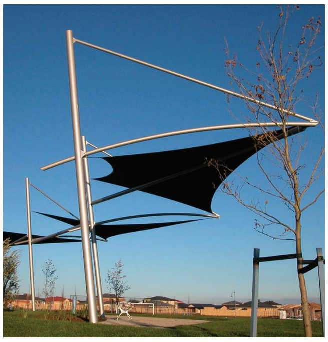
GALE PACIFIC

2011 ANNUAL REPORT





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2011 ANNUAL GENERAL MEETING

The Annual General Meeting will be held on Friday 28 October 2011.

The Notice of Meeting and Proxy Form are separate items accompanying this 2011 Annual Report.



CORPORATE DIRECTORY

GALE PACIFIC LIMITED

ABN 80 082 263 778

DIRECTORS

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

COMPANY SECRETARY

Ms Sophie Karzis

REGISTERED OFFICE

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

SOLICITORS

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

AUDITOR

Pitcher Partners
Level 19, 15 William Street, Melbourne, Victoria, 3000
T + 613 8610 5000

SHARE REGISTER

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

WEBSITE ADDRESS

www.galepacific.com



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

DEAR SHAREHOLDERS,

It is very pleasing to report to shareholders the results for the year ended 30 June 2011. The Company reported an increase in the net profit after tax of 18% to $7.1 million compared to $6.0 million for the previous corresponding period. Gale has generated these solid results while operating with some weak economic conditions in several markets and enduring a very mild and wet summer and flooding across several parts of Australia. The stronger Australian dollar also had an unfavourable impact on the translation of foreign currency revenue and earnings.

We are also very excited about the acquisition of the Zone Hardware and Riva Window Fashions businesses in June 2011 which is the initial acquisition growth step.

The key items of the results were;

Revenue decrease of 3% to $95.6 million

Revenue for the year decreased by 3% to $95.6 million which was impacted by the unfavourable effect of translating foreign currency revenues to a stronger Australian dollar. Sales revenues in local currencies grew by 3% in the USA, and 18% in the Middle East. New customers were won in Europe and South Africa as we increased our market penetration into new markets following the hiring earlier this year of a General Manager International Sales and Marketing. Lower sales were recorded in Australia due to an extremely mild summer, wet weather and flooding across many parts of the eastern states. Whilst sales to retail channels in New Zealand increased year on year, this increase was not enough to offset the shortfalls in commercial sales due to a poor agricultural season in that market.

EBITDA decrease of 4% to $15.8 million

Earnings before interest, tax, depreciation and amortisation (EBITDA) from continuing operations was $15.8 million for the year compared to $16.5 million for the previous corresponding period. The decrease over the prior year is due to the unfavourable impact of translating foreign currency EBITDA in the Middle East, USA and Chinese businesses to a stronger Australian dollar. The impact of this equates to approximately A$0.9 million.

EBIT increase of 6% to $9.9 million

Earnings before interest and tax (EBIT) was $9.9 million for continuing operations compared to $9.3 million for the previous corresponding period. The increase was achieved through sales growth in new markets, leaner operating costs, substantial yield and efficiency improvements in the Company's Chinese and Australian manufacturing facilities, and an immediate contribution from only the first months trading of the recently acquired Zone Hardware and Riva Window Fashions.

NPAT up 18% from $6.0 million to $7.1 million

Net profit after tax of $7.1 million for the financial year ended 30 June 2011 is the highest on record for the Company. This result is an 18% or $1.1 million increase on the reported result for the previous corresponding period.

Final dividend payment of 1.2 cents fully franked

Directors are also pleased to announce to shareholders that the Company has increased the ordinary final dividend to 1.2 cents per share. Dividends for the full year of 2.2 cents per share have been declared on diluted earnings of 2.4 cents per share. This represents a 10% increase on full year ordinary dividends compared to last year. The final dividend payment of 1.2 cents per share will be fully franked and will be paid to shareholders on Monday 3 October 2011. Gale considers this dividend frankable for Australian tax purposes as the dividends are being paid out of current year profits and Gale has sufficient franking credits available to fully frank this dividend. However, the Commissioner of Taxation has informally expressed a preliminary view on dividend franking capability in an ATO Draft Fact Sheet dated 21 June 2011 which may or may not support the Company's position. Shareholders will be advised should there be any impact on the franking of Gale dividends.



Cash from operations $11.4 million

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

The business required only maintenance capital expenditure of $0.6 million for the year. The company paid net cash of $11.2 million for the acquisition of the Zone Hardware and Riva Window Fashions businesses. Dividends of $8.4 million were paid to shareholders.

The company had net debt of $5.7 million as at 30 June 2011 compared to net cash on deposit of $3.1 million at 30 June 2010.

Asia Pacific (Excluding China)

Local Currency	FY11 (A$M's)	FY10 (A$M's)	Change (%)
Sales	67.5	71.4	-5%
EBITDA	9.1	9.3	-2%

A sales decline from the prior year of 5% was due to a very mild and wet summer period on the east coast of Australia which had a particularly strong negative impact on sales of Coolaroo product sold through retail channels which could not be fully offset by other segments of the business which performed well. Whilst the wet weather and flooding created challenges in many markets, they provided good conditions in some agricultural markets, particularly grain and cotton markets. As a result, sales of coated fabrics sold into these markets were well ahead of the previous year. There were strong sales of new products including weed mat and synthetic grass as these new branded product programs were rolled out fully into the retail market. Significant efficiency gains were made in the Australian manufacturing operation during the year which contributed positively to the overall result.

The continued weak horticultural market in New Zealand resulted in lower sales of commercial shade cloth and protective nets, however sales of Coolaroo products sold through retail channels in New Zealand increased by more than 10%.

Sales to Japanese customers increased by more than 20% on the previous year helped by government targets set to encourage homeowners to reduce energy consumption by 15% which increased demand for exterior window shade products.

EBITDA for the Asia Pacific region fell slightly year on year but was still a very solid result considering the sales decline which resulted from one of the worst summers recorded in Australia.

Americas

Local Currency	FY11 (US$M's)	FY10 (US$M's)	Change (%)
Sales	19.3	18.7	+3%
EBITDA	0.5	0.8	-37%

Given that market conditions in the USA continue to be extremely challenging and remain subdued, we are pleased to report a small but positive uplift in sales of 3% year on year. Consumer confidence is low and the markets for Gale products are best described as patchy and unpredictable at present with many retail customers reducing inventory levels and taking a cautious approach on seasonal programs.

During the year we have been further challenged by regulatory changes in the window furnishings industry forcing widespread changes to product design to reduce or eliminate the use of exposed loop cords on interior window furnishings which has led to a number of product deletions and industry wide product recalls. This has resulted in the deletion of some parts of the Coolaroo range in the USA market. We have developed a number of new initiatives to overcome these changes and proposed new industry standards which are being finalised with customers for next season.

Sales of commercial fabrics increased by more than 50% due to strengthened field sales resources and increased activity in commercial markets. We plan to launch a full range of fire retardant commercial knitted fabrics in 2011 / 2012 along with the release of the waterproof Synthesis Commercial 95 range in the USA market. EBITDA fell in the USA by US$300,000 for the year due to increased margin pressure from rising product costs, increased freight costs and costs associated with the window shade product changes to comply with industry regulatory changes.



Chairman's And Managing Director And Chief Executive Officer's Report (continued)

Middle East

Local Currency	FY11 (US$M's)	FY10 (US$M's)	Change (%)
Sales	6.4	5.4	+18%
EBITDA	1.3	0.9	+44%

The Middle East business performed strongly. Sales growth of 18% over the prior year in local currency was due to solid growth in the Saudi market generated from new customers gained throughout the year and increasing work from Gale products being specified and major project wins. Sales in Saudi Arabia increased by more than 40% year on year. Whilst construction activity remained flat in other parts of the region, particularly Dubai, we managed to achieve year on year sales increases in most of the major regions (U.A.E., Kuwait and Qatar).

During the 2010 / 2011 financial year we shipped a major portion of the knitted fabric for the large (300,000 m²) mass vehicle storage project awarded to Gale earlier in the year. Another major source of sales growth has been the successful market launch of our new waterproof range of Synthesis Commercial 95 fabric which has gained wide market acceptance in a very short period of time.

EBITDA increased by a healthy US$400,000 or 44% in our Middle East business due to the increased sales activity and tight expense controls in place. Debtor collections in the Middle East have been excellent and we continue to operate with very tight trading terms in the region.

China

Local Currency	FY11 (US$M's)	FY10 (US$M's)	Change (%)
Sales - International	1.9	(0.1)	+100%
Sales - Internal	22.7	26.5	-7%
EBITDA	5.0	4.3	+16%

Excellent results have been generated from our Chinese manufacturing operation. Scrap rates have continued to reduce throughout the year as part of the continuous manufacturing improvement program. Margins have increased, despite lower volumes and higher wage rates, due in part to continuing labour efficiencies, lower overhead costs and improved yields.

International market development

A full time dedicated resource was added to the team earlier in the year, focused on international market development, the opportunities in new and existing markets have grown significantly over the past 12 months. We have attracted new customers in untapped markets including South Africa, Spain, France, Chile, and Israel. We have also identified and capitalised on new opportunities with existing customers.

International sales to third party customers are largely invoiced from China and were US$1,900,000 (2009/2010 : (US$69,000)).

Acquisition of Zone Hardware and Riva Window Fashions

The acquisition of Zone Hardware and Riva Window Fashions was concluded on 1 June 2011 and will add substantial sales and profit growth to the company's 2011/2012 results. Zone Hardware specialises in the marketing and distribution of branded home improvement products sold into the do-it-yourself home improvement market, mass merchants and specialty retail outlets.

Riva Window Fashions has been recently established and specialises in a diverse range of custom window furnishings made specifically to the consumer's window measurements and specifications. This exciting new range is promoted and sold by Bunnings Warehouse with measure and installation services provided by professional authorised Riva representatives. This program has already been launched through all Melbourne and Brisbane metropolitan stores and will be rolled out nationally over the coming months. The hiring of the professional field installer team has commenced and will be implemented fully with the planned store roll out. The Riva custom window shade program gives both Bunnings and Riva entry into the large custom window shade market in Australia.

Integration plans to combine the operations of Zone and Riva with Gale are well underway.




Organic and acquisition growth

Gale maintains a strong continuous improvement culture, skilled and motivated employees and management, and an effective and efficient infrastructure. Innovation and product development continues to be a main focus as a driver of growth from our core business base. The Company has ongoing strong cash generation and a strong balance sheet. The acquisition of the Zone Hardware and Riva Window Fashions businesses will provide a solid contribution to the future results. Further complementary acquisitions are being assessed and actively pursued.

Management and staff

On behalf of the Directors, we would like to thank all Gale employees for their hard work, dedication and commitment to the business and congratulate the whole team for the results which have been achieved this year. In all areas of the business the team has been challenged to focus on continuing to improve the way we operate and do business with our customers. Many improvements have been made during the year particularly in the area of manufacturing efficiency gains and waste reduction initiatives.

We would like to welcome the team from Zone and Riva to the Gale community and look forward to their involvement and contribution to the business.

Outlook

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

With the addition of the Zone and Riva businesses and planned international sales expansion of Coolaroo and Synthesis branded products we expect to deliver another solid financial result in 2011/2012 in what will be a very difficult and volatile global market environment.

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

Annual General Meeting

A notice of the Company's Annual General Meeting to be held on 28 October 2011 and a voting form is enclosed with this report.

Mr David Allman
Chairman
25 August 2011

Mr Peter McDonald
Managing Director and Chief Executive Officer
25 August 2011




BOARD OF DIRECTORS

DAVID ALLMAN — B.SC.

Chairman and Non Executive Director since November 2009

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

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

PETER MCDONALD — B.BUS (MARKETING)

Managing Director and Chief Executive Officer since April 2006

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

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

Non Executive Director since August 2007

Mr Murphy is the Managing Director of Investec Wentworth Private Equity Limited and in this capacity is a board member of the fund's investments, including the following listed companies: Ariadne Australia Limited, Staging Connections Group Limited, Vocus Communications Limited (formally First Opportunity Fund Limited), ClearView Wealth Limited and Gale Pacific Limited. Mr Murphy is also an Executive Director of Investec Bank (Australia) Limited and Non Executive Director of Specialty Fashion Group Limited.

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

GEORGE RICHARDS — CPA, AAICD

Non Executive Director since May 2004

Mr Richards joined the Board in 2004. Mr Richards was the Chief Executive of Mitre 10 South West Ltd from 1990 to 2000 and was previously the Managing Director of Cooper Tools, a market leader in hand tools manufacture and distribution. Mr Richards has had over 45 years experience in retail, marketing, manufacturing and distribution. He is a board member of The Alfred Foundation, a Director of Bowen & Pomeroy Pty Ltd, Associate Member of the Australian Institute of Company Directors and Australian Society of Accountants.

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

SENIOR MANAGEMENT

JEFF COX — CHIEF FINANCIAL OFFICER ("CFO")

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

SHAUN MCPHERSON — MANAGING DIRECTOR, ASIA PACIFIC

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

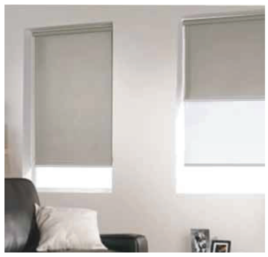
MARTIN DENNEY — MANAGING DIRECTOR, USA

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

BERNIE WANG — MANAGING DIRECTOR, CHINA

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





CORPORATE GOVERNANCE

This statement sets out the corporate governance practices that were in operation throughout the 2011 financial year for Gale Pacific Limited ("the Company") and its controlled entities ("the Group") and includes a summary of how the Group complies with the revised ASX Corporate Governance Principles and Recommendations. The various charters and policies are all available on the Gale Pacific web site: www.galepacific.com

PRINCIPLE 1: LAY SOLID FOUNDATION FOR MANAGEMENT OVERSIGHT

Formalise and disclose the functions reserved to the board and those delegated to management.

Complying.

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

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

PRINCIPLE 2: STRUCTURE THE BOARD TO ADD VALUE

A majority of the board members should be independent.

Complying.

The Board comprises four Directors, three of whom are non executive and independent. The Directors considered by the Board to constitute independent Directors are Mr D Allman, Mr G Richards and Mr J Murphy. The test to determine independence which is used by the Company is whether a Director is independent of management and any business or other relationship with the Group that could materially interfere with or could reasonably be perceived to materially interfere with the exercise of their unfettered and independent judgement.

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

The chairman should be an independent Director.

Complying.

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

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

Complying.

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

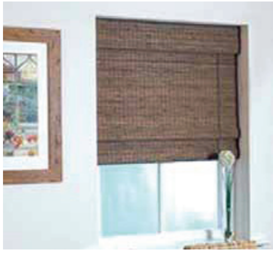
The board should establish a nomination committee.

Complying.

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

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

Complying.

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

- The skills and experience of directors.
- The directors considered by the Board to constitute independent directors.
- A statement regarding directors' ability to take independent professional advice at the expense of the Company.
- The term of office held by each director in office at the date of the report.
- The names of members of the Company's committees and their attendance at committee meetings.

PRINCIPLE 3: PROMOTE ETHICAL AND RESPONSIBLE DECISION MAKING

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

- The practices necessary to maintain confidence in the Company's integrity.
- The practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders.
- The responsibility and accountability of individuals for reporting and investigating reports of unethical practices.
- Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

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

Complying.

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

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

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

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

Details of the Company's trading policy are posted on its website.

The Company has adopted a gender diversity policy. The policy includes requirements for the board to establish measurable objectives for achieving gender diversity for the board to assess annually both the objectives and progress in achieving them. Progress towards achieving the gender diversity objectives set by the board will be measured and reported on in the Company's 2012 annual report.

PRINCIPLE 4: SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

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

The board should establish an audit committee.

The audit committee should be structured so that it:

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

The audit committee should have a formal charter.

Companies should provide the information indicated in the Guide.

Complying.

The Directors are committed to the preparation of financial statements that present a balanced and clear assessment of the Group's financial position and prospects. The Board reviews the Group's half yearly and annual financial statements. The Board requires that the Chief Executive Officer and the Chief Financial Officer state in writing to the Board that the Group's financial reports present a true and fair view, in all material respects, of the Group's financial condition and operational results and are in accordance with relevant accounting standards.

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

The role of the Audit Committee is to advise on the establishment and maintenance of a framework of internal controls and appropriate ethical standards for the management of the Group and to advise on financial information prepared for use by the Board or for inclusion in financial statements.

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

The Board, with the involvement of the Audit Committee, has established procedures in relation to the external auditor selection and appointment and for discussing with the auditor the rotation of the lead partner.

PRINCIPLE 5: MAKE TIMELY AND BALANCED DISCLOSURE

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

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies. Companies should provide the information indicated in the Guide.

Complying.

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

PRINCIPLE 6: RESPECT THE RIGHTS OF SHAREHOLDERS

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

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

Complying.

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

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

PRINCIPLE 7: RECOGNISE AND MANAGE RISK

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

Complying.

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

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

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

Complying.

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

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

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

Complying.

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

PRINCIPLE 8: REMUNERATE FAIRLY AND RESPONSIBLY

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

Complying.

The Group has in place systems designed to fairly review and actively encourage enhanced Board and management effectiveness.

The board should establish a remuneration committee.

Complying.

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

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

Complying.

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

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

Complying.

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

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 2011.

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

DAVID ALLMAN, B.SC.

Chairman and Non Executive Director since November 2009

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

Mr Allman is a Non Executive Director of McPherson's Limited.

Other than the above, no other directorships of listed companies were held by Mr Allman at anytime during the three years prior to 30 June 2011.

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

PETER MCDONALD, B.BUS (MARKETING)

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

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

No other directorships of listed companies were held by Mr McDonald at any time during the three years prior to 30 June 2011.

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

Non Executive Director since August 2007

Mr Murphy is the Managing Director of Investec Wentworth Private Equity Limited and in this capacity is a board member of the fund's investments, including the following listed companies: Ariadne Australia Limited, Staging Connections Group Limited, Vocus Communications Limited(formally First Opportunity Fund Limited), ClearView Wealth Limited and Gale Pacific Limited. Mr Murphy is also an Executive Director of Investec Bank (Australia) Limited and Non Executive Director of Specialty Fashion Group Limited.

No other directorships of listed companies were held by Mr Murphy at any time during the three years prior to 30 June 2011.

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




Directors' Report (continued)

George Richards, CPA, AAICD

Non Executive Director since May 2004

Mr Richards was the Chief Executive of Mitre 10 South West Ltd from 1990 to 2000 and was previously the Managing Director of Cooper Tools, a market leader in hand tools manufacture and distribution. Mr Richards has had over 45 years experience in retail, marketing, manufacturing and distribution. He is a board member of The Alfred Foundation, Director of Bowen & Pomeroy Pty Ltd, Associate Member of the Australian Institute of Company Directors and Australian Society of Accountants.

No other directorships of listed companies were held by Mr Richards at any time during the three years prior to 30 June 2011.

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

Ms Sophie Karzis, B Juris LLB

Company Secretary

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

Nature of Operations and Principal Activities

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

Review and Results of Operations

The consolidated profit of the Group for the financial year attributable to the members of Gale Pacific Limited was $7.110 million. Refer to the Chairman and Managing Director and Chief Executive Officer's Report for further details on the Group's result.

State of Affairs

On 1 June 2011 the Group acquired 100% of the shares and units of Zone Hardware Pty Ltd and Riva Window Fashions Pty Ltd. For details of the acquisition refer to Note 29 of the financial statements.

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

Events Subsequent to Balance Date

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

Likely Developments

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

Environmental Regulation and Performance

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

Dividends

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

	2010 / 2011 ($000)	2009 / 2010 ($000)
Final ordinary dividend for the year ended 30 June 2010 of one cent per share paid on 22 October 2010	2,797	-
Special dividend for the year ended 30 June 2010 of one cent per share paid on 22 October 2010	2,797	-
Interim ordinary dividend for the year ended 30 June 2011 of one cent per share paid on 25 March 2011	2,797	-

In addition to the above dividends, since the end of the financial year the Directors have recommended the payment of a final ordinary dividend of 1.2 cents per share to be paid on 3 October 2011.

Dividends for the full year of 2.2 cents per share have been declared on diluted earnings of 2.4 cents per share. This represents a 10% increase on full year ordinary dividends compared to last year. The final dividend payment of 1.2 cents per share will be fully franked and will be paid to shareholders on Monday 3 October 2011. Gale considers this dividend frankable for Australian tax purposes as the dividends are being paid out of current year profits and Gale has sufficient franking credits available to fully frank this dividend. However, the Commissioner of Taxation has informally expressed a preliminary view on dividend franking capability in an ATO Draft Fact Sheet dated 21 June 2011 which may or may not support the Company's position. Shareholders will be advised should there be any impact on the franking of Gale dividends.

Share Based Payments

Performance Rights

The number of performance rights on issue at the date of this report is 13,940,000. 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.

Of the performance rights on issue, 3,000,000 performance rights were issued to the Managing Director and Chief Executive Officer, Mr Peter McDonald on 1 December 2009. 8,000,000 performance rights were issued on 30 June 2009 to the following Senior Executives; 2,000,000 each to Mr Jeff Cox, Chief Financial Officer; Mr Martin Denney, Managing Director USA; Mr Shaun McPherson, Managing Director Asia Pacific; and Mr Bernie Wang, Managing Director China. These performance rights are subject to a continuation of employment to 30 June 2012 and then the satisfying of relevant performance hurdles based on improvements in the Group's diluted earnings per share over the two year period 1 July 2009 to 30 June 2011. None of these performance rights can vest until 30 June 2012 and expire on 30 June 2019.

2,940,000 performance rights have been issued to Senior Executives outside the key management group on 18 August 2010. These performance rights are subject to a continuation of employment to 30 June 2013 and then the satisfying of relevant performance hurdles based on the Group's diluted earnings per share over the two year period 1 July 2010 to 30 June 2012. None of these performance rights can vest until 30 June 2013 and expire on 18 August 2020.

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

Indemnification of Officers and Auditors

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

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

Directors' Shareholdings

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

Directors	Fully Paid Ordinary Shares	Options	Performance Rights
D Allman	-	-	-
P McDonald	978,105	-	3,000,000
J Murphy	-	-	-
G Richards	491,899	-	-

DIRECTORS' MEETINGS

The table below sets out the attendance by Directors.

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

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

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

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

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

REMUNERATION REPORT

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

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

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

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

Remuneration packages contain the following key elements:

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

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

  Details of these benefits are disclosed in this report.

Remuneration Practices

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

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non Executive Directors and Senior Manager 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 14 December 2000 when shareholders' approved the Company's constitution which provides for an aggregate remuneration of $300,000 per annum. The amount of the aggregate remuneration and the manner in which it is apportioned is reviewed periodically. The Board considers fees paid to Non Executive Directors of comparable companies when undertaking this review process.

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

The remuneration of Non Executive Directors for the period ended 30 June 2011 is detailed below.

Senior Manager and Executive Director Remuneration

Objective

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

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

Structure

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

(a). Share Based Payments

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

- Improvement in net profit after tax.
- Improvement in return to shareholders.
- Improvement in share price.

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

The number of unissued ordinary shares under the performance rights scheme at the date of this report is 13,940,000. Each performance right entitles the holder one (1) ordinary share in Gale Pacific Limited when exercised and is subject to the satisfying of relevant performance hurdles based on improvements in the Group's diluted earnings per share.

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

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

(b). Cash Bonuses

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

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

Directors

D Allman (Chairman, Non Executive, Appointed 17 November 2009)
J Murphy (Non Executive)
G Richards (Non Executive)
P McDonald (Managing Director and Chief Executive Officer)
H Boon (Chairman, Non Executive, Retired as at 17 November 2009)

Executives

J Cox (Chief Financial Officer)
M Denney (Managing Director USA)
S McPherson (Managing Director Asia Pacific)
B Wang (Managing Director China)

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

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

2009 / 2010	Short Term Benefits			Post Employment	Share Based Payments	Total	Performance Related	
Directors	Salary & Fees $	Bonus $	Non Monetary $	Super $	Performance Rights $	$	Total %	Performance Rights %
Executive Directors								
P McDonald	415,485	163,500	28,643	20,872	94,076	722,576	35.6	13.0
Non Executive Directors								
D Allman[1]	65,602	-	-	5,904	-	71,506	-	-
H Boon[2]	54,287	-	-	2,636	-	56,923	-	-
G Richards	68,807	-	-	6,193	-	75,000	-	-
J Murphy	65,000	-	-	-	-	65,000	-	-
Total	**669,181**	**163,500**	**28,643**	**35,605**	**94,076**	**991,005**		

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

2010 / 2011	Short Term Benefits			Post Employment	Share Based Payments	Total	Performance Related	
Key management personnel	Salary & Fees $	Bonus $	Non Monetary $	Super $	Performance Rights $	$	Total %	Performance Rights %
J Cox	273,240	47,681	-	29,948	40,630	391,499	22.6	10.4
S McPherson	292,083	20,000	-	22,917	40,630	375,630	16.1	10.8
M Denney[3]	257,389	12,388	12,380	-	40,630	322,787	16.4	12.6
A Scott[4]	158,659	52,667	-	16,381	59,156	286,863	39.0	20.6
B Wang[5]	147,736	53,583	7,266	-	40,630	249,215	37.8	16.3
Total	**1,129,107**	**186,319**	**19,646**	**69,246**	**221,676**	**1,625,994**		

2009 / 2010	Short Term Benefits			Post Employment	Share Based Payments	Total	Performance Related	
Key management personnel	Salary & Fees $	Bonus $	Non Monetary $	Super $	Performance Rights $	$	Total %	Performance Rights %
J Cox	264,908	118,388	-	23,842	40,630	447,768	35.5	9.07
S McPherson	275,000	81,000	-	25,229	40,630	421,859	28.8	9.63
M Denney[3]	265,108	87,483	16,887	-	40,630	410,108	31.2	9.91
B Wang[5]	128,902	35,064	14,457	-	40,630	219,053	34.6	18.55
R Campbell	169,129	19,261	-	15,222	-	203,612	9.5	-
Total	**1,103,047**	**341,196**	**31,344**	**64,293**	**162,520**	**1,702,400**		

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[1] Mr Allman was appointed as a Non Executive Director and Chairman on 17 November 2009. His remuneration for the reporting period is from that date.

[2] Mr Boon retired from his role as a Non Executive Director on 17 November 2009. His remuneration for the reporting period is to that date.

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

[4] Mr Scott is the General Manager International Sales and Marketing and is located in Australia.

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

Share Based Compensation

The terms and conditions of each grant of performance rights granted as at 30 June 2011 affecting remuneration in the current or a future reporting period are as follows:

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

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

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

	No of Performance Rights Granted During the Year	Value Per Performance Rights at Grant Date	Value of Performance Rights at Grant Date ($)	No. of Performance Rights Lapsed During the Year	Value of Lapsed Performance Rights ($)
Key Management Personnel					
A Scott	980,000	0.20	196,000	-	-
Other Management Personnel					
Other Management	1,960,000	0.20	392,000	-	-
Total	2,940,000		588,000		

AUDITOR INDEPENDENCE AND NON AUDIT SERVICES

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

NON AUDIT SERVICES

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

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

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Taxation services	37	43
Assurance services regarding acquisition	37	-
Capital registration audit	2	2
Government grant review	2	2
Total	**78**	**47**

PROCEEDINGS ON BEHALF OF THE COMPANY

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

ROUNDING OFF OF AMOUNTS

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

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

On behalf of the Directors;

Mr David Allman
Chairman
25 August 2011

Mr Peter McDonald
Managing Director and Chief Executive Officer
25 August 2011

Auditor's Independence Declaration

To the Directors of Gale Pacific Limited

In relation to the independent audit for the year ended 30 June 2011, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*.

(ii) No contraventions of any applicable code of professional conduct.

S Schonberg
Partner
25 August 2011

PITCHER PARTNERS
MELBOURNE

DIRECTORS' DECLARATION

The Directors of the Company declare that:

The financial statements and notes, as set out on pages 25 to 66 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 2011 and of the performance, as represented by the results of the operations and the cash flows, of the Company and the Group for the year ended on that date;
- As stated in Note 1, the (consolidated) financial statements also comply with International Financial Reporting Standards; and
- That the Directors have been given the declaration required under section 295A of the *Corporations Act 2001*.

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

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

D. T. Allman

Mr David Allman
Chairman
25 August 2011

Mr Peter McDonald
Managing Director and Chief Executive Officer
25 August 2011

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 and controlled entities, which comprises the consolidated statement of financial position as at 30 June 2011, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, 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.

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 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 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 about 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

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 2011 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 report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 20 of the Directors' Report for the year ended 30 June 2011. 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 and controlled entities for the year ended 30 June 2011 complies with section 300A of the *Corporations Act 2001*.

S Schonberg
Partner
25 August 2011

PITCHER PARTNERS
MELBOURNE

FINANCIAL RESULTS

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CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 30 JUNE 2011

		Consolidated	
	Note	2010 / 2011 ($000)	2009 / 2010 ($000)
Revenue	2	95,580	98,811
Cost of goods sold		(58,808)	(62,788)
Gross profit		36,772	36,023
Other Income		140	472
Warehousing and distribution		(7,937)	(7,675)
Marketing and selling		(7,407)	(7,538)
Administration		(9,461)	(10,458)
Other expenses		(2,187)	(1,506)
Net finance costs	3	(859)	(1,247)
Profit from continuing operations before income tax		9,061	8,071
Income tax expense	4	(1,961)	(2,060)
Profit from continuing operations after income tax		7,100	6,011
Profit from discontinued operations	23	10	11
Profit for the year	19	7,110	6,022
Note only: Depreciation and amortisation (from continuing operations)	3	(5,938)	(7,186)
Earnings Per Share			
From continuing and discontinued operations			
Basic earnings per share (cents per share)		2.54	2.15
Diluted earnings per share (cents per share)		2.42	2.08
From continuing operations			
Basic earnings per share (cents per share)		2.54	2.15
Diluted earnings per share (cents per share)		2.42	2.07

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2010 / 2011 ($000)	Consolidated 2009 / 2010 ($000)
Profit for the year		7,110	6,022
Other Comprehensive Income			
Net changes in fair value of cash flow hedges, net tax	18	(807)	558
Exchange differences on translation of foreign operations	18	(11,406)	(2,749)
Other comprehensive loss for the year		(12,213)	(2,191)
Total comprehensive income / (loss) for the year		(5,103)	3,831
Profit Attributable To			
Members of the parent		7,110	6,022
Profit for the year		7,110	6,022
Total Comprehensive Income Attributable To			
Members of the parent		(5,103)	3,831
Total comprehensive income / (loss) for the year		(5,103)	3,831

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

FOR THE YEAR ENDED 30 JUNE 2011

		Consolidated	
	Note	2010 / 2011 ($000)	2009 / 2010 ($000)
Current Assets			
Cash and cash equivalents	6	9,596	15,139
Receivables	7	13,971	14,142
Other financial assets	9	-	341
Inventories	8	21,827	20,281
Current tax assets	4	72	-
Other current assets	10	638	913
Total current assets		46,104	50,816
Non Current Assets			
Property, plant and equipment	11	36,905	49,552
Intangible assets	12	17,003	6,649
Deferred tax assets	4	418	379
Total non current assets		54,326	56,580
Total assets		100,430	107,396
Current Liabilities			
Trade and other payables	13	7,458	7,269
Borrowings	14	15,177	11,989
Other financial liabilities	15	1,063	-
Current tax liabilities	4	1,688	1,355
Provisions	16	2,225	2,832
Total current liabilities		27,611	23,445
Non Current Liabilities			
Borrowings	14	155	-
Deferred tax liabilities	4	4,651	4,382
Provisions	16	54	73
Total non current liabilities		4,860	4,455
Total liabilities		32,471	27,900
Net assets		67,959	79,496
Equity			
Contributed equity	17	107,086	105,586
Reserves	18	(19,544)	(7,899)
Retained earnings	19	(19,583)	(18,191)
Total equity		67,959	79,496

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2011

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

30 June 2010	Note	Contributed Equity ($000)	Reserves ($000)	Accumulated Losses ($000)	Total Equity ($000)
Balance at 1 July 2009		105,594	(5,965)	(24,213)	75,416
Profit for the year		-	-	6,022	6,022
Other comprehensive income / (loss) for the year		-	(2,191)	-	(2,191)
Total comprehensive income / (loss) for the year		-	(2,191)	6,022	3,831
Transactions With Owners In Their Capacity As Owners					
Contributions, net of raising costs and tax	18	(8)	-	-	(8)
Employee share based payments	18	-	257	-	257
Total transactions with owners in their capacity as owners		(8)	257	-	249
Balance at 30 June 2010		105,586	(7,899)	(18,191)	79,496

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2011

	Note	Consolidated 2010 / 2011 ($000)	Consolidated 2009 / 2010 ($000)
Cash Flow From Operating Activities			
Receipts from customers		100,699	106,302
Payments to suppliers and employees		(87,200)	(87,652)
Interest received		105	95
Borrowing costs paid		(964)	(1,350)
Income tax refunds / (payments)		(1,222)	558
Net cash provided by operating activities	23	11,418	17,953
Cash Flow From Investing Activities			
Proceeds from sale of plant and equipment		254	40
Proceeds / (payment) from / for disposal / acquisition of business	29	(11,150)	-
Payment for plant and equipment		(626)	(1,160)
Payment for intangible assets		(35)	-
Net cash used by investing activities		(11,557)	(1,120)
Cash Flow From Financing Activities			
Proceeds from issue of equity securities		-	(11)
Proceeds from / (repayment of) borrowings		5,017	(8,588)
Proceeds from / (repayment of) principal on finance leases		212	(69)
Repayment of principal on hire purchase		(18)	(29)
Dividends paid		(8,391)	-
Net cash used by financing activities		(3,180)	(8,697)
Net increase / (decrease) in cash held		(3,319)	8,136
Cash at beginning of year		15,139	7,141
Effects of exchange rate changes on items denominated in foreign currencies		(2,429)	(138)
Cash at the end of the year	23	9,391	15,139

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

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

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

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

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

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

(b). Principles of Consolidation

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

The financial statements of subsidiaries are prepared for the same reporting period as the parent entity, using consistent accounting policies. Adjustments are made to bring into line any dissimilar accounting policies, which may exist.

All inter company balances and transactions, including any unrealised profits or losses have been eliminated on consolidation. Subsidiaries are consolidated from the date on which control is established and are de-recognised from the date that control ceases.

(c). Use of Estimates and Judgements

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

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

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

- Note 12 – Intangible Assets
- Note 27 – Financial Instruments

(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.

Group Companies

The financial statements of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- Assets and liabilities are translated at year end exchange rates prevailing at that reporting date;
- Income and expenses are translated at average exchange rates for the period; and
- All resulting exchange differences are recognised as a separate component of equity.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve as a separate component of equity in the statement of financial position.

(e). Net Investments in Foreign Operations

During 2006 / 2007, the Group reclassified a portion of the Company's related party balances as net investments in foreign operations as permitted by AASB 121 The Effects of Changes in Foreign Exchange Rates. The balances reclassified were identified as being monetary items of a non current nature as settlement of these balances is not planned and the Group's forecasts showed that any settlement would not occur in the foreseeable future. While this situation persists, impacting the Group's current year profits with the movement in the foreign exchange rates applying to these monetary items would not provide the best representation of a current year's performance. As permitted by AASB 121, from the date of reclassification, all changes in the Australian dollar value of these items arising from changes in foreign exchange rates are, in the consolidated financial statements, being recognised in the foreign currency translation reserve. As and when settlements occur, the cumulative amount of these changes in value deferred in the foreign currency translation reserve will be recognised in that current year's profit in the consolidated accounts.

In the 2008 / 2009 period, the net investment in Gale Europe GmbH was written off following the closure of the European full service operation; a portion of the net investment in Gale Pacific Special Textiles (Ningbo) Limited was converted to equity and additional balances in Gale Pacific (New Zealand) Limited and Gale Pacific USA Inc were reclassified as net investments in foreign operations. No further adjustments to these balances occurred in the reporting period.

In the accounts of the Company, these changes in value continue to be recognised in the current year's profit as required by AASB 121.

Details of the monetary items reclassified and the total exchange difference recognised in the foreign currency translation reserve are detailed below.

		Consolidated	
	Note	2010 / 2011 ($000)	2009 / 2010 ($000)
Monetary item identified as a net investment in a foreign operation			
Related party receivable to the company from Gale Pacific Special Textiles (Ningbo) Limited		6,842	6,842
Related party receivable to the company from Gale Pacific (New Zealand) Limited		6,800	6,800
Related party receivable to the company from Gale Pacific USA Inc		9,473	9,473
Total		23,115	23,115
Exchange movement arising in the reporting period on monetary item forming part of the net investment in related party, recognised in foreign currency translation reserve	18	2,999	559

It is impracticable to estimate the effect of this change on future periods because movements in foreign exchange rates cannot be predicted.

(f). Segment Reporting

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

(g). Revenue Recognition

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

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

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

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

(h). Cash and Cash Equivalents

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

For the purposes of the statement of cash flows, cash includes cash on hand and at call, deposits with banks or financial institutions, investments in money market instruments maturing within less than three months and net of bank overdrafts.

(i). Inventories

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

(j). Plant and Equipment

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

Plant and Equipment

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

Depreciation

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

The depreciation rates used for each class of assets are:

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

(k). Leases

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

Finance Leases

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

Operating Leases

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

(l). Intangibles

Goodwill

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

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

Patents and Trademarks

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

Application Software

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

Research and Development

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

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

(m). Impairment of Assets

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

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

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

(n). Taxes

Current income tax expense or revenue is the tax payable on the current period's taxable income based on the applicable income tax rate adjusted by changes in deferred tax assets and liabilities.

Deferred tax assets and liabilities are recognised for temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax asset or liability is recognised in relation to temporary differences arising from the initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for temporary differences and unused tax losses only when it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

Tax Offset

Deferred tax assets and deferred tax liabilities are only offset when the Group has:

- Legally enforceable right to offset current tax assets with current liabilities; and
- The deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

(o). Provisions

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

(p). Employee Benefits

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

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

Share Based Payments

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

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

(q). Financial Instruments

The Group classifies its financial instruments in the following categories

Non Derivative Financial Instruments

Loans and Receivables

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

Financial Liabilities

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

Derivative Financial Instruments

Cash Flow Hedges

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

NOTE 1: Statement of Significant Accounting Policies (continued)

Financial Instruments at Fair Value Through Profit and Loss

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

(r). Rounding Amounts

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

(s). Comparatives

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

(t). Discontinued Operations

On 22 December 2008 the Company closed its European full service operation Gale Europe GmbH and entered into a distribution agreement with an established European sales and distribution company, Windhager GmbH, to have it take over the inventory, sales and distribution of Gale products in key European markets. The income statements of the current and comparative periods reflect this change by disclosing the trading results and closure costs of Gale Europe GmbH as a separate line under the description "profit/(loss) from discontinued operations".

(u). New Accounting Standards and Interpretations

A number of accounting standards have been issued at the reporting date but are not yet effective. Management has not yet assessed the impact of these standards and interpretations.

NOTE 2: Revenue

Consolidated	Continuing	
	2010 / 2011 ($000)	**2009 / 2010 ($000)**
Operating Activities		
Sale of goods – other parties	95,580	98,811
Total revenue	95,580	98,811

NOTE 3: Profit

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

Consolidated	2010 / 2011 ($000)		2009 / 2010 ($000)	
	Continuing	Discontinued	Continuing	Discontinued
Other Income				
Government grant income	102	-	399	-
Other revenue	38	-	3	-
Net foreign exchange gains	-	-	70	-
Total other income	140	-	472	-
Changes in inventories of finished goods and work in progress and raw materials and consumables used	38,792	-	37,665	23
Employee benefits	18,500	-	18,559	-
Net Finance Costs				
Finance income – other parties	(105)	-	(108)	-
Finance expense – other parties	964	-	1,355	-
Net finance costs	859	-	1,247	-
Depreciation of Non Current Assets				
Buildings	303	-	228	-
Leasehold improvements	33	-	66	-
Plant and equipment	4,983	233	5,872	-
Motor vehicles	27	-	30	-
Office equipment	266	-	353	-
Amortisation of Non Current Assets				
Leased motor vehicles	32	-	41	-
Patents and trademarks	60	-	204	30
Application software	234	-	262	-
Research and Development Expenditure				
Amortisation of previously capitalised expenditure	-	-	130	-
Expensed as incurred	-	-	189	-
Increase / (decrease) in provision for obsolete inventory	75	-	23	-
Bad and Doubtful Debts				
Bad debts written off – trade debtors	38	-	199	-
Movement in provisions for doubtful debts – trade debtors	2	-	20	-
Remuneration of the Auditors of the Parent Entity For				
Auditing the financial report	211	-	224	-
Taxation services	24	-	33	-
Assurance services regarding acquisition	37	-	-	-
Government grant review	2	-	2	-
Total remuneration of the auditors of the parent entity	274	-	259	-
Remuneration of Other Auditors of Controlled Entities For				
Auditing the financial report	112	-	86	-
Taxation services	13	-	10	-
Capital registration review	2	-	2	-
Total remuneration of other auditors	127	-	98	-
Total remuneration of auditors	401	-	357	-
Net foreign exchange losses	166	-	-	-
Net Loss on Disposal of Non Current Assets				
Plant and equipment	463	-	137	-
Motor vehicles	13	-	1	-
Office equipment	1	-	6	-
Operating lease rental expense	1,951	-	2,174	-
Share based payment (benefit) / expense	457	-	257	-

NOTE 4: Income Tax

(a). The Components of Tax Expense

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Current tax	944	1,581
Deferred tax	668	456
Total income tax expense	1,612	2,037
Disclosed in the financial statements as		
Income tax expense from continuing operations	1,961	2,060
Income tax (benefit) / expense from discontinued operations	(349)	(23)
Total	1,612	2,037

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

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Prima facie tax payable on profit before income tax at 30%	2,615	2,420
Add tax effect of:		
Tax rate differentials in foreign countries	(445)	(366)
Tax losses not recognised	110	101
Previously unrecognised tax losses utilised	(359)	(227)
Exempt income	(77)	-
Tax credits	(11)	(133)
Other non allowable / (non assessable) items	126	225
Total	1,959	2,020
Less tax effect of:		
Over provision for income tax in the prior year	2	40
Income tax expense attributed to profit from continuing operations	1,961	2,060
Add income tax (benefit) / expense from discontinued operations	(349)	(23)
Total income tax expense	1,612	2,037

(c). Income Tax Recognised Directly in Equity

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

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Deferred Tax		
Equity raising costs deductible over 5 years	-	(3)
Cash flow hedges	(362)	238
Total	(362)	235

NOTE 4: Income Tax (continued)

(d). Current Tax

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Current tax asset	72	-
Current tax liability	(1,688)	(1,355)
Total	(1,616)	(1,355)

(e). Movement in Net Carrying Amount

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

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Balance at the beginning of the year	(1,355)	763
Current year tax expense	(944)	(1,581)
Income tax payments / (refunds)	1,222	(558)
Acquired business	(541)	-
Net foreign currency movements arising from foreign operations	2	21
Carrying amount at the end of the year	(1,616)	(1,355)

(f). Deferred Tax

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Deferred Tax Assets / (Liabilities) Arise from the Following		
Property, plant and equipment	127	(10)
Foreign exchange	(5,135)	(4,711)
Income not (received) / derived	-	(71)
Finance leases	-	109
Doubtful debts	5	18
Other financial liabilities	107	(275)
Provisions	254	293
Employee benefits	390	482
Capitalised costs	(253)	(278)
Borrowing costs	-	7
Equity raising costs	135	310
Other	137	123
Net deferred tax liability	(4,233)	(4,003)
Represented By		
Deferred tax asset[1]	418	379
Deferred tax liability[1]	(4,651)	(4,382)
Total	(4,233)	(4,003)

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

NOTE 4: Income Tax (continued)

(g). Unrecognised Deferred Tax Assets

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

	Consolidated	
	2010 / 2011 ($000)	**2009 / 2010 ($000)**
Tax losses – income	1,794	1,834
Tax losses – capital	33,403	33,403
Total	35,197	35,237

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.

Asia Pacific (excluding China)

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

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

Americas

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

Middle East

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

Business Segment

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

NOTE 5: Operating Segments (continued)

Segment Information Reporting – Geographical Segments

30 June 2011	Asia Pacific ($000)	China ($000)	Americas ($000)	Middle East ($000)	Unallocated ($000)	Total Continuing Operations ($000)	Discontinued Operations ($000)	Total Group ($000)
Revenue outside the economic entity	67,549	1,918	19,605	6,508	-	95,580	-	95,580
Inter segment revenue	798	22,660	(130)	169	(23,497)	-	-	-
Total revenue	68,347	24,578	19,475	6,677	(23,497)	95,580	-	95,580
Segment EBITDA	9,094	5,041	501	1,337	(115)	15,858	(106)	15,752
Depreciation and amortisation	(1,380)	(4,255)	(295)	(8)	-	(5,938)	(233)	(6,171)
Segment EBIT	7,714	786	206	1,329	(115)	9,920	(339)	9,581
Net finance expense	-	-	-	-	-	(859)	-	(859)
Profit before income tax	-	-	-	-	-	9,061	(339)	8,722
Income tax expense	-	-	-	-	-	(1,961)	349	(1,612)
Profit for the year	-	-	-	-	-	7,100	10	7,110
Segment assets	46,472	39,079	11,908	3,620	(660)	100,419	11	100,430
Segment liabilities	24,459	6,001	1,789	294	(72)	32,471	-	32,471

30 June 2010	Asia Pacific ($000)	China ($000)	Americas ($000)	Middle East ($000)	Unallocated ($000)	Total Continuing Operations ($000)	Discontinued Operations ($000)	Total Group ($000)
Revenue outside the economic entity	71,401	(81)	21,343	6,148	-	98,811	-	98,811
Inter segment revenue	571	27,721	69	150	(28,511)	-	-	-
Total revenue	71,972	27,640	21,412	6,298	(28,511)	98,811	-	98,811
Segment EBITDA	9,286	5,082	915	989	232	16,504	18	16,522
Depreciation and amortisation	(2,136)	(4,586)	(457)	(7)	-	(7,186)	(30)	(7,216)
Segment EBIT	7,150	496	458	982	232	9,318	(12)	9,306
Net finance expense	-	-	-	-	-	(1,247)	-	(1,247)
Profit before income tax	-	-	-	-	-	8,071	(12)	8,059
Income tax expense	-	-	-	-	-	(2,060)	23	(2,037)
Profit for the year	-	-	-	-	-	6,011	11	6,022
Segment assets	34,235	52,901	16,381	4,116	(311)	107,322	74	107,396
Segment liabilities	12,175	12,701	1,869	286	(44)	26,987	913	27,900

Notes:

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

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

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

(d). Asia Pacific excludes China which is now disclosed separately.

(e). Revenue from one customer in the Asia Pacific region represents $28,961,000 (2010 : $31,546,000) of the Group's total revenues.

NOTE 6: Cash And Cash Equivalents

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Cash on hand	20	12
Cash at bank	9,068	8,486
Cash on deposit	508	6,641
Total	9,596	15,139

NOTE 7: Trade And Other Receivables

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Current		
Trade debtors	13,623	13,900
Less provision for doubtful debts	(324)	(282)
Total	13,299	13,618
Other receivables	672	524
Total	13,971	14,142
Movement in the provision for doubtful debts were:		
Balance at the beginning of the year	(282)	(258)
Charge for the year	(37)	(219)
Amounts written off	35	198
Acquired businesses	(87)	-
Net foreign currency movements arising from foreign operations	47	(3)
Balance at the end of the year	(324)	(282)

NOTE 8: Inventories

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Current		
Raw materials at cost	2,723	2,866
Work in progress at cost	1,844	1,952
Finished goods at cost	17,555	15,699
Less provision for obsolescence	(295)	(236)
Total	21,827	20,281

NOTE 9: Other Financial Assets

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Current		
Foreign currency forward contracts	-	341
Total	-	341

NOTE 10: Other Assets

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Current		
Prepayments	638	913
Total	638	913

NOTE 11: Property, Plant And Equipment

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Buildings		
At cost	8,019	9,641
Less accumulated depreciation	(1,181)	(1,129)
Total	6,838	8,512
Plant and Equipment		
At cost	57,715	67,622
Less accumulated depreciation	(28,689)	(27,621)
Total	29,026	40,001
Leasehold Improvements		
At cost	474	560
Less accumulated depreciation	(327)	(431)
Total	147	129
Motor Vehicles		
At cost	149	212
Less accumulated depreciation	(110)	(123)
Total	39	89
Motor Vehicles Under Lease		
At cost	831	179
Less accumulated amortisation	(511)	(76)
Total	320	103
Office Equipment		
At cost	4,429	4,378
Less accumulated depreciation	(3,905)	(3,823)
Total	524	555
Capital Work in Progress	11	163
Total property, plant and equipment	36,905	49,552

NOTE 11: Property, Plant And Equipment (continued)

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($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	8,512	8,329
Reclassifications	-	23
Additions	-	746
Disposals	(3)	-
Depreciation expense	(303)	(228)
Net foreign currency movements arising from foreign operations	(1,368)	(358)
Carrying amount at the end of the year	6,838	8,512
Plant and Equipment		
Balance at the beginning of the year	40,001	47,503
Additions	475	440
Disposals	(686)	(142)
Acquisitions through business combinations	39	-
Depreciation expense	(5,216)	(5,872)
Net foreign currency movements arising from foreign operations	(5,587)	(1,928)
Carrying amount at the end of the year	29,026	40,001
Leasehold Improvements		
Balance at the beginning of the year	129	218
Reclassifications	-	(23)
Additions	33	8
Disposals	(1)	(3)
Acquisitions through business combinations	20	-
Depreciation expense	(33)	(66)
Net foreign currency movements arising from foreign operations	(1)	(5)
Carrying amount at the end of the year	147	129
Motor Vehicles		
Balance at the beginning of the year	89	132
Disposals	(9)	(7)
Depreciation expense	(27)	(30)
Net foreign currency movements arising from foreign operations	(14)	(6)
Carrying amount at the end of the year	39	89
Motor Vehicles Under Lease		
Balance at the beginning of the year	103	172
Disposals	(27)	(28)
Acquisitions through business combinations	276	-
Amortisation expense	(32)	(41)
Carrying amount at the end of the year	320	103
Office Equipment		
Balance at the beginning of the year	555	821
Additions	240	119
Disposals	(1)	(7)
Acquisitions through business combinations	35	-
Depreciation expense	(266)	(353)
Net foreign currency movements arising from foreign operations	(39)	(25)
Carrying amount at the end of the year	524	555

NOTE 12: Intangible Assets

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Goodwill at cost	17,507	8,768
Less accumulated impairment	(1,054)	(2,939)
Total	16,453	5,829
Patents, trademarks and licenses at cost	1,295	2,399
Less accumulated amortisation	(930)	(2,002)
Total	365	397
Application software at cost	1,298	1,332
Less accumulated amortisation	(1,113)	(909)
Total	185	423
Research and development	4,865	4,865
Less accumulated amortisation	(4,865)	(4,865)
Total	-	-
Total intangible assets	17,003	6,649

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	5,829	5,950
Acquisition through business combinations	11,112	-
Net foreign currency movements arising from foreign operations	(488)	(121)
Carrying amount at the end of the year	16,453	5,829
Patents, Trademarks and Licences		
Balance at the beginning of the year	397	635
Additions / (transfers)	35	-
Acquisitions through business combinations	4	-
Amortisation expense	(60)	(234)
Net foreign currency movements arising from foreign operations	(11)	(4)
Carrying amount at the end of the year	365	397
Application Software		
Balance at the beginning of the year	423	690
Amortisation expense	(234)	(262)
Net foreign currency movements arising from foreign operations	(4)	(5)
Carrying amount at the end of the year	185	423
Research and Development		
Balance at the beginning of the year	-	130
Amortisation expense	-	(130)
Carrying amount at the end of the year	-	-

Goodwill

The recoverable amount of the cash generating units (CGU) have been determined based on a value in use calculation using the financial budget for the 2011 / 2012 reporting period as approved by the Board of Directors and revenue growth for the further four year period within the range of 3% to 8% depending on the demographic, economic, trading conditions and growth potential, of the CGU. The discount rate applied to the cash flow projections is 11.42% (2010 : 12.99%) being the Group's pre tax weighted average cost of capital.

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

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Australia	3,073	3,073
USA – (2010/2011 US$2,077,000: 2009/2010 US$2,077,000)	1,921	2,409
China	347	347
Zone Hardware Pty Ltd (provisionally accounted)	11,112	-
Total	16,453	5,829

NOTE 12: Intangible Assets (continued)

Key Assumptions Used in Value in Use Calculations

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

Assumptions Applicable To Five Year Cash Flow Forecast For Each Cash Generating Unit	2010 / 2011	2009 / 2010
Year one cash flows based on	2012 Budget	2011 Budget
Years two to five	3% to 8%	2% to 10%

The five year cash flow projections are based on the 2012 year budget (2010 : based on 2011 budget) and an ongoing growth rate of 3% to 8% which is considered reasonable in light of past performance and future operating plans and business strategies.

Sensitivity Analysis

No reasonable change in the key assumptions of the value in use calculations would result in an impairment.

NOTE 13: Trade And Other Payables

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Current		
Trade payables	4,364	4,979
Sundry payables and accruals	3,094	2,290
Total	7,458	7,269

NOTE 14: Borrowings

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Current		
Secured liabilities:		
Bank overdrafts	205	-
Bank loans	4,574	7,430
Other loans	-	1,554
Commercial bills	10,000	-
Finance lease liability	166	109
Hire purchase liability	-	18
Total	14,945	9,111
Unsecured liabilities:		
Bank loans	232	2,803
Other loans	-	75
Total	232	2,878
Non Current		
Secured liabilities:		
Finance lease liability	155	-
Total	155	-
Total	15,332	11,989
Disclosed in the Financial Statements As		
Current borrowings	15,177	11,989
Non current borrowings	155	-

NOTE 15: Other Financial Liabilities

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Derivatives Carried at Fair Value		
Current		
Foreign currency forward contracts	1,063	-
Total	1,063	-
Disclosed in the Financial Statements As		
Current other financial liabilities	1,063	-

NOTE 16: Provisions

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Current		
Employee benefits	1,541	1,776
Restructuring and termination costs	353	445
Discontinued operations closure	-	553
Warranty claims	331	58
Non Current		
Employee benefits	54	73
Total	2,279	2,905
Disclosed in the Financial Statements As		
Current provisions	2,225	2,832
Non current provisions	54	73
(a) Aggregate employee benefits liability	1,595	1,849
(b) Number of employees at year end	623	722
Movements in Carrying Amounts		
Movement in the carrying amounts for the following classes of provision between the beginning and the end of the year		
Restructuring and Termination Costs [1]		
Balance at the beginning of the year	445	860
Provisions recognised	43	1
Payments made	(60)	(429)
Net foreign currency movements arising from foreign operations	35	13
Carrying amount at the end of the year	353	445
Discontinued operations closure		
Balance at the beginning of the year	553	628
Provisions recognised	-	-
Reductions resulting from re measurement	(553)	(75)
Carrying amount at the end of the year	-	553
Warranty claims		
Balance at the beginning of the year	58	31
Provisions recognised	631	493
Payments made	(358)	(466)
Carrying amount at the end of the year	331	58

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

NOTE 17: Contributed Equity

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Paid Up Capital		
Fully paid ordinary shares	107,086	105,586

	Consolidated	
	2010 / 2011 (No. of Shares)	2010 / 2011 ($000)
Movement In Share Capital		
Shares issued at the beginning of the financial year	279,691,658	105,586
Costs of capital raising (net of tax)	-	-
Shares issued during the year	7,500,000	1,500
Total	287,191,658	107,086

(a). Movement in Share Capital

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

(b). Rights of Each Type of Share

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

The 7,500,000 ordinary shares issued on 1 June 2011 are not permitted to be sold for twelve months from their date of issue.

(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 $8,390,750 (2010: $Nil)

(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 net profit after tax.
- Improvement in return to shareholders.
- Improvement in share price.

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

The number of unissued ordinary shares under the performance rights scheme at the reporting date is 13,940,000. Each performance right entitles the holder one (1) ordinary share in Gale Pacific Limited when exercised and is subject to the satisfying of relevant performance hurdles based on improvements in the Company's diluted earnings per share.

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

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

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

NOTE 17: Contributed Equity (continued)

Performance Rights

Grant Date	Expiry Date	Exercise Price	Balance Start of Year No.	Granted During Year No.	Exercised During Year No.	Lapsed During Year No.	Balance End of Year No.	Exercisable End of Year No.
Consolidated and Parent Entity - 2011								
30 Jun 2009	30 Jun 2019	Nil	8,000,000	-	-	-	8,000,000	-
1 Dec 2009	30 Jun 2019	Nil	3,000,000	-	-		3,000,000	-
18 Aug 2010	30 Jun 2020	Nil	-	2,940,000	-	-	2,940,000	-
Total			11,000,000	2,940,000	-	-	13,940,000	-
Consolidated and Parent Entity - 2010								
2 Feb 2007	2 Feb 2017	Nil	150,000	-	-	(150,000)	-	-
16 Nov 2007	16 Nov 2017	Nil	300,000	-	-	(300,000)	-	-
30 Jun 2009	30 Jun 2019	Nil	9,000,000	-	-	(1,000,000)	8,000,000	-
1 Dec 2009	30 Jun 2019	Nil	-	3,000,000	-		3,000,000	-
Total			9,450,000	3,000,000	-	(1,450,000)	11,000,000	-

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

NOTE 18: Reserves

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Foreign currency translation reserve	(21,142)	(9,736)
Share based payment reserve	1,200	743
Hedging reserve	(565)	242
Enterprise reserve fund	963	852
Total	(19,544)	(7,899)

(a). Foreign Currency Translation Reserve

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Balance at the beginning of the year	(9,736)	(6,987)
Translation of foreign controlled entities for the year	(14,405)	(3,308)
Movement arising from the reclassification of non current related party monetary items to net investments in foreign operations	2,999	559
Balance at the end of the year	(21,142)	(9,736)

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 Payment Reserve

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Balance at the beginning of the year	743	486
Share based expenditure / (benefit)	457	257
Balance at the end of the year	1,200	743

(c). Hedging Reserve

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Balance at the beginning of the year	242	(316)
Forward exchange contracts	(1,169)	796
Income tax related to cash flow hedges recognised	362	(238)
Balance at the end of the year	(565)	242

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

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

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Balance at the beginning of the year	852	852
Statutory transfers from retained earnings	111	-
Balance at the end of the year	963	852

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

NOTE 19: Accumulated Losses

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Balance at the beginning of the year	(18,191)	(24,213)
Net profit attributable to members of the parent entity	7,110	6,022
Dividends paid	(8,391)	-
Transfers to reserves	(111)	-
Balance at the end of the year	(19,583)	(18,191)

NOTE 20: Dividends

The following dividends were paid during the year.

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

Dividend Franking Account	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Balance of franking account on a tax paid basis at financial year end adjusted for franking credits arising from payment of provision for income tax and franking debits arising from payment of proposed dividends.	445	1,659

NOTE 21: Earnings Per Share

	Consolidated	
	2010 / 2011 (Cents Per Share)	2009 / 2010 (Cents Per Share)
Basic Earnings Per Share		
From continuing operations	2.54	2.15
From discontinued operations	-	-
Total basic earnings per share	2.54	2.15
Diluted Earnings Per Share		
From continuing operations	2.42	2.07
From discontinued operations	-	0.01
Total diluted earnings per share	2.42	2.08

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Earnings Per Share		
The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:		
Profit for the year	7,110	6,022
Earnings Used in the Calculation of Basic EPS		
Adjustments to exclude profit for the period from discontinued operations	(10)	(11)
Earnings used in the calculation of basic and diluted EPS from continuing operations	7,100	6,011

	Consolidated	
	2010 / 2011 (000's)	2009 / 2010 (000's)
Weighted average number of ordinary shares for the purposes of basic earnings per share	280,288	279,692
Weighted average number of shares deemed to be issued for no consideration in respect of:		
Performance rights	13,545	10,183
Weighted average number of ordinary shares for the purposes of diluted earnings per share	293,833	289,875

NOTE 22: Capital and Leasing Commitments

(a). Finance Leasing Commitments

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Payable		
Not longer than one year	259	170
Longer than one year and not longer than five years	109	-
Minimum future lease payments [1]	368	170
Less future finance charges	(47)	(61)
Present value of minimum lease payments	321	109
Disclosed in the Financial Statements As		
Current borrowings	166	109
Non current borrowings	155	-
Total	321	109

(b). Hire Purchase Commitments

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Payable		
Not longer than one year	-	20
Minimum future hire purchase payments [2]	-	20
Less future finance charges	-	(2)
Present value of minimum hire purchase payments	-	18
Disclosed in the Financial Statements As		
Current borrowings	-	18
Total	-	18

(c). Operating Lease Commitments

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Non cancellable operating leases contracted for but not capitalised in the accounts		
Payable		
Not longer than one year	1,726	1,956
Longer than one year and not longer than five years	902	2,282
Total	2,628	4,238

(d). Capital Expenditure Commitments

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Payable		
Not longer than one year	39	44
Total	39	44

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

[2] Minimum future hire purchase payments includes the aggregate of all hire purchase payments and any guaranteed residual.

NOTE 23: Cash Flow Information

(a). Reconciliation of Cash

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($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	20	12
Cash at bank	9,068	8,486
Cash on deposit	508	6,641
Bank overdrafts	(205)	-
Total	9,391	15,139

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

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Profit / (loss) after income tax	7,110	6,022
Non Cash Flows in Profit		
Loss on disposal of fixed assets	476	147
Depreciation of fixed assets	5,877	6,589
Amortisation / impairment of intangible assets	294	626
Equity settled share based payments	457	257
Changes in tax balances processed directly in equity	(807)	558
Changes in tax balances due to foreign exchange movements	-	51
Changes in Assets and Liabilities		
Increase / (decrease) in receivables	(121)	84
Increase / (decrease) in inventories	(1,559)	2,900
Increase / (decrease) in other assets	182	(194)
Increase / (decrease) in payables, accruals and other financial liabilities	(523)	(1,869)
Increase in tax balances	518	2,782
FX / other non operation movements backed out of assets and liabilities	(486)	-
Net cash provided by operating activities	11,418	17,953

(c). Discontinued Operations

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

Financial information relating to discontinuing operations for the period 30 June 2011 is set out below. Further information is set out in Note 5 Segment Information.

	Consolidated	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Profit From Discontinued Operations		
Expenses	(339)	(12)
Loss before income tax	(339)	(12)
Income tax benefit	349	23
Profit after income tax from discontinued operations	10	11
Cash Flows From Discontinued Operations		
Net cash inflow / (outflow) from operating activities	(59)	11
Net cash outflow from investing activities	-	-
Effect of exchange rate changes on items nominated in foreign currencies	(4)	(16)
Net decrease in cash from discontinued operations	(63)	(5)

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	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Short term employment benefits	2,032	2,503
Post employment benefits	116	106
Share based payments	384	257
Termination benefits	-	-
Total	2,532	2,866

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

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

2009 / 2010	Balance 30 June 2009 No.	Granted as Compensation No.	Received on Exercise of Options No.	Net Change No.	Balance 30 June 2010 No.
Executive Directors					
P McDonald	978,105	-	-	-	978,105
Non Executive Directors					
D Allman	-	-	-	-	-
H Boon[1]	607,500	-	-	(607,500)	-
J Murphy	-	-	-	-	-
G Richards	491,899	-	-	-	491,899
Executives					
J Cox	500,000	-	-	-	500,000
Total	2,577,504	-	-	(607,500)	1,970,004

[1] Mr Boon retired from his role as a Non Executive Director on 17 November 2009. The net change above represents the number of fully paid ordinary shares Mr Boon held on the date of his retirement.

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

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

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

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

					Terms and Conditions for Each Grant			
2009 / 2010	**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	-	3,000,000	01/12/2009	$0.14	Nil	30/06/2019	30/06/2012	30/06/2019
Non Executive Directors								
None								
Executives (Performance Rights)								
None								
Total		3,000,000						

The performance rights disclosed above are subject to a continuation of employment to 30 June 2012 and then hurdles based on improvements in the Group's diluted earnings per share over the three year period 1 July 2009 to 30 June 2012.

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

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

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

2009 / 2010	Balance 1 July 2009 No.	Granted as Compensation No.	Exercised No.	Lapsed No.	Net Other Change No.	Balance 30 June 2010 No.	Balance Held Nominally No.	Value of Lapsed Options/Rights $
Executive Directors (Performance Rights)								
P McDonald	150,000	3,000,000	-	(150,000)	-	3,000,000	-	(118,500)
Non Executive Directors								
None								
Executives (Performance Rights)								
P Cacioli[1]	1,075,000	-	-	(1,075,000)	-	-	-	(91,750)
J Cox	2,075,000	-	-	(75,000)	-	2,000,000	-	(30,750)
M Denney	2,075,000	-	-	(75,000)	-	2,000,000	-	(30,750)
P Ducray[2]	75,000	-	-	(75,000)	-	-	-	(30,750)
S McPherson	2,000,000	-	-	-	-	2,000,000	-	-
B Wang	2,000,000	-	-	-	-	2,000,000	-	-
Total	9,450,000	3,000,000	-	(1,450,000)	-	11,000,000	-	(302,500)

[1] Mr Cacioli departed his role as General Manager Research and Development and Technical Services on 9 October 2009.
[2] Mr Ducray departed his role as Chief Manufacturing Officer on 30 September 2009.

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 economic entity.

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

- Sale and purchase of goods totalling $24,655,000 (2010 : $29,044,000)
- Gale Pacific Limited received interest income from its subsidiaries totalling $521,000 (2010 : $548,000)
- Gale Pacific Limited made interest payments to its subsidiaries totalling $155,000 (2010 : $132,000)
- Reimbursement of certain operating costs totalling $288,000 (2010 : $1,704,000)

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	
	2010 / 2011 ($000)	2009 / 2010 ($000)
Current – Accrued bonus and Director fees	22	187

NOTE 26: Controlled Entities

	Country of Incorporation	Ownership Interest (%)	
		2010 / 2011	2009 / 2010
Parent Entity			
Gale Pacific Limited	Australia		
Controlled Entities			
Gale Europe GmbH Vertriebsgesellschaft	Germany	100%	100%
Gale Pacific (New Zealand) Limited	New Zealand	100%	100%
Gale Pacific FZE	United Arab Emirates	100%	100%
Gale Pacific Special Textiles (Ningbo) Limited	China	100%	100%
Gale Pacific USA Inc	United States of America	100%	100%
Zone Hardware Pty Ltd	Australia	100%	-
Riva Window Fashions Pty Ltd	Australia	100%	-

NOTE 27: Financial Instruments

Financial Risk Management

Overview

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

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

Financial Instruments

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

Net Fair Values

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

(a). Credit Risk

Exposure to Credit Risk

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

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

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

The Group's most significant customer accounts for $1,868,000 of the trade receivables carrying balance at 30 June 2011 (2010 : $1,405,000). The maximum exposure to credit risk is represented by the carrying amount of each financial asset, including derivative financial instruments, in the statement of financial position. In respect to those financial assets and the credit risk embodied within them, the Group holds no significant collateral as security and there are no other significant credit enhancements in respect of these assets. The credit quality of all financial assets that are neither past due nor impaired is appropriate and is consistently monitored in order to identify any potential adverse changes in the credit quality.

		Consolidated	
	Note	As at 30 Jun 2011 ($000)	As at 30 Jun 2010 ($000)
The maximum exposure to credit risk at the reporting date was:			
Loans and receivables	7	13,971	14,142
Cash and cash equivalents	6	9,596	15,139
Tradeable foreign currency forward contracts	9	-	341
Total		23,567	29,622
The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was:			
Asia Pacific		5,528	4,778
China		1,001	157
Americas		4,629	6,234
Middle East		2,141	2,449
Total		13,299	13,618
The ageing of trade receivables not impaired at the reporting date was:			
Not outside credit terms		9,591	10,400
Outside credit terms 0-30 days		2,268	1,908
Outside credit terms 31-120 days		1,018	1,165
Outside credit terms 121 days to one year		409	114
More than one year		13	31
Total		13,299	13,618
The ageing of impaired receivables at the reporting date was:			
Outside credit terms 31-120 days		94	65
Outside credit terms 121 days to one year		113	132
More than one year		117	85
Total		324	282

The Group's most significant customer, an Australian retailer accounts for $1,868,000 of the trade receivables carrying balance at 30 June 2011 (2010 : $1,405,000).

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

					Contractual Cash Flows Maturing In:		
Consolidated 30 June 2010	Note	Weighted Average Effective Interest Rate (%)	Carrying Amount ($000)	Contractual Cash Flows ($000)	Less Than 6 Months ($000)	6 To 12 Months ($000)	1 To 2 Years ($000)
Trade and Other Payables							
Trade payables	13		4,979	4,979	4,979	-	-
Sundry payables and accruals	13		2,290	2,290	2,290	-	-
Non Derivative Financial Liabilities							
Bank loans	14	4.49%	10,233	10,421	7,706	2,715	-
Other loans	14	9.07%	1,629	1,708	593	1,115	-
Finance lease liabilities	14	10.06%	109	117	38	79	-
Hire purchase liabilities	14	9.25%	18	21	19	2	-
Total			19,258	19,536	15,625	3,911	-

(c). Market Risk

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

Foreign Exchange Contracts

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

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

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

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

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

The full amount of foreign currency the Group will be required to pay or purchase when settling the bought forward exchange contracts should the counterparty not pay the currency it is committed to deliver to the Group has been recognised in the Group's statement of financial position. At balance date the net amount payable was $1,063,000 (2010 : $341,000 receivable).

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

The Company does not hedge net investments in foreign operations.

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

	Average Exchange Rate		Foreign Currency		Contract Value		Fair Value	
	2010 / 2011	2009 / 2010	2010 / 2011 (FC000)	2009 / 2010 (FC000)	2010 / 2011 ($000)	2009 / 2010 ($000)	2010 / 2011 ($000)	2009 / 2010 ($000)
Foreign Exchange Contracts Designated as Cash Flow Hedges								
Buy United States dollars / sell Australian dollars								
Less than 6 months	0.9700	0.8602	12,300	9,683	12,664	11,258	(944)	292
6 – 12 months	0.9788	0.8771	3,300	850	3,306	969	(113)	56
Buy United States dollars / sell New Zealand dollars								
Less than 6 months	-	0.6723	-	460	-	562	-	(12)
Buy European euro / sell Australian dollars								
Less than 6 months	0.7064	0.6889	130	490	184	711	(6)	3
6 – 12 months	-	0.6709	-	330	-	492	-	2
Total							(1,063)	341

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% (2010: 10%) increase or decrease in the Australian dollar against these currencies. This analysis includes only unhedged foreign currency denominated monetary items, including loans to foreign operations within the Group, as shown at the carrying value, and details the profit effect from each of these items of a 10% strengthening in the Australian dollar on the reporting date with all other variables held constant. For a weakening of the Australian dollar there would be an equal and opposite impact on profit to that shown on the following page.

NOTE 27: Financial Instruments (continued)

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

30 June 2010	CONSOLIDATED			
	Australian Dollar Carrying Value Australian Entities ($000)	Australian Dollar Carrying Value Foreign Entities ($000)	Profit / (Loss) AUD +10% ($000)	Equity AUD +10% ($000)
Financial Assets				
Cash and cash equivalents				
United States dollars	4,090	3,752	(409)	(375)
Chinese renminbi	-	917	-	(92)
Euro	4	74	-	(7)
New Zealand dollars	-	350	-	(35)
UAE dirham	-	98	-	(10)
Trade receivables				
United States dollars	-	9,775	-	(978)
Chinese renminbi	-	557	-	(56)
New Zealand dollars	-	556	-	(56)
Amounts receivable from related parties				
United States dollars	-	-	504	-
New Zealand dollars	-	-	(14)	-
Foreign currency forward contracts				
United States dollars	348	-	-	(1,223)
Euro	5	-	-	(120)
Financial Liabilities				
Trade payables				
United States dollars	297	813	30	81
Chinese renminbi	-	1,900	-	190
Euro	125	-	13	-
New Zealand dollars	-	341	-	34
UAE dirham	-	120	-	12
Borrowings				
United States dollars	-	1,536	-	154
Chinese renminbi	-	8,697	-	870
Profit or (loss) impact			124	(1,612)
Currency Asset / (Liability) Breakdown				
United States dollars	4,141	11,179	125	(2,341)
Chinese renminbi	-	(9,122)	-	912
Euro	(116)	74	13	(127)
New Zealand dollars	-	565	(14)	(57)
UAE dirham	-	(22)	-	2
Profit or (loss) impact			124	(1,612)

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 2011	Consolidated	
	Carrying Value ($000)	Profit / (Loss) +1% Movement ($000)
Financial Assets		
Cash and cash equivalents	9,576	96
Financial Liabilities		
Borrowings (all fixed rates instruments)	10,205	(102)
Profit or (loss) impact	19,781	(6)

30 June 2010	Consolidated	
	Carrying Value ($000)	Profit / (Loss) +1% Movement ($000)
Financial Assets		
Cash and cash equivalents	15,127	151
Financial Liabilities		
Borrowings (all fixed rates instruments)	-	-
Profit or (loss) impact	15,127	151

NOTE 28: Parent Entity Disclosures

	2010 / 2011 ($000)	2009 / 2010 ($000)
Results of the parent entity		
Profit / (loss) for the year	7,348	4,207
Other comprehensive income	(815)	511
Total	6,533	4,718
Financial position of the parent entity at year end		
Current assets	21,732	23,469
Total assets	90,710	80,980
Current liabilities	(17,232)	(7,781)
Total liabilities	(16,495)	(6,864)
Net assets	74,215	74,116
Total equity of the parent entity comprising of:		
Contributed equity	107,086	105,586
Share based payment reserve	1,200	743
Hedging reserve	(565)	250
Retained earnings	(33,506)	(32,463)
Total equity	74,215	74,116
Parent Entity Commitments		
Finance leases	-	109
Hire purchase	-	18
Operating leases	1,479	2,604
Capital expenditure	18	18
Total	1,497	2,749

NOTE 29: Business Combinations

(a). Summary Of Acquisition

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

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

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

The goodwill will not be deductable for tax purposes.

Shares Issued

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

Deferred consideration

Additional consideration of $750,000 plus accrued interest at the rate of 6.5% is to be paid in cash on 1 June 2012. The fair value of the deferred consideration of $750,000 was estimated based on a discount rate of 6.5%.

Revenue and Profit Contribution

The acquired businesses contributed revenues of $1,367,000 and net profit after tax of $64,098 to the Group for the period from 1 June 2011 to 30 June 2011. If the acquisition had occurred on 1 July 2010, consolidated revenue and net profit after tax for the year ended 30 June 2011 would have been $109,770,000 and $8,271,000 respectively. (The net profit after tax of $8,271,000 does not factor into account the additional cost of debt that would have been incurred.)

Initial Accounting Incomplete

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

Gross Contractual Amounts Receivable

The gross contractual amount of trade receivables acquired as part of the business combination total $1,155,000.

NOTE 29: Business Combinations (continued)

(b). Purchase Consideration – Cash Outflow

Outflow of cash to acquire subsidiary. Net of cash acquired.

	2010 / 2011 ($000)
Cash consideration	11,344
Less balances acquired	
Cash	194
Outflow of cash – investing activities	11,150

Acquisition Related Costs

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

NOTE 30: Subsequent Events

Dividends paid or determined by the Company to shareholders since the end of the previous financial year are set out in Note 20. The financial effect of the dividends declared subsequent to the reporting date has not been brought to account in the financial statements for the year ended 30 June 2011 and will be recognized in subsequent financial reports. Franked dividends determined or paid during the year were franked at the tax rate of 30%.

Gale considers this dividend frankable for Australian tax purposes as the dividends are being paid out of current year profits and Gale has sufficient franking credits available to fully frank this dividend. However, the Commissioner of Taxation has informally expressed a preliminary view on dividend franking capability in an ATO Draft Fact Sheet dated 21 June 2011 which may or may not support the Company's position. Shareholders will be advised should there be any impact on the franking of Gale dividends.

The dividend reinvestment plan continues to be suspended.

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

NOTE 31: Company Details

The registered office of the Company is:

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

ADDITIONAL SECURITIES EXCHANGE INFORMATION

NUMBER OF HOLDINGS OF EQUITY SECURITIES AS AT 16 AUGUST 2011

The fully paid issued capital of the Company consisted of 287,191,658 ordinary fully paid shares held by 809 shareholders. Each share entitles the holder to one vote.

8 holders have been granted 13,940,000 performance rights over ordinary shares. Performance rights do not carry a right to vote.

DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES

	Ordinary Fully Paid Shares		
Range	**Total Holders**	**Units**	**% Issued Capital**
1 – 1,000	120	39,017	0.01
1,001 – 5,000	221	630,569	0.22
5,001 – 10,000	124	969,488	0.34
10,001 – 100,000	244	8,456,651	2.94
100,001 – 999,999	100	277,095,933	96.48
1,000,000 and over	0	0	0.00
Rounding			0.01
Total	809	287,191,658	100.00

UNMARKETABLE PARCELS

Unmarketable Parcels as at 16 August 2011	Minimum Parcel Size	Holders	Units
Minimum $500 parcel at $0.175 per unit	2,858	242	273,349

SUBSTANTIAL SHAREHOLDERS AS AT 16 AUGUST 2011

Shareholder	No.	%
Thorney Holdings Pty Ltd	79,817,646	27.79
Investec Wentworth Private Equity Ltd	74,148,162	25.82
Windhager Handels Gesmbh	41,925,781	14.60

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

Shareholder	No.	%
JP Morgan Nominees Australia Limited <Cash Income A/C>	80,856,612	28.15
Windhager Handels Gesmbh	41,925,781	14.60
IWPE Nominees Pty Ltd <IWPE Fund 2 A/C>	28,365,369	9.88
IWPE Nominees Pty Ltd <MG Private Equity Fund A/C>	18,234,879	6.35
Guinness Mahon & Co Limited	14,182,685	4.94
Gale Australia Pty Ltd	13,927,844	4.85
MGB Equity Growth Pty Limited <MGB Equity Growth Fund 2 A/C>	10,130,490	3.53
UBS Nominees Pty Ltd	9,921,075	3.45
Ruminator Pty Ltd	6,691,433	2.33
Clipper Island Pty Ltd <Smart Family A/C>	5,000,000	1.74
Gernis Holdings Pty Limited	4,369,941	1.52
Mr Geoffrey Duncan Nash <GDN Super Fund A/C>	3,327,428	1.16
Haroldswick Corporation Pty Ltd <Robertson Family A/C>	2,500,000	0.87
GFS Securities Pty Ltd <Glenfare Super Fund A/C>	2,447,935	0.85
IWPE Nominees Pty Limited <Investec Aus Equity Fund Ac>	2,204,481	0.77
IWPE Nominees Pty Limited <MZL Opportunity Fund A/C>	2,058,824	0.72
Venn Milner Superannuation Pty Ltd	2,000,000	0.70
Atkone Pty Ltd	1,919,796	0.67
Mr Simon Gautier Hannes <SGH Super Fund A/C>	1,532,003	0.53
Citicorp Nominees Pty Limited	1,170,382	0.41
Top 20 Holders Of Ordinary Fully Paid Shares As At 16 August 2011	**252,766,958**	**88.01**
Total Remaining Holders Balance	**34,424,700**	**11.99**

OTHER INFORMATION

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

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Riva Window Fashions, PO Box 685, Patterson Lakes, Victoria, 3197, Toll Free 1800 97 22 77