012	Consolidated	
	Carrying Value ($000)	Profit / (Loss) +1% Movement ($000)
Financial Assets		
Cash and cash equivalents	3,121	31
Financial Liabilities		
Borrowings (all fixed rates instruments)	(7,225)	(72)
Total	4,104	(41)

30 June 2011	Consolidated	
	Carrying Value ($000)	Profit / (Loss) +1% Movement ($000)
Financial Assets		
Cash and cash equivalents	9,576	96
Financial Liabilities		
Borrowings (all fixed rates instruments)	(15,011)	(150)
Total	(5,435)	(54)

NOTE 28: Parent Entity Disclosures

	2011 / 2012 ($000)	2010 / 2011 ($000)
Results of the parent entity		
Profit for the year	3,651	7,348
Other comprehensive income	654	(815)
Total	4,305	6,533
Financial position of the parent entity at year end		
Current assets	15,659	21,732
Total assets	90,265	90,710
Current liabilities	(12,619)	(17,232)
Total liabilities	(12,247)	(16,495)
Net assets	78,018	74,215
Total equity of the parent entity comprising of:		
Contributed equity	70,988	107,086
Share based payments reserve	633	1,200
Hedging reserve	89	(565)
Retained earnings	6,308	(33,506)
Total equity	78,018	74,215
Parent Entity Commitments		
Operating leases	3,474	1,479
Capital expenditure	-	18
Total	3,474	1,497

NOTE 29: Business Combinations

(a). Summary Of Acquisition

On 1 June 2011 the parent entity acquired 100% of the issued share capital and units of Zone Hardware Pty Ltd and Riva Window Fashions Pty Ltd. Zone Hardware specialises in the marketing and distribution of branded home improvement products. Riva Window Fashions specialises in a diverse range of custom made window furnishings made specifically to the customer's measurements and specifications. The acquisitions gave the Group an expanded presence in the broader pre packaged and custom window shade markets, an expanded product offer and a wider customer base to grow the combined businesses.

Details of the purchase consideration, the net assets acquired and goodwill are as follows.

	2011 / 2012 ($000)	2010 / 2011 ($000)
Purchase consideration (refer to (b))		
Cash paid	11,344	11,344
Purchase adjustment	(454)	(544)
Shares issued	1,500	1,500
Deferred consideration	750	750
Total consideration	13,140	13,050
The assets and liabilities recognized as a result of the acquisition are as follows:		
Cash	194	194
Trade receivables	1,092	1,092
Inventories	2,353	2,353
Plant and equipment	370	370
Intangible assets	4	4
Trade payables	(1,183)	(1,183)
Lease liabilities	(331)	(331)
Provision for employee benefits	(75)	(75)
Provision for taxation	(486)	(486)
Total tangible net assets acquired	1,938	1,938
Add goodwill	11,202	11,112
Net assets acquired	13,140	13,050

The goodwill will not be deductable for tax purposes.

Shares Issued

7,500,000 shares were issued as part of the consideration. The issue price of $0.20 was based on the volume weighted average price of fully paid ordinary shares over the 30 trading days ending on 31 May 2011.

Deferred consideration

Additional consideration of $750,000 plus accrued interest at the rate of 6.5% was paid in cash on 1 June 2012.

Revenue and Profit Contribution

In 2011 the acquired businesses contributed revenue of $1,367,000 and net profit after tax of $64,098 to the Group for the period 1 June 2011 to 30 June 2011.

Had these business combinations been effected at 1 July 2010, consolidated revenue and net profit after tax for the year ended 30 June 2011 would have been $109,770,000 and $7,780,000 respectively. (The net profit after tax of $7,780,000 factors into account the estimated additional cost of debt that would have been incurred at a pre tax interest rate of 6.5%).

A purchase adjustment of $90,000 was made based on final agreed inventory valuation.

(b). Purchase Consideration – Cash Outflow

Acquisition Related Costs

Acquisition related costs of $88,814 were included in other expenses in profit and loss and in operating cash flows in the statement of cash flows.

NOTE 30: Subsequent Events

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

NOTE 31: Company Details

The registered office of the Company is:

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

ADDITIONAL SECURITIES EXCHANGE INFORMATION

NUMBER OF HOLDINGS OF EQUITY SECURITIES AS AT 8 AUGUST 2012

The fully paid issued capital of the Company consisted of 295,441,658 ordinary fully paid shares held by 879 shareholders. Each share entitles the holder to one vote.

3 holders have been granted 735,000 performance rights over ordinary shares. Performance rights do not carry a right to vote.

DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES

	Ordinary Fully Paid Shares		
Range	Total Holders	Units	% Issued Capital
1 – 1,000	122	38,831	0.01
1,001 – 5,000	219	639,375	0.22
5,001 – 10,000	131	1,034,075	0.35
10,001 – 100,000	299	11,038,687	3.74
100,001 – 999,999	108	282,690,690	95.68
1,000,000 and over	-	-	-
Rounding			-
Total	879	295,441,658	100.00

UNMARKETABLE PARCELS

Unmarketable Parcels as at 8 August 2012	Minimum Parcel Size	Holders	Units
Minimum $500 parcel at $0.28 per unit	1786	165	98,302

SUBSTANTIAL SHAREHOLDERS AS AT 8 AUGUST 2012

Shareholder	No.	%
Thorney Holdings Pty Ltd	79,702,646	26.98
Investec Wentworth Private Equity Ltd	75,309,874	25.49
Windhager Handels Gesmbh	41,925,781	14.19

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

Shareholder	No.	%
Thorney Holdings Pty Ltd	71,984,262	24.36
Windhager Handels Gesmbh	41,925,781	14.19
IWPE Nominees Pty Ltd <IWPE Fund 2 A/C>	28,365,369	9.60
IWPE Nominees Pty Ltd <MG Private Equity Fund A/C>	18,234,879	6.17
Guinness Mahon & Co Limited	14,182,685	4.80
Gale Australia Pty Ltd	13,927,844	4.71
MGB Equity Growth Pty Limited <MGB Equity Growth Fund 2 A/C>	10,130,490	3.43
JP Morgan Nominees Australia Limited <Cash Income A/C>	8,803,950	2.98
UBS Nominees Pty Ltd	7,718,384	2.61
Ruminator Pty Ltd	6,691,433	2.26
Clipper Island Pty Ltd <Smart Family A/C>	5,000,000	1.69
Investec Bank (Australia) Limited	4,396,451	1.49
Gernis Holdings Pty Limited	4,369,941	1.48
Mr Geoffrey Duncan Nash <GDN Super Fund A/C>	3,327,428	1.13
Haroldswick Corporation Pty Ltd <Robertson Family A/C>	2,500,000	0.85
GFS Securities Pty Ltd <Glenfare Super Fund A/C>	2,447,935	0.83
Mr Peter McDonald	2,371,801	0.80
Venn Milner Superannuation Pty Ltd	2,000,000	0.68
Atkone Pty Ltd	1,919,796	0.65
Jeffrey Cox	1,500,000	0.51
Top 20 Holders Of Ordinary Fully Paid Shares As At 08 August 2012	251,798,429	85.23
Total Remaining Holders Balance	43,643,229	14.77

OTHER INFORMATION

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

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