RESULTS, APPENDIX 4D & FINANCIAL REPORT

FOR THE HALF YEAR ENDED 31 DECEMBER 2013

GALE PACIFIC

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RESULTS FOR THE HALF YEAR ENDED 31 DECEMBER 2013

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER'S REPORT

FINANCIAL RESULTS

Gale Pacific Limited ("Gale" or the "Company") today announced a profit after tax of $3.5 million for the half year ended 31 December 2013, a $1.0 million decrease (22%) on the previous half year. The result represents 1.16 cents earnings per share (diluted) and Directors have declared an interim dividend of 1.30 cents per share in line with the interim dividend declared and paid for the corresponding period last year. The dividend of 1.30 cents per share will be franked at 75%.

	6 months to December 2013 (A$ Million)	6 months to December 2012 (A$ Million)	Change %
Sales	$60.9	$55.0	11%
EBITDA	$7.3	$8.9	(18%)
Depreciation and amortisation	$2.7	$2.5	8%
EBIT	$4.6	$6.4	(28%)
Interest	$0.5	$0.4	25%
Profit before tax	$4.1	$6.0	(33%)
Tax	$0.6	$1.5	(60%)
Profit for the half year	$3.5	$4.5	(22%)
Net cash (used) / provided by operating activities	$(4.0)	$1.0	
Net debt	$14.4	$9.9	
Diluted earnings per share	1.16 cents	1.51 cents	(23%)
Interim dividend per share	1.30 cents	1.30 cents	0%

Sales for the half year were $60.9 million, an increase of 11% on the previous half year and included substantial growth in the Middle East, North American and Australasian markets but weaker sales in the international markets due mainly to phasing of sales to the Japanese market.

EBIT for the group was $4.6 million, a 28% decrease on the $6.4 million reported for the half year ended 31 December 2012. The reduction in EBIT was largely driven by the Australasian region due to some margin erosion related to a weakening Australian dollar, increased operating costs as a result of ongoing integration issues of recently acquired businesses, lower than expected demand for grain storage covers and implementation challenges and performance issues associated with the new IT system in Australia. Higher resin costs also had an impact on the result.

Cash used in operations for the half year was $4.0 million compared to $1.0 million provided from operations in the previous corresponding period, mainly due to higher receivables in line with revenue growth and an increase in inventory which relates to a build of inventory to support sales programs in the June 2014 half year period in the USA and carry over inventory in the Australian business due to lower than expected sales of grain storage fabrics.

"We are pleased with the substantial sales growth in the Middle East and North American markets during this period. Margin pressure due to a weaker Australian dollar and ongoing supply chain issues as a result of the integration of the recent acquisitions have had a negative impact in Australia and New Zealand which has resulted in a challenging first half for these businesses. The new management team within the Australasian operation is addressing these issues and we are starting to see the benefits within the business. Our Chinese manufacturing operations continue to perform well and remain a key strength for our business" 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 2013

LOCAL CURRENCY	Sales			EBITDA		
$ Million	2013	2012	Change %	2013	2012	Change %
Australasia A$	43.8	40.9	7%	2.4	4.5	(47%)
Americas US$	8.9	8.4	6%	(0.3)	(0.4)	n/a
Middle East US$	5.4	4.6	17%	1.1	0.8	38%
International Sales US$	1.2	1.5	(20%)	Included in China		
China Internal Sales US$	18.0	16.2	11%	3.8*	4.3*	(12%)
Unallocated / eliminations A$				(0.2)	(0.2)	0
Total Group A$	60.9	55.0	11%	7.3	8.9	(18%)

* Commercial margin on intercompany sales

AUSTRALASIA – SALES INCREASE BY 7% AND EBITDA DECLINE OF 47% ON PREVIOUS CORRESPONDING HALF YEAR

Sales of Coolaroo and Zone branded screening and shading products sold to retail channels in Australia were in line with the prior year corresponding period. Sales of Highgrove Glass Solutions branded products, acquired at the end of November 2012, were a significant contribution to sales in the first half. Unseasonably wet and mild spring and early summer weather conditions in the south east softened consumer demand for our Coolaroo sun protection products, however hotter conditions in parts of Australia during January and February have resulted in a significant uplift in sales in Victoria and South Australia. A poor grain harvest in the eastern half of Australia reduced the demand for grain storage covers compared to the prior year and a continued slowdown in mining activity resulted in lower sales of mining related coated fabrics. Supply of Synthesis coated fabrics for a major irrigation project overseas is expected to offset the majority of this sales shortfall, however these will be at lower margins.

The closure of the Riva branded custom made window furnishings business has been completed in line with the expected closure costs.

Sales in New Zealand were higher than the previous corresponding period with continued weakness in the commercial markets being offset by improved sales in the retail markets. The additional ranging for Coolaroo products and the expansion of ranging for Zone Hardware products in the New Zealand market through major DIY retail outlets drove the improvement in retail sales while 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.

EBITDA for the Australasian business unit was 47% lower than the previous corresponding period due to the business being unable to pass on the full effect of a weakening Australian dollar to customers and increasing pressure on margins across both the retail and commercial businesses. A significant increase in supply chain and other operating costs related to the ongoing integration of the recently acquired businesses also had a significant impact. The new Australasian management team have conducted a thorough review of the business and implemented changes to address these issues and we are confident that the benefits of these changes will begin to be realised during the second half.

AMERICAS – SALES UP BY 6% AND EBITDA IMPROVEMENT OF $0.1 MILLION OVER THE PREVIOUS CORRESPONDING HALF YEAR

Sales for Gale USA increased by 6% 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 some of our major retail customers and continued signs of improvement in consumer demand. This half year reflects the seasonal low sales at the end of the Northern Hemisphere summer season period. EBITDA for the half was a $0.1 million improvement on the previous corresponding period due to the increased sales. The increased volumes for the US 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 17% AND EBITDA INCREASE OF 38% OVER THE PREVIOUS CORRESPONDING HALF YEAR

Sales of Synthesis branded architectural fabrics have been strong for the half year as the Company has continued to expand its customer base. 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 38% over the previous corresponding period. The increased volume achieved also had a positive impact on the China factory.

INTERNATIONAL SALES – SALES DECLINE BY 20% ON PREVIOUS CORRESPONDING HALF YEAR

The Company has recorded a slight reduction in sales, mainly in the Japanese market where orders have been delayed until the second half. The international sales team has been very active in expanding sales into a number of new geographic regions with particular focus on South America, Europe and China in addition to continuing 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$1.2 million compared to US$1.5 million for the same period last year. A strong order book is in hand for the seasonally higher second half.

CHINA – MANUFACTURING

The Company's Chinese manufacturing facility continues to achieve consistently high performance due to the ongoing continuous improvement efforts in the plant. A focus on improving yields, reducing waste and driving labour efficiencies in the plant will help offset the negative impacts of higher wage rates and other inflationary increases. We were challenged by a significant number of power outages in the plant in the first half due to the extreme record hot weather which caused production delays and increased waste levels during these periods. The manufacturing performance is a great credit to the management and manufacturing team in China. Low levels of maintenance capital expenditure were required in this half year however the installed manufacturing capacity is being increased during the second half to support the continued growth in global sales.

CASH FROM OPERATIONS AND NET DEBT

Cash used in operations was $4.0 million compared to $1.0 million provided from operations in 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 2014 half year period in the USA and carry over inventory in the Australian business due to lower than expected sales of grain storage fabrics. Trade debtors increased due to the higher sales towards the end of the first half.

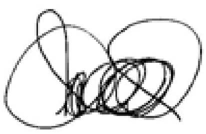
Net debt at 31 December 2013 was $14.4 million compared to $9.9 million at the same time last year and $3.2 million at 30 June 2013. The net debt position includes the investment cost of $1.2 million in the upgrade of IT systems in Australia and the USA and dividend payments to shareholders of $4.0 million.

OUTLOOK

Hotter conditions in southern parts of Australia during January and February have resulted in increased sales of Coolaroo branded product sold into retail channels which will positively impact the performance of the Australasian business unit, however we expect market conditions to remain challenging with continued pressure on margins. We have secured a large export contract for the supply of water fluming fabric which will help offset the lower sales of grain storage fabrics but this will be at lower margins. 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 continued improvement in consumer sentiment. The outlook for International sales is also positive with a strong order book for the Japanese market in the second half.

The necessary structural changes in the Australasian business have been made. Performance of the business will improve as the actions taken by the new management team start to take effect but the full financial impact of these changes will not been seen until FY15. The second half result for the group is expected to be stronger than the second half last year. Overall Gale expects earnings per share for the full year FY14 will be approximately in line with the prior year, and management remain confident in the future growth and profitability of the business.

Plans are in place to reduce working capital and Gale expects to generate strong positive operating cash flows for the second half. The Company continues to operate with a solid balance sheet with the capacity to support further growth opportunities which are actively being pursued.



Mr. Peter McDonald
Managing Director and Chief Executive Officer
26 February 2014

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

APPENDIX 4D

HALF YEARLY REPORT FOR THE SIX MONTHS TO 31 DECEMBER 2013

Name of Entity:	Gale Pacific Limited
ABN or Equivalent Company Reference:	80 082 263 778
Report for the Half Year Ended:	31 December 2013
Previous Full Year Period is the Financial Year Ended:	30 June 2013
Previous Corresponding Period is the Half Year Ended:	31 December 2012

RESULTS FOR ANNOUNCEMENT TO THE MARKET

		%	Half Year to 31 December 2012 $'000		Half Year to 31 December 2013 $'000
Revenues from continuing operations:	Up	10.6%	55,006	To	60,856
Profit from continuing operations after tax attributable to members:	Down	22.4%	4,537	To	3,522
Net profit for the period attributable to members:	Down	22.4%	4,537	To	3,522

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

DIVIDENDS

	Amount per security	Percentage franked
Interim dividend for the year ending 30 June 2014	1.30 cents	75%
Final dividend for the year ending 30 June 2013	1.35 cents	80%

Date dividend is payable	Thursday 10 April 2014
Record date for determining entitlements to the dividend	Wednesday 12 March 2014
Trading ex dividend	Thursday 6 March 2014

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	Percentage franked
Interim dividend for the year ending 30 June 2014		
- In respect of 2014 financial year as at 31 December 2013	1.30 cents	75%
- In respect of 2013 financial year as at 31 December 2012	1.30 cents	100%
Final dividend for the year ending 30 June 2013		
- In respect of 2013 financial year as at 30 June 2013	1.35 cents	80%
- In respect of 2012 financial year as at 30 June 2012	1.25 cents	100%

NET TANGIBLE ASSET PER SECURITY

	As at 31 December 2013	As at 30 June 2013	As at 31 December 2012
Net tangible asset per ordinary security	21.2 cents	21.2 cents	17.7 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: 26 February 2014

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 2013 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 $3.522 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. T. Alle

Mr. David Allman
Chairman
26 February 2014

Mr. Peter McDonald
Managing Director and Chief Executive Officer
26 February 2014

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
Gale Pacific Limited
145 Woodlands Drive
Braeside VIC 3195

26 February 2014

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 half-year ended 31 December 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 review; and

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

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter Jovic
Partner
Chartered Accountants
Melbourne, 26 February 2014

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.

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

Mr. David Allman
Chairman
26 February 2014

Mr. Peter McDonald
Managing Director and Chief Executive Officer
26 February 2014

Condensed Consolidated Statement of Profit or Loss
For The Half Year Ended 31 December 2013

	Half Year to 31 December 2013	Year to 30 June 2013	Half Year to 31 December 2012	Year to 30 June 2012
	($'000)	($'000)	($'000)	($'000)
Revenue	60,856	119,988	55,006	110,473
Cost of goods sold	(35,649)	(70,697)	(31,309)	(65,429)
Gross profit	25,207	49,291	23,697	45,044
Other Income	112	481	111	173
Warehousing and distribution	(8,331)	(13,542)	(6,226)	(10,885)
Marketing and selling	(6,004)	(11,003)	(5,240)	(9,713)
Administration	(5,096)	(8,802)	(4,497)	(9,156)
Other expenses	(1,270)	(3,552)	(1,476)	(3,043)
Finance costs	(472)	(857)	(393)	(966)
Profit before income tax	4,146	12,016	5,976	11,454
Income tax expense	(624)	(2,932)	(1,439)	(2,977)
Profit for the half year	3,522	9,084	4,537	8,477
Profit Attributable To				
Members of the parent	3,522	9,084	4,537	8,477
Profit for the period	3,522	9,084	4,537	8,477
Earnings per share				
Basic earnings per share (cents per share)	1.18	3.07	1.53	2.95
Diluted earnings per share (cents per share)	1.16	3.00	1.51	2.86

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 2013

	Half Year to 31 December 2013 ($'000)	Year to 30 June 2013 ($'000)	Half Year to 31 December 2012 ($'000)	Year to 30 June 2012 ($'000)
Profit for the period	3,522	9,084	4,537	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	(540)	1,032	(248)	654
Exchange differences on translation of foreign operations	2,336	5,985	(1,433)	3,865
Other comprehensive income for the period	1,796	7,017	(1,681)	4,519
Total comprehensive income for the period	5,318	16,101	2,856	12,996
Total Comprehensive Income Attributable To				
Members of the parent	5,318	16,101	2,856	12,996
Total comprehensive income for the period	5,318	16,101	2,856	12,996

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position
As At 31 December 2013

	31 December 2013 ($'000)	30 June 2013 ($'000)	31 December 2012 ($'000)	30 June 2012 ($'000)
Current Assets				
Cash and cash equivalents	10,574	11,187	8,732	3,121
Receivables	21,793	19,026	17,434	16,992
Other financial assets	772	1,580	36	127
Inventories	38,034	27,876	30,781	24,538
Current tax assets	235	233	127	-
Other current assets	2,419	1,159	1,468	661
Total current assets	73,827	61,061	58,578	45,439
Non Current Assets				
Property, plant and equipment	35,470	34,669	32,910	35,368
Intangible assets	21,538	21,233	21,061	17,044
Deferred tax assets	1,345	924	436	235
Total non current assets	58,353	56,826	54,407	52,647
Total assets	132,180	117,887	112,985	98,086
Current Liabilities				
Trade and other payables	15,519	11,723	12,702	8,134
Borrowings	24,173	13,913	18,500	7,225
Other financial liabilities	-	-	279	-
Current tax liabilities	561	1,493	1,198	1,561
Provisions	1,752	2,023	1,749	2,257
Total current liabilities	42,005	29,152	34,428	19,177
Non Current Liabilities				
Borrowings	763	462	89	-
Deferred tax liabilities	4,853	5,059	4,541	4,650
Provisions	92	50	37	82
Total non current liabilities	5,708	5,571	4,667	4,732
Total liabilities	47,713	34,723	39,095	23,909
Net Assets	84,467	83,164	73,890	74,177
Equity				
Contributed equity	71,485	71,338	71,338	70,988
Reserves	(6,430)	(8,079)	(17,073)	(15,592)
Retained earnings	19,412	19,905	19,625	18,781
Total equity	84,467	83,164	73,890	74,177

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity
For The Half Year Ended 31 December 2013

	Contributed Equity ($'000)	Reserves ($'000)	Retained Earnings ($'000)	Total Equity ($'000)
Balance at 1 July 2013	71,338	(8,079)	19,905	83,164
Profit for the half year	-	-	3,522	3,522
Other comprehensive income for the half year	-	1,796	-	1,796
Total comprehensive income for the half year	-	1,796	3,522	5,318
Transactions With Owners In Their Capacity As Owners				
Shares issued	147	(147)	-	-
Employee share based payments	-	-	-	-
Dividends provided for or paid	-	-	(4,015)	(4,015)
Total transactions with owners in their capacity as owners	147	(147)	(4,015)	(4,015)
Balance at 31 December 2013	71,485	(6,430)	19,412	84,467

	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	-	-	9,084	9,084
Other comprehensive income for the year	-	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	350	-	-	350
Employee share based payments	-	87	-	87
Statutory transfer to reserves	-	409	(409)	-
Dividends provided for or 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

Condensed Consolidated Statement of Changes in Equity
For The Half Year Ended 31 December 2013 (continued)

	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 half year	-	-	8,477	8,477
Other comprehensive income for the year	-	4,519	-	4,519
Total comprehensive income for the year	-	4,519	8,477	12,966
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 provided for or 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.

Condensed Consolidated Statement of Cash Flows
For The Half Year Ended 31 December 2013

	Note	Half Year to 31 December 2013	Year to 30 June 2013	Half Year to 31 December 2012	Year to 30 June 2012
		($'000)	($'000)	($'000)	($'000)
Cash Flow From Operating Activities					
Receipts from customers		63,700	127,139	59,377	114,235
Payments to suppliers and employees		(65,265)	(110,516)	(55,962)	(100,627)
Interest received		3	2	2	7
Borrowing costs paid		(487)	(859)	(395)	(973)
Income tax repayments		(1,966)	(4,246)	(2,063)	(3,186)
Net cash (used in) / provided by operating activities	8(b)	(4,015)	11,520	959	9,456
Cash Flow From Investing Activities					
Proceeds from sale of plant and equipment		33	93	53	256
Payments for acquisition of business		(863)	(2,498)	(2,250)	219
Payment for plant and equipment		(2,122)	(1,508)	(749)	(1,372)
Payment for intangible assets		(26)	(989)	(19)	(57)
Net cash used in investing activities		(2,978)	(4,902)	(2,965)	(954)
Cash Flow From Financing Activities					
Proceeds from / (repayment of) borrowings		10,561	7,126	11,373	(7,891)
Repayment of principal on finance leases		-	-	-	(321)
Dividends paid		(4,015)	(7,551)	(3,693)	(6,892)
Net cash provided by / (used in) financing activities		6,546	(425)	7,680	(15,104)
Net increase / (decrease) in cash held		(447)	6,193	5,674	(6,602)
Cash at beginning of year		11,187	3,121	3,121	9,391
Effects of exchange rate changes on items denominated in foreign currencies		(166)	1,873	(63)	332
Cash at the end of the period	8(a)	10,574	11,187	8,732	3,121

The accompanying notes form part of these financial statements.

Notes To The Condensed Consolidated Financial Statements For The Half Year Ended 31 December 2013

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 2013 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 2013.

(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 2013 annual financial report for the financial year ended 30 June 2013, 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 half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half year that are relevant to the Group include:

- AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- AASB 9 'Financial Instruments'(December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'
- AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'
- AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'
- AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'
- AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments'

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

(b) Summary of the Significant Accounting Policies (continued)

Impact of the application of AASB 10

AASB 10 replaces the parts of AASB 127 'Consolidated and Separate Financial Statements' that deal with consolidated financial statements and Interpretation 112 'Consolidation – Special Purpose Entities'. AASB 10 changes the definition of control such that an investor controls an investee when a) it has power over an investee, b) it is exposed, or has rights, to variable returns from its involvement with the investee, and c) has the ability to use its power to affect its returns. All three of these criteria must be met for an investor to have control over an investee. Previously, control was defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Additional guidance has been included in AASB 10 to explain when an investor has control over an investee. Some guidance included in AASB 10 that deals with whether or not an investor that owns less than 50 per cent of the voting rights in an investee has control over the investee is relevant to the Group.

The directors of the Company made an assessment as the date of the initial application of AASB 10 (i.e. 1 July 2013) that there are no changes to control applicable to the group.

At the date of authorisation of the financial statements, management has assessed the impact of these Standards and Interpretations and noted no significant changes

(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 2012 and for the year ended 30 June 2013. The condensed consolidated statement of financial position provides comparative information as at 30 June 2012, 31 December 2012 and 30 June 2013.

Notes To The Condensed Consolidated Financial Statements For The Half Year Ended 31 December 2013

NOTE 3: SUBSEQUENT EVENTS

There has not arisen in the interval between 31 December 2013 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.

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 ($'000)	Total ($'000)
31 December 2013						
Revenue outside the consolidated entity	43,808	1,367	9,724	5,957	-	60,856
Inter-segment revenue	1,181	18,104	27	11	(19,323)	-
Total revenue	44,989	19,471	9,751	5,968	(19,323)	60,856
Segment EBITDA	2,416	4,156	(288)	1,220	(196)	7,308
Depreciation and amortisation	(549)	(1,871)	(269)	(1)	-	(2,690)
Segment EBIT	1,867	2,285	(557)	1,219	(196)	4,618
Net finance expense	-	-	-	-	-	(472)
Profit before income tax	-	-	-	-	-	4,146
Income tax expense	-	-	-	-	-	(624)
Profit for the half year	-	-	-	-	-	3,522
Segment assets	64,000	42,369	19,245	7,260	(694)	132,180
Segment liabilities	35,566	9,553	2,047	682	(135)	47,713

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 2013

NOTE 4: SEGMENT INFORMATION (CONTINUED)

	Australasia ($'000)	China & ROW Export Sales ($'000)	Americas ($'000)	Middle East / Africa ($'000)	Unallocated/ Elimination ($'000)	Total ($'000)
30 June 2013						
Revenue outside the consolidated 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

	Australasia ($'000)	China & ROW Export Sales ($'000)	Americas ($'000)	Middle East / Africa ($'000)	Unallocated/ Elimination ($'000)	Total ($'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

NOTE 4: SEGMENT INFORMATION (CONTINUED)

	Australasia ($'000)	China & ROW Export Sales ($'000)	Americas ($'000)	Middle East / Africa ($'000)	Unallocated/ Elimination ($'000)	Total ($'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

NOTE 5: ISSUANCES OF EQUITY SECURITIES

	Half Year to 31 December 2013 ($'000)	Year to 30 June 2013 ($'000)	Half Year to 31 December 2012 ($'000)	Year to 30 June 2012 ($'000)
Paid Up Capital				
297,474,396 fully paid ordinary shares (June 2013: 296,739,396)	71,485	71,338	71,338	70,988
Movement In Share Capital				
Shares on issue at the beginning of the financial period	71,338	70,988	70,988	107,086
Shares issued	147	350	350	681
Share capital reduction	-	-	-	(36,779)
Paid up capital at the end of the financial period	71,485	71,338	71,338	70,988

NOTE 6: DIVIDENDS

	Half Year to 31 December 2013 (Cents per Share)	Half Year to 31 December 2013 ($'000)	Half Year to 31 December 2012 (Cents per Share)	Half Year to 31 December 2012 ($'000)
Fully Paid Ordinary Shares				
Final dividend paid	1.35	4,015	1.25	3,693
Total	1.35	4,015	1.25	3,693

On 26 February 2014, the Directors declared dividend franked to 75% of $1.30 cents per share to the holders of fully paid ordinary shares in respect of the half year ended 31 December 2013, to be paid to shareholders on 10 April 2014. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $3.867 million.

Notes To The Condensed Consolidated Financial Statements For The Half Year Ended 31 December 2013

NOTE 7: EARNINGS PER SHARE

	Half Year to 31 December 2013 (Cents Per Share)	Year to 30 June 2013 (Cents Per Share)	Half Year to 31 December 2012 (Cents Per Share)	Year to 30 June 2012 (Cents Per Share)
Basic earnings per share				
From continuing operations	1.18	3.07	1.53	2.95
Total basic earnings per share	1.18	3.07	1.53	2.95
Diluted earnings per share				
From continuing operations	1.16	3.00	1.51	2.86
Total diluted earnings per share	1.16	3.00	1.51	2.86

	Half Year to 31 December 2013 ($'000)	Year to 30 June 2013 ($'000)	Half Year to 31 December 2012 ($'000)	Year to 30 June 2012 ($'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:				
Net profit	3,522	9,084	4,537	8,477
Earnings used in the calculation of basic EPS from continuing operations	3,522	9,084	4,537	8,477

	Half Year to 31 December 2013 (No. '000)	Year to 30 June 2013 (No. '000)	Half Year to 31 December 2012 (No. '000)	Year to 30 June 2012 (No. '000)
Weighted average number of ordinary shares for the purposes of basic earnings per share	297,454	296,195	295,639	287,192
Weighted average number of shares deemed to be issued for no consideration in respect of:				
Performance rights	5,907	6,602	4,650	8,985
Weighted average number of ordinary shares for the purposes of diluted earnings per share	303,361	302,797	300,289	296,177

Notes To The Condensed Consolidated Financial Statements For The Half Year Ended 31 December 2013

NOTE 8: CASH FLOW INFORMATION

(a). Reconciliation Of Cash

	Half Year to 31 December 2013 ($'000)	Year to 30 June 2013 ($'000)	Half Year to 31 December 2012 ($'000)	Year to 30 June 2012 ($'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	12	16	15
Cash at bank	9,981	10,627	8,420	2,662
Cash on deposit	577	548	296	444
Total	10,574	11,187	8,732	3,121

(b). Reconciliation Of Cash Flow From Operations With Profit

	Half Year to 31 December 2013 ($'000)	Year to 30 June 2013 ($'000)	Half Year to 31 December 2012 ($'000)	Year to 30 June 2012 ($'000)
Profit after income tax	3,522	9,084	4,537	8,477
Non cash flows in profit				
Loss on disposal of fixed assets	-	126	13	138
Depreciation of fixed assets	2,535	5,096	2,446	5,320
Amortisation / impairment of intangible assets	155	67	36	233
Equity settled share based payments	-	87	200	114
Changes in assets and liabilities processed directly in equity	(540)	1,034	(248)	654
Changes in tax balances processed directly in equity	(147)	(409)	-	-
Changes in assets and liabilities				
(Increase) /decrease in receivables	(2,276)	(1,114)	(759)	(2,045)
(Increase) / decrease in inventories	(9,526)	(1,658)	(6,062)	(2,119)
(Increase) / decrease in other assets	(1,239)	(466)	(819)	(4)
Decrease in payables, accruals and other financial liabilities	5,115	565	2,360	(1,396)
Increase / (decrease) in tax balances	(1,607)	(670)	(769)	123
FX / other non operation movements backed out of assets and liabilities	(7)	(222)	24	(39)
Net cash inflow provided by operations	(4,015)	11,520	959	9,456

NOTE 9: BUSINESS COMBINATIONS

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:

	As at 31 December 2013 ($'000)
Purchase consideration	
Consideration paid	3,399
Deferred consideration payable	49
Shares issued	350
Total consideration	3,798

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

	As at 31 December 2013 ($'000)
Inventories	631
Plant and equipment	36
Provision for employee entitlements	(69)
Deferred tax asset	21
Total net tangible assets acquired	619
Goodwill	3,179
Net assets acquired	3,798

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.

The accounting arising from the business combination is completed in the current period.

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.

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 2013, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the 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 entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 12 to 26.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company 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 gives a true and fair view and 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 Limitied's financial position as at 31 December 2013 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.

Deloitte.

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 company's financial position as at 31 December 2013 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

Peter Jovic
Partner
Chartered Accountants
Melbourne, 26 February 2014