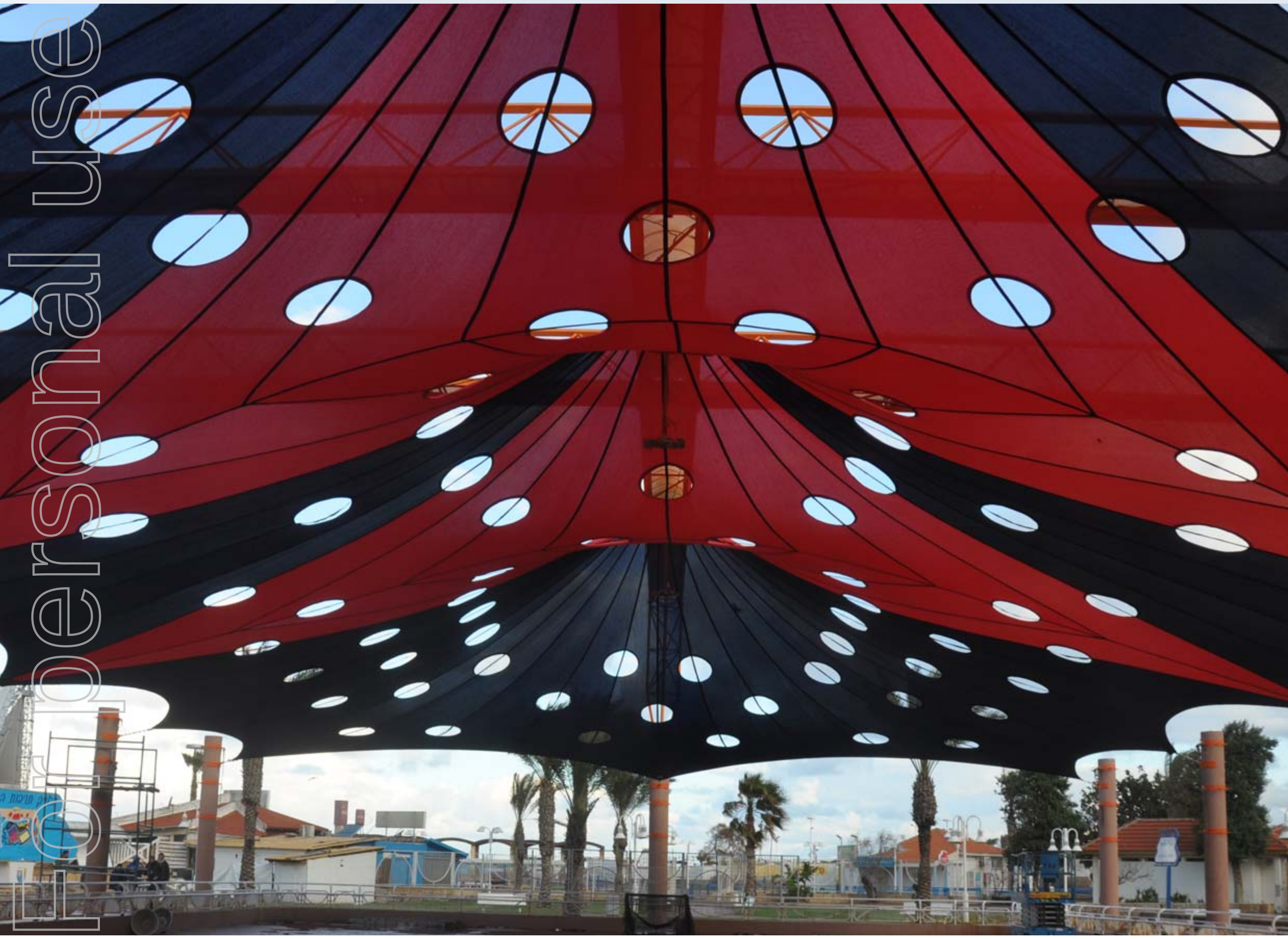
2013 Annual Report



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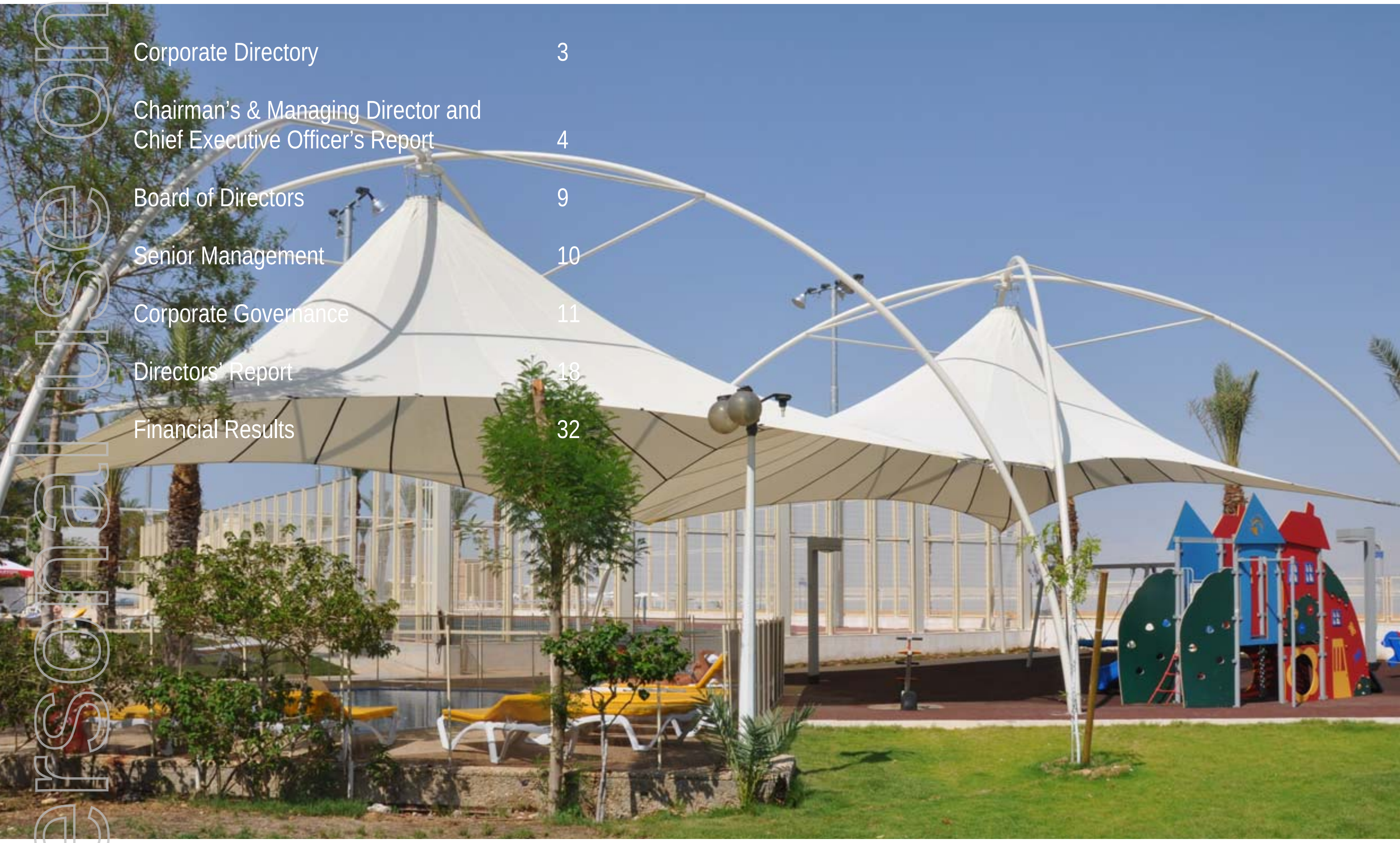


2013 ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Friday 18 October 2013.

The Notice of Meeting and Proxy Form are separate items accompanying this 2013 Annual Report.

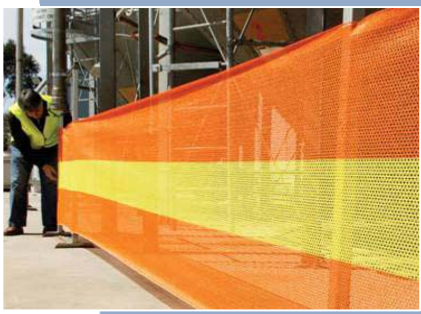
CORPORATE DIRECTORY

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)

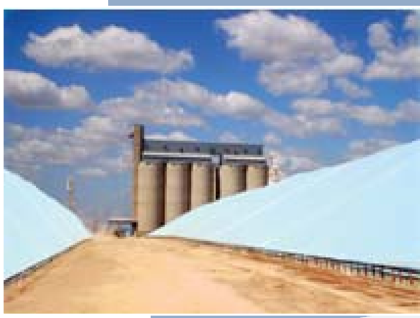


COMPANY SECRETARY

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

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 improve, with record results for the year ended 30 June 2013. The company recorded an increase in net profit after tax of 7.0% to $9.1 million compared to $8.5 million for the previous corresponding period.

The results included the positive contribution from the Highgrove Glass Solutions business which was acquired in December 2012. Very strong sales and profit growth was recorded for our Americas and Middle East businesses. Our Australasian businesses faced subdued and very competitive trading conditions.

We were again very pleased with the contribution from our Chinese manufacturing operations.

The key items of the results were;

	2012 / 2013 (A $ Million)	2011 / 2012 (A $ Million)	Change (%)
Sales	120.0	110.5	9%
EBITDA	18.0	18.0	0%
Depreciation and amortisation	5.1	5.6	(9)%
EBIT	12.9	12.4	4%
Interest	0.9	0.9	0%
Profit before tax	12.0	11.5	4%
Tax	2.9	3.0	(3)%
Reported profit after tax	9.1	8.5	7%
Net cash provided by operating activities	11.5	9.5	21%
Net debt	3.2	4.1	(22)%
Diluted earnings per share	3.00	2.86	5%

REVENUE INCREASE OF 9% TO $120 MILLION

Revenue for the year increased by 9% to $120 million. Sales revenues in local currencies grew by 22% in the USA and 23% in the Middle East. We continued to invest in building our international business as we increased our marketing efforts in South Africa, Europe, South America and India. Lower sales were recorded to our distributor in Japan due to a carry-over of inventory in the network from the record sales in 2011/2012. Sales increased in Australasia due to the addition of the Highgrove Glass Solutions business from December 2012. Lower sales were recorded in our traditional markets in Australia and New Zealand due to weaker demand in some market segments, price deflation, ongoing inventory reduction programs with our major retail customer and competitive conditions.

EBITDA IN LINE WITH LAST YEAR AT $18.0 MILLION

Earnings before interest, tax, depreciation and amortisation (EBITDA) was in line with last year at $18.0 million.

EBIT INCREASE OF 4% TO $12.9 MILLION

Earnings before interest and tax (EBIT) was $12.9 million compared to $12.4 million for the previous corresponding period. The increase was achieved through sales growth in the USA and the Middle East and the contribution from the Highgrove Glass Solutions business which is being integrated into the operations of the Australian business. Lower waste 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.

NPAT INCREASE OF 7% TO $9.1 MILLION – HIGHEST ON RECORD

Net profit after tax of $9.1 million for the financial year ended 30 June 2013 is the highest on record for the Company. This result is a 7% or $0.6 million increase on the reported result for the previous corresponding period.

FINAL DIVIDEND PAYMENT OF 1.35 CENTS FRANKED TO 80%

Directors are pleased to announce to shareholders that the Company has increased the ordinary final dividend to 1.35 cents per share. Dividends for the full year of 2.65 cents per share have been declared on diluted earnings of 3.00 cents per share. This represents an 8% increase on full year ordinary dividends compared to last year. The final dividend payment of 1.35 cents per share will be franked to 80% and will be paid to shareholders on 4 October 2013.

CASH FROM OPERATIONS $11.5 MILLION

The Company continued to generate strong cash flow from operations and net debt at 30 June 2013 reduced to $3.2 million from $4.1 million at 30 June 2012.

The business invested capital expenditure of $2.5 million during the year (an increase of $1.1 million on the prior year and including $1.1 million of expenditure for upgraded I.T. systems for implementation in 2013/2014) and dividends totalling $7.6 million were paid to shareholders.

AUSTRALASIA (AUSTRALIAN DOLLARS)

Local Currency	FY13 (A$M's)	FY12 (A$M's)	Change (%)
Sales	76.9	71.0	8%
EBITDA	6.2	7.8	(21)%

Sales increased by 8% over the prior year (reported in Australian dollars) and include the contribution of the Highgrove Glass Solutions business acquired in December 2012. Consumer demand in Australia and New Zealand showed ongoing signs of weakness and trading conditions remained highly competitive. Sales of Coolaroo and Zone branded products sold to the retail channel were slightly lower than the previous year but inventory levels in the retail channel reduced significantly. Products including Coolaroo branded synthetic grass and shade sails showed positive growth in the retail market. The Riva Window Fashions business, which sells custom made interior window blinds direct to consumers contributed an operating loss for the year and this business model was found to be extremely challenging. In July 2013, the decision was made to exit this business and closure costs have been included in the 2012/2013 result.

Sales of Synthesis branded coated fabrics were 5% less than the previous year due to lower volumes of grain storage covers, fabrics used in the mining industry and some price deflation due to the high Australian dollar and strong market competition. Construction activity was subdued and impacted the sales of shade fabrics for commercial applications. Paper coating for Visy products increased by 24% over last year and contributed to additional volumes through the Australian manufacturing operation.

We are pleased with the contribution from the Highgrove Glass Solutions business which was acquired in December 2012. The business is being integrated with the Gale operations.

Sales of Coolaroo and Zone branded products sold through retail channels in New Zealand decreased by 14% over the prior year. The continued weak horticultural market in New Zealand resulted in lower sales of commercial shade cloth and protective nets. During the year the business lost a large customer for the electric fence business through a competitive tender.

EBITDA declined year on year due to selling price reductions in response to competitive pressure and product cost increases that we were unable to pass on at the time. A number of price increases have now been implemented to improve this position as we move into FY14. Also within the Australian business, warehousing and freight costs have increased year on year due to picking and load inefficiencies and freight increases. A number of management changes have been made within the Australasian operation to improve operational and financial performance.

EBITDA for the Australasian region fell by 21% year on year which was a disappointing result in tough market conditions.

AMERICAS (US DOLLARS)

Local Currency	FY13 (US$M's)	FY12 (US$M's)	Change (%)
Sales	25.9	21.2	22%
EBITDA	2.1	1.6	31%

The Gale Americas business secured additional range listings with some of the larger retailers in the USA during the year in addition to improved market conditions and consumer sentiment. The weather conditions in most parts of the USA have been favourable to boosting demand for outdoor shading and screening products. The improved performance is also the result of earlier investments in expanding our retail sales and marketing resources. Sales of products through the retail channel grew by approximately 25%.

Sales of commercial fabrics were slightly down on the previous year and are a result of more subdued activity in the commercial sector. The funding of projects for the government sector has been tight and private sector project spending has been sporadic and often delayed. We have launched our fire retardant architectural range and waterproof Synthesis Commercial 95 fabrics ranges in the USA market.

EBITDA increased in the Americas by 31% to US$2.1 million for the year due to the growth in sales to the retail market.

MIDDLE EAST (US DOLLARS)

Local Currency	FY13 (US$M's)	FY12 (US$M's)	Change (%)
Sales	9.7	7.9	23%
EBITDA	1.9	1.6	19%

Market conditions and business activity in the Middle East region were very positive. Sales growth of 23% to US$9.7 million was achieved for the year. Strong growth was recorded in the U.A.E. and Qatar markets and solid sales were recorded in the key Saudi market. Construction activity has shown areas of steady improvement and the demand for Gale commercial fabrics continues to be 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.

The sales growth has been enhanced by the continued growth of our new waterproof range of Synthesis Commercial 95 fabric with strong penetration into key markets.

EBITDA increased by 19% to US$1.9 million in our Middle East business due to the increased level of sales.

INTERNATIONAL MARKETS (US DOLLARS)

International market sales reduced by 27% to US$7.6 million mainly due to a reduction in sales to Japan due to a carryover of seasonal inventory by our Japanese distributor following record sales in the 2011/2012 year. Sales into South Africa declined year on year as sales in FY12 included the initial full year pipe-line fill orders which were not repeated in FY13 as the business is now established. We have added further market development resources based in Europe and China to support future growth initiatives in these markets. Business development activities are expanding in Europe, South America, India, China and other key markets.

CHINA (US DOLLARS)

Local Currency	FY13 (US$M's)	FY12 (US$M's)	Change (%)
Sales – International	7.6	10.4	(27)%
Sales - Internal	28.6	23.0	24%
EBITDA	7.6	7.2	6%

Increased demand from our USA and Middle East businesses has seen additional production volumes from our Chinese manufacturing operation for the year. The continuous improvement program has also generated further reductions in scrap rates and improved yields. The higher production volumes, labour efficiencies and improving yields have been important elements in curbing the impact of higher wage rates and labour on costs in China. There have also been increases in raw material costs and the unfavourable impact of the strengthening Chinese renminbi against the US dollar. During the year we undertook a number of initiatives to improve our sourcing from third party Chinese suppliers to procure high quality and lower cost sourced products which continue to become an increasing part of our business.

ORGANIC AND ACQUISITION GROWTH

Gale maintains a strong continuous improvement culture, skilled and motivated employees and management, and an effective and expanding international 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 and the Highgrove Glass Solutions business in December 2012 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 throughout the year. We continue to focus on improvements in the way we operate and do business with our customers. The ongoing manufacturing efficiency gains and waste reduction achievements have again been very pleasing in our manufacturing operations in China and Australia.

Outlook

Trading conditions are expected to remain highly competitive in all markets. Retail conditions generally in Australia and New Zealand are difficult, but on a positive note we are seeing improved consumer spending in the USA and improved construction activity in the Middle East.

Further sales expansion of Coolaroo, Zone, Highgrove and Synthesis branded products is expected to deliver another solid financial result in 2013/2014 and 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

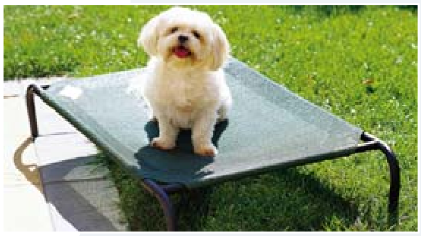
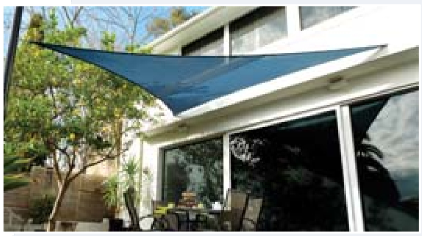
A notice of the Company's Annual General Meeting to be held on 18 October 2013 and a voting form is enclosed with this report.

Mr David Allman
Chairman
23 August 2013

Mr Peter McDonald
Managing Director and Chief Executive Officer
23 August 2013





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.

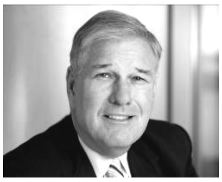
Mr Allman is the Chairman of the Company's Nomination Committee and is a member of the Audit and Risk and Remuneration Committees.

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 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

Non Executive Director since May 2004.

Mr Richards was the Chief Executive of Mitre 10 South West Ltd during the 1990's 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 Society of Accountants (CPA).

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.

NICK PRITCHARD — MANAGING DIRECTOR, AUSTRALIA & NEW ZEALAND

Nick joined Gale in August 2013 as Managing Director Australia and New Zealand. Prior to joining Gale, Nick held various senior leadership positions at Newell Rubbermaid including, most recently, Vice-President / General Manager – Australia and New Zealand. At Newell Rubbermaid, a $6 billion USA public company (brands including Parker, Waterman, PaperMate, DYMO, IRWIN Tools and Rubbermaid), Nick led all business segments encompassing office products, tools, commercial and home businesses for the Australia and New Zealand markets. Nick has considerable local and international experience in brand development, business consolidation and leading a highly profitable, high growth organisation. Nick returns to Gale after more than 10 years at Newell Rubbermaid. Nick was formerly Marketing Manager and Product Manager of Gale Pacific between 1996 and 2003 and developed the Coolaroo brand and many of the company's highly successful products. Nick has a Bachelor of Business (Marketing).

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 2013 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 FOUNDATIONS FOR MANAGEMENT AND 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. Similarly senior executives including the chief executive officer, and the chief financial officer, have a formal job description and letter of appointment describing their term of office, duties, rights and responsibilities, and entitlements on termination.

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 Chief Executive Officer, evaluates the performance of the Group's senior executives annually. The Remuneration Committee also reviews the Chief Executive Officer's performance annually.

Recommendation 1.3: Companies should disclose in the corporate governance statement in the annual report:

- an explanation of any departure from Recommendation 1.1, 1.2 or 1.3.
- whether a performance evaluation for senior executives has taken place in the reporting period and whether it was in accordance with the process disclosed.
- a statement of matters reserved for the board, or the board charter or the statement of areas of delegated authority to senior executives should be made publicly available, ideally by posting it to the company's website in a clearly marked corporate governance section.

Complying.

The Company has complied with Recommendations 1.1, 1.2, and 1.3.

A performance evaluation for the Group's senior executives and the Chief Executive Officer has taken place in the reporting period in accordance with the process outlined under the Company's comments on Recommendation 1.2.

A copy of the Company's Board Charter is posted on the Group's website, www.galepacific.com in the Corporate Governance section under the Investor Relations tab.

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 should be independent directors.

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. Non executive directors confer without management at two scheduled sessions per annum, and on an ad hoc basis as and if required.

Recommendation 2.2: The chair 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 three members of all of whom are 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 and each Committee'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.

Senior executives supply the Board with information in a form and timeframe, and of a quality that enables the Board to discharge its duties effectively. Directors are entitled to request additional information where they consider such information necessary to make informed decisions.

The appointment and removal of the company secretary is a matter for decision by the board as a whole and the company secretary is accountable to the Board, through the chair, on all governance matters.

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 Board has established a Code of Conduct which articulates acceptable practices for directors, senior executives and employees, to guide their behaviour and to demonstrate the commitment of the Company to ethical practices. The Code of Conduct has the commitment of the Directors and senior management and is supported by appropriate training and monitoring of compliance. The Company also seeks to ensure that advisers, consultants and contractors aware of the Company's expectations as set out in its Code of Conduct.

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 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 objectives of the Company's Diversity policy are centred on a wide range of diversity criteria including gender, age, ethnicity and cultural background. 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.

Whilst the Company has not set formal measurable objectives for achieving gender diversity, the Company is nonetheless committed to recruiting employees from a diverse pool of qualified candidates.

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 403 male employees and 203 female employees. 34 male employees hold senior management roles and 5 female employees 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.

An explanation of any departures from the Recommendations under Principle 3 is included in this statement, and the Company's Code of Conduct 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 three non executive independent directors; and the chairman of the Audit Committee is independent and 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 2013 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.

There are no departures from Recommendations 4.1, 4.2, 4.3 or 4.4.

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 ASX 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 purpose of the procedures for identifying information for disclosure is to ensure timely and accurate information is provided equally to all shareholders and market participants.

The Company Secretary is responsible for all communications with the ASX. All Company announcements are vetted and authorised by the Board and senior management to ensure they are made in a timely manner, are factual, do not omit material information and are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

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.

Recommendation 6.1: 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.

Complying.

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

- placing all relevant announcements made to the market, on the Company's website after they have been released to ASX;
- releasing information provided to analysts or media during briefings to ASX and placing such information on the Company's website;
- placing the full text of notices of meeting and explanatory material on the Company's website;
- providing information about the last six years' announcements the last ten years of financial data on the Company's website in the Investor Relations section.

Recommendation 6.2: Companies should provide the information indicated in the Guide to reporting on Principle 6.

Complying.

There are no departures from Recommendations 6.1 or 6.2.

The Company confirms that it communicates with its shareholders and key stakeholders by posting information on the Company's website in a clearly marked corporate governance section under the Investor Relations tab.

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 Group has established policies and procedures to identify, assess and manage all material business and operational risks. 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 reviews the risk management framework and policies of the Group, and is satisfied that management has developed and implemented a sound system of risk management and internal control.

The Board oversees policies on risk assessment and management and has delegated certain responsibilities in these matters to the Audit Committee. The Audit Committee regularly reviews the Company's Risk Register and its risk management policies and reports to the Board accordingly.

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 reviews the Group's major business units, organisational structure and accounting controls and processes on a regularly basis and reports accordingly to the Audit Committee and in turn to the Board; 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.

There are no departures from Recommendations 7.1, 7.2, or 7.3. 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 are detailed in the Directors' Report of this Annual Report.

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

There are no departures from Recommendations 8.1, 8.2, 8.3 or 8.4.

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 2013.

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 2013.

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 2013.

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, and Gale Pacific Limited. Also at that date Mr Murphy changed from an executive to a non executive director of Investec Bank (Australia) Limited.

In the three years prior to 30 June 2013 Mr Murphy was also a director of Clearview Wealth 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

Non Executive Director since May 2004

Mr Richards was the Chief Executive of Mitre 10 South West Ltd during the 1990's 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 Society of Accountants (CPA).

No other directorships of listed companies were held by Mr Richards at any time during the three years prior to 30 June 2013.

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

Revenue for the year increased by 9% to $120 million. Sales revenues in local currencies grew by 22% in the USA and 23% in the Middle East. We continued to invest in building our international business as we increased our marketing efforts in South Africa, Europe, South America and India. Lower sales were recorded to our distributor in Japan due to a carry-over of inventory in the network from the record sales in 2011/2012. Sales increased in Australasia due to the addition of the Highgrove Glass Solutions business from December 2012. Lower sales were recorded in our traditional markets in Australia and New Zealand due to weaker demand in some market segments, price deflation, ongoing inventory reduction programs with our major retail customer and competitive conditions.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was in line with last year at $18.0 million.

Earnings before interest and tax (EBIT) was $12.9 million compared to $12.4 million for the previous corresponding period. The increase was achieved through sales growth in the USA and the Middle East and the contribution from the Highgrove Glass Solutions business which is being integrated into the operations of the Australian business. Lower waste 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.

Net profit after tax of $9.1 million for the financial year ended 30 June 2013 is the highest on record for the Company. This result is a 7% or $0.6 million increase on the reported result for the previous corresponding period.

Directors are pleased to announce to shareholders that the Company has increased the ordinary final dividend to 1.35 cents per share. Dividends for the full year of 2.65 cents per share have been declared on diluted earnings of 3.00 cents per share. This represents an 8% increase on full year ordinary dividends compared to last year. The final dividend payment of 1.35 cents per share will be franked to 80% and will be paid to shareholders on 4 October 2013.

The Company continued to generate strong cash flow from operations and net debt at 30 June 2013 reduced to $3.2 million from $4.1 million at 30 June 2012.

The business invested capital expenditure of $2.5 million during the year (an increase of $1.1 million on the prior year and including $1.1 million of expenditure for upgraded I.T. systems for implementation in 2013/2014) and dividends totalling $7.6 million were paid to shareholders.

Sales increased by 8% over the prior year (reported in Australian dollars) and include the contribution of the Highgrove Glass Solutions business acquired in December 2012. Consumer demand in Australia and New Zealand showed ongoing signs of weakness and trading conditions remained highly competitive. Sales of Coolaroo and Zone branded products sold to the retail channel were slightly lower than the previous year but inventory levels in the retail channel reduced significantly. Products including Coolaroo branded synthetic grass and shade sails showed positive growth in the retail market. The Riva Window Fashions business, which sells custom made interior window blinds direct to consumers contributed an operating loss for the year and this business model was found to be extremely challenging. In July 2013, the decision was made to exit this business and closure costs have been included in the 2012/2013 result.

Sales of Synthesis branded coated fabrics were 5% less than the previous year due to lower volumes of grain storage covers, fabrics used in the mining industry and tank liner markets, and some price deflation due to the high Australian dollar and strong market competition. Construction activity was subdued and impacted the sales of shade fabrics for commercial applications. Paper coating for Visy products increased by 24% over last year and contributed to additional volumes through the Australian manufacturing operation.

We are pleased with the contribution from the Highgrove Glass Solutions business which was acquired in December 2012. The business is being integrated with the Gale operations.

Sales of Coolaroo and Zone branded products sold through retail channels in New Zealand decreased by 14% over the prior year. The continued weak horticultural market in New Zealand resulted in lower sales of commercial shade cloth and protective nets. During the year the business lost a large customer for the electric fence business through a competitive tender.

EBITDA declined year on year due to selling price reductions in response to competitive pressure and product cost increases that we were unable to pass on at the time. A number of price increases have now been implemented to improve this position as we move into FY14. Also within the Australian business, warehousing and freight costs have increased year on year due to picking and load inefficiencies and freight increases. A number of management changes have been made within the Australasian operation to improve operational and financial performance.

EBITDA for the Australasian region fell by 21% year on year which was a disappointing result in tough market conditions.

The Gale Americas business secured additional range listings with some of the larger retailers in the USA during the year in addition to improving market conditions and consumer sentiment. The weather conditions in most parts of the USA have been favourable to boosting demand for outdoor shading and screening products. The improved performance is also the result of earlier investments in expanding our retail sales and marketing resources. Sales of products through the retail channel grew by approximately 25%.

Sales of commercial fabrics were slightly down on the previous year and are a result of more subdued activity in the commercial sector. The funding of projects for the government sector has been tight and private sector project spending has been sporadic and often delayed. We have launched our fire retardant architectural range and waterproof Synthesis Commercial 95 fabrics ranges in the USA market.

EBITDA increased in the Americas by 31% to US$2.1 million for the year due to the growth in sales to the retail market.

Market conditions and business activity in the Middle East region were very positive. Sales growth of 23% to US$9.7 million was achieved for the year. Strong growth was recorded in the U.A.E. and Qatar markets and solid sales were recorded in the key Saudi market. Construction activity has shown areas of steady improvement and the demand for Gale commercial fabrics continues to be 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.

The sales growth has been enhanced by the continued growth of our new waterproof range of Synthesis Commercial 95 fabric with strong penetration into key markets.

EBITDA increased by 19% to US$1.9 million in our Middle East business due to the increased level of sales.

International market sales reduced by 27% to US$7.6 million mainly due to a reduction in sales to Japan due to a carryover of seasonal inventory by our Japanese distributor following record sales in the 2011/2012 year. Sales into South Africa declined year on year as sales in FY12 included the initial full year pipe-line fill orders which were not repeated in FY13 as the business is now established. We have added further market development resources based in Europe and China to support future growth initiatives in these markets. Business development activities are expanding in Europe, South America, India, China and other key markets.

Increased demand from our USA and Middle East businesses has seen additional production volumes from our Chinese manufacturing operation for the year. The continuous improvement program has also generated further reductions in scrap rates and improved yields. The higher production volumes, labour efficiencies and improving yields have been important elements in curbing the impact of higher wage rates and labour on costs in China. There have also been increases in raw material costs and the unfavourable impact of the strengthening renmimbi against the US dollar. During the year we undertook a number of initiatives to improve our sourcing from third party Chinese suppliers to procure high quality and lower cost sourced products which continue to become an increasing part of our business.

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 and the Highgrove Glass Solutions business in December 2012 has provided a broader product offering and additional growth opportunities for our business. Further complementary acquisitions are being assessed and actively pursued.

Trading conditions are expected to remain highly competitive in all markets. Retail conditions generally in Australia and New Zealand are difficult, but on a positive note we are seeing improved consumer spending in the USA and improved construction activity in the Middle East.

Further sales expansion of Coolaroo, Zone, Highgrove and Synthesis branded products is expected to deliver another solid financial result in 2013/2014 and 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.

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

The Riva Window Fashions business, which sells custom made interior window blinds direct to consumers contributed an operating loss for the year and this business model was found to be extremely challenging. In July 2013, the decision was made to exit this business and closure costs have been included in the 2012/2013 result.

Other than the matter above 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:

	2012 / 2013 ($000)	2011 / 2012 ($000)
Final ordinary dividend for the year ended 30 June 2012 of 1.25 cents per share paid on 3 October 2012	3,693	3,446
Interim ordinary dividend for the year ended 30 June 2013 of 1.3 cents per share paid on 26 March 2013	3,709	3,446

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 1.35 cents per share to be paid on 4 October 2013.

Dividends for the full year of 2.65 cents per share have been declared on diluted earnings of 3.0 cents per share. This represents an 8% increase on full year ordinary dividends compared to last year. The final dividend payment of 1.35 cents per share will be franked to 80% and will be paid to shareholders on 4 October 2013.

SHARE BASED PAYMENTS

Performance Rights

3,500,000 performance rights were granted to key management personnel on 20 September 2012. On 30 June 2013, 875,000 of these performance rights lapsed as the performance hurdles for the year ended 30 June 2013 were not met.

3,150,000 performance rights were granted to Executives outside the key management group on 20 September 2012. On 30 June 2013, 787,500 of these performance rights lapsed as the performance hurdles for the year ended 30 June 2013 were not met. 1,200,000 performance rights were granted to the Managing Director on the 26 November 2012. On 30 June 2013, 300,000 of these performance rights lapsed as the performance hurdles for the year ended 30 June 2013 were not met. The remaining performance rights will vest subject to a continuation of employment to 30 June 2015 and the satisfying of relevant performance hurdles based on the Group's diluted earnings per share over the three year period 1 July 2012 to 30 June 2015. None of these performance rights can vest until 20 September 2015 and expire on 20 September 2022.

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.

On 5 July 2013 the Company issued 735,000 fully paid ordinary shares in the company relating to performance rights issued to senior executives on 15 August 2010 and after satisfying the relevant performance hurdles for the period 1 July 2010 to 30 June 2013.

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	1,000,000	Nil	Nil
P McDonald	2,337,874	Nil	900,000
J Murphy	3,684,579	Nil	Nil
G Richards	491,899	Nil	Nil

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	11	10	2	2	1	1	2	2
P McDonald	11	11	-	2	-	1	-	2
J Murphy	11	10	2	2	1	1	2	2
G Richards	11	11	2	2	1	1	2	2

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 26 October 2012 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 2013 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 30 June 2013 was 6,622,500. 735,000 of the performance rights vested on 30 June 2013 and the shares were subsequently issued to settle the rights on 5 July 2013. The performance rights granted on 20 September 2012 and 26 November 2012 will not vest until 20 September 2015. 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:

2012 / 2013	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	480,339	-	-	25,000	14,750	520,089	2.8	2.8
Non Executive Directors								
D Allman	114,679	-	-	10,321	-	125,000	-	-
G Richards	77,982	-	-	7,018	-	85,000	-	-
J Murphy	77,982	-	-	7,018	-	85,000	-	-
Total	750,982	-	-	49,357	14,750	815,089		

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		

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

2012 / 2013	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	301,351	-	-	25,000	-	326,351	-	-
S McPherson	314,066	-	-	25,000	9,219	348,285	2.6	2.6
M Denney[1]	256,106	114,446	8,266	-	6,760	385,578	31.4	1.8
A Scott[2]	178,372	-	-	16,053	6,760	201,185	3.4	3.4
B Wang[3]	179,560	69,328	13,955	-	6,760	269,603	28.2	2.5
Total	1,229,455	183,774	22,221	66,053	29,499	1,531,002		

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		

[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 but not vested as at 30 June 2013 affecting remuneration in the current or a future reporting period are as follows:

Grant Date	26 November 2012	20 September 2012
Value per performance rights at grant date	0.1475	0.1475

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 20 September 2015 and then the satisfying of relevant performance hurdles based on improvements in the Group's diluted earnings per share over the three year period 1 July 2012 to 30 June 2015. None of these performance rights can vest until 20 September 2015 and expire on 20 September 2022.

	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	1,200,000	0.1475	177,000	(300,000)	(44,250)
Executives					
J Cox	750,000	0.1475	110,625	(187,500)	(27,656)
S McPherson	750,000	0.1475	110,625	(187,500)	(27,656)
M Denney	550,000	0.1475	81,125	(137,500)	(20,281)
A Scott	550,000	0.1475	81,125	(137,500)	(20,281)
B Wang	550,000	0.1475	81,125	(137,500)	(20,281)
Other Management Personnel					
Other Management	3,500,000	0.1475	516,250	(875,000)	(129,062)
Total	7,850,000		1,157,875	(1,962,500)	(289,467)

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.

No non audit services were provided during the year by the auditors to any entity that is part of the Group for:

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
23 August 2013

Mr Peter McDonald
Managing Director and Chief Executive Officer
23 August 2013

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

23 August 2013

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 2013, 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

Peter A Jovic
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
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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 2013, the consolidated statement of profit or loss, 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 31 to 77.

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 2013 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 23 to 26 of the directors' report for the year ended 30 June 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter A Jovic
Partner
Chartered Accountants
Melbourne, 23 August 2013

DIRECTORS' DECLARATION

The Directors of the Company declare that:

The financial statements and notes, as set out on pages 32 to 76 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 2013 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.

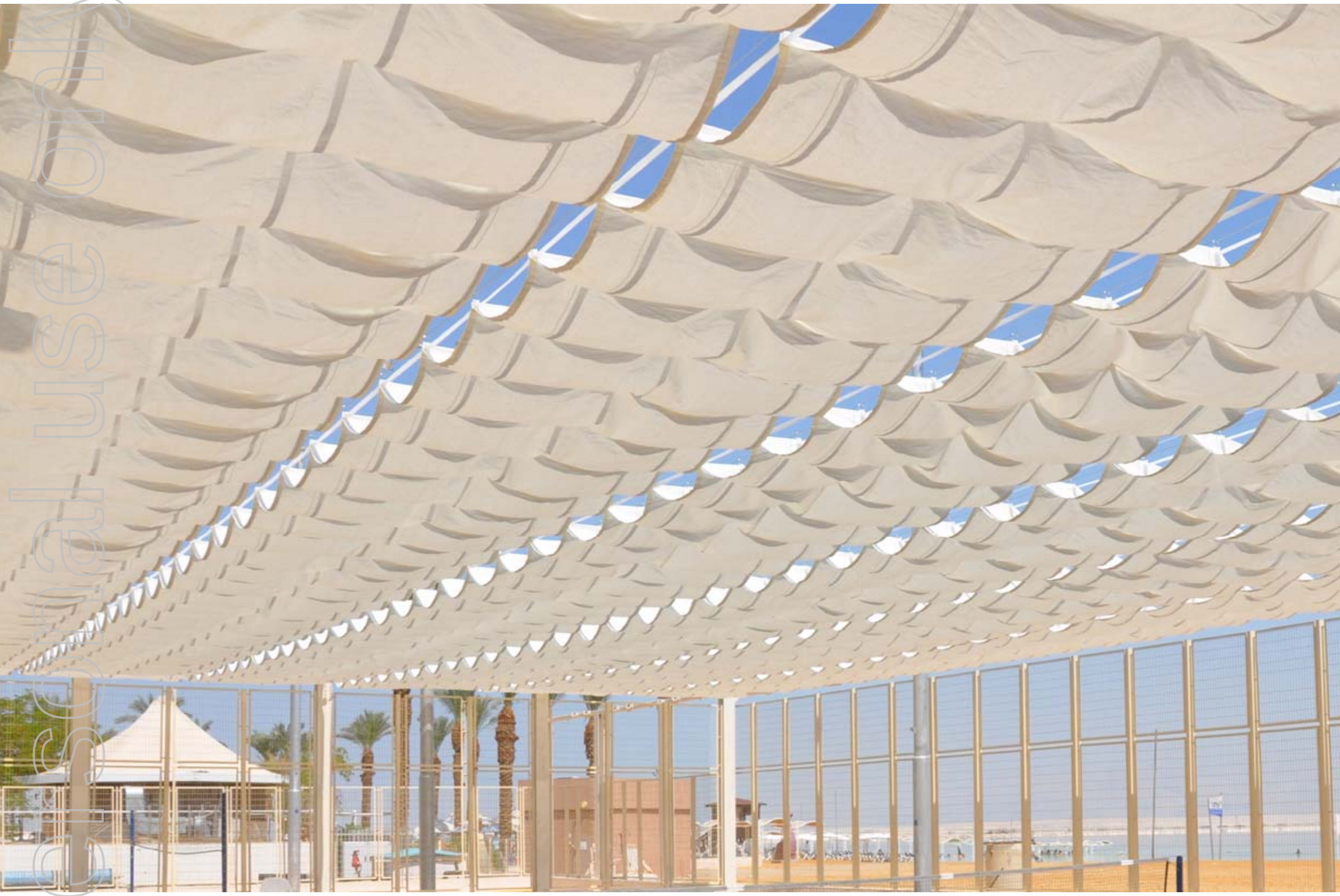
This declaration is made in accordance with a resolution of the Board of Directors.

D.J. Allman

Mr David Allman
Chairman
23 August 2013

Mr Peter McDonald
Managing Director and Chief Executive Officer
23 August 2013

FINANCIAL RESULTS



CONTENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
	Note	2012 / 2013 ($000)	2011 / 2012 ($000)
Revenue	2	119,988	110,473
Cost of goods sold		(70,697)	(65,429)
Gross profit		49,291	45,044
Other Income	3	481	173
Warehousing and distribution		(13,542)	(10,885)
Marketing and selling		(11,003)	(9,713)
Administration		(8,802)	(9,156)
Other expenses		(3,552)	(3,043)
Net finance costs	3	(857)	(966)
Profit before income tax		12,016	11,454
Income tax expense	4	(2,932)	(2,977)
Profit for the year	18	9,084	8,477
Depreciation and amortisation continuing operations	3	(5,163)	(5,553)
Earnings Per Share			
From operations			
Basic earnings per share (cents per share)		3.07	2.95
Diluted earnings per share (cents per share)		3.00	2.86

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
	Note	2012 / 2013 ($000)	2011 / 2012 ($000)
Profit for the year		9,084	8,477
Other Comprehensive Income			
Items that may be reclassified subsequently to profit or loss			
Net changes in fair value of cash flow hedges, net of tax	17	1,032	654
Exchange differences on translation of foreign operations	17	5,985	3,865
Other comprehensive income for the year		7,017	4,519
Total comprehensive income for the year		16,101	12,996
Profit Attributable To			
Members of the parent		9,084	8,477
Profit for the year		9,084	8,477
Total Comprehensive Income Attributable To			
Members of the parent		16,101	12,996
Total comprehensive income for the year		16,101	12,996

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
	Note	2012 / 2013 ($000)	2011 / 2012 ($000)
Current Assets			
Cash and cash equivalents	6	11,187	3,121
Trade and other receivables	7	19,026	16,992
Other financial assets	9	1,580	127
Inventories	8	27,876	24,538
Current tax assets	4	233	-
Other current assets	10	1,159	661
Total current assets		61,061	45,439
Non Current Assets			
Property, plant and equipment	11	34,669	35,368
Intangible assets	12	21,233	17,044
Deferred tax assets	4	924	235
Total non current assets		56,826	52,647
Total assets		117,887	98,086
Current Liabilities			
Trade and other payables	13	11,723	8,134
Borrowings	14	13,913	7,225
Current tax liabilities	4	1,493	1,561
Provisions	15	2,023	2,257
Total current liabilities		29,152	19,177
Non Current Liabilities			
Borrowings	14	462	-
Deferred tax liabilities	4	5,059	4,650
Provisions	15	50	82
Total non current liabilities		5,571	4,732
Total liabilities		34,723	23,909
Net assets		83,164	74,177
Equity			
Contributed equity	16	71,338	70,988
Reserves	17	(8,079)	(15,592)
Retained earnings	18	19,905	18,781
Total equity		83,164	74,177

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2013

30 June 2013	Note	Contributed Equity ($000)	Reserves ($000)	Retained Earnings ($000)	Total Equity ($000)
Balance at 1 July 2012		70,988	(15,592)	18,781	74,177
Profit for the year		-	-	9,084	9,084
Other comprehensive income for the year	17(a)(c)	-	7,017	-	7,017
Total comprehensive income for the year		-	7,017	9,084	16,101
Transactions With Owners In Their Capacity As Owners					
Shares issued	16	350	-	-	350
Transfer	17(d), 18	-	409	(409)	-
Employee share based payments	17(b)	-	87	-	87
Dividends paid		-	-	(7,551)	(7,551)
Total transactions with owners in their capacity as owners		350	496	(7,960)	(7,114)
Balance at 30 June 2013		71,338	(8,079)	19,905	83,164

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	17(a)(c)	-	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	16	681	(681)	-	-
Share capital reduction	16	(36,779)	-	36,779	-
Employee share based payments	17(b)	-	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

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated	
	Note	2012 / 2013 ($000)	2011 / 2012 ($000)
Cash Flow From Operating Activities			
Receipts from customers		127,139	114,235
Payments to suppliers and employees		(110,516)	(100,627)
Interest received		2	7
Borrowing costs paid		(859)	(973)
Income tax payments		(4,246)	(3,186)
Net cash provided by operating activities	22	11,520	9,456
Cash Flow From Investing Activities			
Proceeds from sale of plant and equipment		93	256
Proceeds / (payment) from / for disposal / acquisition of business	28(b)	(2,498)	219
Payment for plant and equipment		(1,508)	(1,372)
Payment for intangible assets		(989)	(57)
Net cash used by investing activities		(4,902)	(954)
Cash Flow From Financing Activities			
Proceeds from / (repayment of) borrowings		7,126	(7,891)
Proceeds from / (repayment of) principal on finance leases		-	(321)
Dividends paid		(7,551)	(6,892)
Net cash used by financing activities		(425)	(15,104)
Net increase / (decrease) in cash held		6,193	(6,602)
Cash at beginning of year		3,121	9,391
Effects of exchange rate changes on items denominated in foreign currencies		1,873	332
Cash at the end of the year	22	11,187	3,121

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 25.

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.

Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

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.

(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 25. 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 101 'Presentation of Financial Statements'	The amendment (part of AASB 2011-9 'Amendments to Australian Accounting Standards Presentation of Items of Other Comprehensive Income') introduce new terminology for the statement of comprehensive income and incomes statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the come statement is renamed as statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.
Amendments to AASB 101 'Presentation of Financial Statements'	The amendments (part of AASB 2012-5 'Further Amendments toAustralian Accounting Standards arising from Annual Improvements 2009-2011 Cycle) requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position). When the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position.The related notes to the third statement of financial position are not required to be disclosed.

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 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', and the relevant amending standards	1 January 2015	30 June 2016
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
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 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)'	1 January 2014	30 June 2015
AASB 2012-2 'Amendments to Australian Accounting Standards Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)'	1 January 2013	30 June 2014
AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'	1 January 2013	30 June 2014
AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'	1 January 2013	30 June 2014

At the date of authorisation of the financial statements, management has not yet assessed the impact of these Standards and Interpretations.

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	2012 / 2013 ($000)	2011 / 2012 ($000)
Operating Activities		
Sale of goods	119,988	110,473
Total revenue	119,988	110,473

NOTE 3: Profit

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

Consolidated	2012 / 2013 ($000)	2011 / 2012 ($000)
Other Income		
Other revenue	481	173
Total other income	481	173
Changes in inventories of finished goods and work in progress and raw materials and consumables used	51,433	44,219
Employee benefits	23,814	21,225
Net Finance Costs		
Finance income – other parties	(2)	(7)
Finance expense – other parties	859	973
Net finance costs	857	966
Depreciation of Non Current Assets		
Buildings	228	233
Leasehold improvements	34	65
Plant and equipment	4,558	4,733
Motor vehicles	47	50
Office equipment	229	197
Amortisation of Non Current Assets		
Leased motor vehicles	-	42
Patents and trademarks	51	73
Application software	16	160
Total depreciation and amortisation	5,163	5,553
Increase / (decrease) in provision for obsolete inventory	289	(169)
Bad and Doubtful Debts		
Bad debts written off – trade debtors	54	42
Movement in provisions for doubtful debts – trade debtors	(49)	(47)
Net foreign exchange losses	376	48
Net Loss on Disposal of Non Current Assets		
Plant and equipment	113	92
Motor vehicles	2	37
Office equipment	9	9
Total net loss on disposal	124	138
Operating lease rental expense	2,704	1,962
Share based payment expense	87	114

Consolidated	2012 / 2013 ($000)	2011 / 2012 ($000)
The auditor of the parent entity is Deloitte Touche Tohmatsu		
Remuneration of the Auditors of the Parent Entity For		
Auditing the financial report	175	175
Taxation services	-	-
Assurance services regarding acquisition	-	-
Government grant review	-	-
Total remuneration of the auditors of the parent entity	175	175
The auditors of the overseas controlled entities are overseas affiliates of Deloitte Touche Tohmatsu		
Remuneration of Other Auditors of Controlled Entities For		
Auditing the financial report	50	50
Total remuneration of other auditors	50	50
Total remuneration of auditors	225	225

NOTE 4: Income Tax

(a). The Components of Tax Expense

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Current tax	3,684	3,104
Deferred tax	(752)	(127)
Total income tax expense	2,932	2,977
Disclosed in the financial statements as		
Income tax expense from continuing operations	2,932	2,977
Total	2,932	2,977

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

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Prima facie tax payable on profit before income tax at 30%	3,605	3,435
Add tax effect of:		
Tax rate differentials in foreign countries	(579)	(501)
Tax losses not recognised	-	-
Previously unrecognised tax losses utilised	-	-
Exempt income	-	-
Tax credits	-	-
Other non allowable / (non assessable) items	(32)	43
Total	2,994	2,977
Less tax effect of:		
Over provision for income tax in the prior year	(62)	-
Income tax expense attributed to profit from continuing operations	2,932	2,977
Total income tax expense	2,932	2,977

(c). Income Tax Recognised Directly in Equity

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

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Deferred Tax		
Cash flow hedges	459	293
Total	459	293

NOTE 4: Income Tax (continued)

(d). Current Tax

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Current tax asset	233	-
Current tax liability	(1,493)	(1,561)
Total	(1,260)	(1,561)

(e). Movement in Net Carrying Amount

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

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Balance at the beginning of the year	(1,561)	(1,616)
Current year tax expense	(3,684)	(3,104)
Income tax payments	4,246	3,186
Acquired business	-	-
Net foreign currency movements arising from foreign operations	(261)	(27)
Carrying amount at the end of the year	(1,260)	(1,561)

(f). Deferred Tax

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Deferred Tax Assets / (Liabilities) Arise from the Following		
Property, plant and equipment	203	(59)
Foreign exchange	(4,548)	(4,937)
Doubtful debts	14	12
Other financial liabilities	181	161
Provisions	440	227
Employee benefits	521	423
Capitalised costs	(660)	(504)
Equity raising costs	-	67
Other	(286)	195
Net deferred tax liability	(4,135)	(4,415)
Represented By		
Deferred tax asset	924	235
Deferred tax liability	(5,059)	(4,650)
Total	(4,135)	(4,415)

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	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Tax losses – income	1,637	1,615
Tax losses – capital	33,403	33,403
Total	35,040	35,018

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 and 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 2013	Australasia ($000)	China & ROW Export Sales ($000)	Americas ($000)	Middle East ($000)	Unallocated / Elimination ($000)	Total Group ($000)
Revenue outside the economic entity	76,862	7,555	25,873	9,698	-	119,988
Inter segment revenue	1,844	28,641	(102)	31	(30,414)	-
Total revenue	78,706	36,196	25,771	9,729	(30,414)	119,988
Segment EBITDA	6,239	7,642	2,121	1,916	118	18,036
Depreciation and amortisation	(890)	(3,959)	(311)	(3)	-	(5,163)
Segment EBIT	5,349	3,683	1,810	1,913	118	12,873
Net finance expense						(857)
Profit before income tax						12,016
Income tax expense						(2,932)
Profit for the year						9,084
Segment assets	53,847	40,163	18,630	5,978	(731)	117,887
Segment liabilities	26,542	4,781	2,963	525	(88)	34,723

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

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 $44,985,000 (2012 : $39,545,000) of the Group's total revenues.

NOTE 6: Cash And Cash Equivalents

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Cash on hand	12	15
Cash at bank	10,627	2,662
Cash on deposit	548	444
Total	11,187	3,121

NOTE 7: Trade And Other Receivables

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Current		
Trade debtors	18,959	17,238
Less provision for doubtful debts	(366)	(403)
Total	18,593	16,835
Other receivables	433	157
Total	19,026	16,992
Movement in the provision for doubtful debts were:		
Balance at the beginning of the year	(403)	(324)
Charge for the year	1	(101)
Amounts written off	48	30
Net foreign currency movements arising from foreign operations	(15)	(8)
Balance at the end of the year	(369)	(403)

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	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Current		
Raw materials at cost	6,360	4,997
Work in progress at cost	1,994	1,928
Finished goods at cost	20,120	17,707
Less provision for obsolescence – finished goods	(598)	(94)
Total	27,876	24,538

NOTE 9: Other Financial Assets

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Current		
Foreign currency forward contracts	1,580	127
Total	1,580	127

NOTE 10: Other Assets

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Current		
Prepayments	1,159	661
Total	1,159	661

NOTE 11: Property, Plant And Equipment

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Buildings		
At cost	9,571	8,172
Less accumulated depreciation	(1,845)	(964)
Total	7,726	7,208
Plant and Equipment		
At cost	65,977	60,552
Less accumulated depreciation	(40,239)	(33,524)
Total	25,738	27,028
Leasehold Improvements		
At cost	480	457
Less accumulated depreciation	(413)	(367)
Total	67	90
Motor Vehicles		
At cost	350	462
Less accumulated depreciation	(212)	(302)
Total	138	160
Office Equipment		
At cost	5,164	5,399
Less accumulated depreciation	(4,348)	(4,573)
Total	816	826
Capital Work in Progress	184	56
Total property, plant and equipment	34,669	35,368

NOTE 11: Property, Plant And Equipment (continued)

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Movements in Carrying Amounts		
Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the year.		
Buildings		
Balance at the beginning of the year	7,208	6,838
Reclassifications	(21)	-
Depreciation expense	(228)	(233)
Net foreign currency movements arising from foreign operations	767	603
Carrying amount at the end of the year	7,726	7,208
Plant and Equipment		
Balance at the beginning of the year	27,028	29,026
Reclassifications	16	(82)
Additions / (transfers)	1,097	819
Disposals	(158)	(189)
Acquisitions through business combinations	35	-
Depreciation expense	(4,558)	(4,731)
Net foreign currency movements arising from foreign operations	2,278	2,185
Carrying amount at the end of the year	25,738	27,028
Leasehold Improvements		
Balance at the beginning of the year	90	147
Additions / (transfers)	12	8
Depreciation expense	(34)	(65)
Net foreign currency movements arising from foreign operations	(1)	-
Carrying amount at the end of the year	67	90
Motor Vehicles		
Balance at the beginning of the year	160	39
Reclassifications	2	51
Additions / (transfers)	72	186
Disposals	(50)	(68)
Depreciation expense	(47)	(50)
Net foreign currency movements arising from foreign operations	1	2
Carrying amount at the end of the year	138	160
Motor Vehicles Under Lease		
Balance at the beginning of the year	-	320
Reclassifications	-	(16)
Additions / (transfers)	-	(154)
Disposals	-	(108)
Acquisitions through business combinations	-	-
Amortisation expense	-	(42)
Carrying amount at the end of the year	-	-
Office Equipment		
Balance at the beginning of the year	826	524
Reclassifications	3	47
Additions / (transfers)	204	468
Disposals	(9)	(29)
Depreciation expense	(229)	(199)
Net foreign currency movements arising from foreign operations	21	15
Carrying amount at the end of the year	816	826

NOTE 12: Intangible Assets

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Goodwill at cost	20,987	17,721
Less accumulated impairment	(1,054)	(1,054)
Total	19,933	16,667
Patents, trademarks and licenses at cost	1,404	1.362
Less accumulated amortisation	(1,071)	(1,011)
Total	333	351
Application software at cost	2,293	1,315
Less accumulated amortisation	(1,326)	(1,289)
Total	967	26
Research and development	4,865	4,865
Less accumulated amortisation	(4,865)	(4,865)
Total	-	-
Total intangible assets	21,233	17,044
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	16,667	16,453
Acquisition through business combinations	3,095	90
Net foreign currency movements arising from foreign operations	171	124
Carrying amount at the end of the year	19,933	16,667
Patents, Trademarks and Licences		
Balance at the beginning of the year	351	365
Additions / (transfers)	32	57
Amortisation expense	(51)	(73)
Net foreign currency movements arising from foreign operations	1	2
Carrying amount at the end of the year	333	351
Application Software		
Balance at the beginning of the year	26	185
Additions	957	-
Amortisation expense	(16)	(160)
Net foreign currency movements arising from foreign operations	-	1
Carrying amount at the end of the year	967	26

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 2013 / 2014 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 9.73% (2012 : 9.74%) being the Group's post tax weighted average cost of capital (pre tax weighted average cost of capital 13.90% for 2013 and 13.91% for 2012).

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 and other features specific to each CGU.

Goodwill by CGU	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Australia	17,370	14,275
USA – (2012 / 2013 US$2,077,000: 2011 / 2012 US$2,077,000)	2,216	2,045
China	347	347
Total	19,933	16,667

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	2012 / 2013	2011 / 2012
Year one cash flows based on	2014 Budget	2013 Budget
Years two to five	3% to 5%	3% to 5%

The five year cash flow projections are based on the 2013 year budget (2012: 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	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Current		
Trade payables	7,740	5,885
Sundry payables and accruals	3,983	2,249
Total	11,723	8,134

NOTE 14: Borrowings

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Current		
Secured liabilities:[1]		
Bank loans	-	425
Other loans	263	-
Commercial bills	13,650	6,800
Total	13,913	7,225
Non Current		
Unsecured liabilities:		
Other loans	462	-
Total	462	-
Total	14,375	7,225
Disclosed in the Financial Statements As		
Current borrowings	13,913	7,225
Non current borrowings	462	-

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

NOTE 15: Provisions

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Current		
Employee benefits	1,795	1,648
Restructuring and termination costs	-	501
Warranty claims	228	108
Non Current		
Employee benefits	50	82
Total	2,073	2,339
Disclosed in the Financial Statements As		
Current provisions	2,023	2,257
Non current provisions	50	82
(a) Aggregate employee benefits liability	1,845	1,730
(b) Number of employees at year end	606	657
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		
Balance at the beginning of the year	501	353
Provisions recognised	20	141
Payments made	(75)	-
Reductions resulting from release of provision no longer required	(461)	-
Net foreign currency movements arising from foreign operations	15	7
Carrying amount at the end of the year	-	501
Warranty claims		
Balance at the beginning of the year	108	331
Provisions recognised	125	30
Provisions written back	(7)	(253)
Payments made	2	-
Carrying amount at the end of the year	228	108

NOTE 16: Contributed Equity

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Paid Up Capital		
Fully paid ordinary shares	71,338	70,988

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	
	2012 / 2013 ($000)	2011 / 2012 ($000)	2012 / 2013 (No. of Shares)	2011 / 2012 (No. of Shares)
Movement In Share Capital				
Shares issued at the beginning of the financial year	70,988	107,086	295,441,658	287,191,658
Shares issued during the year	350	681	1,297,738	8,250,000
Share capital reduction	-	(36,779)	-	-
Total	71,338	70,988	296,739,396	295,441,658

(a). Movement in Share Capital

On 30 November 2012 the Company issued 1,297,738 ordinary shares as part of the consideration for the acquisition of Highgrove Glass Solutions.

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.

(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 $7,550,633 (2012 : $6,892,600)

(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 6,622,500. 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 16: 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 - 2013								
18 Aug 2010	30 Jun 2020	Nil	735,000	-	-	-	735,000	735,000
20 Sep 2012	20 Sep 2022	Nil	-	6,650,000	-	(1,662,500)	4,987,500	-
26 Nov 2012	20 Sep 2012	Nil	-	1,200,000	-	(300,000)	900,000	-
Total			735,000	7,850,000	-	(1,962,500)	6,622,500	735,000
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	-

	Grant Date 26 November 2012	Grant Date 20 September 2012	Grant Date 18 August 2010
Performance Rights Valuation Assumptions			
Value of rights to acquire one share	$0.1475	$0.1475	$0.20
Exercise price	Nil	Nil	Nil
Expected Life			
Tranche 1	3.0 years	3.0 years	2.9 years
Tranche 2	3.0 years	3.0 years	2.9 years
Tranche 3	3.0 years	3.0 years	
Dividend yield	13.13%	13.13%	0.0%

NOTE 17: Reserves

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Foreign currency translation reserve	(11,292)	(17,277)
Share based payments reserve	720	633
Hedging reserve	1,121	89
Enterprise reserve fund	1,372	963
Total	(8,079)	(15,592)

(a). Foreign Currency Translation Reserve

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Balance at the beginning of the year	(17,277)	(21,142)
Translation of foreign controlled entities for the year	7,372	4,639
Movement arising from the reclassification of non current related party monetary items to net investments in foreign operations	(1,387)	(774)
Balance at the end of the year	(11,292)	(17,277)

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	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Balance at the beginning of the year	633	1,200
Share based expense	87	114
Transfer to share capital	-	(681)
Balance at the end of the year	720	633

(c). Hedging Reserve

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Balance at the beginning of the year	89	(565)
Forward exchange contracts	1,491	947
Income tax on net changes recognised	(459)	(293)
Balance at the end of the year	1,121	89

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	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Balance at the beginning of the year	963	963
Statutory transfers from retained earnings	409	-
Balance at the end of the year	1,372	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 18: Retained Earnings

	Note	Consolidated 2012 / 2013 ($000)	2011 / 2012 ($000)
Balance at the beginning of the year		18,781	(19,583)
Net profit attributable to members of the parent entity		9,084	8,477
Dividends paid		(7,551)	(6,892)
Transfers to reserves	17(d)	(409)	-
Share capital reduction	16(a)	-	36,779
Balance at the end of the year		19,905	18,781

NOTE 19: Dividends

The following dividends were paid during the year.

Fully Paid Ordinary Shares	Consolidated 2012 / 2013 Cents Per Share	2012 / 2013 ($000)
Final Dividend for the Financial Year 2011 / 2012		
Fully franked at a 30% tax rate (date of payment 3 October 2012)	1.25	3,693
Interim Dividend for the Financial Year 2012 / 2013		
Fully franked at a 30% tax rate (date of payment 25 March 2013)	1.30	3,858
Total	2.55	7,551

Fully Paid Ordinary Shares	Consolidated 2011 / 2012 Cents Per Share	2011 / 2012 ($000)
Final Dividend for the Financial Year 2010 / 2011		
Fully franked at a 30% tax rate (date of payment 3 October 2011)	1.20	3,446
Interim Dividend for the Financial Year 2011 / 2012		
Fully franked at a 30% tax rate (date of payment 26 March 2012)	1.20	3,446
Total	2.40	6,892

On 23 August 2013, the Directors declared a dividend franked to 80% of 1.35 cents per share to the holders of fully paid ordinary shares in respect of the year ended 30 June 2013, to be paid to shareholders on 4 October 2013. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $4.0 million.

Dividend Franking Account	Consolidated 2012 / 2013 ($000)	2011 / 2012 ($000)
Adjusted franking account balance	850	1,716

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.

NOTE 20: Earnings Per Share

	Consolidated	
	2012 / 2013 (Cents Per Share)	2011 / 2012 (Cents Per Share)
Basic Earnings Per Share		
From continuing operations	3.07	2.95
Total basic earnings per share	3.07	2.95
Diluted Earnings Per Share		
From continuing operations	3.00	2.86
Total diluted earnings per share	3.00	2.86

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($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	9,084	8,477
Earnings Used in the Calculation of Basic EPS		
Adjustments to exclude profit for the period from discontinued operations	-	-
Earnings used in the calculation of basic and diluted EPS from continuing operations	9,084	8,477

	Consolidated	
	2012 / 2013 (000)	2011 / 2012 (000)
Weighted average number of ordinary shares for the purposes of basic earnings per share	296,195	287,192
Weighted average number of shares deemed to be issued for no consideration in respect of:		
Performance rights	6,602	8,985
Weighted average number of ordinary shares for the purposes of diluted earnings per share	302,797	296,177

NOTE 21: Capital and Leasing Commitments

(a). Operating Lease Commitments

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Non cancellable operating leases contracted for but not capitalised in the accounts		
Payable		
Not longer than one year	2,332	2,138
Longer than one year and not longer than five years	1,363	1,696
Total	3,695	3,834

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

(b). Capital Expenditure Commitments

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Payable		
Not longer than one year	-	-
Total	-	-

NOTE 22: Cash Flow Information

(a). Reconciliation of Cash

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($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	12	15
Cash at bank	10,627	2,662
Cash on deposit	548	444
Total	11,187	3,121

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

	Consolidated	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Profit after income tax	9,084	8,477
Non Cash Flows in Profit		
Loss on disposal of fixed assets	126	138
Depreciation of fixed assets	5,096	5,320
Amortisation / impairment of intangible assets	67	233
Equity settled share based payments	87	114
Changes in Asset and Liabilities Processed Directly in Equity	1,034	654
Changes in Tax Balances Processed Directly in Equity	(409)	-
Changes in Assets and Liabilities		
(Increase) / decrease in receivables	(1,114)	(2,045)
(Increase) / decrease in inventories	(1,658)	(2,119)
(Increase) / decrease in other assets	(466)	(4)
Decrease in payables, accruals and other financial liabilities	565	(1,396)
Increase in tax balances	(670)	123
Foreign exchange / other non operation movements backed out of assets and liabilities	(222)	(39)
Net cash provided by operating activities	11,520	9,456

NOTE 23: Directors' and Executives' Compensation

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

Directors' and Executives' Compensation by Category

	Consolidated	
	2012 / 2013 ($)	2011 / 2012 ($)
Short term employment benefits	2,186,432	2,138,983
Post employment benefits	115,410	138,919
Share based payments	44,249	88,991
Total	2,346,091	2,366,893

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

2012 / 2013	Balance 30 June 2012 No.	Granted as Compensation No.	Received on Exercise of Options No.	Other Movements No.	Balance 30 June 2013 No.
Executive Directors					
P McDonald	3,228,105	-	-	(890,231)	2,337,874
Non Executive Directors					
D Allman	-	-	-	1,000,000	1,000,000
J Murphy	1,000,000	-	-	2,684,579	3,684,579
G Richards	491,899	-	-	-	491,899
Executives					
J Cox	2,000,000	-	-	(551,528)	1,448,472
S McPherson	1,500,000	-	-	(1,000,000)	500,000
M Denney	1,500,000	-	-	(700,000)	800,000
A Scott	-	-	-	-	-
B Wang	1,500,000	-	-	-	1,500,000
Total	11,220,004	-	-	542,820	11,762,824

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
A Scott	-	-	-	-	-
B Wang	-	-	1,500,000	-	1,500,000
Total	1,970,004	-	8,250,000	1,000,000	11,220,004

NOTE 23: 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			
2012 / 2013	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	-	1,200,000	26/11/2012	$0.1475	Nil	20/09/2022	20/09/2015	20/09/2022
Non Executive Directors								
None								
Executives (Performance Rights)								
J Cox	-	750,000	20/09/2012	$0.1475	Nil	20/09/2022	20/09/2015	20/09/2022
S McPherson	-	750,000	20/09/2012	$0.1475	Nil	20/09/2022	20/09/2015	20/09/2022
M Denney	-	550,000	20/09/2012	$0.1475	Nil	20/09/2022	20/09/2015	20/09/2022
A Scott	245,000	550,000	20/09/2012	$0.1475	Nil	20/09/2022	20/09/2015	20/09/2022
B Wang	-	550,000	20/09/2012	$0.1475	Nil	20/09/2022	20/09/2015	20/09/2022
Other Management Personnel (Performance Rights)								
Other Management	490,000	3,500,000	20/09/2012	$0.1475	Nil	20/09/2022	20/09/2015	20/09/2022
Total	735,000	7,850,000						

The performance rights are subject to a continuation of employment to 20 September 2015 and then the satisfying of relevant performance hurdles based on improvements in the Group's diluted earnings per share over the three year period 1 July 2012 to 30 June 2015. None of these performance rights can vest until 20 September 2015 and expire on 20 September 2022.

					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			
A Scott	-				Nil			
B Wang	1,500,000				Nil			
Other Management Personnel (Performance Rights)								
Other Management	-				Nil			
Total	8,250,000				Nil			

NOTE 23: Directors' and Executives' Compensation (continued)

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

2012 / 2013	Balance 1 July 2012 No.	Granted as Compensation No.	Exercised No.	Lapsed No.	Net Other Change No.	Balance 30 June 2013 No.	Balance Held Nominally No.	Value of Lapsed Options/Rights $
Executive Directors (Performance Rights)								
P McDonald	-	1,200,000	-	(300,000)	-	900,000	-	(44,250)
Non Executive Directors								
None								
Executives (Performance Rights)								
J Cox	-	750,000	-	(187,500)	-	562,500	-	(27,656)
S McPherson	-	750,000	-	(187,500)	-	562,500	-	(27,656)
M Denney	-	550,000	-	(137,500)	-	412,500	-	(20,281)
B Wang	-	550,000	-	(137,500)	-	412,500	-	(20,281)
A Scott	245,000	550,000	-	(137,500)	-	657,500	-	(20,281)
Other Management Personnel (Performance Rights)								
Other Management	490,000	3,500,000	-	(875,000)	-	3,115,000	-	(129,062)
Total	735,000	7,850,000	-	(1,962,500)	-	6,622,500	-	(289,467)

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)

NOTE 24: 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 $31,291,000 (2012 : $25,219,000)
- Gale Pacific Limited received interest income from its subsidiaries totalling $614,000 (2012 : $558,000)
- Gale Pacific Limited made interest payments to its subsidiaries totalling $1,000 (2012 : $34,000)
- Reimbursement of certain operating costs totalling $430,000 (2012 : $261,000)

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	
	2012 / 2013 ($000)	2011 / 2012 ($000)
Current – Accrued Director fees	5	-

NOTE 25: Controlled Entities

	Country of Incorporation	Ownership Interest (%)	
		2012 / 2013	2011 / 2012
Parent Entity			
Gale Pacific Limited[1]	Australia	-	-
Controlled Entities			
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%
Gale Pacific Trading Limited	China	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 26: 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 $3,818,000 of the trade receivables carrying balance at 30 June 2013 (2012 : $1,933,000). 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 2013 ($000)	As at 30 Jun 2012 ($000)
The maximum exposure to credit risk at the reporting date was:			
Loans and receivables	7	19,026	16,992
Cash and cash equivalents	6	11,187	3,121
Tradeable foreign currency forward contracts	9	1,580	127
Total		31,793	20,240
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:			
Australasia		6,786	6,550
China		509	1,017
Americas		8,132	6,833
Middle East		3,166	2,435
Total		18,593	16,835
The ageing of trade receivables not impaired at the reporting date was:			
Not outside credit terms		14,318	12,989
Outside credit terms 0-30 days		3,072	3,025
Outside credit terms 31-120 days		985	723
Outside credit terms 121 days to one year		204	97
More than one year		14	1
Total		18,593	16,835
The ageing of impaired receivables at the reporting date was:			
Outside credit terms 31-120 days		-	12
Outside credit terms 121 days to one year		71	153
More than one year		295	238
Total		366	403

NOTE 26: 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 2013	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)	2 To 5 Years ($000)
Trade and Other Payables								
Trade payables	13		7,740	7,740	7,740	-	-	-
Sundry payables and accruals	13		3,984	3,984	3,984	-	-	-
Non Derivative Financial Liabilities								
Bank loans	14	3.95%	13,650	13,650	13,650	-	-	-
Other loans	14		725	725	133	130	275	187
Total			26,099	26,099	25,507	130	275	187

					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)	2 To 5 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	5.41%	7,225	7,225	7,225	-	-	-
Total			15,359	15,359	15,359	-	-	-

NOTE 26: 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 $1,580,000 (2012 : $127,000 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	
	2012 / 2013	2011 / 2012	2012 / 2013 (FC000)	2011 / 2012 (FC000)	2012 / 2013 ($000)	2011 / 2012 ($000)	2012 / 2013 ($000)	2011 / 2012 ($000)
Foreign Exchange Contracts Designated as Cash Flow Hedges								
Buy United States dollars / sell Australian dollars								
Less than 6 months	1.0035	0.9968	12,350	13,200	12,307	13,243	1,130	120
6 – 12 months	0.9452	0.9825	8,900	1,300	9,416	1,323	400	7
Buy United States dollars / sell Chinese renminbi								
Less than 6 months	6.1351	-	600	-	614	-	20	-
Less than 6 months	6.1531	-	500	-	512	-	15	-
Less than 6 months	6.1681	-	500	-	513	-	15	-
Total							1,580	127

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% (2012: 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 26: Financial Instruments (continued)

30 June 2013	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	6,373	2,950	(637)	(295)
Chinese renminbi	-	883	-	(88)
Euro	64	-	(6)	-
New Zealand dollars	5	95	(1)	(9)
UAE dirham	-	241	-	(24)
Trade receivables				
United States dollars	-	11,758	-	(1,176)
Chinese renminbi	-	334	-	(33)
New Zealand dollars	-	148	-	(15)
Amounts receivable from related parties				
United States dollars	-	-	694	-
New Zealand dollars	-	-	14	-
Foreign currency forward contracts				
United States dollars	1,530	50	-	(5)
Financial Liabilities				
Trade payables				
United States dollars	500	2,087	50	209
Chinese renminbi	-	2,800	-	280
Euro	-	87	-	9
New Zealand dollars	-	70	-	7
UAE dirham	-	102	-	10
Borrowings				
United States dollars	-	-	-	-
Chinese renminbi	-	-	-	-
Profit or (loss) impact			114	(1,130)
Currency Asset / (Liability) Breakdown				
United States dollars	7,403	12,671	107	(1,267)
Chinese renminbi	-	(1,583)	-	159
Euro	64	(87)	(6)	9
New Zealand dollars	5	172	13	(17)
UAE dirham	-	139	-	(14)
Profit or (loss) impact			114	(1,130)

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)

NOTE 26: 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 2013	Consolidated	
	Carrying Value ($000)	Profit / (Loss) +1% Movement ($000)
Financial Assets		
Cash and cash equivalents	11,187	112
Financial Liabilities		
Borrowings (all fixed rates instruments)	(14,375)	(144)
Total	(3,188)	(32)

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)

NOTE 27: Parent Entity Disclosures

	2012 / 2013 ($000)	2011 / 2012 ($000)
Results of the parent entity		
Profit for the year	4,554	3,651
Other comprehensive income	982	654
Total	5,536	4,305
Financial position of the parent entity at year end		
Current assets	29,702	15,659
Total assets	102,790	90,302
Current liabilities	(21,380)	(12,656)
Total liabilities	(21,810)	(12,284)
Net assets	80,980	78,018
Total equity of the parent entity comprising of:		
Contributed equity	71,338	70,988
Share based payments reserve	720	633
Hedging reserve	1,071	89
Retained earnings	7,851	6,308
Total equity	80,980	78,018
Parent Entity Commitments		
Operating leases	3,115	3,474
Capital expenditure	-	-
Total	3,115	3,474

NOTE 28: Business Combinations

(a). 2012 / 2013 Summary Of Acquisition

On 30 November 2012 the parent entity acquired the assets of Highgrove (Victoria) Pty Ltd. Highgrove specialises in the marketing and distribution of branded home improvement products including glass fencing, frameless shower screens, glass safety mirrors and kitchen splashback panels.

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

	2012 / 2013 ($000)
Purchase consideration (refer to (b))	
Cash paid	2,498
Consideration to be paid	7
Shares issued	350
Deferred consideration	825
Total consideration	3,680
The assets and liabilities recognised as a result of the acquisition are as follows:	
Inventories	597
Plant and equipment	36
Provision for employee entitlements	(69)
Deferred tax asset	21
Total tangible net assets acquired	585
Add goodwill	3,095
Net assets acquired	3,680

The goodwill will not be deductible for tax purposes. Goodwill arising from the acquisition of Highgrove is mainly attributable to the expected synergies and revenue growth opportunities.

Shares Issued

1,297,738 shares were issued as part of the consideration. The issue price of $0.2697 was based on the weighted average share price for the ten days prior to 30 November 2012.

Deferred consideration

Additional consideration of $825,000 is to be paid in cash on 31 August 2013:

Revenue and Profit Contribution

The acquired businesses contributed revenue of $6,710,000 and net profit after tax of $802,000 to the Group for the period 1 December 2012 to 30 June 2013.

Initial Accounting Incomplete

The accounting arising from the business combination is incomplete and the amounts recognised have thus been determined only provisionally. An assessment of any required split in the value of intangible assets between brand names and goodwill will be undertaken in the next period.

(b). 2012 / 2013 Purchase Consideration – Cash Outflow

Acquisition Related Costs

	2012 / 2013 ($000)
Cash consideration	2,498
Outflow of cash – investing activities	2,498

NOTE 28: Business Combinations (continued)

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

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.

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

(d). 2011 / 2012 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 29: Subsequent Events

The Riva Window Fashions business, which sells custom made interior window blinds direct to consumers contributed an operating loss for the year and this business model was found to be extremely challenging. In July 2013, the decision was made to exit this business and closure costs have been included in the 2012/2013 result.

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

NOTE 30: Company Details

The registered office of the Company is:

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

Additional Securities Exchange Information

Number of Holdings of Equity Securities as at 5 August 2013

The fully paid issued capital of the Company consisted of 297,474,396 ordinary fully paid shares held by 1,265 shareholders. Each share entitles the holder to one vote.

16 holders have been granted 7,850,000 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	120	36,916	0.01
1,001 – 5,000	232	686,961	0.23
5,001 – 10,000	169	1,357,827	0.46
10,001 – 100,000	505	20,741,007	6.97
100,001 and over	239	274,651,685	92.33
Total	1,265	297,474,396	100.00

Unmarketable Parcels

Unmarketable Parcels as at 5 August 2013	Minimum Parcel Size	Holders	Units
Minimum $500 parcel at $0.28 per unit	1,725	157	87,766

Substantial Shareholders as at 5 August 2013

Shareholder	No.	%
Thorney Holdings Pty Ltd	79,702,646	26.79
Windhager Handels Gesmbh	41,925,781	14.09
Investec Bank (Australia) Limited	19,713,768	6.63

Twenty Largest Holders of Quoted Equity Securities

Shareholder	No.	%
THORNEY HOLDINGS PTY LTD	71,984,262	24.20
WINDHAGER HANDELS GESMBH	41,925,781	14.09
GUINNESS MAHON & CO LIMITED	14,182,685	4.77
GALE AUSTRALIA PTY LTD	13,927,844	4.68
JP MORGAN NOMINEES AUSTRALIA LIMITED <CASH INCOME A/C>	8,383,549	2.82
UBS NOMINEES PTY LTD	7,718,384	2.59
RUMINATOR PTY LTD	6,691,433	2.25
INVESTEC BANK (AUSTRALIA) LIMITED	4,396,451	1.48
GERNIS HOLDINGS PTY LIMITED	4,169,941	1.40
MR GEOFFREY DUNCAN NASH <GDN SUPER FUND A/C>	3,327,428	1.12
CLIPPER ISLAND PTY LTD <SMART FAMILY A/C>	2,500,000	0.84
HAROLDSWICK CORPORATION PTY LTD <ROBERTSON FAMILY A/C>	2,500,000	0.84
CHILLEN PTY LIMITED (TALLEN)	2,431,317	0.82
GFS SECURITIES PTY LTD <GLENFARE SUPER FUND A/C>	2,380,935	0.80
GALLIUM PTY LTD	2,279,359	0.77
GERNIS HOLDINGS PTY LIMITED	2,026,097	0.68
TRAELIX CORPORATION PTY LTD	2,026,097	0.68
WINMAR INVEST HOLDINGS PTY LTD	2,026,097	0.68
VENN MILNER SUPERANNUATION PTY LTD	2,000,000	0.67
ATKONE PTY LTD	1,919,796	0.65
Top 20 holders of Ordinary Fully Paid Shares as at 05 August 2013	198,797,456	66.83
Total Remaining Holders Balance	98,676,940	33.17

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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