

2014 ANNUAL REPORT





CORPORATE DIRECTORY

Gale Pacific Limited

ABN 80 082 263 778

Directors

Mr David Allman (Chairman)
Mr Nick Pritchard (Group Managing Director)
Mr Peter Landos (Non Executive Director)
Mr John Murphy (Non Executive Director)
Mr George Richards (Non Executive Director)

Company Secretary

Ms Sophie Karzis

Registered Office

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Braeside, Victoria, 3195
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Solicitors

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Auditor

Deloitte Touche Tohmatsu
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Share Registry

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CONTENTS

INTRODUCTION

Corporate Directory	2
Chairman's Letter	4

CORPORATE

Board of Directors	8
Senior Management	9
Corporate Governance	10
Directors' Report	11

FINANCIAL RESULTS

Financial Results	28
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2014 Annual General Meeting

The Annual General Meeting will be held on Friday 24 October 2014.

The Notice of Meeting and Proxy Form are separate items accompanying this 2014 Annual Report.



CHAIRMAN'S LETTER

Dear Shareholders,

Financial year 2014 has been a challenging year for Gale highlighted by continued sales and profit growth in our overseas divisions and a number of challenges that have had a negative impact on our Australasian operations. Despite improved sales and profit performance in the second half, we were unable to make up the shortfall from the first half of FY14. The company recorded a decrease in net profit after tax of 9.4% to \$8.2 million compared to \$9.1 million for the previous corresponding period.

The results once again included very strong sales and profit growth for our Americas and Middle East businesses and a return to growth in our International business. Our Australasian businesses grew sales despite very competitive trading conditions, however profits declined as the businesses undertook significant organisational restructuring and continued to address the added complexity that the integration of the Zone and Highgrove businesses have placed on the organisation.

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

The key items of the results were;

	2013 / 2014 (A \$ Million)	2012 / 2013 (A \$ Million)	Change (%)
Sales	137.3	120.0	14%
EBITDA	17.6	18.0	(2)%
Depreciation and amortisation	5.4	5.1	6%
EBIT	12.1	12.9	(6)%
Interest	1.1	0.9	22%
Profit before tax	11.0	12.0	(8)%
Tax	2.8	2.9	(3)%
Reported profit after tax	8.2	9.1	(9)%
Net cash provided by operating activities	4.2	11.5	(63)%
Net debt	11.2	3.2	250%
Diluted earnings per share	2.72 cents	3.00 cents	(9)%
Final dividend per share	1.35 cents	1.35 cents	0%

Revenue Increase of 14% to \$137.3 Million

Revenue for the year increased by 14% to \$137.3 million. Sales revenues in local currencies grew by 27% in the USA and 14% in the Middle East. Sales revenues increased in Australasia by 4%. We continued to invest in the development of our international business by increasing direct marketing and selling activities, predominantly in Europe, South America and China.

EBITDA Decrease of 2% to \$17.6 Million

Earnings before interest, tax, depreciation and amortisation (EBITDA) was slightly down on last year at \$17.6 million for the year.

EBIT Decrease of 6% to \$12.1 Million

Earnings before interest and tax (EBIT) was \$12.1 million compared to \$12.9 million for the previous corresponding period. The reduction in EBIT was due to the decline in the Australasian business offset by improved earnings in the USA, Middle East and China / International operations.

NPAT Decrease of 9% to \$8.2 Million

Net profit after tax of \$8.2 million for the financial year ended 30 June 2014 declined by 9.4% or \$0.85 million compared to the previous corresponding period.

Final Dividend Payment of 1.35 Cents Unfranked

The Directors are pleased to announce to shareholders that the Company has maintained the ordinary final dividend at 1.35 cents per share. Dividends for the full year of 2.65 cents per share have been declared on diluted earnings of 2.72 cents per share. However, the final dividend payment of 1.35 cents per share will be unfranked. The final dividend will be paid to shareholders on 1 December 2014.

Cash From Operations \$4.2 Million

The ongoing profitability of the Company continued to generate strong cash flow from operations, however lower than in the previous corresponding period due to working capital increases. Working capital management is, and will continue to be, a major focus of the business and an overall improvement in working capital is expected moving forward.

The business recorded capital expenditure of \$3.4 million for the year, an increase of \$0.9 million on the prior year and includes \$1.3 million of expenditure for upgraded IT systems for implementation in the USA in 2014 / 2015. Dividends of \$7.9 million were paid to shareholders.

The company had net debt of \$11.2 million as at 30 June 2014 compared to net debt of \$3.2 million at 30 June 2013.

Organisational Restructure

The company has also announced a major organisational restructure which will streamline the Group's operations, shorten reporting lines and reduce administrative duplication. As a result of this Mr Nick Pritchard, currently Managing Director of the Australasian business, has been appointed Group Managing Director.

Nick joined Gale Pacific in August 2013 and has been leading the transformation of the Australasian business, which is expected to report improved underlying earnings in FY2015. Previously, Nick was Chief Executive of the Australasian business of the US based multi national Newell Rubbermaid which owns brands such as Parker, PaperMate, Waterman, DYMO, Rubbermaid and IRWIN Tools.

As a result of this change Mr Peter McDonald, the current Managing Director and Chief Executive Officer, has left the company and the Board would like to thank him for his considerable contribution, particularly during his eight years as Managing Director.

Review of Operations

While our businesses in the Americas and Middle East continued to perform well, our results in Australasia, which accounts for 58% of the group's sales, were unacceptable. The restructuring is aimed at creating a more focused and agile business with improved customer service, lower costs and the ability to leverage Gale Pacific's technology, global scale and strong market positions. Benefits are also expected in the group's marketing and supply chain, including inventory management.

Australasia (Australian Dollars)

Local Currency	FY14 (A\$M's)	FY13 (A\$M's)	Change (%)
Sales	79.9	76.9	4%
EBITDA	1.7	6.2	(73)%

Australasian sales increased through both retail and commercial channels. In the retail channel, sales of Coolaroo and ZONE branded products increased, but sales of Highgrove branded products were lower. In the commercial channel, higher sales of tank liners and a large export contract for water fluming fabric offset lower demand for grain storage covers and mining fabric.

Margins were affected by higher raw material and logistics costs, the weaker Australian dollar and a change in the sales mix. Earnings were also affected by costs related to the restructuring of the business, implementation of the new ERP system and integration of the ZONE and Highgrove businesses.

Working capital increased by 35%, due partly to inventory carried over from the previous grain season. Inventory held in a major retailer's stores was reduced during the year to more realistic levels; affecting Gale Pacific's revenue but, with the customer's sales increasing satisfactorily, the impact is expected to be short term.

The new leadership team, appointed during the year, has made considerable progress with improving service levels, stabilising the IT system and introducing systems and processes to improve management visibility and reduce costs. In addition, brand and product strategies have been defined, there is now a strong pipeline of new products, a digital platform is under development, and there are plans for investment to strengthen the company's core consumer brands.

Two significant product launches, an Everton range of glass pool fencing and balustrade, and a ZONE Interiors range of interior window furnishings will take place in FY2015.

Americas (US Dollars)

Local Currency	FY14 (US\$M's)	FY13 (US\$M's)	Change (%)
Sales	32.9	25.9	27%
EBITDA	3.0	2.1	43%

Improved consumer confidence, together with new products and effective seasonal marketing programs, resulted in higher sales by most major retail customers, and additional listings were secured with some of the larger traditional and online retailers. Sales of fabrics to the commercial sector also increased. Margins were slightly lower due to an increase in direct shipments to retailers from China.

Additional investment in marketing and sales resources, combined with new product development, is expected to lead to further sales growth. Two of the largest wholesale clubs have expanded their range commitments for FY2015.

Middle East (US Dollars)

Local Currency	FY14 (US\$M's)	FY13 (US\$M's)	Change (%)
Sales	11.1	9.7	14%
EBITDA	2.4	1.9	26%

Construction activity and demand for architectural shade fabric in Gale Pacific's two main markets resulted in increased demand for the company's commercial fabrics which have a reputation in the region for withstanding extreme heat. Sales to the UAE increased by over 10% and sales to Saudi Arabia increased by over 20%. Margins in the region were also higher.

China and International Export Sales (US Dollars)

China (US Dollars)

Local Currency	FY14 (US\$M's)	FY13 (US\$M's)	Change (%)
Sales – International	8.3	7.6	9%
Sales - Internal	38.9	28.6	36%
EBITDA	9.0	7.6	18%

Higher labour and material costs were offset by record volumes, increased efficiencies, improved yields and reduced waste levels contributing to a record result from the China operations. EBITDA was US\$9.0M, up 18% on prior year predominantly representing margin on intercompany sales.

A new large scale tape extrusion line is currently being commissioned. This will increase tape extrusion output by approximately 50%, or 1,000 tonnes per annum. A number of knitting machines have been recommissioned to utilise this tape increase, further increasing plant capacity and supporting future sales growth.

Other Overseas Markets (US Dollars)

Sales in Japan, South Africa, Israel and Italy all increased, although overall sales in Europe were lower. Further growth is expected in Japan following the launch of new commercial products in FY2015, and business development activities in China, South America and Europe are also expected to lead to higher sales.

Cash Flow and Balance Sheet

Net operating cash flow remained strong at \$4.2 million, but was lower than FY2013 (\$11.5 million) due to an increase in working capital.

Steps are being taken to reduce working capital and, while inventory will increase in the first half of FY2015 to support two major product launches, an improvement is expected over the course of the year. Capital expenditure increased by \$0.9 million to \$3.4 million, due partly to investment of \$1.3 million to upgrade IT systems.

Net debt at 30 June 2014 was \$11.2 million, compared with \$3.2 million at 30 June 2013, and the ratio of net debt to total funds employed was 12.3% (30 June 2013: 3.7%).

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. Further complementary acquisitions will continue to be assessed and actively pursued.

Management and Staff

On behalf of the Directors, we would like to thank all Gale employees for their hard work and commitment to grow and improve the business. The company has faced a number of challenges in FY14 and a significant amount of restructuring has taken place in the business to improve our operations and the service we provide to our customers. We welcome the new members to the team and look forward to their contribution as we strive to profitably grow the organisation and drive for continuous improvements in everything we do.

Outlook

Trading conditions are expected to remain largely consistent with the past year, but there are signs of increasing consumer spending in the USA and demand in the Middle East remains stable, fuelled by construction activity. Margins are likely to remain under pressure due to increasing material and labour costs in China and the strengthening of the renminbi.

The restructuring of the Australasian business is expected to lead to an improvement in Australasian earnings and, as a result, the company's FY2015 underlying after-tax profit is expected to show an improvement on FY2014. The statutory result will include non-recurring costs of approximately \$2.5 million pretax (\$1.75 million after tax) relating to the restructuring announced today and the transformation process that is underway. This includes costs associated with the refresh and relaunch of the company's ZONE window furnishings range and the rebranding and marketing program relating to the company's pool fencing and balustrade range. We see strong growth opportunities in these product categories and the investments in these projects will considerably improve the products, packaging, consumer shopping experience and marketing support programs.

Annual General Meeting

A notice of the Company's Annual General Meeting to be held on 24 October 2014 and a voting form is enclosed with this report.



David Allman
Chairman
25 August 2014

BOARD OF DIRECTORS

David Allman



B.Sc.

Chairman and Non Executive Director since November 2009.

David 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. David holds a degree in engineering and prior to obtaining general management positions held managerial roles in production management, finance and marketing. David is Chairman of McPherson's Limited and Muir Engineering Pty Ltd.

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

Nick Pritchard



B.Bus (Marketing)

Nick joined Gale in August 2013 as Managing Director Australia and New Zealand and was appointed Group Managing Director in August 2014. Prior to joining Gale, Nick held senior leadership positions at Newell Rubbermaid, most recently, Vice-President / General Manager – Australia and New Zealand where he led all business segments 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 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.

Peter Landos



B.Econ., CA

Non Executive Director in May 2014.

Peter is the Chief Operating Officer of the Thorney Investment Group of Companies with whom he has been since September 2000, having previously worked at Macquarie Bank Limited. Peter has extensive business and corporate experience specialising in advising boards and management in mergers and acquisitions, divestments, business restructurings and capital markets. Peter is also a Non Executive Chairman of Adacel Technologies Limited.

Peter is a member of the Company's Nomination, Risk, Audit and Remuneration Committees.

John Murphy



CA, FCPA, B.Comm, M.Comm

Non Executive Director since August 2007.

John was the Managing Director of Investec Wentworth Private Equity Limited from 2002 until 30 September 2011. Also on that date John changed from being an executive to a non executive director of Investec Bank (Australia) Limited. He is currently a director of a number of listed companies including Ariadne Australia Limited, Vocus Communications Limited, Redflex Holdings Limited and Kresta Holdings Limited.

John 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.

George 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. George has had over 50 years experience in retail, marketing, manufacturing and distribution. He is a board member of The Alfred Foundation and an Associate Member of the Australian Society of Accountants (CPA).

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

SENIOR MANAGEMENT

Howard Abbey

Chief Financial Officer (“CFO”)



Howard joined Gale in October 2013 and is an experienced CFO having held senior finance positions within large, international businesses with significant sales, distribution and manufacturing operations. Howard began his career with the BOC Group where he spent 18 years in both operational and financial roles within Europe, Asia and the USA. He then spent 4 years in China as CFO for the ECCO Group where he played a leading role in the establishment and subsequent management of a new Chinese manufacturing facility. Prior to joining Gale he was CFO for Australian Defence Apparel Pty Ltd. Howard holds a Masters degree in Electrical & Mechanical Engineering and is a CPA and member of the Chartered Institute of Management Accountants.

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

The Company's Directors and management are committed to conducting the Group's business in an ethical manner and in accordance with the highest standards of corporate governance. The Company has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (Third Edition) (Recommendations) to the extent appropriate to the size and nature of the Group's operations.

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any Recommendations that have not been followed, and provides reasons for not following such Recommendations (Corporate Governance Statement).

In accordance with ASX Listing Rules 4.10.3 and 4.7.4, the Corporate Governance Statement will be available for review on Gale Pacific's website (www.galepacific.com), and will be lodged together with an Appendix 4G with ASX at the same time that this Annual Report is lodged with ASX.

The Appendix 4G will particularise each Recommendation that needs to be reported against by Gale Pacific, and will provide shareholders with information as to where relevant governance disclosures can be found.

The Company's corporate governance policies and charters are all available on Gale Pacific's website (www.galepacific.com).

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 2014.

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

David 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. David holds a degree in engineering and prior to obtaining general management positions held managerial roles in production management, finance and marketing. David is Chairman of McPherson's Limited and Muir Engineering Pty Ltd.

Other than the above, no other directorships of listed companies were held by David at anytime during the three years prior to 30 June 2014.

David 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 from April 2006 and Executive Director from 1998 until 22 August 2014

Peter was appointed Managing Director and Chief Executive Officer of Gale in April 2006. Peter joined Gale in 1988 and was appointed as an Executive Director of the Company in 1998. Peter 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 Peter at any time during the three years prior to 30 June 2014.

Nick Pritchard B Bus (Marketing)

Group Managing Director appointed 22 August 2014

Nick joined Gale in August 2013 as Managing Director Australia and New Zealand and was appointed Group Managing Director on 22 August 2014. Prior to joining Gale, Nick held senior leadership positions at Newell Rubbermaid, most recently, Vice-President / General Manager – Australia and New Zealand where he led all business segments 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 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.

Peter Landos, B.Econ., CA

Non Executive Director since May 2014

Peter is the Chief Operating Officer of the Thorney Investment Group of Companies with whom he has been since September 2000, having previously worked at Macquarie Bank Limited. Peter has extensive business and corporate experience specialising in advising boards and management in mergers and acquisitions, divestments, business restructurings and capital markets. Peter is also a Non Executive Chairman of Adacel Technologies Limited.

In the three years prior to 30 June 2014 Peter was also a director of McPherson's Group Limited and Rattoon Holdings Limited.

Peter is a member of the Company's Nomination, Risk, Audit and Remuneration Committees.

John Murphy, CA, FCPA, B.Comm, M.Comm

Non Executive Director since August 2007

John was the Managing Director of Investec Wentworth Private Equity Limited from 2002 until 30 September 2011. Also on that date John changed from being an executive to a non executive director of Investec Bank (Australia) Limited. He is currently a director of a number of listed companies including Ariadne Australia Limited, Vocus Communications Limited, Redflex Holdings Limited and Kresta Holdings Limited.

In the three years prior to 30 June 2014 John was also a director of Clearview Wealth Limited.

John 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

George 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. George has had over 50 years experience in retail, marketing, manufacturing and distribution. He is a board member of The Alfred Foundation and an Associate Member of the Australian Society of Accountants (CPA).

No other directorships of listed companies were held by George at any time during the three years prior to 30 June 2014.

George 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

Sophie was appointed as Company Secretary in June 2004. Sophie 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 branded screening, shading and home improvement products to global markets.

Review and Results of Operations

Revenue for the year increased by 14% to \$137.3 million. Sales revenues in local currencies grew by 27% in the USA and 14% in the Middle East. Sales revenues increased in Australasia by 4%. We continued to invest in the development of our international business by increasing direct marketing and selling activities, predominantly in Europe, South America and China.

Earnings before interest, tax, depreciation and amortisation (EBITDA) was slightly down on last year at \$17.6 million for the year.

Earnings before interest and tax (EBIT) was \$12.1 million compared to \$12.9 million for the previous corresponding period. The reduction in EBIT was due to the decline in the Australasian business offset by improved earnings in the USA, Middle East and China / International operations.

Net profit after tax of \$8.2 million for the financial year ended 30 June 2014 declined by 9.4% or \$0.85 million compared to the previous corresponding period.

The Directors are pleased to announce to shareholders that the Company has maintained the ordinary final dividend at 1.35 cents per share. Dividends for the full year of 2.65 cents per share have been declared on diluted earnings of 2.72 cents per share. The final dividend payment of 1.35 cents per share will be unfranked. The final dividend will be paid to shareholders on 1 December 2014.

The ongoing profitability of the Company continued to generate strong cash flow from operations, however lower than in the previous corresponding period due to working capital increases. Working capital management is, and will continue to be, a major focus of the business and an overall improvement in working capital is expected moving forward.

The business recorded capital expenditure of \$3.4 million for the year, an increase of \$0.9 million on the prior year and includes \$1.3 million of expenditure for upgraded IT systems for implementation in the USA in 2014 / 2015. Dividends of \$7.9 million were paid to shareholders.

The company had net debt of \$11.2 million as at 30 June 2014 compared to net debt of \$3.2 million at 30 June 2013.

The company has also announced a major organisational restructure which will streamline the group's operations, shorten reporting lines and reduce administrative duplication. As a result of this Mr Nick Pritchard, currently Managing Director of the Australasian business, has been appointed Group Managing Director.

Nick joined Gale Pacific in August 2013 and has been leading the transformation of the Australasian business, which is expected to report improved underlying earnings in FY2015. Previously, Nick was Chief Executive of the Australasian business of the US based multi-national Newell Rubbermaid which owns brands such as Parker, PaperMate, Waterman, DYMO, Rubbermaid and IRWIN Tools.

As a result of this change Mr Peter McDonald, the current Managing Director and Chief Executive Officer, has left the company and the Board would like to thank him for his considerable contribution, particularly during his eight years as Managing Director.

While our businesses in the Americas and Middle East continued to perform well, our results in Australasia, which accounts for 58% of the group's sales, were unacceptable. The restructuring is aimed at creating a more focused and agile business with improved customer service, lower costs and the ability to leverage Gale Pacific's technology, global scale and strong market positions. Benefits are also expected in the group's marketing and supply chain, including inventory management.

Australasian sales increased through both retail and commercial channels. In the retail channel, sales of Coolaroo and ZONE branded products increased, but sales of Highgrove branded products were lower. In the commercial channel, higher sales of tank liners and a large export contract for water fluming fabric offset lower demand for grain storage covers and mining fabric.

Margins were affected by higher raw material and logistics costs, the weaker Australian dollar and a change in the sales mix. Earnings were also affected by costs related to the restructuring of the business, implementation of the new ERP system and integration of the ZONE and Highgrove businesses.

Working capital increased by 35%, due partly to inventory carried over from the previous grain season. Inventory held in a major retailer's stores was reduced during the year to more realistic levels; affecting Gale Pacific's revenue but, with the customer's sales increasing satisfactorily, the impact is expected to be short term.

The new leadership team, appointed during the year, has made considerable progress with improving service levels, stabilising the IT system and introducing systems and processes to improve management visibility and reduce costs. In addition, brand and product strategies have been defined, there is now a strong pipeline of new products, a digital platform is under development, and there are plans for investment to strengthen the company's core consumer brands.

Two significant product launches, an Everton range of glass pool fencing and balustrade, and a ZONE Interiors range of interior window furnishings will take place in FY2015.

Improved consumer confidence, together with new products and effective seasonal marketing programs, resulted in higher sales by most major retail customers, and additional listings were secured with some of the larger traditional and online retailers. Sales of fabrics to the commercial sector also increased. Margins were slightly lower due to an increase in direct shipments to retailers from China.

Additional investment in marketing and sales resources, combined with new product development, is expected to lead to further sales growth. Two of the largest wholesale clubs have expanded their range commitments for FY2015.

Construction activity and demand for architectural shade fabric in Gale Pacific's two main markets resulted in increased demand for the company's commercial fabrics which have a reputation in the region for withstanding extreme heat. Sales to the UAE increased by over 10% and sales to Saudi Arabia increased by over 20%. Margins in the region were also higher.

Higher labour and material costs were offset by record volumes, increased efficiencies, improved yields and reduced waste levels contributing to a record result from the China operations. EBITDA was \$9.0M, up 18% on prior year predominantly representing margin on intercompany sales.

A new large scale tape extrusion line is currently being commissioned. This will increase tape extrusion output by approximately 50%, or 1,000 tonnes per annum. A number of knitting machines have been recommissioned to utilise this tape increase, further increasing plant capacity and supporting future sales growth.

Sales in Japan, South Africa, Israel and Italy all increased, although overall sales in Europe were lower. Further growth is expected in Japan following the launch of new commercial products in FY2015, and business development activities in China, South America and Europe are also expected to lead to higher sales.

Net-operating cash flow remained strong at \$4.2 million, but was lower than FY2013 (\$11.5 million) due to an increase in working capital.

Steps are being taken to reduce working capital and, while inventory will increase in the first half of FY2015 to support two major product launches, an improvement is expected over the course of the year. Capital expenditure increased by \$0.9 million to \$3.4 million, due partly to investment of \$1.3 million to upgrade IT systems.

Net debt at 30 June 2014 was \$11.2 million, compared with \$3.2 million at 30 June 2013, and the ratio of net debt to total funds employed was 12.3% (30 June 2013: 3.7%).

Trading conditions are expected to remain largely consistent with the past year, but there are signs of increasing consumer spending in the USA and demand in the Middle East remains stable, fuelled by construction activity. Margins are likely to remain under pressure due to increasing material and labour costs in China and the strengthening of the renminbi.

The restructuring of the Australasian business is expected to lead to an improvement in Australasian earnings and, as a result, the company's FY2015 underlying after tax profit is expected to show an improvement on FY14. The statutory result will include non recurring costs of approximately \$2.5 million pre tax (\$1.75 million after tax) relating to the restructuring announced today and costs associated with the refresh and relaunch of the company's ZONE window furnishings range and the rebranding and marketing program build relating to the company's pool fencing and balustrade range. We see strong growth opportunities in these product categories and the investments in these projects will considerably improve the products, packaging, consumer shopping experience and marketing support programs.

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 Company has announced a major organisational restructure which will streamline the Group's operations, shorten reporting lines and reduce administrative duplication. Nick Pritchard, previously Managing Director of the Australasian business, has been appointed Group Managing Director. As a result of this change Peter McDonald, the previous Managing Director and Chief Executive Officer, has left the company.

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's Letter 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:

	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Final ordinary dividend for the year ended 30 June 2013 of 1.35 cents per share paid on 4 October 2013	4,016	3,693
Interim ordinary dividend for the year ended 30 June 2014 of 1.30 cents per share paid on 10 April 2014	3,867	3,858

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 1 December 2014. This dividend payment will be unfranked.

For the full year dividends of 2.65 cents per share have been declared on diluted earnings of 2.72 cents per share. This maintains the full year ordinary dividend in line with last year.

Share Based Payments

Performance Rights

The number of performance rights on issue at the date of this report is 3,100,000. No amount is payable on the vesting of a performance right. Each performance right entitles the holder to one (1) ordinary share in Gale Pacific Limited in the event that the performance right is exercised. Performance rights carry no rights to dividends and no voting rights.

3,150,000 performance rights were granted to Executives apart from the Managing Director on 20 September 2012. As of 30 June 2014, 1,200,000 of these performance rights lapsed as the performance hurdles were not met. A further 1,125,000 performance rights lapsed during the year to 30 June 2014 as the relevant personnel ceased employment with the company.

3,500,000 performance rights were granted to other management personnel on 20 September 2012. As of 30 June 2014, 2,075,000 of these performance rights lapsed as the performance hurdles were not met. A further 675,000 performance rights lapsed during the year to 30 June 2014 as the relevant personnel ceased employment with the company.

1,200,000 performance rights were granted to the Managing Director on 26 November 2012. As of 30 June 2014, 600,000 of these performance rights lapsed as the performance hurdles were not met. The remaining 600,000 performance rights lapsed on 22 August 2014 as the Managing Director ceased employment with the company.

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

750,000 performance rights were granted to one Executive member on 3 October 2013. As of 30 June 2014, 187,500 of these performance rights lapsed as the performance hurdles were not met. 550,000 performance rights were granted to other management personnel outside the key management group on 3 October 2013. As of 30 June 2014, 137,500 of these performance rights lapsed as the performance hurdles were not met.

The remaining performance rights will vest subject to a continuation of employment to 31 August 2016 and the satisfying of relevant performance hurdles based on the Group's diluted earnings per share over the three year period from 1 July 2013 to 30 June 2016. None of these performance rights can vest until 31 August 2016 and expire on 3 October 2023.

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

Further details of the options and performance rights movements during the reporting period are disclosed in the Remuneration Report.

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 Landos	Nil	Nil	Nil
P McDonald	2,337,874	Nil	Nil
J Murphy	2,816,599	Nil	Nil
N Pritchard	Nil	Nil	562,500
G Richards	491,899	Nil	Nil

Directors' Meetings

The table below sets out the attendance by Directors.

Directors	Directors' Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
	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	11	2	2	1	1	1	1
P Landos	3	3	-	-	-	-	-	-
P McDonald	11	11	-	2	-	1	-	1
J Murphy	11	11	2	2	1	1	1	1
G Richards	11	10	2	2	1	1	1	1

By Board invitation, 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, Peter Landos, 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, Peter Landos, John Murphy and George Richards. The Chairman of the Remuneration Committee is John Murphy.

The members of the Nomination Committee are David Allman, Peter Landos, 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;
- Benefits, including the provision of motor vehicles and incentive schemes, including performance rights; and
- 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 subsequently after the time all performance rights vesting conditions are met

Relationship between the remuneration policy and company performance

The table below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to 30 June 2014:

	30 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Sales	137,304	119,988	110,473	95,580	98,811
Net profit before tax	10,988	12,016	11,454	9,061	8,071
Net profit after tax	8,233	9,084	8,477	7,100	6,011
Share price at start of year	26 cents	24 cents	21 cents	16 cents	8 cents
Share price at end of year	23 cents	26 cents	24 cents	21 cents	15 cents
Interim dividend	1.30 cents	1.20 cents	1.20 cents	1.00 cents	1.00 cents
Final dividend	1.35 cents	1.35 cents	1.20 cents	1.00 cents	1.00 cents
Basic earnings per share	2.77 cents	3.07 cents	2.86 cents	2.42 cents	2.15 cents
Diluted earnings per share	2.72 cents	3.00 cents	2.45 cents	2.20 cents	2.08 cents

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.

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.

735,000 performance rights vested on 30 June 2013 and the shares were subsequently issued to settle the rights on 5 July 2013.

The number of unissued ordinary shares under the performance rights scheme at 30 June 2014 was 3,700,000. The performance rights granted on 20 September 2012 and 26 November 2012 will not vest until 20 September 2015. The performance rights granted on 3 October 2013 will not vest until 31 August 2016. 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)
P Landos (Non Executive)
J Murphy (Non Executive)
G Richards (Non Executive)
P McDonald (Managing Director and Chief Executive Officer)

Executives

H Abbey (Chief Financial Officer)
J Cox (Chief Financial Officer) (Retired on 31 October 2013)
A Haidar (Regional Manager (Middle East)
M Denney (Managing Director USA)
S McPherson (Managing Director Australasia) (Resigned 9 July 2013)
N Pritchard (Managing Director Australasia)
A Scott (General Manager International Sales and Marketing)
B Wang (Managing Director China)

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

2013 / 2014	Short Term Benefits			Post Employment Super	Share Based Payments Performance Rights	Total	Performance Related	
Directors	Salary & Fees	Bonus	Non Monetary				Total	Performance Rights
	\$	\$	\$	\$	\$	\$	%	%
Executive Directors								
P McDonald ¹	495,500	-	-	25,000	-	520,500	-	-
Non Executive Directors								
D Allman	114,416	-	-	10,584	-	125,000	-	-
G Richards	51,314	-	-	33,686	-	85,000	-	-
J Murphy	77,803	-	-	7,197	-	85,000	-	-
P Landos ²	11,442	-	-	1,058	-	12,500	-	-
Total	750,475	-	-	77,525	-	828,000		

2012 / 2013	Short Term Benefits			Post Employment Super	Share Based Payments Performance Rights	Total	Performance Related	
Directors	Salary & Fees	Bonus	Non Monetary				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		

The following table discloses the remuneration of the Group's key management personnel:

2013 / 2014	Short Term Benefits			Post Employment Super	Share Based Payments Rights	Termination Benefits	Total	Performance Related	
Key Management Personnel	Salary & Fees	Bonus	Non Monetary					Total	Rights
	\$	\$	\$	\$	\$		\$	%	%
J Cox ³	158,966	-	-	8,333	-	50,000	217,299	-	-
N Pritchard ⁴	286,173	-	-	20,734	-	-	306,907	-	-
H Abbey ⁵	186,205	-	-	17,224	-	-	203,429	-	-
M Denney ⁶	292,099	76,484	13,135	-	-	-	381,718	20.0%	-
B Wang ⁷	216,800	53,522	14,351	-	-	-	284,673	18.8%	-
A Scott ⁸	183,302	-	-	16,956	-	-	200,258	-	-
Total	1,323,545	130,006	27,486	63,247	-	-	1,594,284		

2012 / 2013	Short Term Benefits			Post Employment Super	Share Based Payments Rights		Total	Performance Related	
Key Management Personnel	Salary & Fees	Bonus	Non Monetary					Total	Rights
	\$	\$	\$	\$	\$		\$	%	%
J Cox	301,351	-	-	25,000	-		326,351	-	-
M Denney	256,106	114,446	8,266	-	6,760		385,578	31.4%	1.8%
S McPherson ⁹	314,066	-	-	25,000	9,219		348,285	2.6%	2.6%
A Scott	178,372	-	-	16,053	6,760		201,185	3.4%	3.4%
B Wang	179,560	69,328	13,955	-	6,760		269,603	28.2%	2.5%
Total	1,229,455	183,744	22,221	66,053	29,499		1,531,002		

¹ Mr McDonald left the company on 22 August 2014.

² Mr Landos is a Non Executive Director. He commenced on 1 May 2014.

³ Mr Cox retired on 31 October 2013.

⁴ Mr Pritchard commenced employment as Managing Director – Australia & New Zealand on 19 August 2013 and became a Director on 22 August 2014.

⁵ Mr Abbey is the Chief Financial Officer. He commenced employment on 7 October 2013.

⁶ Mr Denney is based in the United States of America and remunerated in United States dollars converted to Australian dollars in the table above.

⁷ Mr Wang is based in China and remunerated in Chinese renminbi converted to Australian dollars in the table above.

⁸ Mr Scott is the General Manager International Sales and Marketing and is located in Australia.

⁹ Mr McPherson was the Managing Director – Australia & New Zealand. He resigned on 9 July 2013.

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

2013 / 2014	Balance 30 June 2013 No.	Granted as Compensation No.	Received on Exercise of Options No.	Other Movements No.	Balance 30 June 2014 No.
Executive Directors					
P McDonald	2,337,874	-	-	-	2,337,874
Non Executive Directors					
D Allman	1,000,000	-	-	-	1,000,000
J Murphy	3,684,579	-	-	(867,980)	2,816,599
G Richards	491,899	-	-	-	491,899
P Landos	-	-	-	-	-
Executives					
J Cox	1,448,472	-	-	(472,824)	975,648
H Abbey	-	-	-	-	-
M Denney	800,000	-	-	-	800,000
N Pritchard	-	-	-	-	-
A Scott	-	-	245,000	-	245,000
B Wang	1,500,000	-	-	-	1,500,000
Total	11,262,824	-	245,000	(1,340,804)	10,167,020

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

Share Based Compensation

The terms and conditions of each grant of performance rights granted but not vested as at 30 June 2014 affecting remuneration in the current or a future reporting period are as follows:

Grant Date	3 October 2013	26 November 2012	20 September 2012
Value per performance rights at grant date	0.1994	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 granted on 20 September 2012 and 26 November 2012 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.

The performance rights granted on 3 October 2013 are subject to a continuation of employment to 31 August 2016 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 2013 to 30 June 2016. None of these performance rights can vest until 31 August 2016 and expire on 3 October 2023.

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

					Terms and Conditions for Each Grant			
2013 / 2014	Vested Number	Granted Number	Grant Date	Value Per Option / Right at Grant Date	Exercise Price	Expiry Date	First Exercise Date	Last Exercise Date
Executive Directors (Performance Rights)								
None								
Non Executive Directors								
None								
Executives (Performance Rights)								
N Pritchard	-	750,000	03/10/2013	\$0.1994	Nil	31/08/2023	31/08/2016	03/10/2023
Other Management Personnel (Performance Rights)								
Other Management	-	550,000	03/10/2013	\$0.1994	Nil	31/08/2023	31/08/2016	03/10/2023
Total	-	1,300,000						

					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						

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

2013 / 2014	Balance 1 July 2013	Granted as Compensation	Exercised	Lapsed	Net Other Change	Balance 30 June 2014	Balance Held Nominally	Value of Lapsed Options/Rights
	No.	No.	No.	No.	No.	No.	No.	\$
Executive Directors (Performance Rights)								
P McDonald	900,000		-	(300,000)	-	600,000	-	(44,250)
Non Executive Directors								
None								
Executives (Performance Rights)								
J Cox	562,500	-	-	(562,500)	-	-	-	(82,969)
N Pritchard	-	750,000	-	(187,500)	-	562,500	-	(37,388)
H Abbey	-	-	-	-	-	-	-	-
M Denney	412,500	-	-	(137,500)	-	275,000	-	(20,281)
B Wang	412,500	-	-	(137,500)	-	275,000	-	(20,281)
A Scott	657,500	-	(245,000)	(137,500)	-	275,000	-	(20,281)
Other Management Personnel (Performance Rights)								
Other Management	3,677,500	550,000	(490,000)	(2,025,000)	-	1,712,500	-	(305,824)
Total	6,622,500	1,300,000	(735,000)	(3,487,500)	-	3,700,000	-	(531,274)

2012 / 2013	Balance 1 July 2012	Granted as Compensation	Exercised	Lapsed	Net Other Change	Balance 30 June 2013	Balance Held Nominally	Value of Lapsed Options/Rights
	No.	No.	No.	No.	No.	No.	No.	\$
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)

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.

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;

A handwritten signature in black ink, appearing to read 'D. J. Allman', followed by a stylized flourish.

David Allman
Chairman
25 August 2014

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

25 August 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 audit of the financial statements of Gale Pacific Limited for the financial year ended 30 June 2014, 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



Stephen Roche
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.
Member of Deloitte Touche Tohmatsu Limited

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 2014, 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 27 to 69.

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.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

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

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 2014 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 16 to 22 of the directors' report for the year ended 30 June 2014. 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 2014, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



Stephen Roche
Partner
Chartered Accountants
Melbourne, 25 August 2014

Directors' Declaration

The Directors of the Company declare that:

The financial statements and notes, as set out on pages 28 to 69 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 2014 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.

A handwritten signature in black ink, appearing to read "D. J. Allman".

David Allman
Chairman
25 August 2014

FINANCIAL RESULTS

CONTENTS

Consolidated Statement of Profit or Loss	29
Consolidated Statement of Comprehensive Income	30
Consolidated Statement of Financial Position	31
Consolidated Statement of Changes in Equity	32
Consolidated Statement of Cash Flows	33
Notes to the Financial Statements	34
Additional Securities Exchange Information	70



Consolidated Statement of Profit or Loss

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated	
		2013 / 2014 (\$'000)	2012 / 2013 (\$'000)
Revenue	2	137,304	119,988
Cost of goods sold		(85,129)	(70,697)
Gross profit		52,175	49,291
Other Income	3	839	481
Warehousing and distribution		(16,729)	(13,542)
Marketing and selling		(12,377)	(11,003)
Administration		(10,265)	(8,802)
Other expenses		(1,521)	(3,552)
Net finance costs	3	(1,134)	(857)
Profit before income tax		10,988	12,016
Income tax expense	4	(2,755)	(2,932)
Profit after tax for the year	19	8,233	9,084
Earnings Per Share			
From operations			
Basic earnings per share (cents per share)	21	2.77	3.07
Diluted earnings per share (cents per share)	21	2.72	3.00

The accompanying notes form part of these financial statements.

Consolidated Statement of Comprehensive Income

FOR THE YEAR ENDED 30 JUNE 2014

		Consolidated	
	Note	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Profit after tax for the year		8,233	9,084
Other Comprehensive Income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net changes in fair value of cash flow hedges, net of tax	18	(1,629)	1,032
Exchange differences on translation of foreign operations	18	(1,488)	5,985
Other comprehensive income for the year		(3,117)	7,017
Total comprehensive income for the year		5,116	16,101
Profit Attributable To			
Members of the parent		8,233	9,084
Profit for the year		8,233	9,084
Total Comprehensive Income Attributable To			
Members of the parent		5,116	16,101
Total comprehensive income for the year		5,116	16,101

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated	
		2013 / 2014 (\$'000)	2012 / 2013 (\$'000)
Current Assets			
Cash and cash equivalents	6	13,058	11,187
Trade and other receivables	7	19,751	19,026
Other financial assets	9	-	1,580
Inventories	8	34,851	27,876
Current tax assets	4	1,721	233
Other current assets	10	2,765	1,159
Total current assets		72,146	61,061
Non Current Assets			
Property, plant and equipment	11	30,469	34,669
Intangible assets	12	22,983	21,233
Deferred tax assets	4	815	924
Total non current assets		54,267	56,826
Total assets		126,413	117,887
Current Liabilities			
Trade and other payables	13	13,309	11,723
Borrowings	14	23,584	13,913
Other financial liabilities	15	709	-
Current tax liabilities	4	1,071	1,493
Provisions	16	1,959	2,023
Total current liabilities		40,632	29,152
Non Current Liabilities			
Borrowings	14	690	462
Deferred tax liabilities	4	4,834	5,059
Provisions	16	90	50
Total non current liabilities		5,614	5,571
Total liabilities		46,246	34,723
Net assets		80,167	83,164
Equity			
Contributed equity	17	71,485	71,338
Reserves	18	(11,415)	(8,079)
Retained earnings	19	20,097	19,905
Total equity		80,167	83,164

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2014

30 June 2014	Note	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 year		-	-	8,233	8,233
Other comprehensive income for the year		-	(3,117)	-	(3,117)
Total comprehensive income for the year		-	(3,117)	8,233	5,116
Transactions With Owners In Their Capacity As Owners					
Shares issued	17	147	(147)	-	-
Employee share based payments	18	-	(87)	-	(87)
Amounts recognised directly in equity	19	-	-	(143)	(143)
Statutory transfer to reserves		-	15	(15)	-
Dividends paid		-	-	(7,883)	(7,883)
Total transactions with owners in their capacity as owners		147	(219)	(8,041)	(8,113)
Balance at 30 June 2014		71,485	(11,415)	20,097	80,167

30 June 2013	Note	Contributed Equity (\$000)	Reserves (\$000)	Retained Earnings (\$000)	Total Equity (\$000)
Balance at 30 June 2012		70,988	(15,592)	18,781	74,177
Profit for the 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	17	350	-	-	350
Employee share based payments	18	-	87	-	87
Statutory transfer to reserves	18	-	409	(409)	-
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

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2014

		Consolidated	
	Note	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Cash Flow From Operating Activities			
Receipts from customers		144,130	127,139
Payments to suppliers and employees		(134,711)	(110,516)
Interest received		6	2
Borrowing costs paid		(1,140)	(859)
Income tax payments		(4,116)	(4,246)
Net cash provided by operating activities	23	4,169	11,520
Cash Flow From Investing Activities			
Proceeds from sale of plant and equipment		56	93
Proceeds / (payment) from / for disposal / acquisition of business	29(b)	-	(2,498)
Payment for plant and equipment		(1,426)	(1,508)
Payment for intangible assets		(2,003)	(989)
Net cash used by investing activities		(3,373)	(4,902)
Cash Flow From Financing Activities			
Proceeds from / (repayment of) borrowings		9,899	7,126
Proceeds from / (repayment of) principal on finance leases		-	-
Dividends paid		(7,883)	(7,551)
Net cash used by financing activities		2,016	(425)
Net increase / (decrease) in cash held		2,812	6,193
Cash at beginning of year		11,187	3,121
Effects of exchange rate changes on items denominated in foreign currencies		(941)	1,873
Cash at the end of the year	23	13,058	11,187

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.

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 financial instruments as described in the accounting policies.

(b). Principles of Consolidation

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

Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 4 – Income Tax
- Note 11 – Property, Plant and Equipment
- 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.

Foreign Currency Translation

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.

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.

(e). 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)

(f). 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 amount of revenue 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).

(g). 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.

(h). 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.

(i). 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.

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)

(j). 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 and amortised over the term of the lease.

(k). 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 has commenced.

(l). Impairment of Assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cashflows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. In assessing fair value less costs to sell, recognised valuation methodologies are applied, utilising current and forecast financial information as appropriate, benchmarked against relevant market data.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

NOTE 1: Statement of Significant Accounting Policies (continued)

(l). Impairment of Assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value in which case the reversal of the impairment loss is treated as a revaluation increase.

(m). 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.

Deferred Tax

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

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

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

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

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

Current and Deferred Tax for the Year

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

Tax Consolidation

▪ Relevance of tax consolidation to the Group

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

NOTE 1: Statement of Significant Accounting Policies (continued)

(m). Taxes (continued)

- 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.

(n). 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.

(o). 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.

Liabilities recognised in respect of long term employee benefits are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

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 the method and assumptions disclosed in Note 17, and is recognised as an employee expense over the period during which the employees become entitled to the option or performance right.

(p). 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 fair value at inception and subsequently measured at amortised cost, using the effective interest rate method.

NOTE 1: Statement of Significant Accounting Policies (continued)

(p). Financial Instruments (continued)

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.

(q). 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.

(r). Comparatives

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

(s). New Accounting Standards and Interpretations

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

In the current year, the Group has applied a number of new and revised AASBs issued by the Australian Accounting Standards Board (AASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2013.

AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	This standard removes the individual key management personnel disclosure requirements in AASB 124 'Related Party Disclosures'. In the current year the individual key management personnel disclosure previously required by AASB 124 is now disclosed in the remuneration report due to an amendment to Corporations Regulations 2001 issued in June 2013.
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AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	The Group has applied the amendments to AASB 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments does not have any material impact on the consolidated financial statements.
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NOTE 1: Statement of Significant Accounting Policies (continued)

(s) New Accounting Standards and Interpretations (continued)

AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	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. As all the subsidiaries are 100% wholly owned there is no change to the assessment of control over the subsidiaries.
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. There are no changes to disclosures for the Group.
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	The Group has applied AASB 13 for the first time in the current year. AASB 13 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The scope of AASB 13 is broad; the fair value measurement requirements of AASB 13 apply to both financial instrument items and non-financial instrument items for which other AASBs require or permit fair value measurements and disclosures about fair value measurements, except for share based payment transactions that are within the scope of AASB 2 'Share-based Payment', leasing transactions that are within the scope of AASB 117 'Leases', and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes). AASB 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under AASB 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, AASB 13 includes extensive disclosure requirements. AASB 13 requires prospective application from 1 July 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2013 comparative period. Other than the additional disclosures, the application of AASB 13 does not have any material impact on the amounts recognised in the consolidated financial statements.
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	In the current year, the Group has applied AASB 119 (as revised in 2011) 'Employee Benefits' and the related consequential amendments for the first time. AASB 119 (as revised in 2011) changes the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in the fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of AASB 119 and accelerate the recognition of past service costs. As the Group does not have any defined benefit plans in place, the application of the amendments does not have any material impact on the consolidated financial statements.

NOTE 1: Statement of Significant Accounting Policies (continued)

(s) 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 2018	30 June 2019
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards'	1 July 2014	30 June 2015
- Part A: 'Annual Improvements 2010–2012 and 2011–2013 Cycles' - Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)' - Part C: 'Materiality'		
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part E: 'Financial Instruments'	1 January 2016	30 June 2017
AASB 14 'Regulatory Deferral Accounts'	1 January 2016	30 June 2017
AASB 2014-4 'Amendments to Australian Accounting Standards' – Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016	30 June 2017

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

IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018
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NOTE 1: Statement of Significant Accounting Policies (continued)

(t). 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.

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	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Operating Activities		
Sale of goods	137,304	119,988
Total revenue	137,304	119,988

NOTE 3: Profit

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

Consolidated	2013 / 2014 (\$'000)	2012 / 2013 (\$'000)
Other Income		
Other revenue	512	481
Net foreign exchange gains	327	-
Total other income	839	481
Changes in inventories of finished goods and work in progress and raw materials and consumables used	58,840	51,433
Employee benefits	28,242	23,814
Net Finance Costs		
Finance income – other parties	(6)	(2)
Finance expense – other parties	1,140	859
Net finance costs	1,134	857
Depreciation of Non Current Assets	5,156	5,096
Amortisation of Non Current Assets	289	67
Total depreciation and amortisation	5,445	5,163
Increase / (decrease) in provision for obsolete inventory	(461)	289
Bad and Doubtful Debts		
Bad debts written off – trade debtors	103	54
Movement in provisions for doubtful debts – trade debtors	(302)	(49)
Net foreign exchange losses	-	376
Operating lease rental expense	2,929	2,704
Share based payment expense	(87)	87
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
Other assurance services	20	-
Total remuneration of the auditors of the parent entity	195	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	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Current tax	2,271	3,684
Deferred tax	484	(752)
Total income tax expense	2,755	2,932
Disclosed in the financial statements as		
Income tax expense from continuing operations	2,755	2,932
Total	2,755	2,932

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

	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Prima facie tax payable on profit before income tax at 30%	3,296	3,605
Add tax effect of:		
Tax rate differentials in foreign countries	(844)	(579)
Other non allowable / (non assessable) items	413	(32)
Total	2,865	2,994
Less tax effect of:		
Over provision for income tax in the prior year	(110)	(62)
Income tax expense attributed to profit from continuing operations	2,755	2,932
Total income tax expense	2,755	2,932

(c). Income Tax Recognised Directly in Equity

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

	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Deferred Tax		
Cash flow hedges	(659)	459
Total	(659)	459

NOTE 4: Income Tax (continued)

(d). Current Tax

	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Current tax asset	1,721	233
Current tax liability	(1,071)	(1,493)
Total	650	(1,260)

(e). Movement in Net Carrying Amount

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

	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Balance at the beginning of the year	(1,260)	(1,561)
Current year tax expense	(2,271)	(3,684)
Income tax payments	4,116	4,246
Net foreign currency movements arising from foreign operations	65	(261)
Carrying amount at the end of the year	650	(1,260)

(f). Deferred Tax

	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Deferred Tax Assets / (Liabilities) Arise from the Following		
Property, plant and equipment	(84)	203
Foreign exchange	(4,443)	(4,548)
Doubtful debts	2	14
Other financial liabilities	164	181
Provisions	(32)	440
Employee benefits	692	521
Capitalised costs	(700)	(660)
Other	382	(286)
Net deferred tax liability	(4,019)	(4,135)
Represented By		
Deferred tax asset	815	924
Deferred tax liability	(4,834)	(5,059)
Total	(4,019)	(4,135)

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	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Tax losses – income	1,910	1,637
Tax losses – capital	33,403	33,403
Total	35,313	35,040

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 branded shading, screening and home improvement products.

NOTE 5: Operating Segments (continued)

Segment Information Reporting – Geographical Segments

30 June 2014	Australasia	China & ROW Export Sales	Americas	Middle East	Unallocated / Elimination	Total Group
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)
Revenue outside the economic entity	79,931	9,057	36,098	12,218	-	137,304
Inter segment revenue	2,103	41,708	(125)	9	(43,695)	-
Total revenue	82,034	50,765	35,973	12,227	(43,695)	137,304
Segment EBITDA	1,721	9,743	3,272	2,749	82	17,567
Depreciation and amortisation	(1,051)	(3,874)	(521)	(1)	-	(5,445)
Segment EBIT	670	5,869	2,751	2,748	82	12,122
Net finance expense						(1,134)
Profit before income tax						10,988
Income tax expense						(2,755)
Profit for the year						8,233
Segment assets	62,925	35,250	21,719	7,168	(649)	126,413
Segment liabilities	35,023	7,176	3,606	549	(108)	46,246

30 June 2013	Australasia	China & ROW Export Sales	Americas	Middle East	Unallocated / Elimination	Total Group
	(\$000)	(\$000)	(\$000)	(\$000)	(\$000)	(\$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

Notes:

- All inter segment pricing is on a commercial basis.
- Australasia result excludes finance costs, interest revenue and income tax expense.
- Australasia includes foreign exchange hedge and Australian Corporate costs.
- Revenue from one customer in the Australasian region represents \$49,280,000 (2013 : \$44,985,000) of the Groups total revenues.

NOTE 6: Cash And Cash Equivalents

	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Cash on hand	12	12
Cash at bank	12,872	10,627
Cash on deposit	174	548
Total	13,058	11,187

NOTE 7: Trade And Other Receivables

	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Current		
Trade debtors	19,384	18,959
Less provision for doubtful debts	(64)	(366)
Total	19,320	18,593
Other receivables	431	433
Total	19,751	19,026
Movement in the provision for doubtful debts were:		
Balance at the beginning of the year	(366)	(403)
Charge for the year	237	3
Amounts written off	66	48
Net foreign currency movements arising from foreign operations	(1)	(14)
Balance at the end of the year	(64)	(366)

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	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Current		
Raw materials at cost	6,943	6,360
Work in progress at cost	1,604	1,994
Finished goods at cost	27,032	20,120
Less provision for obsolescence – finished goods	(728)	(598)
Total	34,851	27,876

NOTE 9: Other Financial Assets

	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Current		
Foreign currency forward contracts	-	1,580
Total	-	1,580

NOTE 10: Other Current Assets

	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Current		
Prepayments	2,765	1,159
Total	2,765	1,159

NOTE 11: Property, Plant And Equipment

	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Buildings		
At cost	9,489	9,571
Less accumulated depreciation	(2,070)	(1,845)
Total	7,419	7,726
Plant and Equipment		
At cost	65,645	65,977
Less accumulated depreciation	(43,868)	(40,239)
Total	21,777	25,738
Leasehold Improvements		
At cost	561	480
Less accumulated depreciation	(439)	(413)
Total	122	67
Motor Vehicles		
At cost	230	350
Less accumulated depreciation	(137)	(212)
Total	93	138
Office Equipment		
At cost	5,613	5,164
Less accumulated depreciation	(4,717)	(4,348)
Total	896	816
Capital Work in Progress	162	184
Total property, plant and equipment	30,469	34,669

NOTE 11: Property, Plant And Equipment (continued)

	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$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	7,726	7,208
Reclassifications	-	(21)
Additions / (transfers)	54	-
Depreciation expense	(260)	(228)
Net foreign currency movements arising from foreign operations	(101)	767
Carrying amount at the end of the year	7,419	7,726
Plant and Equipment		
Balance at the beginning of the year	25,738	27,028
Reclassifications	(41)	16
Additions / (transfers)	871	1,097
Disposals	(96)	(158)
Acquisitions through business combinations	-	35
Depreciation expense	(4,520)	(4,558)
Net foreign currency movements arising from foreign operations	(173)	2,278
Carrying amount at the end of the year	21,779	25,738
Leasehold Improvements		
Balance at the beginning of the year	67	90
Additions / (transfers)	85	12
Depreciation expense	(30)	(34)
Net foreign currency movements arising from foreign operations	-	(1)
Carrying amount at the end of the year	122	67
Motor Vehicles		
Balance at the beginning of the year	138	160
Reclassifications	20	2
Additions / (transfers)	15	72
Disposals	(47)	(50)
Depreciation expense	(31)	(47)
Net foreign currency movements arising from foreign operations	(2)	1
Carrying amount at the end of the year	93	138
Office Equipment		
Balance at the beginning of the year	816	826
Reclassifications	21	3
Additions / (transfers)	422	204
Disposals	(3)	(9)
Depreciation expense	(315)	(229)
Net foreign currency movements arising from foreign operations	(45)	21
Carrying amount at the end of the year	896	816

NOTE 12: Intangible Assets

	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Goodwill at cost	21,032	20,987
Less accumulated impairment	(1,054)	(1,054)
Total	19,978	19,933
Patents, trademarks and licenses at cost	1,449	1,404
Less accumulated amortisation	(1,099)	(1,071)
Total	350	333
Application software at cost	2,910	2,293
Less accumulated amortisation	(255)	(1,326)
Total	2,655	967
Research and development	4,865	4,865
Less accumulated amortisation	(4,865)	(4,865)
Total	-	-
Total intangible assets	22,983	21,233

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	19,933	16,667
Acquisition through business combinations	85	3,095
Net foreign currency movements arising from foreign operations	(40)	171
Carrying amount at the end of the year	19,978	19,933

Patents, Trademarks and Licences

Balance at the beginning of the year	333	351
Additions / (transfers)	60	32
Disposals	(10)	-
Amortisation expense	(34)	(51)
Net foreign currency movements arising from foreign operations	1	1
Carrying amount at the end of the year	350	333

Application Software

Balance at the beginning of the year	967	26
Additions	1,943	957
Amortisation expense	(255)	(16)
Net foreign currency movements arising from foreign operations	-	-
Carrying amount at the end of the year	2,655	967

Goodwill

The recoverable amount of the cash generating units (CGU) have been determined based on a fair value less costs of disposal calculation using the EBITDA multiples method. This has been calculated based on historical, current and future maintainable earnings. FY15 budget, as approved by the Board of Directors, forecasts revenue growth for the period within the range of 3% to 5% depending on the demographic, economic, trading conditions and growth potential, of the CGU. Costs to dispose have been estimated at 2% of fair value, based on similar transactions in the market. In prior periods, a value in use model was used to determine the recoverable amount. This was done using a discount rate applied to the cash flow projections of 9.73% and a terminal value representing the growth rate applied to extrapolate the cash flows beyond the five year forecast period. These growth rates were based on the Board of Directors expectations, industry knowledge and other features specific to each CGU. The five year cash flow projections used for future maintainable earnings are based on the 2014 year budget (2013: based on 2013 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.

The values of the key assumptions reflect past experiences/external sources of information.

The Group has moved to the FVLCD method instead of VIU method as it more accurately reflects the more relevant and reliable information.

NOTE 12: Intangible Assets (continued)**Goodwill (continued)**

Goodwill by CGU	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Australia	17,455	17,370
USA – (2013 / 2014 US\$2,077,000: 2012 / 2013 US\$2,077,000:)	2,176	2,216
China	347	347
Total	19,978	19,933

Sensitivity Analysis

Any reasonable change in the key assumptions of the fair value less costs of disposal and value in use calculations would not result in an impairment.

NOTE 13: Trade And Other Payables

	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Current		
Trade payables	8,086	7,740
Sundry payables and accruals	5,223	3,983
Total	13,309	11,723

NOTE 14: Borrowings

	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Current		
Secured liabilities: ¹		
Bank loans	1,757	-
Other loans	-	263
Commercial bills	20,550	13,650
Total	22,307	13,913
Non Current		
Unsecured liabilities:		
Bank loans	692	-
Other loans	585	462
Total	1,277	462
Total	24,274	14,375
Disclosed in the Consolidated Statement of Financial Position As		
Current borrowings	23,584	13,913
Non current borrowings	690	462

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

NOTE 15: Other Financial Liabilities

	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Derivatives carried at fair value:		
Current		
Foreign currency forward contracts	709	-
Total	709	-

NOTE 16: Provisions

	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Current		
Employee benefits	1,909	1,795
Warranty claims	50	228
Non Current		
Employee benefits	90	50
Total	2,049	2,073
Disclosed in the Consolidated Statement of Financial Position As		
Current provisions	1,959	2,023
Non current provisions	90	50
(a) Aggregate employee benefits liability	1,999	1,845
(b) Number of employees at year end	647	606
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
Provisions recognised	-	20
Payments made	-	(75)
Reductions resulting from release of provision no longer required	-	(461)
Net foreign currency movements arising from foreign operations	-	15
Carrying amount at the end of the year	-	-
Warranty claims		
Balance at the beginning of the year	228	108
Provisions recognised	169	125
Provisions written back	(347)	(7)
Payments made	-	2
Carrying amount at the end of the year	50	228

NOTE 17: Contributed Equity

	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Paid Up Capital		
Fully paid ordinary shares	71,485	71,338

	Consolidated		Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)	2013 / 2014 (No. of Shares)	2012 / 2013 (No. of Shares)
Movement In Share Capital				
Shares issued at the beginning of the financial year	71,338	70,988	296,739,396	295,441,658
Shares issued during the year	147	350	735,000	1,297,738
Total	71,485	71,338	297,474,396	296,739,396

(a). Movement in Share Capital

On 5 July 2013 the Company issued 735,000 ordinary shares under the terms of the Performance Rights Plan.

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

(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 \$7,883,072 (2013 : \$7,550,633)

(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 the performance rights scheme at the reporting date is 3,100,000. Each performance right entitles the holder one (1) ordinary share in Gale Pacific Limited when exercised and is subject to the satisfying of relevant performance hurdles based on improvements in the Company's diluted earnings per share.

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

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

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

NOTE 17: Contributed Equity (continued)

(d). Share Based Payments (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 - 2014								
18 Aug 2010	30 Jun 2020	Nil	735,000	-	(735,000)	-	-	-
20 Sep 2012	20 Sep 2022	Nil	4,987,500	-	-	(2,862,500)	2,125,000	-
26 Nov 2012	20 Sep 2022	Nil	900,000	-	-	(300,000)	600,000	-
3 Oct 2013	3 Oct 2023	Nil	-	1,300,000	-	(325,000)	975,000	-
Total			6,622,500	1,300,000	(735,000)	(3,487,500)	3,700,000	-
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 2022	Nil	-	1,200,000	-	(300,000)	900,000	-
Total			735,000	7,850,000	-	(1,962,500)	6,622,500	735,000

Performance rights have been valued using the binomial option pricing model.

	Grant Date 3 October 2013	Grant Date 26 November 2012	Grant Date 20 September 2012
Performance Rights Valuation Assumptions			
Value of rights to acquire one share	\$0.1994	\$0.1475	\$0.1475
Exercise price	Nil	Nil	Nil
Expected Life			
Tranche 1	3.0 years	3.0 years	3.0 years
Tranche 2	3.0 years	3.0 years	3.0 years
Tranche 3	2.9 years	3.0 years	3.0 years
Dividend yield	11.02%	13.13%	13.13%

NOTE 18: Reserves

	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Foreign currency translation reserve	(12,780)	(11,292)
Share based payments reserve	486	720
Hedging reserve	(508)	1,121
Enterprise reserve fund	1,387	1,372
Total	(11,415)	(8,079)

NOTE 18: Reserves (continued)

(a). Foreign Currency Translation Reserve

	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Balance at the beginning of the year	(11,292)	(17,277)
Translation of foreign controlled entities for the year	(1,010)	7,372
Movement arising from the reclassification of non current related party monetary items to net investments in foreign operations	(478)	(1,387)
Balance at the end of the year	(12,780)	(11,292)

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	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Balance at the beginning of the year	720	633
Share based expense	(87)	87
Transfer to share capital	(147)	-
Balance at the end of the year	486	720

(c). Hedging Reserve

	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Balance at the beginning of the year	1,121	89
Forward exchange contracts	(2,288)	1,491
Income tax on net changes recognised	659	(459)
Balance at the end of the year	(508)	1,121

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) and Gale Pacific Trading (Ningbo) Limited

	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Balance at the beginning of the year	1,372	963
Statutory transfers from retained earnings	15	409
Balance at the end of the year	1,387	1,372

Gale Pacific Special Textiles (Ningbo) Limited ("GPST") and Gale Pacific Trading (Ningbo) Limited are 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. They are required to allocate 10% of its annual profit after tax to this reserve until it reaches 50% of their registered capital.

NOTE 19: Retained Earnings

	Note	Consolidated	
		2013 / 2014 (\$000)	2012 / 2013 (\$000)
Balance at the beginning of the year		19,905	18,781
Net profit attributable to members of the parent entity		8,233	9,084
Dividends paid		(7,883)	(7,551)
Amounts recognised directly in equity		(143)	-
Transfers to reserves		(15)	(409)
Balance at the end of the year		20,097	19,905

NOTE 20: Dividends

The following dividends were paid during the year.

	Fully Paid Ordinary Shares		Consolidated
	2013 / 2014 Cents Per Share		2013 / 2014 (\$000)
Final Dividend for the Financial Year 2012 / 2013			
Franked to 80% at a 30% tax rate (date of payment 4 October 2013)		1.35	4,016
Interim Dividend for the Financial Year 2013 / 2014			
Franked to 75% at a 30% tax rate (date of payment 10 April 2014)		1.30	3,867
Total		2.65	7,883

	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

On 25 August 2014, the Directors declared an unfranked dividend of 1.35 cents per share to the holders of fully paid ordinary shares in respect of the year ended 30 June 2014, to be paid to shareholders on 1 December 2014. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$4.06 million.

	Dividend Franking Account		Consolidated
	2013 / 2014 (\$000)		2012 / 2013 (\$000)
Adjusted franking account balance		579	850

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 21: Earnings Per Share

Consolidated		
	2013 / 2014 (Cents Per Share)	2012 / 2013 (Cents Per Share)
Basic Earnings Per Share		
From continuing operations	2.77	3.07
Total basic earnings per share	2.77	3.07
Diluted Earnings Per Share		
From continuing operations	2.72	3.00
Total diluted earnings per share	2.72	3.00

Consolidated		
	2013 / 2014 (\$000)	2012 / 2013 (\$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 after tax for the year	8,233	9,084
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	8,233	9,084

Consolidated		
	2013 / 2014 (000)	2012 / 2013 (000)
Weighted average number of ordinary shares for the purposes of basic earnings per share	297,464	296,195
Weighted average number of shares deemed to be issued for no consideration in respect of:		
Performance rights	5,600	6,602
Weighted average number of ordinary shares for the purposes of diluted earnings per share	303,064	302,797

NOTE 22: Capital and Leasing Commitments

(a). Operating Lease Commitments

Consolidated		
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Non cancellable operating leases contracted for but not capitalised in the accounts		
Payable		
Not longer than one year	2,476	2,332
Longer than one year and not longer than five years	1,395	1,363
Total	3,871	3,695

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		
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Payable		
Not longer than one year	456	-
Total	456	-

NOTE 23: Cash Flow Information

(a). Reconciliation of Cash

	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$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	12
Cash at bank	12,872	10,627
Cash on deposit	174	548
Total	13,058	11,187

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

	Consolidated	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Profit after income tax	8,233	9,084
Non Cash Flows in Profit		
(Profit) / Loss on disposal of fixed assets	(1)	126
Depreciation of fixed assets	5,158	5,096
Amortisation / impairment of intangible assets	289	67
Equity settled share based payments	(87)	87
Changes in Asset and Liabilities Processed Directly in Equity	(1,627)	1,034
Changes in Tax Balances Processed Directly in Equity	-	(409)
Changes in Assets and Liabilities		
(Increase) / decrease in receivables	(926)	(1,114)
(Increase) / decrease in inventories	(7,140)	(1,658)
(Increase) / decrease in other assets	(1,632)	(466)
Decrease in payables, accruals and other financial liabilities	3,952	565
Increase in tax balances	(2,004)	(670)
Foreign exchange / other non operation movements backed out of assets and liabilities	(46)	(222)
Net cash provided by operating activities	4,169	11,520

NOTE 24: Directors' and Executives' Compensation

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

Directors' and Executives' Compensation by Category

	Consolidated	
	2013 / 2014 (\$)	2012 / 2013 (\$)
Short term employment benefits	2,231,512	2,186,432
Post employment benefits	140,772	115,410
Share based payments	-	44,249
Termination benefits	50,000	-
Total	2,422,284	2,346,091

NOTE 25: Related Party Transactions

Transactions within the Wholly Owned Group

The wholly owned group includes:

- The ultimate parent entity in the wholly owned group; and
- Wholly owned controlled entities.

The ultimate parent entity in the wholly owned group is Gale Pacific Limited, which is also the parent entity in the Group.

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

- Sale and purchase of goods totalling \$43,695,000 (2013 : \$30,414,000)
- Gale Pacific Limited received interest income from its subsidiaries totalling \$732,000 (2013 : \$614,000)
- Gale Pacific Limited made interest payments to its subsidiaries totalling \$7,000 (2013 : \$1,000)
- Reimbursement of certain operating costs totalling \$455,000 (2013 : \$430,000)

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	
	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Current – Accrued Director fees and superannuation contributions	15,417	-

NOTE 26: Controlled Entities

	Country of Incorporation	Ownership Interest (%)	
		2013 / 2014	2012 / 2013
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 Trading (Ningbo) Limited	China	100%	100%
Gale Pacific USA Inc	United States of America	100%	100%
Zone Hardware Pty Ltd ^{2,3}	Australia	100%	100%
Riva Window Fashions Pty Ltd ^{2,3}	Australia	100%	100%

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

² These companies are members of the tax consolidated group.

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

NOTE 27: Financial Instruments

Financial Risk Management

Overview

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

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

Financial Instruments

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

Net Fair Values

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

(a). Credit Risk

Exposure to Credit Risk

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

The maximum exposure to credit risk at the reporting date was:

		Consolidated	
	Note	As at 30 Jun 2014 (\$000)	As at 30 Jun 2013 (\$000)
The maximum exposure to credit risk at the reporting date was:			
Loans and receivables	7	19,751	19,026
Cash and cash equivalents	6	13,058	11,187
Tradeable foreign currency forward contracts	9	-	1,580
Total		32,809	31,793
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:			
Australasia		5,481	6,786
China		999	509
Americas		9,524	8,132
Middle East		3,316	3,166
Total		19,320	18,593
The ageing of trade receivables not impaired at the reporting date was:			
Not outside credit terms		17,600	14,318
Outside credit terms 0-30 days		997	3,072
Outside credit terms 31-120 days		585	985
Outside credit terms 121 days to one year		32	204
More than one year		106	14
Total		19,320	18,593
The ageing of impaired receivables at the reporting date was:			
Outside credit terms 121 days to one year		64	71
More than one year		-	295
Total		64	366

NOTE 27: Financial Instruments (continued)

(b). Liquidity Risk

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

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

Contractual Cash Flows Maturing In:								
Consolidated 30 June 2014	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		8,086	8,086	8,086	-	-	-
Sundry payables and accruals	13		5,223	5,223	5,223	-	-	-
Non Derivative Financial Liabilities								
Bank loans	14	3.77	23,000	23,000	23,000	-	-	-
Other loans	14	6.96	1,274	1,274	288	297	530	159
Derivative Financial Liabilities								
Foreign currency forward exchange contracts used for hedging	15		709	-	-	-	-	-
Total			38,292	37,583	36,597	297	530	159

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	6.96%	725	725	133	130	275	187
Total			26,099	26,099	25,507	130	275	187

NOTE 27: Financial Instruments (continued)

(c). Market Risk

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

Foreign Exchange Risk

The Group undertakes transactions denominated in foreign currencies that exposes it to fluctuations in foreign currency exchange rates.

Foreign Exchange Contracts

The Group enters into foreign exchange contracts to buy and sell specified amounts of foreign currency in the future at stipulated exchange rates. The objective of entering into forward exchange contracts is to protect the Group against exchange rate movements for both contracted and anticipated future sales and purchases undertaken in foreign currencies. There was no cash flow hedge ineffectiveness during the reporting period.

The Group adopts 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 fair value of the 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 net amount payable was \$709,000 (2013 : \$1,580,000 receivable).

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

	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value		Fair Value Hierarchy
	2013 / 2014	2012 / 2013	2013 / 2014 (FC000)	2012 / 2013 (FC000)	2013 / 2014 (\$000)	2012 / 2013 (\$000)	2013 / 2014 (\$000)	2012 / 2013 (\$000)	
Foreign Exchange Contracts Designated as Cash Flow Hedges									
Buy United States dollars / sell Australian dollars									
Less than 6 months	0.8943	1.0035	13,130	12,350	14,682	12,307	(108)	1,130	Level 2
6 – 12 months	0.8985	0.9452	2,100	8,900	2,337	9,416	(557)	400	Level 2
Buy United States dollars / sell Chinese renminbi									
Less than 6 months	6.2256	6.1510	16,600	1,600	16,756	1,639	(44)	50	Level 2
Total							(709)	1,580	

NOTE 27: Financial Instruments (continued)

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% (2013: 10%) increase or decrease in the Australian dollar against these currencies. This analysis includes only unhedged foreign currency denominated monetary items, 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.

30 June 2014	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	6,066	3,234	(607)	(323)
Chinese renminbi	-	448	-	(45)
New Zealand dollars	1	305	-	(31)
UAE dirham	-	513	-	(51)
Trade receivables				
United States dollars	-	13,970	-	(1,397)
Chinese renminbi	-	84	-	(8)
New Zealand dollars	-	224	-	(22)
Amounts receivable from related parties				
United States dollars	-	-	870	-
New Zealand dollars	-	-	(39)	-
Foreign currency forward contracts				
United States dollars	-	-	-	-
Financial Liabilities				
Trade payables				
United States dollars	374	671	37	67
Chinese renminbi	-	3,889	-	389
Euro	-	86	-	9
New Zealand dollars	-	139	-	14
UAE dirham	-	130	-	13
Borrowings				
United States dollars	-	-	-	-
Chinese renminbi	-	-	-	-
Foreign currency forward contracts				
United States dollars	665	44	-	(4)
Profit or (loss) impact			261	(1,385)
Currency Asset / (Liability) Breakdown				
United States dollars	5,692	16,533	300	(1,653)
Chinese renminbi	-	(3,357)	-	336
Euro	-	(86)	-	9
New Zealand dollars	1	390	(39)	(39)
UAE dirham	-	383	-	(38)
Profit or (loss) impact			261	(1,385)

NOTE 27: 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)

NOTE 27: Financial Instruments (continued)

Interest Rate Risk

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

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

30 June 2014	Consolidated	
	Carrying Value	Profit / (Loss)
	(\$000)	+1% Movement (\$000)
Financial Assets		
Cash and cash equivalents	13,058	131
Financial Liabilities		
Borrowings (all fixed rates instruments)	(22,997)	(230)
Total	(9,939)	(99)

30 June 2013	Consolidated	
	Carrying Value	Profit / (Loss)
	(\$000)	+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)

NOTE 28: Parent Entity Disclosures

	2013 / 2014 (\$000)	2012 / 2013 (\$000)
Results of the parent entity		
Profit for the year	46	4,554
Other comprehensive income	(1,536)	982
Total	(1,490)	5,536
Financial position of the parent entity at year end		
Current assets	38,141	29,702
Total assets	109,706	102,790
Current liabilities	30,103	21,380
Total liabilities	30,142	21,810
Net assets	79,564	80,980
Total equity of the parent entity comprising of:		
Contributed equity	71,485	71,338
Share based payments reserve	486	720
Hedging reserve	(465)	1,071
Retained earnings	8,058	7,851
Total equity	79,564	80,980
Parent Entity Commitments		
Operating leases	2,898	3,115
Capital expenditure	-	-
Total	2,898	3,115

NOTE 29: 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. The initial accounting for the acquisition was provisionally determined at the end of the financial year 2012 / 2013. As at 30 June 2014, the accounting was completed with no material adjustment made during the year.

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

	(\$000)
Purchase consideration (refer to (b))	
Consideration paid	3,399
Shares issued	350
Deferred consideration payable	49
Total consideration	3,798
The assets and liabilities recognised as a result of the acquisition are as follows:	
Inventories	631
Plant and equipment	36
Provision for employee entitlements	(69)
Deferred tax asset	21
Total tangible net assets acquired	619
Add 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.

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.

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

Acquisition Related Costs

	(\$000)
Cash consideration	3,399
Outflow of cash – investing activities	3,399

NOTE 30: Subsequent Events

The Company has announced a major organisational restructure which will streamline the Group's operations, shorten reporting lines and reduce administrative duplication. Nick Pritchard, previously Managing Director of the Australasian business, has been appointed Group Managing Director. As a result of this change Peter McDonald, the previous Managing Director and Chief Executive Officer, has left the company.

NOTE 31: Company Details

The registered office of the Company is:

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

Additional Securities Exchange Information

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 12 August 2014 (Reporting Date).

Corporate Governance Statement

The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company. In accordance with ASX Listing Rule 4.10.3, the Corporate Governance Statement will be available for review on Gale Pacific's website (www.galepacific.com), and will be lodged with ASX at the same time that this Annual Report is lodged with ASX.

Number of Holdings of Equity Securities as at 12 August 2014

As at the reporting date, the number of holders in each class of equity securities on issue in Gale Pacific is as follows:

The fully paid issued capital of the Company consisted of 297,474,396 ordinary fully paid shares held by 1,583 shareholders. Each share entitles the holder to one vote.

13 holders have been granted 3,700,000 performance rights over ordinary shares. Performance rights do not carry a right to vote.

Voting Rights of Equity Securities

The only class of equity securities on issue in the Company which carry voting rights is ordinary shares.

As at the Reporting Date, there were 1,583 holders of a total of 297,474,396 ordinary shares of the Company. The voting rights attaching to the ordinary shares, set out in Article 54 of the Company's Articles of Association are:

"Subject to any rights or restrictions for the time being attached to any class or classes of shares:

- at meetings of members or classes of members each member is entitled to vote in person or by proxy or attorney; and
- on a show of hands every person present who is a member has one vote, and on a poll every person present in person or by proxy or attorney has one vote for each ordinary share he holds."

Distribution of Holders of Equity Securities as at 12 August 2014

Range	Ordinary Fully Paid Shares		
	Total Holders	Units	% Issued Capital
1 – 1,000	116	33,036	0.01
1,001 – 5,000	280	861,876	0.29
5,001 – 10,000	228	1,852,138	0.62
10,001 – 100,000	731	28,891,450	9.71
100,001 and over	228	265,835,896	89.36
Total	1,583	297,494,396	100.00

Less Than Marketable Parcels of Ordinary Shares

The number of holders of less than a marketable parcel of ordinary shares as at the Reporting Date is as follows:

Unmarketable Parcels as at 12 August 2014	Minimum Parcel Size	UMP Holders	Units
Minimum \$500 parcel at \$0.255 per unit	1,961	169	114,533

Substantial Shareholders as at 12 August 2014

As at the Reporting Date, the names of the substantial holders of Gale Pacific and the number of equity securities in which those substantial holders and their associates have a relevant interest, as disclosed in substantial holding notices given to Gale Pacific, are as follows:

Shareholder	Class of Securities	No.	%
THORNEY HOLDINGS PTY LTD	shares	79,702,646	26.79
WINDHAGER HANDELS GESMBH	shares	41,925,781	14.09
INVESTEC BANK (AUSTRALIA) LIMITED	shares	19,794,793	6.65

Number of Holders

As at the Reporting Date, the number of holders in each class of equity securities on issue in Gale Pacific is as follows:

Twenty Largest Holders of Quoted Equity Securities as at 12 August 2014

The Company only has one class of quoted securities, being ordinary shares. The names of the 20 largest holders of ordinary shares, and the number of ordinary shares and percentage of capital held by each holder is as follows:

Shareholder	No.	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	72,671,525	24.43
WINDHAGER HANDELS GESMBH	41,925,781	14.09
INVESTEC INVESTMENTS (UK) LIMITED	14,182,685	4.77
GALE AUSTRALIA PTY LTD	13,927,844	4.68
J P MORGAN NOMINEES AUSTRALIA LIMITED	9,347,355	3.14
UBS NOMINEES PTY LTD	7,718,384	2.59
GERNIS HOLDINGS PTY LIMITED	7,409,665	2.49
INVESTEC AUSTRALIA LIMITED	5,612,108	1.89
CONTEMPLATOR PTY LTD <ARG PENSION FUND A/C>	3,691,433	1.24
MR GEOFFREY DUNCAN NASH <GDN SUPER FUND A/C>	3,327,428	1.12
STITCHING PTY LTD <SSG SUPERANNUATION FUND A/C>	3,000,000	1.01
HAROLD SWICK 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
VENN MILNER SUPERANNUATION PTY LTD	2,000,000	0.67
ATKONE PTY LTD	1,919,796	0.65
W DONNELLY SERVICES PTY LTD <THE DONNELLY SUPER FUND A/C>	1,905,485	0.64
APM ENTERPRISES PTY LTD <MURPHY FAMILY NO 3 A/C>	1,816,599	0.61
GDL INVESTMENTS PTY LIMITED	1,800,694	0.61
Top 20 holders of Ordinary Fully Paid Shares as at 12 August 2014	201,848,393	67.85
Total Remaining Holders Balance	95,626,003	32.15

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 +61 (3) 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.

Stock Exchange Listing

Gale Pacific's ordinary shares are quoted on the Australian Securities Exchange (ASX issuer code: GAP)

Voluntary Escrow

There are no securities on issue in Gale Pacific that are subject to voluntary escrow.

Unquoted Equity Securities

The number of each class of unquoted equity securities on issue, and the number of their holders, are as follows:

Class of Equity Securities	Number of unquoted Equity Securities	Number of holders
Shares	0	0
Options	0	0
Convertible Notes	0	0
Performance Rights	3,100,000	13

There are no persons who hold 20% or more of equity securities in each unquoted class.

On Market Buyback

The Company is not currently conducting an on-market buy-back.

Item 7 Issues of Securities

There are no issues of securities approved for the purposes of item 7 of section 611 of the Corporations Act which have not yet been completed.

OFFICE LOCATIONS

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