GALE PACIFIC LIMITED

Results, Appendix 4D & Financial Report
For the Half Year Ended 31 December 2012

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1

Results for the Half Year Ended 31 December 2012

DIRECTORS' STATEMENT
RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2012

Financial Results

Gale Pacific Limited ("Gale" or the "Company") today announced a profit after tax of $4.5 million for the half year ended 31st December 2012, a $0.4 million increase (10%) on the previous half year. The result represents 1.51 cents earnings per share (diluted) and Directors have declared a fully franked interim dividend of 1.3 cents per share. This represents an 8% increase over the interim dividend declared and paid for the corresponding period last year.

	6 months to December 2012 (A$ Million)	6 months to December 2011 (A$ Million)	Change %
Sales	$55.0	$55.1	0
EBITDA	$8.9	$9.3	(4%)
Depreciation and amortisation	$2.5	$3.1	19%
EBIT	$6.4	$6.2	3%
Interest	$0.4	$0.6	33%
Profit before tax	$6.0	$5.6	7%
Tax	$1.5	$1.5	0
Profit for the half year	$4.5	$4.1	10%
Net cash provided by operating activities	$1.0	$5.5	
Net debt	$9.9	$4.4	
Diluted earnings per share	1.51 cents	1.39 cents	9%
Interim dividend per share	1.30 cents	1.20 cents	8%

Sales for the half year were in line with last year at $55.0 million and included substantial growth in the Middle East and North American markets but weaker sales in the Australasian region due mainly to subdued consumer demand and lower sales into the agricultural markets. Sales to the Japanese market were less than the corresponding period due to some stock carryover from last season.

EBIT for the group was $6.4 million, a 3% increase on the $6.2 million reported for the half year ended 31 December, 2011.

Cash provided from operations for the half year was $1.0 million which is $4.5 million less than for the same period last year mainly due to higher seasonal inventory levels and an increase in receivables due to a change in trading terms for a portion of our business with a major customer. Inventory levels have been increased in the first half to support the expected increased sales activity in the Middle East and to supply sales programs for roll out in the March quarter for the North American business. The inventory balance further includes the initial stock build for new commercial products and an initial inventory investment for the Highgrove business. The results include a small contribution resulting from the Highgrove business acquisition which was completed on 30th November 2012.

"We are pleased with the sales growth in the Middle East and North American markets during this period. Subdued consumer demand and lower sales to the agricultural markets in Australia and New Zealand has had a negative impact on the year on year sales performance. We are also pleased with the first month's trading of the Highgrove business which we acquired at the end of November 2012. Highgrove markets and distributes branded home improvement products including glass and stainless steel fencing and balustrade, frameless shower screens, glass safety mirrors, kitchen splashback panels and the Enduroshield range of glass protective coatings. The excellent performance of our manufacturing operations at our plant in China remains a key strength" MD and CEO Peter McDonald said.

"Our strategy and focus is to grow the business in branded industrial and consumer branded shading, screening and home improvement products. We continue to pursue growth both from our traditional base and by acquisition."

Segment Summary – For the 6 Months to 31 December 2012

LOCAL CURRENCY	**Sales**			**EBITDA**		
$ Million	**2012**	**2011**	**% change**	**2012**	**2011**	**% change**
Australasia A$	40.9	42.1	(3%)	4.5	6.4	(30%)
Americas US$	8.2	7.1	15%	(0.4)	(0.4)	0%
Middle East US$	4.4	3.8	16%	0.8	0.7	14%
International Sales/China Manufacturing US$*	1.5	2.6	(42%)	4.2	2.8	50%
Currency translation adjustment on consolidation		(0.5)				
Unallocated / eliminations A$		-		(0.2)	(0.2)	0%
Total Group A$	55.0	55.1	0%	8.9	9.3	4%

* Includes EBITDA on intercompany sales

Australasia – Sales decline by 3% and EBITDA decline of 30% on Previous Corresponding Half Year

Sales of Coolaroo and Zone branded screening and shading products sold to retail channels in Australia and New Zealand were adversely impacted by subdued consumer demand and tight inventory management programs by some of our major retail customers. Dry conditions which reduced the demand for grain storage covers compared to the prior year and a slow down in mining activity resulted in lower sales of our Australian manufactured Synthesis coated fabrics. Strong competitor activity in many commercial markets where demand is down has resulted in some margin erosion. Mild spring and early summer weather conditions on the eastern seaboard softened consumer demand for our Coolaroo sun protection products. Hotter conditions in most parts of Australia in late December and January have resulted in an uplift in sales activity.

The roll out of the Riva branded custom made window furnishings program has been completed and display pods are located in all Bunnings stores throughout Australia. The roll out of the program has not been without its challenges but is now well resourced and has shown solid sales growth during the start-up phase.

Sales in New Zealand were lower than the previous corresponding period. There has been no significant improvement in market conditions or demand for agricultural netting products used for the protection of vineyard crops and this market remains extremely competitive. Consumer demand remains subdued in the New Zealand market and weather conditions have not been favourable for our Coolaroo branded retail sun protection products. We have secured additional ranging for Coolaroo products and commenced the expansion of ranging for Zone Hardware products in the New Zealand market through major DIY retail outlets which should flow through in the second half.

EBITDA for the Australasian business unit was 30% lower than the previous corresponding period and includes a small contribution from the Highgrove business which was acquired on 30th November 2012.

Americas – Sales Up by 15% and EBITDA in line with Previous Corresponding Half Year

Sales for Gale USA increased by 15% compared to the previous corresponding period highlighted by strong growth in the sales of Coolaroo branded retail products due to increased seasonal purchase volumes, expanded ranging of products in most major retail customers and signs of improvement in consumer demand and an increased investment in a strengthened sales and marketing team. This half year reflects the seasonal low sales at the end of the Northern Hemisphere summer season period. EBITDA for the half was in line with the previous corresponding period due to increased operating expenses associated with the strengthened sales and marketing team in the USA. The increased volumes have also had a positive impact on the China factory.

Inventory levels have increased year on year to support the new sales programs that will ship early in the second half.

Middle East – Sales Up by 16% and EBITDA increase of 14% over the Previous Corresponding Half Year

Sales of Synthesis branded architectural fabrics have been very strong for the half year as the Company has continued to expand its customer base and has increased its market share in the region. Gale has earned the position of market leader as a result of operating in the region for over 15 years with quality fabrics that have stood the test of time in an environment of very hot and harsh weather conditions. Operating with a stable and experienced sales team, Gale has increased sales in all major countries in this region despite competition from lower cost and lower quality imported fabrics.

EBITDA increased by 14% over the previous corresponding period. The increased volume achieved also had a positive impact on the China factory.

International Sales – Sales decline by 42% on Previous Corresponding Half Year

The Company has recorded a reduction in sales mainly in the Japanese market where some stock levels were carried over from the prior season. The international sales team has been very active in expanding sales into a number of new geographic regions and we continue to launch new products and expand ranging in the key markets of Japan and South Africa.

International sales to third party customers are largely invoiced from China and were US$1.5 million compared to US$2.6 million for the same period last year. A strong order book is in hand for the seasonally higher second half.

China – Manufacturing

Excellent results from consistent and continuous improvements in all performance indicators have again been recorded at the Company's Chinese manufacturing facility. Improved yields, low waste levels and labour efficiencies have more than offset the negative impacts of higher wage rates and increasing government employee tax imposts. This is a great credit to the management and manufacturing team in China. Low levels of maintenance capital expenditure were required in this half year. Gale expects low capital expenditure requirements in the near term as the installed manufacturing capacity is still capable of supporting further sales growth.

Cash from operations and Net Debt

Cash from operations was $1 million compared to $5.5 million for the previous corresponding period. The major driver of the variance was an increase in inventory levels which mainly relates to a build of inventory to support sales programs in the June 2013 half year period.

Net debt at 31 December 2012 was $9.9 million compared to $4.4 million at the same time last year and $4.1 million at 30 June 2012. The net debt position includes the investment cost of the business assets of Highgrove (Victoria) Pty Ltd business acquired on the 30th November 2012 of $2.25 million and dividend payments to shareholders of $3.7 million.

Outlook

Hotter weather conditions in most parts of Australia in the latter part of December and January has resulted in an increased sales rate which will positively impact the performance of the Australasian business unit. We expect market conditions in the Australasian business to remain challenging and lower sales to the Japanese market are forecast following the record sales in the prior year. The second half will also include the sales and profit contribution from the newly acquired business assets of Highgrove (Victoria) Pty Ltd. The outlook is for increased sales in the Middle East due to positive market conditions and in North America due to increased product ranging of Coolaroo branded products at several of the larger retailers and some improvement in consumer sentiment.

Overall Gale expects sales and earnings per share for the full year will be 5-10% ahead of the prior year which continues the upward trend in earnings per share growth of recent years.

Gale expects to generate strong positive operating cash flows for the second half and to operate with a solid balance sheet with the capacity to support further growth opportunities which it continues to explore.

Mr Peter McDonald
Managing Director & Chief Executive Officer
22 February 2013

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

SECTION

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Appendix 4D

Gale Pacific Limited
ABN 80 082 263 778

Appendix 4D

Results for Announcement to the Market

HALF YEARLY REPORT FOR THE SIX MONTHS TO 31 DECEMBER 2012

Name of Entity:	Gale Pacific Limited
ABN or Equivalent Company Reference:	80 082 263 778
Report for the Half Year Ended:	31 December 2012
Previous Full Year Period is the Financial Year Ended:	30 June 2012
Previous Corresponding Period is the Half Year Ended:	31 December 2011

RESULTS FOR ANNOUNCEMENT TO THE MARKET

		%	Half Year to 31 December 2011 $'000		Half Year to 31 December 2012 $'000
Revenues from continuing operations:	Down	0.2%	55,112	To	55,006
Profit from continuing operations after tax attributable to members:	Up	9.5%	4,143	To	4,537
Net profit for the period attributable to members:	Up	9.5%	4,143	To	4,537

Please refer to the accompanying Directors' announcement to the Australian Securities Exchange for further commentary.

DIVIDENDS

	Date of Payment	Total Amount of Dividend
Interim dividend for the year ending 30 June 2013	25 March 2013	$3,870,612
Final dividend for the year ending 30 June 2012	3 October 2012	$3,693,021

Date dividend is payable	Monday 25 March 2013
Record date for determining entitlements to the dividend	Friday 15 March 2013
Trading ex dividend	Friday 8 March 2013

The Company's Dividend Reinvestment Plan was suspended in September 2006 and the Directors have determined that the plan is to remain suspended.

Amount per security

		Amount per security	Franked amount per security	Amount per security of foreign source dividend
Dividends:	Current year - Interim dividend	1.30 cents	1.30 cents	0.0 cents
	Previous corresponding period - Interim dividend	1.25 cents	1.25 cents	0.0 cents

NET TANGIBLE ASSET PER SECURITY

	As at 31 December 2012	As at 30 June 2012	As at 31 December 2011
Net tangible asset per ordinary security	17.7 cents	19.3 cents	19.4 cents

THE FINANCIAL INFORMATION PROVIDED IN APPENDIX 4D IS BASED ON THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL REPORT ATTACHED.

THE HALF YEAR CONDENSED CONSOLIDATED FINANCIAL REPORT HAS BEEN INDEPENDENTLY REVIEWED. THE FINANCIAL REPORT IS NOT SUBJECT TO A QUALIFIED INDEPENDENT REVIEW REPORT.

Signed:
Name: Peter McDonald
Title: Managing Director & Chief Executive Officer
Date: 22 February 2013

SECTION

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Financial Report for the Half Year Ended 31 December 2012

Gale Pacific Limited
ABN 80 082 263 778

This half year financial report is to be read in conjunction with the financial report for the year ended 30 June 2012

Directors' Report

The Directors present their report together with the condensed financial report of the consolidated entity consisting of Gale Pacific Limited and the entities it controlled, for the half-year ended 31 December 2012 and independent auditors review report thereon.

DIRECTORS' NAMES

The names of the Directors in office at any time during or since the end of the half-year are:

Name	Period of Directorship
Mr David Allman	Director since 17 November 2009
Mr Peter McDonald	Director since 7 July 1998
Mr George Richards	Director since 17 May 2004
Mr John Murphy	Director since 24 August 2007

The Directors have been in office since the start of the financial period to the date of this report unless otherwise stated.

REVIEW OF OPERATIONS

The consolidated profit of the consolidated entity for the half-year after providing for income tax amounted to $4.537 million.

During the period, the consolidated entity continued to engage in its principal activity, the results of which are disclosed in the attached financial statements and commentary to this report.

ROUNDING OF AMOUNTS TO NEAREST THOUSAND DOLLARS

The amounts contained in the report and in the financial report have been rounded to the nearest thousand dollars (where rounding is applicable) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

AUDITOR'S DECLARATION

A copy of the Auditors' Independence Declaration in relation to the review for the half-year is provided with this report.

Signed in accordance with a resolution of the Board of Directors.

D. J. Allman

Mr David Allman
Chairman
22 February 2013

Mr Peter McDonald
Managing Director and Chief Executive Officer
22 February 2013

Auditor's Independence Declaration

Deloitte.

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

22 February 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 review of the financial statements of Gale Pacific Limited for the financial half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D. A. Watson

David A Watson
Partner
Chartered Accountants

Directors' Declaration

The Directors declare that:

- 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, and
- In the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Singed in accordance with a resolution of the Board of Directors made pursuant to s.303(5) of the *Corporations Act 2001*.

D. J. [signature]

Mr David Allman
Chairman
22 February 2013

Mr Peter McDonald
Managing Director and Chief Executive Officer
22 February 2013

Condensed Consolidated Statement of Profit or Loss For The Half Year Ended 31 December 2012

	Half Year to 31 December 2012 ($'000)	Year to 30 June 2012 ($'000)	Half Year to 31 December 2011 ($'000)
Revenue	55,006	110,473	55,112
Cost of goods sold	(31,309)	(65,429)	(32,639)
Gross profit	23,697	45,044	22,473
Other Income	111	173	302
Warehousing and distribution	(6,226)	(10,885)	(5,371)
Marketing and selling	(5,240)	(9,713)	(4,747)
Administration	(4,497)	(9,156)	(4,706)
Other expenses	(1,476)	(3,043)	(1,764)
Finance costs	(393)	(966)	(544)
Profit from continuing operations before income tax (1)	5,976	11,454	5,643
Income tax expense	(1,439)	(2,977)	(1,500)
Profit from continuing operations after income tax	4,537	8,477	4,143
Profit / (loss) from discontinued operations	-	-	-
Profit for the half year	4,537	8,477	4,143
(1) Profit includes - depreciation and amortisation	(2,482)	(5,553)	(3,151)
Profit Attributable To			
Members of the parent	4,537	8,477	4,143
Profit for the period	4,537	8,477	4,143
Earnings Per Share			
Basic earnings per share (cents per share)	1.53	2.95	1.44
Diluted earnings per share (cents per share)	1.51	2.86	1.39

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For The Half Year Ended 31 December 2012

	Half Year to 31 December 2012 ($'000)	Year to 30 June 2012 ($'000)	Half Year to 31 December 2011 ($'000)
Profit for the period	4,537	8,477	4,143
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	(248)	654	566
Exchange differences on translation of foreign operations	(1,433)	3,865	3,365
Other comprehensive income for the period	(1,681)	4,519	3,931
Total comprehensive income for the period	2,856	12,996	8,074
Total Comprehensive Income Attributable To			
Members of the parent	2,856	12,996	8,074
Total comprehensive income / (loss) for the period	2,856	12,996	8,074

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position As At 31 December 2012

	31 December 2012 ($'000)	30 June 2012 ($'000)	31 December 2011 ($'000)
Current Assets			
Cash and cash equivalents	8,732	3,121	4,244
Receivables	17,434	16,992	14,284
Other financial assets	36	127	2
Inventories	30,781	24,538	24,148
Current tax assets	127	-	-
Other current assets	1,468	661	841
Total current assets	58,578	45,439	43,519
Non Current Assets			
Property, plant and equipment	32,910	35,368	36,970
Intangible assets	21,061	17,044	17,097
Deferred tax assets	436	235	657
Total non current assets	54,407	52,647	54,724
Total assets	112,985	98,086	98,243
Current Liabilities			
Trade and other payables	12,702	8,134	8,803
Borrowings	18,500	7,225	8,569
Other financial liabilities	279	-	-
Current tax liabilities	1,198	1,561	1,294
Provisions	1,749	2,257	1,899
Total current liabilities	34,428	19,177	20,565
Non Current Liabilities			
Borrowings	89	-	92
Deferred tax liabilities	4,541	4,650	4,765
Provisions	37	82	59
Total non current liabilities	4,667	4,732	4,916
Total liabilities	39,095	23,909	25,481
Net Assets	73,890	74,177	72,762
Equity			
Contributed equity	71,338	70,988	70,307
Reserves	(17,073)	(15,592)	(15,438)
Retained earnings	19,625	18,781	17,893
Total equity	73,890	74,177	72,762

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity For The Half Year Ended 31 December 2012

	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 half year	-	-	4,537	4,537
Other comprehensive income for the half year	-	(1,681)	-	(1,681)
Total comprehensive income for the half year	-	(1,681)	4,537	2,856
Transactions With Owners In Their Capacity As Owners				
Shares issued	350	-	-	350
Employee share based payments	-	200	-	200
Dividends provided for or paid	-	-	(3,693)	(3,693)
Total transactions with owners in their capacity as owners	350	200	(3,693)	(3,143)
Balance at 31 December 2012	71,338	(17,073)	19,625	73,890

	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 half year	-	4,519	-	4,519
Total comprehensive income for the half year	-	4,519	8,477	12,996
Transactions With Owners In Their Capacity As Owners				
Shares issued	681	(681)	-	-
Share capital reduction	(36,779)	-	36,779	-
Employee share based payments	-	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

Condensed Consolidated Statement of Changes in Equity For The Half Year Ended 31 December 2012 (continued)

	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 half year	-	-	4,143	4,143
Other comprehensive income for the half year	-	3,931	-	3,931
Total comprehensive income for the half year	-	3,931	4,143	8,074
Transactions With Owners In Their Capacity As Owners				
Share capital reduction	(36,779)	-	36,779	-
Employee share based payments	-	175	-	175
Dividends paid	-	-	(3,446)	(3,446)
Total transactions with owners in their capacity as owners	(36,779)	175	33,333	(3,271)
Balance at 31 December 2011	70,307	(15,438)	17,893	72,762

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows For The Half Year Ended 31 December 2012

	Note	Half Year to 31 December 2012 ($'000)	Year to 30 June 2012 ($'000)	Half Year to 31 December 2011 ($'000)
Cash Flow From Operating Activities				
Receipts from customers		59,377	114,235	58,888
Payments to suppliers and employees		(55,962)	(100,627)	(50,793)
Interest received		2	7	14
Borrowing costs paid		(395)	(973)	(403)
Income tax repayments		(2,063)	(3,186)	(2,204)
Net cash provided by operating activities	8(b)	959	9,456	5,502
Cash Flow From Investing Activities				
Proceeds from sale of plant and equipment		53	256	73
Payments for acquisition of business		(2,250)	219	(4)
Payment for plant and equipment		(749)	(1,372)	(593)
Payment for intangible assets		(19)	(57)	(21)
Net cash used by investing activities		(2,965)	(954)	(545)
Cash Flow From Financing Activities				
Proceeds from / (repayment) of borrowings		11,373	(7,891)	(6,667)
Proceeds from / (repayment) of principal on finance leases		-	(321)	(60)
Dividends paid		(3,693)	(6,892)	(3,446)
Net cash provided by / (used by) financing activities		7,680	(15,104)	(10,173)
Net increase / (decrease) in cash held		5,674	(6,602)	(5,216)
Cash at beginning of year		3,121	9,391	9,391
Effects of exchange rate changes on items denominated in foreign currencies		(63)	332	69
Cash at the end of the period	8(a)	8,732	3,121	4,244

The accompanying notes form part of these financial statements.

Notes To The Condensed Consolidated Financial Statements For The Half Year Ended 31 December 2012

NOTE 1: BASIS OF PREPARATION OF HALF YEAR FINANCIAL REPORT

This half year financial report does not include all the notes of the type usually included in an annual financial report.

It is recommended that this financial report be read in conjunction with the financial report for the year ended 30 June 2012 and any public announcements made by Gale Pacific Limited during the half year in accordance with any continuous disclosure obligations arising under the *Corporations Act 2001*.

(a) Basis of Preparation of the Half Year Financial Report

This general purpose half year financial report has been prepared in accordance with Accounting Standard AASB 134 'Interim Financial Reporting' and the *Corporations Act 2001*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 '*Interim Financial Reporting*'.

The half year 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 presented in the financial report for the year ended 30 June 2012.

(b) Summary of the Significant Accounting Policies

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's 2012 annual financial report for the financial year ended 30 June 2012, with the exception of where required by accounting standards, comparative figures have been adjusted to conform with changes in presentation for the current half year.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current period. The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior half-years. However, the application of AASB 2011-9 has resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

AASB 2011-9 introduces new terminology for the statement of comprehensive income and income 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 income statement is renamed as a 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.

Notes To The Condensed Consolidated Financial Statements For The Half Year Ended 31 December 2012

NOTE 1: BASIS OF PREPARATION OF HALF YEAR FINANCIAL REPORT (CONTINUED)

(c) 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 period and at balance date.

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. All inter company balances and transactions, including any unrealised profits, or losses have been eliminated on consolidation.

(d) Rounding Amounts

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

NOTE 2: COMPARATIVE INFORMATION SEASONAL OPERATIONS

The Group's operations are seasonal and therefore there are substantial variations between levels of revenues or profits for different interim periods during the year. Additional comparative information has been provided in this half year financial report.

The condensed consolidated statement of profit or loss, statement of profit or loss and other comprehensive income, statement of financial position, statement of changes in equity and statement of cash flows provide comparative information for the half year ended 31 December 2011 and for the year ended 30 June 2012. The condensed consolidated statement of financial position provides comparative information as at 31 December 2011 and 30 June 2012.

NOTE 3: SUBSEQUENT EVENTS

There has not arisen in the interval between 31 December 2012 and the date of this report any item, transaction or event of a material and unusual nature that, in the opinion of the Directors has significantly affected or may significantly affect the operations, or the state of affairs of the economic entity in subsequent financial periods.

Notes To The Condensed Consolidated Financial Statements For The Half Year Ended 31 December 2012

NOTE 4: SEGMENT INFORMATION

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 ($'000)	**China & ROW Export Sales ($'000)**	**Americas ($'000)**	**Middle East / Africa ($'000)**	**Unallocated/ Elimination ($'000)**	**Total Continuing Operations ($'000)**
31 December 2012						
Revenue outside the consolidated entity	40,933	1,445	8,186	4,442	-	55,006
Inter-segment revenue	785	15,559	-	29	(16,373)	-
Total revenue	41,718	17,004	8,186	4,471	(16,373)	55,006
Segment EBITDA	4,518	4,171	(359)	776	(255)	8,851
Depreciation and amortisation	(432)	(1,932)	(116)	(2)	-	(2,482)
Segment EBIT	4,086	2,239	(475)	774	(255)	6,369
Net finance expense	-	-	-	-	-	(393)
Profit before income tax	-	-	-	-	-	5,976
Income tax expense	-	-	-	-	-	(1,439)
Profit for the half year	-	-	-	-	-	4,537
Segment assets	57,225	38,406	12,857	5,368	(871)	112,985
Segment liabilities	31,704	5,673	1,330	571	(183)	39,095

Notes

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

b). The segment result excludes finance costs, interest revenue and income tax expense

c). Australasia includes foreign exchange hedge and Australian corporate costs

Notes To The Condensed Consolidated Financial Statements For The Half Year Ended 31 December 2012

NOTE 4: SEGMENT INFORMATION (CONTINUED)

	Australasia ($'000)	China & ROW Export Sales ($'000)	Americas ($'000)	Middle East / Africa ($'000)	Unallocated/ Elimination ($'000)	Total Continuing Operations ($'000)
30 June 2012						
Revenue outside the consolidated 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

	Australasia ($'000)	China & ROW Export Sales ($'000)	Americas ($'000)	Middle East / Africa ($'000)	Unallocated/ Elimination ($'000)	Total Continuing Operations ($'000)
31 December 2011						
Revenue outside the consolidated entity	42,100	2,521	6,840	3,651	-	55,112
Inter-segment revenue	807	10,609	(55)	31	(11,392)	-
Total revenue	42,907	13,130	6,785	3,682	(11,392)	55,112
Segment EBITDA	6,395	2,776	(346)	733	(220)	9,338
Depreciation and amortisation	(987)	(2,022)	(140)	(2)	-	(3,151)
Segment EBIT	5,408	754	(486)	731	(220)	6,187
Net finance expense	-	-	-	-	-	(544)
Profit before income tax	-	-	-	-	-	5,643
Income tax expense	-	-	-	-	-	(1,500)
Profit for the half year	-	-	-	-	-	4,143
Segment assets	45,397	41,069	8,324	4,099	(646)	98,243
Segment liabilities	22,027	2,033	1,224	322	(125)	25,481

Notes To The Condensed Consolidated Financial Statements For The Half Year Ended 31 December 2012

NOTE 5: ISSUANCES OF EQUITY SECURITIES

	Half Year to 31 December 2012 ($'000)	Year to 30 June 2011 ($'000)	Half Year to 31 December 2011 ($'000)
Paid Up Capital			
296,739,396 fully paid ordinary shares (June 2012: 295,441,658)	71,338	70,988	70,307
Movement In Share Capital			
Shares on issue at the beginning of the financial period	70,988	107,086	107,086
Shares issued	350	681	-
Share capital reduction [1]	-	(36,779)	(36,779)
Paid up capital at the end of the financial period	71,338	70,988	70,307

[1] 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.

NOTE 6: DIVIDENDS

	Half Year to 31 December 2012 (Cents per Share)	Half Year to 31 December 2012 ($'000)	Half Year to 31 December 2011 (Cents Per Share)	Half Year to 31 December 2011 ($'000)
Fully Paid Ordinary Shares				
Final dividend paid	1.25	3,693	1.2	3,446
Total	1.25	3,693	1.2	3,446

On 22 February 2013, the Directors declared a fully franked interim dividend of 1.3 cents per share to the holders of fully paid ordinary shares in respect of the half year ended 31 December 2012, to be paid to shareholders on 25 March 2013. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $3.871 million.

Notes To The Condensed Consolidated Financial Statements For The Half Year Ended 31 December 2012

NOTE 7: EARNINGS PER SHARE

	Half Year to 31 December 2012 (Cents Per Share)	Year to 30 June 2012 (Cents Per Share)	Half Year to 31 December 2011 (Cents Per Share)
Basic earnings per share			
From continuing operations	1.53	2.95	1.44
Total basic earnings per share	1.53	2.95	1.44
Diluted earnings per share			
From continuing operations	1.51	2.86	1.39
Total diluted earnings per share	1.51	2.86	1.39

	Half Year to 31 December 2012 ($'000)	Year to 30 June 2012 ($'000)	Half Year to 31 December 2011 ($'000)
Earnings per share			
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:			
Net profit	4,537	8,477	4,143
Earnings used in the calculation of basic EPS from continuing operations	4,537	8,477	4,143

	Half Year to 31 December 2012 (No. '000)	Year to 30 June 2012 (No. '000)	Half Year to 31 December 2011 (No. '000)
Weighted average number of ordinary shares for the purposes of basic earnings per share	295,639	287,192	287,192
Weighted average number of shares deemed to be issued for no consideration in respect of:			
Performance rights	4,650	8,985	11,205
Weighted average number of ordinary shares for the purposes of diluted earnings per share	300,289	296,177	298,397

Notes To The Condensed Consolidated Financial Statements For The Half Year Ended 31 December 2012

NOTE 8: CASH FLOW INFORMATION

(a) Reconciliation Of Cash

	Half Year to 31 December 2012 ($'000)	Year to 30 June 2012 ($'000)	Half Year to 31 December 2011 ($'000)
Cash at the end of the period 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	16	15	12
Cash at bank	8,420	2,662	4,175
Cash on deposit	296	444	57
Bank overdrafts	-	-	-
Total	8,732	3,121	4,244

(b) Reconciliation Of Cash Flow From Operations With Profit

	Half Year to 31 December 2012 ($'000)	Year to 30 June 2012 ($'000)	Half Year to 31 December 2011 ($'000)
Profit after income tax	4,537	8,477	4,143
Non cash flows in profit			
Loss on disposal of fixed assets	13	138	48
Depreciation of fixed assets	2,446	5,320	3,006
Amortisation/impairment of intangible assets	36	233	123
Equity settled share based payments	200	114	175
Changes in assets and liabilities processed directly in equity	-	-	566
Changes in tax balances due to foreign exchange movements	(248)	654	-
Changes in assets and liabilities			
(Increase) /decrease in receivables	(759)	(2,045)	111
(Increase) / decrease in inventories	(6,062)	(2,119)	(1,863)
(Increase) / decrease in other assets	(819)	(4)	(186)
Decrease in payables, accruals and other financial liabilities	2,360	(1,396)	(173)
Increase / (decrease) in tax balances	(769)	123	(451)
FX / other non operation movements backed out of assets and liabilities	24	(39)	3
Net cash inflow provided by operations	959	9,456	5,502

Notes To The Condensed Consolidated Financial Statements For The Half Year Ended 31 December 2012

NOTE 9: BUSINESS COMBINATIONS

(a) 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, assets acquired and goodwill are as follows:

	Half Year to 31 December 2012 ($'000)
Purchase consideration	
Cash consideration paid	2,250
Cash consideration to be paid	175
Shares issued	350
Deferred cash consideration	1,900
Total consideration	4,675

The assets recognised as a result of the acquisition are as follows:

	Half Year to 31 December 2012 ($'000)
Inventories	577
Plant and equipment	49
Provision for employee entitlements	(69)
Deferred tax asset	21
Total net tangible assets acquired	578
Add goodwill	4,097
Net assets acquired	4,675

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 $1,900,000 is to be paid in cash in two installments:

- $250,000 on 30 January 2013 adjusted for the final agreed value of inventory and plant and equipment; and
- $1,650,000 on 31 August 2013 but will be subject to sales and margin performance for the six months ended 31 May 2013.

Notes To The Condensed Consolidated Financial Statements For The Half Year Ended 31 December 2012

NOTE 9: BUSINESS COMBINATIONS(CONTINUED)

Revenue and Profit Contribution

The acquired business contributed revenue of $1,306,000 and net profit after tax of $198,000 for the period 1 December to 31 December 2012.

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.

Independent Auditor's Review Report

Deloitte.

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Independent Auditor's Review Report to the Members of Gale Pacific Limited

We have reviewed the accompanying half-year financial report of Gale Pacific Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2012, and the condensed consolidated statement of profit or loss, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising Gale Pacific Limited and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 14 to 29.

Directors' Responsibility for the Half-Year Financial Report

The directors of Gale Pacific Limited are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Gale Pacific Limited's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Gale Pacific Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, 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 review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Gale Pacific Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the Gale Pacific Limited's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

D. A. Watson

David A Watson
Partner
Chartered Accountants
Melbourne, 22 February 2013