Annual Report 2016

GALE PACIFIC

Contents

2016 Annual General Meeting

The Annual General Meeting will be held at 11am on Friday 28 October 2016 at the Grand Hyatt, 123 Collins Street, Melbourne.

Corporate Directory

Gale Pacific Limited
ABN 80 082 263 778

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

Company Secretary
Sophie Karzis

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Braeside, Victoria, 3195
T + 613 9518 3333

Principal Places of Business

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Tel: +64 9 479 9119

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

Auditors
Deloitte Touche Tohmatsu
550 Bourke Street, Melbourne, Victoria, 3000
T + 613 9671 7000

Stock Exchange Listing
Gale Pacific Limited shares are listed on the Australian Securities Exchange (ASX code: GAP)

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

Website Address
www.galepacific.com

Who we are

GALE Pacific is a manufacturer and marketer of commercial and DIY products that protect and enhance environments around the world.

Based in Australia, we operate globally with approximately half our revenue coming from other markets.

Our products are marketed across commercial and retail sectors, with distribution into architectural, horticultural, agricultural, mining, construction, and home improvement channels. They are stocked by many of the world's largest retailers and also have strong online distribution.

Key products include architectural shade fabrics, exterior window shades, shade sails and an array of specialised commercial fabrics used for crop protection, irrigation, water storage and screening.

Retail shade and screening products are marketed under the Coolaroo brand. Commercial products are marketed under the GALE Pacific brand.

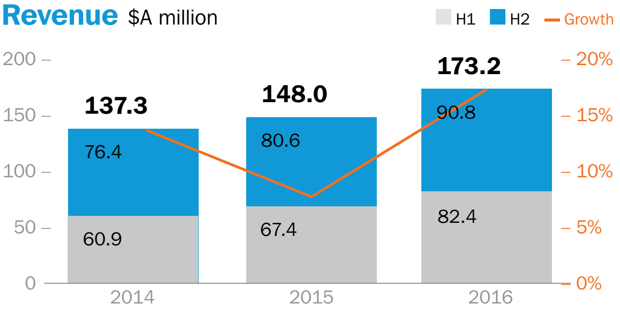
In Australia and New Zealand we also market a range of interior window furnishings under the ZONE Interiors brand and a range of glass DIY pool fencing and balustrading, shower screens and other glass products under the EVERTON brand.

GALE Pacific is a world leader in specialised textiles and associated products and is recognised in our markets as an innovator and long-term producer of premium quality products.

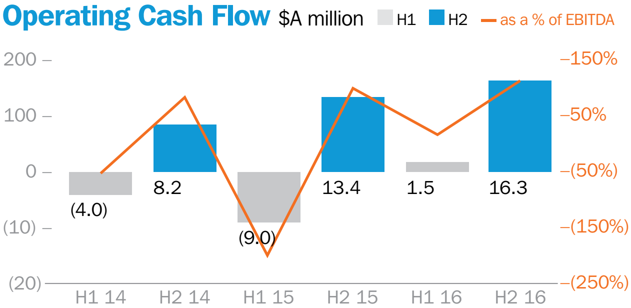
The company is focused on strengthening our global market position through product innovation and brand strength.

Results at a glance

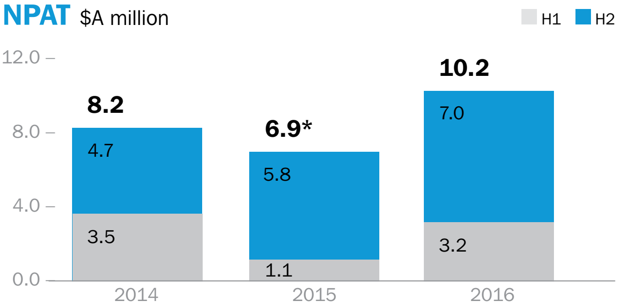
Revenue $A million



Operating Cash Flow $A million

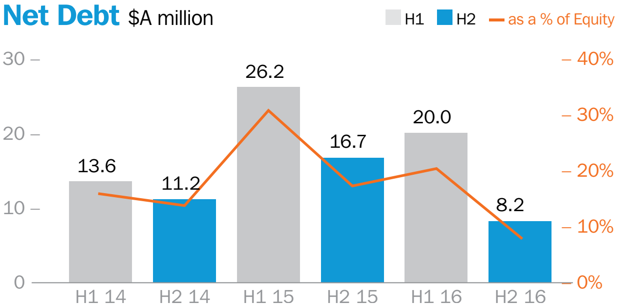


NPAT $A million

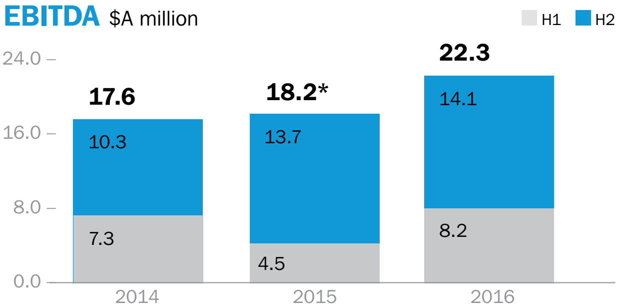


*Underlying

Net Debt $A million

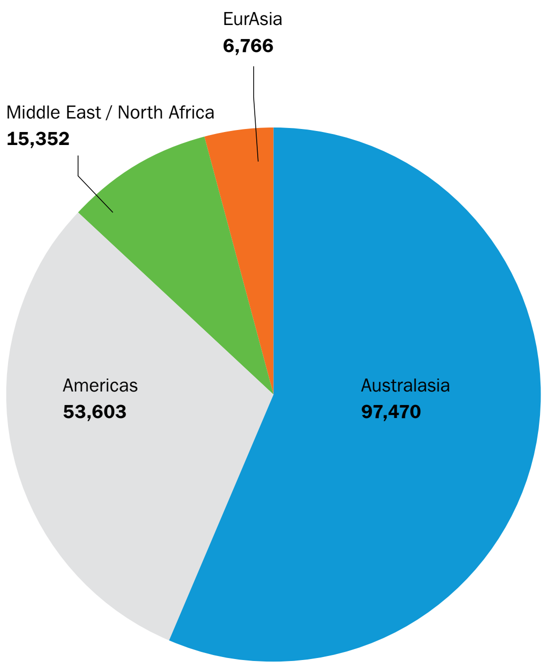


EBITDA $A million

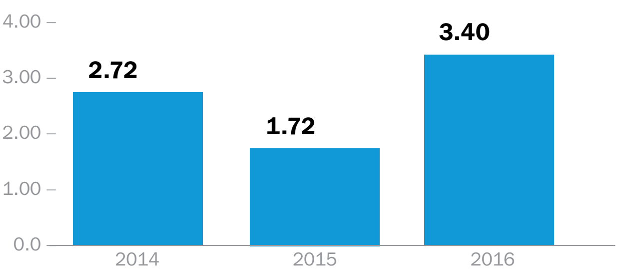


*Underlying

Sales by Region $A '000s



EPS (diluted) cents



Chairman's Letter

David Allman

I am pleased to report that GALE Pacific has delivered strong financial results for FY2016, while also making good progress on the implementation of key growth strategies. It is pleasing to see the strategies announced in August 2014 translating to improved profitability and increased shareholder value.

FY2016 Result

Sales revenue of $173.2 million represented a 17% increase on the prior year, while statutory earnings per share increased by 98%. These results were achieved while exiting markets and product categories determined to be non-core and unprofitable, and investing in brands, facilities, technology and new leadership to position us better for future growth.

The Australia/New Zealand region increased sales by 18%, with growth in both commercial and retail sectors. Profitability improved, driven by higher sales, manufacturing efficiencies and supply chain improvements, and is now trending towards more acceptable levels.

Operating cash flow (net of tax) of $17.8 million enabled net debt to reduce to $8.2 million at 30 June 2016, compared with $16.7 million at 30 June 2015. Our debt level provides flexibility to fund prudent value-adding investments and growth opportunities as they arise.

Shareholder Returns

The board has declared a final dividend for FY2016 of 1 cent per share (unfranked). This takes the total dividend for the year to 1.75 cents per share, a 75% increase on the prior year and representing a 51% payout ratio. The record date for the final dividend is 26 September 2016 and the dividend payment date is 3 October 2016.

Our People

One of our key goals is the development of a true performance-driven culture which requires that we attract and retain talented employees with diverse experience and backgrounds. During the year we made new leadership appointments in Australia/New Zealand, the Americas and China and we welcome these new leaders. The board is confident that they will make a valuable contribution to GALE Pacific.

On behalf of the board, I thank all our employees for their contribution and positive outlook.

Looking Forward

Our results in FY2016 were positive and, following many of the investments and activities of the last two years, we are well positioned for ongoing earnings growth.

In FY2017, the company will continue to execute its growth strategy. Our plan, as previously communicated, has not changed significantly although there will be increased focus on our China manufacturing operations and on positioning our Americas and Middle East/North Africa businesses for accelerated growth.

We continue to see growth potential in all selling regions and across both the commercial and retail sectors. We are also excited by the pipeline of new products in development.

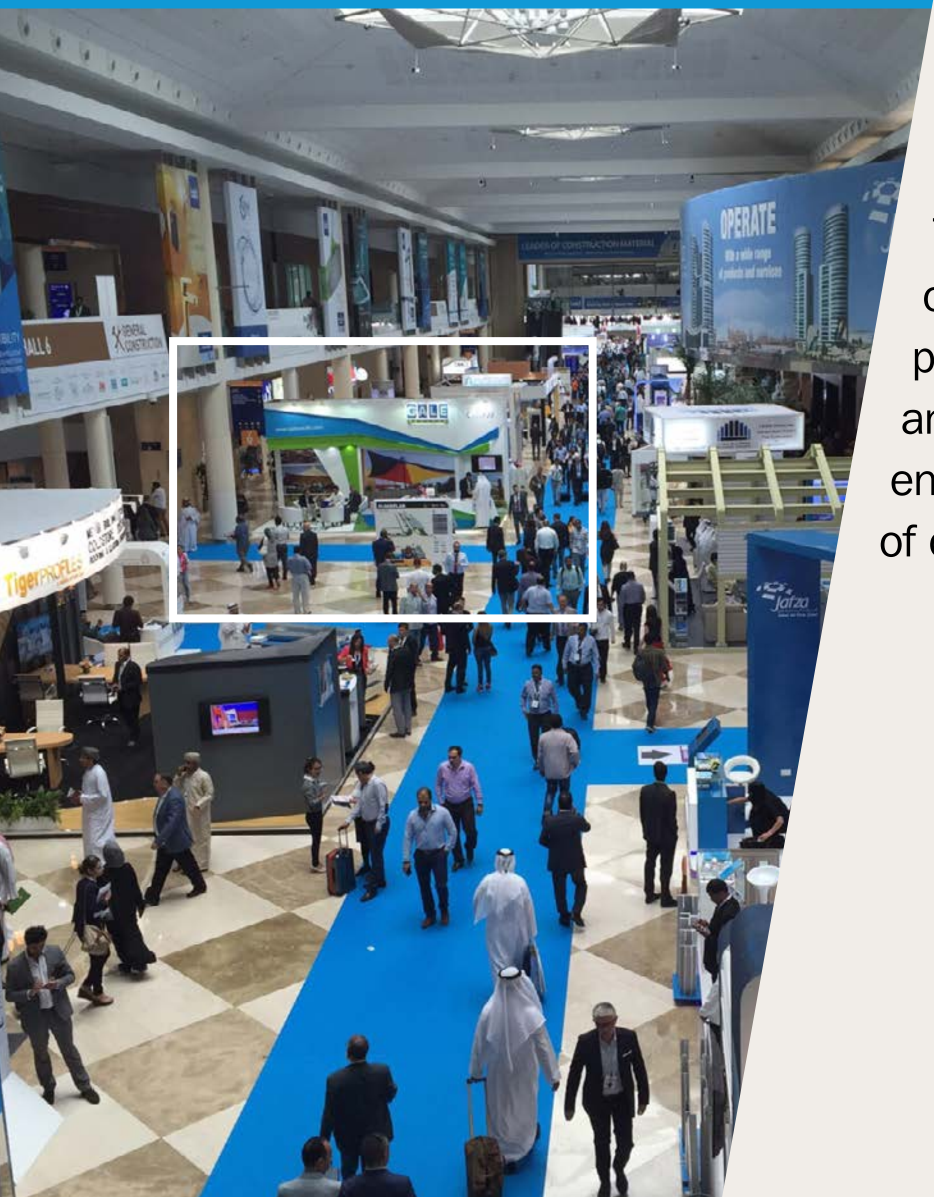
I look forward to the next opportunity to update you on our company's performance.

D.T. Allman

David Allman
Chairman
18 August 2016

GALE Pacific: Geared for growth

Big 5 Show Dubai. Each year the company exhibits at this important regional event. The Big 5 Show is the largest construction event in the Middle East, attracting nearly 75,000 visitors.



Our vision

To be the leading provider of innovative and practical products that protect and enhance the environments and lifestyles of our customers.

Our values

Integrity. We do what is right. We are honest and ethical, worthy of the trust of others. It is the price of entry to our team.

Respect. Respect guides the way we operate at all levels – with consumers, customers, suppliers, investors, the community and our own team.

Collaboration. We believe in the power of working together in a collaborative way. Every function and every role is as important as each other.

People. People are the heart and soul of our business. We continually strive to provide a safe, supportive and engaging environment for our team to achieve their full potential.

Community. We are proud to be part of the communities we operate in globally. We are committed to supporting local causes and operating in an environmentally responsible manner at all times.

innovation. Creative thinking inspires innovation in everything we do. We seek and value ideas from our team that improve our products and provide meaningful benefits to our consumers and customers.

Our strengths

- Innovation and Technology
- Premium Brands and Marketing
- Our People and Culture
- Our World Class Manufacturing
- Financial Discipline

How we plan to grow

- Extending our market-leading shading, screening and technical fabrics businesses in Australia and New Zealand
- Accelerating the development of our Americas business, focusing on shading and screening, whilst simultaneously entering the market for commercial coated fabrics
- Accelerating the growth in our Middle East and North Africa markets, focusing on commercial shading
- Investing in differentiated technologies and technical partnerships that support the development of innovative products driven by consumer need.

Group Managing Director's Review

Nick Pritchard

I am very pleased to report that GALE Pacific delivered strong financial performance for FY2016, as well as considerable progress with the transformation of the company.

Net profit after tax (NPAT) was $10.2 million, an increase of 47% over the prior year's underlying NPAT of $6.9 million and 98% over the prior year's statutory NPAT of $5.2 million.

Sales revenues increased 17% to $173.2 million. Earnings before interest and tax (EBIT) were $15.1 million, up 43% on the underlying result for the prior year.

There was a considerable improvement in working capital management. Operating cash generated was $17.8 million, with net debt at 30 June 2016 of $8.2 million compared to $16.7 million a year earlier.

The result was driven by strong sales growth in our core markets and product categories, as well as manufacturing efficiencies and supply chain improvements. Importantly, the result was achieved whilst continuing to exit non-core businesses, invest in our brands, and build capability for the future.

Building a Growth Platform

In August 2014, we announced a strategy to create a focused, more innovative, collaborative business, service-driven and leveraging its global scale.

Over the last two years we have been transforming the business in line with this plan.

In 2015, to focus our business we rationalised brands and made decisions to exit numerous immaterial and non-core product categories. We also moved to localise our selling regions with the goal of improving service to a smaller number of markets.

To build our execution capability, we have invested in our core manufacturing technologies and IT systems, rationalised our supplier base and strengthened our planning processes. We reduced the number of Australian warehouses to remove complexity and cost, and took our first steps towards building a stronger service and performance driven culture.

Also in line with our strategy, we accelerated our research and development and worked hard to earn improved customer and supplier trust.

The Momentum Continues

In 2016 we continued to execute our plan.

Making Our Brands Really Matter

Our strategy is to increase investment in a smaller number of brands to make them more meaningful to consumers. Our four core brands: Coolaroo, GALE, EVERTON and ZONE Interiors, have been refreshed with new logos, packaging and supporting digital platforms.

Our investment in research and product development is generating strong returns with the launch of new and innovative products in our core categories. Significant new ranging wins were secured in key shading categories, and in the commercial sector we launched new architectural shade and crop protection fabric products. Furthermore, key technical alliances were built and/or strengthened to support our continuing research and development.

Building Our Execution Capability

Throughout the year, we continued to develop our information technology platform, further aligning the regions. We are leveraging information technology to drive cost reductions and improve service and reporting.

Activities to transform our China manufacturing operations have commenced. Our strategy involves exiting non-core manufacturing processes and low volume products, in order to increase the efficiency and flexibility of the plant. These improvements are aimed at removing cost and improving the service performance of the facility which, over time, will translate to improved profitability and lower inventories.

In procurement, the business made great strides to rationalise our supplier base and focus on working more collaboratively with a smaller number of sophisticated suppliers. Strong supplier relationships are key to our success and we are pleased with the achievements in this area.

Simplify and Align the Business

In Australia, we continued to reduce the number of warehouses to remove supply chain complexity and cost. We successfully relocated our retail products warehouse to a new facility which helped to generate immediate transport cost and service improvements.

Whilst recognising the uniqueness of our markets, we are targeting collaboration and alignment wherever sensible. Throughout the year, we continued to remove duplication and implement more globally aligned processes to support our growth.

Focused Business Expansion

During the year, we continued to refine our product, geographic and channel strategies.

In addition to continuing to exit various non-core product categories, we decided to withdraw from non-core markets. Whilst fortunate to have organic growth potential in multiple geographies and channels, we increased company-wide disciplines to focus on all aspects of our core business.

In May 2016, a new, long-term, multi-currency banking facility was secured. This facility provides us with both access to capital and flexibility to pursue growth initiatives in our international markets.

Developing the Team for Growth

Late in the year, we made a number of key senior management changes aimed at building capability and leading our growth strategy.

In line with our plan to reduce cost and improve service at our manufacturing operations, Cliff Zhang was appointed to lead our China manufacturing transformation. Cliff brings considerable manufacturing leadership experience in world-class businesses and we look forward to benefiting from his contribution to GALE Pacific.

We are excited about the growth opportunity in the Americas region, specifically in the United States, Canada and Mexico. To lead accelerated growth in this key region, Lindsay Klebenow was appointed President/General Manager – Americas.

In Australia and New Zealand, Craig Fuller commenced as General Manager, leading the continued improvement of our largest business region.

These leadership appointments were important in building a higher performance culture aligned to our business strategy.

Throughout the year, we also made investments to strengthen our technical capability. Technical centres in Australia and China were built, and training protocols were established to support our leadership and technical competence worldwide.

Health and Safety

We have a steadfast commitment to ensuring GALE Pacific is a safe place to work.

Our safety performance across our business was strong. I am encouraged by the improvements we are seeing in 'Hazard and Near Miss' reporting, a solid indicator of a positive safety culture.

During the year, we invested in dedicated health and safety leadership to build our capability and accelerate improvements across all regions. Given the importance of health and safety, this new role reports directly to me.

In 2016, we conducted our first global safety culture survey across all employees. The findings from this survey will help to drive the health and safety strategy in the future. We will conduct this culture survey on an annual basis enabling us to measure our safety performance more effectively.

Manufacturing. Extrusion coating plant – Braeside, Victoria, Australia. GALE Pacific manufactures technically complex fabrics at its extrusion coating plant. The company continues to invest in its core manufacturing technologies.

Landmark Recycled. In 2016, in conjunction with Deakin University, GALE Pacific pioneered a fabric made from recycled grain covers, solving a significant 'end of life' disposal issue for grain handlers. GALE Pacific's patent pending technology presents a considerable opportunity. The new Recycled Landmark was launched in Australia in June.

Manufacturing – Throughout the year the company invested in important technical upgrades to improve product performance and deliver manufacturing efficiencies.

Specialty Textiles Association Trade Show – Gold Coast, June 2016. At this show the company launched its new Commercial Heavy architectural shade fabric, designed specifically for large structures.

Melbourne Retail Products Distribution Centre – Dandenong South, Victoria, Australia. During the year the company relocated retail warehousing operations to a new facility supporting service and cost improvements.

Looking Forward

The next phase of our business is exciting. Whilst our transformation is not yet complete, we now have an opportunity to move into a different mode.

Our next phase will focus on:

- **China Manufacturing Transformation** – reducing complexity in the plant, building technical capability, more sophisticated procurement and creating a greater service orientation.
- **Americas** – developing a manufacturing and logistics infrastructure to support faster growth, focusing on core retail categories and designing a plan for commercial sector growth.
- **Middle East/North Africa** – investing in additional sales resources to capitalise on the market opportunity.
- **Research & Development** - continuing our innovation initiatives, working closely with global technical partners who will help bring our ideas to reality.
- **Focus** – accelerating our exit from non-core product categories and sharpening our focus on a smaller number of geographic regions and channels, based on market insights.
- **Marketing** – global transition to our new branding frameworks and investing in building more global digital platforms to engage with our consumers more fully.

We are confident that GALE Pacific is well positioned to deliver consistent sales and earnings growth.

Our People

All our employees, irrespective of geography, seniority or job function are guided by GALE Pacific's values, as listed on page 5.

Our employees around the world have made a significant contribution to a successful year for GALE Pacific and I would like to thank all of them for their efforts. They have responded particularly well to the challenges of a fast-changing business and I am grateful for their ongoing commitment to improve the company's performance.

Thank you, too, to our customers, our suppliers and our shareholders for your continued support of GALE Pacific.

Nick Pritchard
Group Managing Director
18 August 2016

Operational Report

	FY2016 A$ million	FY2015 A$ million	Change %
Revenue	**173.2**	148.0	17
Underlying EBITDA	**22.3**	18.2	22
Underlying EBIT	**15.1**	10.6	43
Underlying profit before tax	**13.5**	8.7	55
Underlying profit after tax	**10.2**	6.9	47
Statutory profit/loss before tax	**13.5**	6.2	117
Statutory profit/loss after tax	**10.2**	5.2	98
Net cash provided by operating activities	**17.8**	4.4	307
Net debt	**8.2**	16.7	(51)
Diluted earnings per share	**3.40 cents**	1.72 cents	98
Dividends per share	**1.75 cents**	1.0 cent	75

Australia/New Zealand

	FY2016 A$ million	FY2015 A$ million	Change %
Revenue	**97.5**	82.7	18
Underlying EBITDA	**3.6**	3.2	12

Sales grew through both the retail and commercial channels.

In the retail sector, the Company secured considerable new distribution for core product categories, including portable sun shelters, umbrellas and synthetic grass. The prior year's investment in the establishment of the EVERTON brand for glass products, and its relaunch, resulted in solid growth in the category and returned it to profitability.

In the commercial sector, growth was achieved as a result of new products and service improvements.

Throughout the year there was ongoing focus on achieving further improvements in the supply chain. These resulted in improved inventory turns, supplier rationalisation and improvements in trading terms, as well as transport and labour savings.

Restructuring initiatives strengthened the team's capability and separated commercial and retail sector responsibilities, positioning them for further growth.

Americas

	FY2016 A$ million	FY2015 A$ million	Change %
Revenue	**53.6**	43.4	24
EBITDA	**4.9**	5.0	(1)

Demand for GALE's products in the Americas was strong and new retail business was secured in the core window shades category. The region's performance, however, was impacted by supply chain challenges that restricted its ability to service market requirements effectively.

The Company invested in new supply chain leadership, strengthened the planning function and made warehousing and manufacturing improvements. These changes, combined with the cost savings and service improvements in the China operations, have established a solid platform for profitable future growth.

Late in the year, GALE appointed a new President/General Manager for the region with the goal of accelerating growth in the retail sector and building a strategy for commercial market expansion. A provision for the cost of the leadership transition is included in the FY2016 accounts.

GALE has significant opportunities in this region and, after making appropriate changes, attention is turning to investing more heavily in the Americas to capitalise on these opportunities.

Middle East/North Africa

	FY2016 A$ million	FY2015 A$ million	Change %
Revenue	**15.4**	14.4	7
EBITDA	**3.1**	3.3	(4)

Market conditions in the region were particularly challenging throughout the year. Low oil prices and political volatility combined to put pressure on regional cash flows. Demand for GALE products remained strong, but ongoing focus on the quality of the customer base resulted in lower sales growth.

During the year, there was a soft launch of GALE's new Commercial Heavy architectural fabric, with a number of initial projects. There is considerable potential demand for higher performing architectural fabrics in the region, and new product development initiatives have been deliberately focused in this area.

The Middle East/North Africa market continues to be highly attractive. Investments in this area will be limited largely to new products (inventory) and additional sales resources.

China Manufacturing & Eurasia

	FY2016 A$ million	FY2015 A$ million	Change %
Revenue	**6.8**	7.5	(10)%
Intersegment Sales (eliminated when consolidating group results)	**58.4**	43.0	36%
EBITDA	**12.6**	10.6	19%

Sales to the Eurasia region were slightly lower compared to the prior period, reflecting the transition to higher margin commercial fabrics. Unfavourable legacy trading arrangements were addressed and a platform was created for sustained profitable growth.

The formation of a regionally-based sales and support team was completed, with roles transferred from Australia, and a decision was taken to focus on a smaller number of geographic regions and channels.

At the Company's Chinese manufacturing operations, facilities and plant were upgraded and efficiency remained high, with gains in quality and waste reduction. There was higher demand for knitted and woven fabrics from all selling regions which also contributed to improved capacity utilisation.

The strategy to treat the Chinese manufacturing facility as a cost centre focused on quality, cost reduction and service remains, as shown by the improvement in key performance indicators.

Balance Sheet

Net debt at 30 June 2016 was $8.2 million, compared with $20.0 million at 31 December 2015 and $16.7 million at 30 June 2015. The decrease in debt during the year reflected strong sales growth, continued improvements in the supply chain and improvements in global inventory management.

Group working capital increased compared with the prior corresponding period as a result of unfavourable exchange rate translation. Notwithstanding this, there were improvements in all major working capital metrics. Efforts to rationalise the Company's supplier base resulted in significant improvements in trading terms and positive cash generation throughout the period.

The Company continues to be focused on disciplined inventory management, with increases in inventory turns and decreases in aged inventory.

Cash Generation and Working Capital

Group working capital increased vs prior corresponding period as a result of unfavourable exchange rate translation. Notwithstanding currency, we have seen improvements in all major working capital metrics. Efforts to rationalise our supplier base has resulted in significant improvements in trading terms translating to positive cash generation throughout the period.

The company continues to be focused on disciplined inventory management demonstrated by increases in inventory turns and decreases in aged inventory. Despite challenges in the middle east region, the company's receivables metrics remain on track with good progress in the Americas particularly.

Operating cash flow for the period was $17.8m a 4 times improvement over prior year driven by profitable growth and improvements in working capital management. The company's positive cash position provides GALE Pacific with significant opportunity to enable the growth strategy detailed above.

Reconciliation of Underlying Results to Statutory Results for Prior Corresponding Period

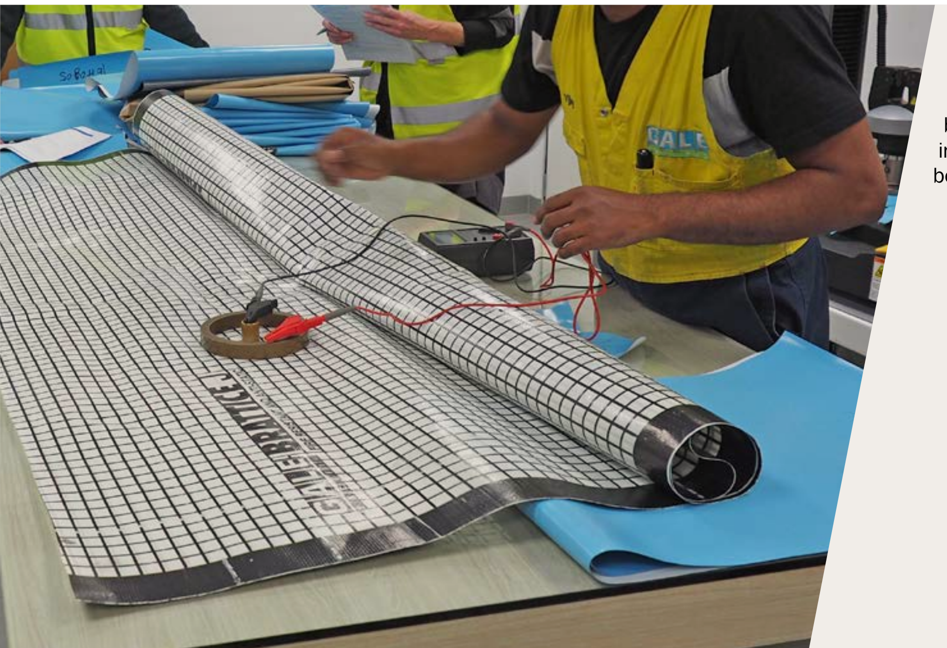
In the prior corresponding period, the company incurred non-recurring costs related to restructuring and the re-launch of the company's pool fencing and balustrade ranges. The following table reconciles the underlying results to the statutory results.

	EBITDA A$ million	EBIT A$ million	Profit before tax A$ million	Profit after tax A$ million
Statutory	15.7	8.0	6.2	5.2
Restructuring costs	0.3	0.3	0.3	0.2
Product re-launch costs	2.2	2.2	2.2	1.5
Underlying	18.2	10.6	8.7	6.9

Underlying profit, EBITDA and EBIT are the Statutory profit, EBITDA and EBIT respectively adjusted for non recurring costs related to restructuring and the re-launch of the company's pool fencing and balustrade ranges. The Company believes that underlying profit, EBITDA and EBIT provide a better understanding of its financial performance and allows for a more relevant comparison of financial performance between financial periods.

Underlying profit, EBITDA and EBIT are useful as they remove significant items that are material items of revenue or expense that are unrelated to the underlying performance of the business thereby facilitating a more representative comparison of financial performance between financial periods.

Underlying profit is presented with reference to the Australian Securities and Investments Commission Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011. The Company's policy for reporting underlying profit is consistent with this guidance. The Directors had the consistency of the application of the policy reviewed by the external auditor.



Innovation – the company has a clear goal of being a technical leader with real innovation driven by consumer insights. During the year the company invested in technical centres in Australia and China to better support the technical agenda.

Executive Leadership

Back row (from left): Craig Fuller, Ted Varani and Bruno Marotta; Front row (from left): Cliff Xin-Hua Zhang, Ali Haidar, Nick Pritchard, Matt Parker, Sharon Elding and Lindsay Klebenow.

Nick Pritchard

Group Managing Director

Nick re-joined GALE Pacific in August 2013 following 11 years in senior leadership positions at Newell Rubbermaid (IRWIN Tools, Rubbermaid, Waterman, Parker, PaperMate, DYMO, Liquid Paper). He led the GALE Australia/New Zealand business until August 2014 when he was appointed as Group Managing Director. Nick was formerly Marketing Manager and Product Manager of GALE Pacific between 1996 and 2003. He developed the Coolaroo brand and many of the company's highly successful products.

Matt Parker

Chief Financial Officer

Matt joined GALE Pacific in April 2015. Matt is an experienced finance professional having held key finance roles at Ford Motor Company Australia, Nissan Motor Company Australia and Cadbury Schweppes. Prior to joining GALE, he was the CFO of Paragon Care Ltd (ASX:PGC). Matt is a certified practising accountant and holds a Bachelor's Degree in Business and Arts (Japanese). He is a registered member of CPA Australia and an affiliate of the Securities Institute of Australia.

Bruno Marotta

General Manager – Supply Chain

Bruno joined GALE Pacific in October 2014 and has over 30 years' experience in the supply chain arena. He spent 18 years in senior supply chain roles at American Tool Company/Newell Rubbermaid where his responsibilities included leading warehouse facilities, logistics, procurement and customer service functions across the Asia Pacific region.

Sharon Elding

Manager – People and Culture

Sharon joined GALE Pacific in March 2014 after relocating from Singapore. She is an experienced HR practitioner who acquired regional HR experience at BOSCH South-East Asia and Hyflux, a global environmental solutions company listed on the Singapore Stock Exchange. Sharon holds a Bachelor of Science (Biomedical) and a Postgraduate Diploma in Human Capital Management. She is a registered Certified Professional with the Australian Human Resources Institute.

Cliff Xin-Hua Zhang

General Manager - Manufacturing

Cliff joined GALE Pacific in May 2016. He is an experienced manufacturing leader having held senior manufacturing and product quality roles at Bosch Power Tools over twelve years, and operations, logistics and production roles at Andrews Telecommunications, Honeywell CATIC Engine Co. and Solectron Technology Co., Ltd., a U.S.-based manufacturer of electronics products. Cliff has a Bachelor of Science, Mechanical Engineering, from Nanjing University of Science & Technology, China.

Ali Haidar

General Manager – Middle East North Africa

Ali joined GALE Pacific in August 2004 and has 12 years' experience in sales and marketing at GALE with a strong record of business development in the region. He has led GALE Pacific's profitable growth in the Middle East and was recently given responsibility to lead the company's focused expansion in the Middle East/North Africa region.

Ted Varani

General Manager – Eurasia

Ted joined GALE Pacific in April 2015. Originally from the USA, for the past 20 years he has been involved in international sales, cross-border management and entrepreneurialism based out of the USA, Japan, France and China. Ted has been involved in projects in the fields of predictive analytics, mobile apps, public utilities, and medical devices, with a notable period of 9 years within the Veolia Group where he served as worldwide Business Development Manager as well as General Manager of a US $50M Chinese subsidiary.

Lindsay Klebenow

General Manager – Americas

Lindsay joined GALE Pacific in June 2016. He is an experienced general management, sales and marketing professional serving roles at Culligan, Newell Rubbermaid, and Stanley Black & Decker. Prior to GALE, Lindsay was a business unit General Manager at Elkay, a North American manufacturer of kitchen cabinetry, sinks and water fountains and bottle fillers. Lindsay holds a Bachelors' degree in mechanical engineering technology from Purdue University and an MBA from Ashland University.

Craig Fuller

General Manager – Australia/New Zealand

Craig joined GALE Pacific in March 2016 and has more than 25 years' experience in sales, marketing, engineering and general management across industrial and retail markets, including building products and consumer durables. He spent 12 years at Alesco Corporation where he held key roles, including as General Manager of Robinhood and General Manager of Ingram Corporation. In addition to this Craig held the role of National Operations Manager at Bunnings Trade. Craig holds a Masters of Business Administration, an Honours Degree in Civil Engineering and is a Member of the Institution of Engineers.

The DIY pool fencing category was returned to growth and profitability during the year following the prior year's investment in the creation of the Everton brand.

Large scale tension structures require fabrics with a suitable combination of weight, strength, elongation and UV stability (life). The company recently launched its first architectural fabric in many years. Suitable for large scale structures, the fabric has consistent elongation in both directions – very difficult to achieve, but eagerly sought by engineers and fabricators due to its suitability for large, unsupported structures and its 'set and forget' advantages. Commercial Heavy will be marketed in all geographic regions.

Corporate Governance

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

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

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

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

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

ZONE Interiors Window Furnishings – a completely refreshed program has now positioned this category for growth. New packaging, new products, and a completely transformed website (zoneinteriors.com.au) combine to inspire shoppers and make product selection easy.

GALE's renowned Commercial 95 shade fabric is used for sun protection and aesthetics around the world.

Directors' Report

From left: Peter Landos (Non Executive Director), Nick Pritchard (Group Managing Director), Matt Parker (Chief Financial Officer), David Allman (Chairman), John Murphy (Non Executive Director), Sophie Karzis (Company Secretary)

David Allman, B.Sc.

Chairman and Non Executive Director since November 2009

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

In the three years prior to 30 June 2016 David was also a director of McPherson's Group Limited.

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

Nick Pritchard, B Bus. (Marketing)

Group Managing Director appointed 22 August 2014

Nick joined GALE Pacific in August 2013 as Managing Director of the Australia/New Zealand region. He was appointed to the position of Group Managing Director in August 2014. Prior to joining GALE, Nick held senior leadership positions at Newell Brands (Newell Rubbermaid) for 11 years, most recently, Vice-President/General Manager – Australia & New Zealand, where he led all business segments. Nick has considerable local and international experience leading a highly profitable, high growth organisation.

Peter Landos, B.Econ., CA

Non Executive Director since May 2014

Peter is the Chief Operating Officer of the Thorney Investment Group of Companies with which he has been since September 2000, having previously worked at Macquarie Bank Limited. Peter has extensive business and corporate experience specialising in advising boards and management in mergers and acquisitions, divestments,

Directors' Report *continued*

business restructurings and capital markets. He is also a Non Executive Chairman of Adacel Technologies Limited.

In the three years prior to 30 June 2016 Peter was also a director of McPherson's Group Limited, Rattoon Holdings Limited and Adacel Technologies Limited.

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

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

Non Executive Director since August 2007

John was the Managing Director of Investec Wentworth Private Equity Limited from 2002 until 30 September 2011. Also on that date he changed from being an executive to a non executive director of Investec Bank (Australia) Limited. John is currently a director of Ariadne Australia Limited.

In the three years prior to 30 June 2016 John was also a director of Clearview Wealth Limited, Kresta Holdings Limited, Redflex Holdings Limited and Vocus Communications Limited.

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

George Richards, CPA (Retired 30 October 2015)

Non Executive Director from May 2004 to 30 October 2015

Ms Sophie Karzis, B Juris LLB

Company Secretary since June 2004

Sophie is a practising lawyer with over 15 years' experience as a corporate and commercial lawyer, company secretary and general counsel for a number of private and public companies. Sophie is principal of Corporate Counsel, a corporate law practice with a focus on equity capital markets, mergers and acquisitions, corporate governance for ASX-listed entities, as well as the more general aspects of corporate and commercial law. She is currently the company secretary of a number of ASX-listed and unlisted entities, and is a member of the Law Institute of Victoria as well as the Governance Institute of Australia.

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 2016.

State of Affairs

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

Events Subsequent to Balance Date

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs 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's Letter of this Annual 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:

	2015/2016 ($'000)
Final ordinary dividend for the year ended 30 June 2015 of 1.00 cent per share paid on 1 December 2015	**2,975**
Interim ordinary dividend for the half year ended 31 December 2015 of 0.75 cents per share paid on 1 April 2016	**2,231**

In addition to the above dividends, on the 18 of August 2016 the Directors declared a dividend of 1 cent per share to the holders of fully paid ordinary shares in respect of the year ended 30 June 2016, payable on 3rd October 2016 to shareholders on the register at 26 September 2016.

The final dividend will be unfranked. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $2,974,744.

For the full year, the dividend of 1.75 cents per share has been declared on earnings of 3.44 cents per share.

Share Based Payments

Performance Rights

The number of performance rights on issue at the date of this report is 3,602,405. No amount is payable on the vesting of a performance right. Each performance right entitles the holder to one (1) ordinary share in GALE Pacific Limited in the event that the performance right is exercised. Performance rights carry no rights to dividends and no voting rights.

3,022,000 performance rights were granted to executives and the Group Managing Director on 9 October 2015. The performance rights will vest subject to a continuation of employment to 30 June 2018 and the satisfying of relevant performance hurdles based on the Group's diluted earnings per share over the three year period from 1 July 2015 to 30 June 2018. None of these performance rights can vest until 30 June 2018 and expire on 1 December 2018.

As at 30 June 2016, 1,783,733 performance rights lapsed during the year to 30 June 2016 as the relevant personnel ceased employment with the Company.

The performance rights are subject to a continuation of employment for three years and then the satisfying of relevant performance hurdles based on improvements in the Group's diluted earnings per share over the three year period.

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

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	2,400,000	Nil	Nil
P Landos	Nil	Nil	Nil
J Murphy	4,416,599	Nil	Nil
N Pritchard	212,804	Nil	1,778,385

Directors' Meetings

The table below sets out the attendance by Directors.

	Directors' Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
Directors	No of Meetings Eligible to Attend	Attended	No of Meetings Eligible to Attend	Attended	No of Meetings Eligible to Attend	Attended	No of Meetings Eligible to Attend	Attended
D Allman	11	10	3	3	1	1	2	2
P Landos	11	11	3	3	1	1	2	2
J Murphy	11	11	3	3	1	1	2	2
G Richards[1]	5	5	1	1	1	1	–	–
N Pritchard	11	11	–	–	–	–	–	–

1. G Richards retired 30 October 2015

Directors' Report *continued*

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

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

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

Remuneration Report

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

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

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

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

Remuneration packages contain the following key elements:

- Primary benefits – salary/fees;
- Benefits, including the provision of motor vehicles and incentive schemes, including performance rights; and
- Performance rights, if the performance criteria and any Board discretion are satisfied, entitle an executive to be issued shares in the Company at no cost to the executive. Shares are issued subsequently after the time all performance rights vesting conditions are met

Relationship between the Remuneration Policy and Company Performance

The table below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to 30 June 2016:

	30 June 2016	30 June 2015	30 June 2014	30 June 2013	30 June 2012
Revenue	**173,191**	147,993	137,304	119,988	110,473
Net profit before tax	**13,509**	6,221	10,988	12,016	11,454
Net profit after tax	**10,228**	5,170	8,233	9,084	8,477
Share price at start of year	**17 cents**	23 cents	26 cents	24 cents	21 cents
Share price at end of year	**36 cents**	17 cents	23 cents	26 cents	24 cents
Interim dividend	**0.75 cents**	–	1.30 cents	1.20 cents	1.20 cents
Final dividend	**1.0 cents**	1.0 cent	1.35 cents	1.35 cents	1.20 cents
Basic earnings per share	**3.44 cents**	1.74 cents	2.77 cents	3.07 cents	2.86 cents
Diluted earnings per share	**3.40 cents**	1.72 cents	2.72 cents	3.00 cents	2.45 cents

Remuneration Practices

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

Remuneration Structure

In accordance with best practice corporate governance, the structure of Non Executive Directors and Senior Managers remuneration is separate and distinct.

Non Executive Director Remuneration

Objective

The Board seeks to set remuneration at a level which provides the Company with the ability to attract and retain directors of relevant experience and skill, whilst incurring costs which are acceptable to shareholders.

Structure

The Company's Constitution and the Australian Securities Exchange Listing Rules specify that the aggregate remuneration of Non Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The last determination was at the Annual General Meeting held on 26 October 2012 when shareholders' approved the Company's constitution which provides for an aggregate remuneration of $500,000 per annum. The amount of the aggregate remuneration and the manner in which it is apportioned is reviewed periodically. The Board considers fees paid to Non Executive Directors of comparable companies when undertaking this review process.

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

Senior Manager and Executive Director Remuneration

Objective

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

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

Structure

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

(a) Share Based Payments

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

- Improvement in earnings per share; and
- Improvement in return to shareholders.

The number of unissued ordinary shares under the performance rights scheme at 30 June 2016 was 3,602,405. 2,364,138 of these shares were granted on 11 December 2014 and will not vest until the time of the company's 2017 annual report is released on the ASX (on or around 1st October 2017). A further 3,022,000 of these shares were granted on the 9th of October 2015 and will not vest until the time of the company's 2018 annual report is released on the ASX (on or around 1st October 2018). In the period between July 1st 2015 and June 30th 2016, 1,783,733 shares lapsed as the relevant personnel ceased employment with the company. Each performance right entitles the holder to one (1) ordinary share in Gale Pacific Limited and is subject to satisfying the 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 are established each year by the Board. The performance criteria include sales and earnings before interest and tax growth and working capital management. For corporate executives, the performance criteria include growth in earnings before interest and tax and profit after tax.

Directors' Report *continued*

Key Management Personnel of the Group who held office during the year

Directors

D Allman (Chairman Non Executive)
P Landos (Non Executive)
J Murphy (Non Executive)
G Richards (Non Executive) (Retired 29 September 2015)
N Pritchard (Group Managing Director)

Executives

M Parker (Chief Financial Officer)
C Fuller (General Manager – Australia & New Zealand)
L Klebenow (General Manager – Americas)
C Zhang (General Manager – Manufacturing)
B Marotta (General Manager – Supply Chain)
A Haidar (General Manager – Middle East & North Africa)
T Varani (General Manager – EurAsia)

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

2015/2016	Short Term Benefits			Post Employment	Share Based Payments	Termination Benefits	Total	Performance Related	
Directors	**Salary & Fees $**	**Bonus $**	**Non Monetary $**	**Super $**	**Rights $**	**$**	**$**	**Total %**	**Rights %**
Executive Directors									
N Pritchard[2]	420,000	–	–	30,000	111,611	–	561.611	20%	20%
Non-Executive Directors									
D Allman	92,720	–	–	32,280	–	–	125,000		
G Richards[3]	16,667	–	–	5,833	–	–	22,500		
J Murphy	83,508	–	–	8,158	–	–	91,666		
P Landos	68,493	–	–	6,507	–	–	75,000		
Total	681,388	–	–	82,778	111,611	–	875,777	13%	13%

2. Mr Pritchard commenced employment as Managing Director – Australia & New Zealand on 19 August 2013 and became a Director on 22 August 2014.
3. Mr Richards retired 29 September 2015

2014/2015	Short Term Benefits			Post Employ-ment	Share Based Payments	Termina-tion Benefits	Total	Performance Related	
Directors	**Salary & Fees $**	**Bonus $**	**Non Monetary $**	**Super $**	**Rights $**	**$**	**$**	**Total %**	**Rights %**
Executive Directors									
N Pritchard	343,263	–	–	25,000	32,683	–	400,946	8.2%	8.2%
P McDonald[4]	362,059	–	–	12,500	–	235,813	610,372	–	–
Non-Executive Directors									
D Allman	114,220	–	–	10,845	–	–	125,065	–	–
G Richards	50,000	–	–	35,000	–	–	85,000	–	–
J Murphy	77,626	–	–	7,374	–	–	85,000	–	–
P Landos	68,493	–	–	6,507	–	–	75,000	–	–
Total	1,015,661	–	–	97,226	32,683	235,813	1,381,383	2.3%	2.3%

4. Mr McDonald resigned from the company on 22 August 2014.

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

2015/2016	Short Term Benefits			Post Employ-ment	Share Based Payments	Termina-tion Benefits	Total	Performance Related	
Key Management Personnel	**Salary & Fees $**	**Bonus $**	**Non Monetary $**	**Super $**	**Rights $**	**$**	**$**	**Total %**	**Rights %**
B Wang[1]	109,377	102,529	14,911	514	–	287,082	514,413		
M Denney[2]	365,836	106,597	29,138	–	–	–	501,571		
M Parker[3]	245,000	–	–	23,275	18,260	–	286,535	6%	6%
B Marotta[4]	228,883	–	–	21,744	36,945	–	287,572	13%	13%
E Varani[5]	240,490	–	6,195	–	11,184	–	257,869	4%	4%
A Haidar[6]	178,890	–	46,036	–	17,219	–	242,144	7%	7%
S Elding[7]	131,553	–	–	12,497	13,583	–	157,633	9%	9%
A Richardson[8]	79,514	–	–	7,554	–	–	87,068		
C Fuller[9]	70,192	–	–	6,668	–	–	76,860		
C Zhang[10]	23,923	–	11,186	694	–	–	35,803		
L Klebenow[11]	21,061	–	–	–	–	–	21,061		
Total	1,694,719	209,126	107,465	72,947	97,191	287,082	2,468,530	4%	4%

1. Mr Wang was the General Manager – China, remunerated in Chinese renminbi converted to Australian dollars in the above table. Mr Wang resigned 21 October 2015.
2. Mr Denney was the General Manager – Americas, remunerated in United States dollars converted to Australian dollars in the table above. Mr Denney resigned 10 May 2016.
3. Mr Parker is the Chief Financial Officer. He is located in Australia and remunerated in Australian dollars.
4. Mr Marotta is General Manager – Supply Chain. He is located in Australia and remunerated in Australian dollars.
5. Mr Varani is the General Manager – EurAsia. He is based in Shanghai and remunerated in United States dollars converted to Australian dollars in the table above.
6. Mr Haidar is the General Manager – Middle East and North Africa and is based in Dubai. He is remunerated in United States dollars converted to Australian dollars in the table above.
7. Ms Elding is the Manager – People and Culture. She is located in Australia and remunerated in Australian dollars.
8. Mr A Richardson was the General Manager, Australia and New Zealand located in Australia. Mr Richardson resigned 16 October 2015.
9. Mr Fuller is the General Manager, Australia and New Zealand. He is located in Australia and remunerated in Australian dollars. Commenced on the 22nd of March 2016
10. Mr Zhang is the General Manager – Manufacturing and is based in China and remunerated in Chinese renminbi converted to Australia dollars in the above table. Commenced on 3rd May 2016
11. Mr Klebenow is the General Manager – Americas and is remunerated in United States dollars converted to Australian dollars in the table above. Commenced on 6th June 2016

Directors' Report *continued*

2014/2015	Short Term Benefits			Post Employment	Share Based Payments	Termination Benefits	Total	Performance Related	
Key Management Personnel	Salary & Fees $	Bonus $	Non Monetary $	Super $	Rights $	$	$	Total %	Rights %
M Denney	319,933	94,381	18,202	–	12,985	–	445,501	24.1%	2.9%
B Wang	223,724	32,221	22,763	–	9,359	–	288,067	14.4%	3.2%
A Richardson	229,669	–	–	21,819	13,110	–	264,598	5.0%	5.0%
H Abbey[12]	185,235	–	–	22,502	–	39,795	247,532	–	–
A Haidar	138,697	29,127	39,184	–	3,753	–	210,761	15.6%	1.8%
B Marotta	158,513	–	–	16,057	10,919	–	185,489	5.8%	5.8%
A Scott[13]	101,053	–	–	5,805	–	–	106,858	–	–
M Parker	57,795	–	–	5,490	–	–	63,285	–	–
N Pritchard	47,170	–	–	5,000	–	–	52,170	–	–
E Varani	32,588	–	6,953	–	–	–	39,541	–	–
Total	1,494,377	155,729	87,102	76,673	50,126	39,795	1,903,802	10.8%	2.6%

12. Mr Abbey was the Chief Financial Officer. He resigned from the company on 27 March 2015.
13. Mr Scott was the General Manager International Sales and Marketing and was located in Australia. Mr Scott resigned from the company on 31 October 2014.

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

2015/2016	Balance 30 June 2015 No.	Granted as Compensation No.	Received on Exercise of Options No.	Other Movements No.	Balance 30 June 2016 No.
Executive Directors					
N Pritchard	212,804	–	–	–	**212,804**
Non-Executive Directors					
J Murphy	3,316,599	–	–	1,100,000	**4,416,599**
D Allman	1,443,804	–	–	956,196	**2,400,000**
G Richards[1]	491,899	–	–	–	**491,899**
Executives					
M Denney	800,000	–	–	(300,000)	**500,000**
B Wang	1,500,000	–	–	(1,500,000)	**–**
Total	7,765,106	–	–	256,196	**8,021,302**

1. Mr Richards retired 29 September 2015

2014/2015	Balance 30 June 2015 No.	Granted as Compensation No.	Received on Exercise of Options No.	Other Movements No.	Balance 30 June 2015 No.
Executive Directors					
N Pritchard	–	–	–	212,804	**212,804**
Non-Executive Directors					
J Murphy	2,816,599	–	–	500,000	**3,316,599**
D Allman	1,000,000	–	–	443,804	**1,443,804**
G Richards	491,899	–	–	–	**491,899**
Executives					
M Denney	1,500,000	–	–	–	**1,500,000**
B Wang	800,000	–	–	–	**800,000**
Total	6,608,498	–	–	1,156,608	**7,765,106**

Share Based Compensation

The terms and conditions of each grant of performance rights granted but not vested as at 30 June 2016 affecting remuneration in the current or a future reporting period are as follows:

Grant Date	9 October 2015	11 December 2014
Value per performance rights at grant date	**0.2143**	0.1751

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

The performance rights granted on 11 December 2014 are subject to a continuation of employment to 30 June 2017 and then the satisfying of relevant performance hurdles based on improvements in the Group's diluted earnings per share over the three year period from 1 July 2014 to 30 June 2017. None of these performance rights can vest until the Company releases its FY17 Annual Report to the ASX (on or around 1 October 2017) and expire on 1 December 2017.

The performance rights granted on 9th of October 2015 are subject to the continuation of employment to 30 June 2018 and then the satisfying of relevant performance hurdles based on improvements in the Groups diluted earnings per share over the three year period from 1 July 2015 to 30 June 2018. None of these rights can vest until the company releases its FY18 annual report to the ASX (on or around 1 October 2018) and expire on 1 December 2018.

Directors' Report *continued*

Directors' and Executives' Equity Holdings, Compensation Options and Performance Rights: Granted and Vested during the year

					Terms and Conditions for Each Grant			
2015/2016	**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)								
N Pritchard	–	913,000	09/10/2015	$0.2143	Nil	01/12/2018	01/10/2018	01/10/2018
Non-Executive Directors								
None								
Management Personnel (Performance Rights)								
Other Management	–	2,109,000	09/10/2015	$0.2143	Nil	01/12/2018	01/10/2018	01/10/2018
Total	–	3,022,000						

					Terms and Conditions for Each Grant			
2014/2015	**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)								
N Pritchard	–	865,385	11/12/2014	$0.1751	nil	1/12/2017	20/09/2017	20/09/2017
Non-Executive Directors								
None								
Management Personnel (Performance Rights)								
Other Management	–	1,498,753	11/12/2014	$0.1751	nil	1/12/2017	20/09/2017	20/09/2017
Total	–	2,364,138						

Directors' and Executives' Equity Holdings Compensation Options and Performance Rights: Movements during the year

2015/2016	Balance 1 July 2015 No.	Granted as Compen-sation No.	Exercised No.	Lapsed No.	Net Other Change No.	Balance 30 June 2016 No.	Balance Held Nominally No.	Value of Lapsed Options/ Rights $
Executive Directors (Performance Rights)								
N Pritchard	865,385	913,000	–	–	–	1,778,385	–	–
Non-Executive Directors								
None								
Executives (Performance Rights)								
B Marotta	289,122	299,000	–	–	–	588,122	–	–
M Parker	–	320,000	–	–	–	320,000	–	–
A Haidar	99,364	182,000	–	–	–	281,364	–	–
S Elding	99,603	118,000	–	–	–	217,603	–	–
E Varani	–	196,000	–	–	–	196,000	–	–
B Wang	247,793	367,000	–	(614,793)	–	–	–	122,025
M Denney	343,805	478,000	–	(821,805)	–	–	–	162,621
Other Management Personnel (Performance Rights)								
Other Management	419,066	149,000	–	(347,135)	–	220,931	–	60,791
Total	2,364,138	3,022,000	–	(1,783,733)	–	3,602,405	–	345,437

2014/2015	Balance 1 July 2014 No.	Granted as Compen-sation No.	Exercised No.	Lapsed No.	Net Other Change No.	Balance 30 June 2015 No.	Balance Held Nominally No.	Value of Lapsed Options/ Rights $
Executive Directors (Performance Rights)								
N Pritchard	562,500	865,385	–	(562,500)	–	865,385	–	112,163
P McDonald	600,000	–	–	(600,000)	–	–	–	88,500
Non-Executive Directors								
None								
Executives (Performance Rights)								
M Denney	275,000	343,805	–	(275,000)	–	343,805	–	40,563
B Wang	275,000	247,793	–	(275,000)	–	247,793	–	40,563
A Scott	275,000	–	–	(275,000)	–	–	–	40,563
H Abbey	–	326,827	–	(326,827)	–	–	–	–
Other Management Personnel (Performance Rights)								
Other Management	1,712,500	907,155	–	(1,712,500)		907,155		331,230
Total	3,700,000	2,690,965	–	(4,026,827)	–	2,364,138	–	653,580

Directors' Report *continued*

Employment Agreements

Executives serve under terms and conditions contained in a standard executive employment agreement, that allows for termination under certain conditions with two to three months' notice. The agreements include restraints of trade on the employee as well as confidentiality and intellectual property agreements.

Indemnity and Insurance of Officers

The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability 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.

Indemnity and Insurance of Auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on Behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings.

Non Audit Services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 31 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 30 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are Former Partners of Deloitte Touche Tohmastsu

There are no officers of the Company who are former partners of Deloitte Touche Tohmastsu.

Rounding of Amounts

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

Auditor

Deloitte Touche Tohmastsu continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

Auditor's Independence Declaration

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

18 August 2016

Dear Board Members

Gale Pacific Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Gale Pacific Limited.

As lead audit partner for the audit of the financial statements of Gale Pacific Limited for the financial year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

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

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Roche
Partner
Chartered Accountants

Independent Auditor's Report

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report to the members of Gale Pacific Limited

Report on the Financial Report

We have audited the accompanying financial report of Gale Pacific Limited which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 30 to 63.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Deloitte.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Gale Pacific Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of Gale Pacific Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 25 of the directors' report for the year ended 30 June 2016. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Gale Pacific Limited for the year ended 30 June 2016, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Stephen Roche
Partner
Chartered Accountants
Melbourne, 18 August 2016

Gale Pacific Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Note	Consolidated 2016 $'000	2015 $'000
Revenue			
Sale of goods		173,191	147,993
Other income	5	5,234	2,554
Expenses			
Raw materials and consumables used		(96,863)	(76,393)
Employee benefits expense	6	(28,511)	(29,545)
Depreciation and amortisation expense	6	(7,180)	(7,636)
Marketing and advertising		(3,200)	(4,502)
Occupancy costs		(5,160)	(3,534)
Warehouse and related costs		(11,178)	(11,100)
Other expenses		(11,203)	(9,796)
Finance costs	6	(1,621)	(1,820)
Profit before income tax expense		13,509	6,221
Income tax expense	7	(3,281)	(1,051)
Profit after income tax expense for the year attributable to the owners of Gale Pacific Limited		10,228	5,170
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity, net of tax	19	(1,949)	1,462
Foreign currency translation	19	(1,523)	11,447
Other comprehensive income for the year, net of tax		(3,472)	12,909
Total comprehensive income for the year attributable to the owners of Gale Pacific Limited		6,756	18,079
		Cents	Cents
Basic earnings per share	8	3.44	1.74
Diluted earnings per share	8	3.40	1.72

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Gale Pacific Limited
Statement of financial position
As at 30 June 2016

	Note	Consolidated 2016 $'000	2015 $'000
Assets			
Current assets			
Cash and cash equivalents	9	24,563	17,769
Trade and other receivables	10	30,226	27,081
Inventories	11	44,577	39,229
Derivative financial instrument - cash flow hedges		-	1,363
Income tax refundable	7	-	3,147
Prepayments		969	819
Total current assets		100,335	89,408
Non-current assets			
Prepayments		357	-
Property, plant and equipment	12	30,414	34,872
Intangibles	13	25,210	25,311
Deferred tax	7	4,068	-
Total non-current assets		60,049	60,183
Total assets		160,384	149,591
Liabilities			
Current liabilities			
Trade and other payables	14	19,598	12,887
Borrowings	15	13,192	33,641
Derivative financial instrument - cash flow hedges		1,421	-
Current tax liabilities	7	2,771	2,179
Employee benefits		1,832	1,758
Provisions	16	318	62
Total current liabilities		39,132	50,527
Non-current liabilities			
Borrowings	17	19,523	783
Deferred tax	7	2,000	397
Employee benefits		106	96
Total non-current liabilities		21,629	1,276
Total liabilities		60,761	51,803
Net assets		99,623	97,788
Equity			
Issued capital	18	71,485	71,485
Reserves	19	(988)	1,598
Retained profits		29,126	24,705
Total equity		99,623	97,788

The above statement of financial position should be read in conjunction with the accompanying notes

Gale Pacific Limited
Statement of changes in equity
For the year ended 30 June 2016

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2014	71,485	(11,415)	23,566	83,636
Profit after income tax expense for the year	-	-	5,170	5,170
Other comprehensive income for the year, net of tax	-	12,909	-	12,909
Total comprehensive income for the year	-	12,909	5,170	18,079
Transactions with owners in their capacity as owners:				
Share-based payments (note 29)	-	89	-	89
Statutory transfers from retained earnings	-	15	(15)	-
Dividends paid (note 20)	-	-	(4,016)	(4,016)
Balance at 30 June 2015	71,485	1,598	24,705	97,788

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2015	71,485	1,598	24,705	97,788
Profit after income tax expense for the year	-	-	10,228	10,228
Other comprehensive income for the year, net of tax	-	(3,472)	-	(3,472)
Total comprehensive income for the year	-	(3,472)	10,228	6,756
Transactions with owners in their capacity as owners:				
Share-based payments (note 29)	-	187	-	187
Statutory transfers from retained earnings	-	699	(699)	-
Other	-	-	98	98
Dividends paid (note 20)	-	-	(5,206)	(5,206)
Balance at 30 June 2016	71,485	(988)	29,126	99,623

The above statement of changes in equity should be read in conjunction with the accompanying notes

Gale Pacific Limited
Statement of cash flows
For the year ended 30 June 2016

	Note	Consolidated 2016 $'000	Consolidated 2015 $'000
Cash flows from operating activities			
Profit before income tax expense for the year		13,509	6,221
Adjustments for:			
Depreciation and amortisation		7,180	7,636
Share-based payments		187	89
Foreign currency (gain) / loss		(151)	4,338
Interest and other finance costs paid		1,621	1,820
		22,346	20,104
Increase in trade and other receivables		(3,145)	(7,330)
Increase in inventories		(5,348)	(4,378)
Increase in derivative assets		(586)	(1,363)
Decrease/(increase) in prepayments		(507)	1,946
Increase/(decrease) in trade and other payables		6,711	(422)
Increase/(decrease) in derivative liabilities		1,421	(709)
Increase/(decrease) in employee benefits		84	(145)
Increase in other provisions		256	12
		21,232	7,715
Interest and other finance costs paid		(1,621)	(1,820)
Income taxes paid		(1,797)	(1,522)
Net cash from operating activities		17,814	4,373
Cash flows from investing activities			
Payments for property, plant and equipment	12	(3,841)	(3,953)
Payments for intangibles	13	(712)	(2,572)
Proceeds from disposal of property, plant and equipment		343	5
Net cash used in investing activities		(4,210)	(6,520)
Cash flows from financing activities			
Proceeds from borrowings		25,386	10,150
Other		(112)	-
Dividends paid	20	(5,206)	(4,016)
Repayment of borrowings		(27,095)	-
Net cash from/(used in) financing activities		(7,027)	6,134
Net increase in cash and cash equivalents		6,577	3,987
Cash and cash equivalents at the beginning of the financial year		17,769	13,058
Effects of exchange rate changes on cash and cash equivalents		217	724
Cash and cash equivalents at the end of the financial year	9	24,563	17,769

The above statement of cash flows should be read in conjunction with the accompanying notes

Gale Pacific Limited
Notes to the financial statements
30 June 2016

Note 1. General information

The financial report covers Gale Pacific Limited ('Company' or 'parent entity') and controlled entities as a consolidated entity (referred to as the 'Group'). The financial statements are presented in Australian dollars, which is Gale Pacific Limited's functional and presentation currency.

Gale Pacific Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

145 Woodlands Drive
Braeside, VIC 3195

A description of the nature of the Group's operations is included in the directors' report, which is not part of the financial statements.

The entity’s principal activities are the manufacture of branded screening and shading products for domestic, commercial and industrial applications

The financial statements were authorised for issue, in accordance with a resolution of directors, on 18 August 2016. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Statement of Compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise the consolidated financial statements of the Group.

For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the company and the Group comply with International Financial Reporting Standards (‘IFRS’).

Basis of Preparation

The consolidated financial statements have been prepared on the basis of historical cost, except for certain properties and financial instruments that are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair values of the consideration given in exchange for goods and services. All amounts are presented in Australian dollars, unless otherwise noted.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Gale Pacific Limited as at 30 June 2016 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Gale Pacific Limited
Notes to the financial statements
30 June 2016

Note 2. Significant accounting policies (continued)

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currencies and translations

Foreign currency transactions
Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

On the disposal of a foreign operation (i.e. a disposal of the Group’s entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), the cumulative amount in the foreign currency translation reserve in respect of that operation is then recognised in profit or loss

Monetary items forming net investment in foreign operations
The Group classifies monetary items of a non-current nature where settlement is not planned in the foreseeable future as part of the net investment in foreign operations. All foreign exchange differences on these items are recognised in other comprehensive income through the foreign currency reserve in equity. As and when settlements occur, the cumulative amount in the foreign currency translation reserve is then recognised in profit or loss.

Revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods
Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Government grant
Where a government grant, including Strategic Investment Plan income ('SIP'), is received or receivable relating to 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
Other revenue is recognised when it is received or when the right to receive payment is established.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

Gale Pacific Limited
Notes to the financial statements
30 June 2016

Note 2. Significant accounting policies (continued)

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Cash flow hedges
Cash flow hedges are used to cover the Group's exposure to variability in cash flows that is attributable to particular risks associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised in other comprehensive income through the cash flow hedges reserve in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, the amounts recognised in equity are transferred to profit or loss.

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, the amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease. The Group has no finance leases.

Impairment of assets
Goodwill, other intangible assets that have an indefinite useful life, and assets not yet ready for use as intended by management, are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Where the asset does not generate independent cash flows, the Group estimates the recoverable amount of the cash generating unit ('CGU') to which the asset belongs.

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

Gale Pacific Limited
Notes to the financial statements
30 June 2016

Note 2. Significant accounting policies (continued)

Employee benefits
Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date is measured at the amounts expected to be paid when the liabilities are settled.

Long-term employee benefits
The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Rounding of amounts
The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Share-based payment transactions
The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Binomial model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

Goodwill
The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Income tax
The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Gale Pacific Limited
Notes to the financial statements
30 June 2016

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences and tax losses only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Derivative financial instruments
Forward foreign exchange contracts, designated as cash flow hedges, are measured at fair value. Reliance is placed on future cash flows and judgement is made on a regular basis, through prospective and retrospective testing, including at the reporting date, that the hedges are still highly effective.

Note 4. Operating segments

Identification of reportable operating segments
The Group is organised into four operating segments identified by geographic location and identity of the service line manager, together with Corporate. These operating segments are based on the internal reports that are reviewed and used by the Group Managing Director (who is identified as the Chief Operating Decision Maker ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

The Group operates predominantly in one business segment, being branded shading, screening and home improvement products.

The CODM reviews revenue and segment earnings, before interest, tax, depreciation and amortisation ('EBITDA'). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

Discrete financial information about each of these segments is reported on a monthly basis.

The operating segments are as follows:

Australasia	Manufacturing and distribution facilities are located in Australia, and distribution facilities are located in New Zealand. Sales offices are located in all states in Australia and in New Zealand.
China Manuf. and EurAsia	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 and North Africa ('MENA')	A sales office and distribution facility is located in the United Arab Emirates to service this market.

The 'Other Segments' represents Corporate and Intersegment eliminations.

Major customers
During the year ended 30 June 2016 approximately 36% (2015: 35%) of the Group's external revenue was derived from sales to one (2015: one) customer in the Australasian region.

Gale Pacific Limited
Notes to the financial statements
30 June 2016

Note 4. Operating segments (continued)

Operating segment information

Consolidated - 2016	Australasia $'000	China Manuf. and EurAsia $'000	America $'000	MENA $'000	Other segments $'000	Total $'000
Revenue						
Sales to external customers	97,470	6,766	53,603	15,352	-	173,191
Intersegment sales	3,077	58,451	37	20	(61,585)	-
Total sales revenue	100,547	65,217	53,640	15,372	(61,585)	173,191
Total revenue	100,547	65,217	53,640	15,372	(61,585)	173,191
Segment EBITDA	3,578	12,620	4,920	3,148	(1,956)	22,310
Depreciation and amortisation						(7,180)
Finance costs						(1,621)
Profit before income tax expense						13,509
Income tax expense						(3,281)
Profit after income tax expense						10,228
Segment results include:						
Depreciation and amortisation	(813)	(4,547)	(1,321)	(3)	(496)	(7,180)
Finance costs	(190)	(1,037)	(452)	(88)	146	(1,621)
Assets						
Segment assets	58,544	36,089	32,203	10,738	22,810	160,384
Total assets						160,384
Liabilities						
Segment liabilities	15,168	13,109	5,680	674	26,130	60,761
Total liabilities						60,761

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Note 4. Operating segments (continued)

Consolidated - 2015	Australasia $'000	China Manuf. and EurAsia $'000	Americas $'000	MENA $'000	Other segments $'000	Total $'000
Revenue						
Sales to external customers	82,742	7,486	43,360	14,405	-	147,993
Intersegment sales	2,768	43,084	44	16	(45,912)	-
Total sales revenue	85,510	50,570	43,404	14,421	(45,912)	147,993
Total revenue	85,510	50,570	43,404	14,421	(45,912)	147,993
Segment EBITDA	1,013	10,572	4,952	3,288	(4,148)	15,677
Depreciation and amortisation						(7,636)
Finance costs						(1,820)
Profit before income tax expense						6,221
Income tax expense						(1,051)
Profit after income tax expense						5,170
Segment results include:						
Depreciation and amortisation	(1,002)	(5,345)	(761)	(2)	(526)	(7,636)
Finance costs	-	(849)	(368)	(119)	(484)	(1,820)
Assets						
Segment assets	50,698	41,165	31,721	10,588	15,419	149,591
Total assets						149,591
Liabilities						
Segment liabilities	7,154	13,278	4,522	736	26,113	51,803
Total liabilities						51,803

Accounting policy for operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the CODM. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 5. Other income

	Consolidated 2016 $'000	Consolidated 2015 $'000
Net foreign exchange gain	4,219	1,099
Other income (including sales of scrap material from manufacturing)	1,015	1,455
Other income	5,234	2,554

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Note 6. Expenses

	Consolidated 2016 $'000	2015 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Property, plant and equipment (note 12)	6,165	6,855
Amortisation		
Intangible assets (note 13)	1,015	781
Total depreciation and amortisation	7,180	7,636
Employee benefit expense		
Employment costs and benefits	28,324	29,456
Share-based payment expense	187	89
Total employee benefit expense	28,511	29,545
Finance costs		
Interest and finance charges paid/payable	1,621	1,820
Rental expense relating to operating leases		
Minimum lease payments	4,505	3,029

Note 7. Income tax

	Consolidated 2016 $'000	2015 $'000
Income tax expense		
Current tax	3,719	2,027
Deferred tax - origination and reversal of temporary differences	(325)	(763)
Adjustment recognised for prior periods	(113)	(213)
Aggregate income tax expense	3,281	1,051
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets	(325)	(763)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	13,509	6,221
Tax at the statutory tax rate of 30%	4,053	1,866
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non allowable/(non assessable) items	340	1,132
	4,393	2,998
Adjustment recognised for prior periods	(113)	(213)
Difference in overseas tax rates	(999)	(1,734)
Income tax expense	3,281	1,051

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Note 7. Income tax (continued)

	Consolidated 2016 $'000	Consolidated 2015 $'000
Amounts charged/(credited) directly to equity		
Deferred tax assets	(835)	610

	Consolidated 2016 $'000	Consolidated 2015 $'000
Deferred tax asset/(liability)		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in P&L:		
Tax losses	1,450	-
Property, plant and equipment	(642)	156
Foreign exchange	(1,183)	(1,327)
Capitalised costs	(957)	(354)
Provisions	(223)	(31)
Impairment of receivables	14	3
Other financial liabilities	304	269
Employee benefits	717	498
Franking Deficit Credit	1,590	-
Other	998	389
Deferred tax asset/(liability)	2,068	(397)
Movements:		
Opening balance	(397)	(550)
Credited to profit or loss	325	763
Credited/(charged) to equity	835	(610)
Transfer from Current Tax Liability	1,305	-
Closing balance	2,068	(397)

	Consolidated 2016 $'000	Consolidated 2015 $'000
Income tax refundable		
Income tax refundable	-	3,147

	Consolidated 2016 $'000	Consolidated 2015 $'000
Provision for income tax		
Provision for income tax	2,771	2,179

Accounting policy for income tax

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

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Note 7. Income tax (continued)

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Gale Pacific Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Note 8. Earnings per share

	Consolidated	
	2016	**2015**
	$'000	**$'000**
Profit after income tax attributable to the owners of Gale Pacific Limited	10,228	5,170
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	297,474,396	297,474,396
Adjustments for calculation of diluted earnings per share:		
Performance rights	3,768,003	2,352,479
Weighted average number of ordinary shares used in calculating diluted earnings per share	301,242,399	299,826,875
	Cents	**Cents**
Basic earnings per share	3.44	1.74
Diluted earnings per share	3.40	1.72

Accounting policy for earnings per share

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Note 8. Earnings per share (continued)

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Gale Pacific Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 9. Current assets - cash and cash equivalents

	Consolidated	
	2016 $'000	2015 $'000
Cash on hand	12	17
Cash at bank	24,413	17,619
Cash on deposit	138	133
	24,563	17,769

Accounting policy for cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 10. Current assets - trade and other receivables

	Consolidated	
	2016 $'000	2015 $'000
Trade receivables	29,649	26,987
Less: Provision for impairment of receivables	(80)	(97)
	29,569	26,890
Other receivables	657	191
	30,226	27,081

The Group has recognised a loss of $66,000 (2015: $33,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2016.

The ageing of the impaired receivables provided for above are as follows:

	Consolidated	
	2016 $'000	2015 $'000
Over 6 months overdue	80	97

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Note 10. Current assets - trade and other receivables (continued)

Movements in the provision for impairment of receivables are as follows:

	Consolidated 2016 $'000	Consolidated 2015 $'000
Opening balance	97	64
Additional provisions recognised	66	33
Receivables written off during the year as uncollectable	(83)	-
Closing balance	80	97

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $6,763,000 as at 30 June 2016 ($7,746,000 as at 30 June 2015).

The Group did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of trade receivables not impaired at the reporting date was:

	Consolidated 2016 $'000	Consolidated 2015 $'000
Outside credit terms 0-30 days	3,522	4,429
Outside credit terms 31-120 days	1,954	2,758
Outside credit terms 121 days to one year	1,083	559
More than one year	204	-
	6,763	7,746

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

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Note 11. Current assets - inventories

	Consolidated	
	2016 $'000	2015 $'000
Raw materials - at cost	5,723	4,445
Work in progress - at cost	4,508	675
Finished goods - at cost	35,283	35,454
Less: Provision for impairment	(937)	(1,345)
	34,346	34,109
	44,577	39,229

Accounting policy for inventories
Raw materials, work in progress and finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 12. Non-current assets - property, plant and equipment

	Consolidated	
	2016 $'000	2015 $'000
Buildings and leasehold improvements - at cost	14,125	10,209
Less: Accumulated depreciation	(5,162)	(2,819)
	8,963	7,390
Plant and equipment - at cost	102,949	119,800
Less: Accumulated depreciation	(82,199)	(93,135)
	20,750	26,665
Motor vehicles - at cost	374	484
Less: Accumulated depreciation	(247)	(322)
	127	162
Capital work-in-progress - at cost	574	655
	30,414	34,872

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Note 12. Non-current assets - property, plant and equipment (continued)

Reconciliations
Reconciliations of the movements in property, plant and equipment at the beginning and end of the current and previous financial year are set out below:

Consolidated	Buildings and leasehold improvements $'000	Plant and equipment $'000	Motor vehicles $'000	Capital work-in-progress $'000	Total $'000
Balance at 1 July 2014	7,541	22,673	93	162	30,469
Additions	129	3,824	-	-	3,953
Disposals	-	(5)	-	-	(5)
Exchange differences	20	6,531	98	6	6,655
Capital Work in Progress	-	-	-	655	655
Transfers in/(out)	-	168	-	(168)	-
Depreciation expense	(300)	(6,526)	(29)	-	(6,855)
Balance at 30 June 2015	7,390	26,665	162	655	34,872
Additions	871	2,197	-	773	3,841
Disposals	-	(334)	(9)	-	(343)
Exchange differences	(262)	(1,507)	1	(23)	(1,791)
Transfers in/(out)	1,327	(496)	-	(831)	-
Depreciation expense	(363)	(5,775)	(27)	-	(6,165)
Balance at 30 June 2016	8,963	20,750	127	574	30,414

Accounting policy for property, plant and equipment
Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight line basis to write off the net cost of each item of property, plant and equipment over their estimated useful lives as follows:

Buildings	45 years
Leasehold improvements	Over lease term
Plant and equipment	2-15 years
Motor vehicles	2-5 years

Depreciation commences from the time the asset is held ready for use. The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date. When changes are made, adjustments are reflected in current and future periods only.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

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Note 13. Non-current assets - intangibles

	Consolidated 2016 $'000	Consolidated 2015 $'000
Goodwill - at cost	21,607	21,516
Less: Impairment	(1,054)	(1,054)
	20,553	20,462
Development - at cost	565	-
Patents, trademarks and licenses - at cost	1,562	1,674
Less: Accumulated amortisation	(1,210)	(1,172)
	352	502
Application software - at cost	6,917	6,538
Less: Accumulated amortisation	(3,177)	(2,191)
	3,740	4,347
	25,210	25,311

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill $'000	Development $'000	Patents, trademarks and licenses $'000	Application software $'000	Total $'000
Balance at 1 July 2014	19,978	-	350	2,655	22,983
Additions	-	-	55	2,517	2,572
Exchange differences	484	-	128	(75)	537
Amortisation expense	-	-	(31)	(750)	(781)
Balance at 30 June 2015	20,462	-	502	4,347	25,311
Additions	-	565	-	147	712
Exchange differences	91	-	4	107	202
Transfers in/(out)	-	-	(121)	121	-
Amortisation expense	-	-	(33)	(982)	(1,015)
Balance at 30 June 2016	20,553	565	352	3,740	25,210

Impairment testing for goodwill
In accordance with the accounting policies, the Group performs an annual impairment assessment of goodwill. The review did not result in an impairment charges being recognised by the Group for the year ended 30 June 2016 (2015: no impairment).

Impairment testing approach
Impairment testing compares the carrying value of a CGU with its recoverable amount, based on value-in-use. Value-in-use was calculated based on the present value of cash flow projections over a five year period with the period extending beyond five years extrapolated using estimated revenue growth rates between of 2.5%. Years one to three are based on budgets and forecasts, with years four onwards extrapolated at the rate of 5%. These growth rates are based on management's expectations, industry knowledge and other features specific to the CGU. Cash flows are discounted using the weighted average cost of capital with mid-year discounting.

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Note 13. Non-current assets - intangibles (continued)

Goodwill acquired through business combinations have been allocated to the following cash generating units (CGU):

	Consolidated	
	2016 $'000	2015 $'000
Goodwill		
Australasia	17,455	17,455
USA (2015/2016: US$2,077,000; 2014/2015: US$ 2,077,000)	2,751	2,660
China	347	347
	20,553	20,462

Australasia
In assessing the recoverable amount of the Australasian CGU, management considered information available from industry analysts and other sources in relation to the key assumptions used. Management considers that it has taken a conservative view of the market conditions and business operations.

The following assumptions were used in the value-in-use calculations in the model for Australasia:

Discount Factor
The discount factor used in the model is 10.5%

Revenue growth rate assumption
Average actual revenue growth rate from 2013 to 2016 was 9%. From 2015 to 2016 the Australasia CGU achieved 18% revenue growth. The values assigned in the assumptions for 2017 to 2021 is an average of 5% which is somewhat lower than historical values. Management believe this is achievable based on historical trends and the plans to continue to invest in product development

EBITDA margin assumption
Margin achieved in the period immediately before the budget period, increasing for expected efficiency improvements. Management expect efficiency improvements averaging 1% per year to be achievable for years 2017 to 2021.

Working capital assumption
Key components affecting working capital include inventory on hand, debtor day collections and accounts payable days. Management believes the assumptions used in the cash flow projection period are conservative based on historic performance and measures to improve inventory positions going forward.

USA
In assessing the recoverable amount of the USA CGU, management made a number of significant assumptions including foreign exchange rates and risk adjustments to future cash flows. Management considered information available from industry analysts and other sources in relation to key assumptions used. Management considers that it has taken a conservative view of the market conditions and business operations.

Management believe that any reasonably possible further change in the key assumptions on which recoverable amount is based would not cause the USA CGU's carrying amount to exceed its recoverable amount.

Accounting policy for intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

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Note 13. Non-current assets - intangibles (continued)

Goodwill
Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Research and development
Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit.

Patents, trademarks and licenses
Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of 20 years.

Application software
Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of 5 years.

Note 14. Current liabilities - trade and other payables

	Consolidated	
	2016	2015
	$'000	$'000
Trade payables	10,161	6,375
Sundry payables and accruals	9,437	6,512
	19,598	12,887

Refer to note 22 for further information on financial instruments.

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 15. Current liabilities - borrowings

	Consolidated	
	2016	2015
	$'000	$'000
Bank loans	12,691	8,337
Commercial bills payable	-	24,500
Other loans	501	804
	13,192	33,641

Refer to note 22 for further information on financial instruments.

Note 16. Current liabilities - provisions

	Consolidated	
	2016	2015
	$'000	$'000
Warranties	318	62

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Note 16. Current liabilities - provisions (continued)

Warranties
The provision represents the estimated warranty claims in respect of products sold which are still under warranty at the reporting date. The provision is estimated based on historical warranty claim information, sales levels and any recent trends that may suggest future claims could differ from historical amounts.

Consolidated - 2016	Warranties $'000
Carrying amount at the start of the year	62
Additional provision recognised	409
Claims	(153)
Carrying amount at the end of the year	318

Accounting policy for provisions
Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost in profit or loss.

Note 17. Non-current liabilities - borrowings

	Consolidated	
	2016 $'000	2015 $'000
Bank loans	19,280	-
Other loans	243	783
	19,523	783

Refer to note 22 for further information on financial instruments.

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2016 $'000	2015 $'000
Bank loans	31,971	8,337
Commercial bills payable	-	24,500
	31,971	32,837

Assets pledged as security
The bank loans are secured by a fixed and floating charge (or equivalent foreign charge) over all the assets and undertakings, including uncalled capital of each entity in the Group.

Accounting policy for borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

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Note 18. Equity - issued capital

	Consolidated			
	2016 Shares	2015 Shares	2016 $'000	2015 $'000
Ordinary shares - fully paid	297,474,396	297,474,396	71,485	71,485

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital. This is achieved through monitoring of historical and forecast performance and cash flows.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Accounting policy for issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 19. Equity - reserves

	Consolidated	
	2016 $'000	2015 $'000
Foreign currency reserve	(2,856)	(1,333)
Hedging reserve - cash flow hedges	(995)	954
Share-based payments reserve	762	575
Enterprise reserve fund	2,101	1,402
	(988)	1,598

Foreign currency reserve
The reserve is used to recognise exchange differences arising from the translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Hedging reserve - cash flow hedges
The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

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Note 19. Equity - reserves (continued)

Enterprise reserve fund
Gale Pacific Special Textiles (Ningbo) Limited and Gale Pacific Trading (Ningbo) Limited are required by Chinese Company Law to maintain this reserve in its financial statements. This reserve is unavailable for distribution to shareholders but can be used to expand the entity's business, make up losses or increase the registered capital. Both companies are required to allocate 10% of their annual profit after tax to this reserve until it reaches 50% of the registered capital.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency $'000	Hedging $'000	Share-based payments $'000	Enterprise reserve fund $'000	Total $'000
Balance at 1 July 2014	(12,780)	(508)	486	1,387	(11,415)
Foreign currency translation *	11,447	-	-	-	11,447
Movement in hedge	-	2,072	-	-	2,072
Income tax	-	(610)	-	-	(610)
Share-based payment	-	-	89	-	89
Statutory transfers from retained earnings	-	-	-	15	15
Balance at 30 June 2015	(1,333)	954	575	1,402	1,598
Foreign currency translation *	(1,523)	-	-	-	(1,523)
Movement in hedge	-	(2,784)	-	-	(2,784)
Income tax	-	835	-	-	835
Share-based payment	-	-	187	-	187
Statutory transfers from retained earnings	-	-	-	699	699
Balance at 30 June 2016	(2,856)	(995)	762	2,101	(988)

* Refer to note 21 for details of monetary items identified as a net investment in a foreign operation

Note 20. Equity - dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated 2016 $'000	Consolidated 2015 $'000
Final dividend for the year ended 30 June 2014 of 1.35 cents per ordinary share (unfranked)	-	4,016
Final dividend for the year ended 30 June 2015 of 1.00 cent per ordinary share (unfranked)	2,975	-
Interim dividend for the year ended 30 June 2016 of 0.75 cents per ordinary share (unfranked)	2,231	-
	5,206	4,016

In addition to the above dividends, on the 18th of August 2016, the directors declared a final dividend for the year ended 30 June 2016 of 1.00 cent per ordinary share (unfranked), payable on the 3rd of October to shareholders on the register at 26th September 2016. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $2,975,000.

For the full year, the dividends of 1.75 cents per ordinary share have been declared on earnings of 3.44 cents per share.

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Note 20. Equity - dividends (continued)

Franking credits

	Consolidated	
	2016 $'000	2015 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	-	197

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Accounting policy for dividends
Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Note 21. Monetary items identified as a net investment in a foreign operation

In 2006/2007, the Group reclassified a portion of its related party balances as net investments in foreign operations, being monetary items of a non-current nature where settlement is not planned in the foreseeable future, with all foreign exchange differences on these items recognised in other comprehensive income through the foreign currency reserve in equity.

In 2008/2009, 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.

In 2014/2015, the balances relating to the portion of the net investment in Gale Pacific Special Textiles (Ningbo) Limited was de-classified as it was deemed that settlement of these balances is planned in the foreseeable future.

In 2015/2016, the balances relating to the portion of net investment in Gale Pacific USA Inc. was de-classified as it was deemed that settlement of these balances is planned in the foreseeable future.

In 2015/2016, a portion of the balances relating to Gale Pacific (New Zealand) Limited was declassified as it was deemed that settlement of a portion of those balances is planned in the foreseeable future.

Details of the monetary items classified as net investments in a foreign operations are as follows:

	Consolidated	
	2016 $'000	2015 $'000
Related party receivable to the Company from Gale Pacific (New Zealand) Limited	5,049	6,800
Related party receivable to the Company from Gale Pacific USA, Inc.	-	9,473
Monetary items identified as a net investment in a foreign operation	5,049	16,273

The foreign exchange gain arising during the financial year on monetary items forming part of the net investment in related party, recognised in foreign currency translation reserve is detailed in note 19.

Note 22. Financial instruments

Financial risk management objectives
The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity 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.

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Note 22. Financial instruments (continued)

Derivative financial instruments are used by the Group to limit exposure to exchange rate risk associated with foreign currency transactions. 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.

Market risk

Foreign currency risk
The Group undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations.

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

The Group adopts hedge accounting and classifies forward exchange contracts as cash flow hedges where these contracts are hedging highly probable forecasted transactions and they are timed to mature when the cash flow from the underlying transaction is scheduled to occur. Cash flows are expected to occur during the next financial year.

The maturity, settlement amounts and the average contractual exchange rates of the Group's outstanding forward foreign exchange contracts at the reporting date were as follows:

	Sell Australian dollars		Average exchange rates	
	2016 $'000	2015 $'000	2016	2015
Buy US dollars/sell Australian dollars				
Maturity:				
Less than 6 months	28,831	15,867	0.7096	0.8225
6 - 12 months	8,371	4,732	0.7168	0.7819

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		Liabilities	
Consolidated	2016 $'000	2015 $'000	2016 $'000	2015 $'000
US dollars	20,514	24,483	4,043	790
New Zealand dollars	1,564	454	229	126
Chinese renminbi	6,489	478	1,668	2,381
UAE dirham	890	1,129	-	-
	29,457	26,544	5,940	3,297

The Group had net assets denominated in foreign currencies of $23,519,000 (assets of $29,457,000 less liabilities of $5,940,000 as at 30 June 2016 (2015: $23,246,000 (assets of $26,544,000 less liabilities of $3,297,000)). Based on this exposure, had the Australian dollars strengthened by 10% / weakened by 10% (2015: strengthened by 10% / weakened by 10%) against these foreign currencies with all other variables held constant, the Group's profit before tax for the year would have been $308,000 higher/lower (2015: $80 lower/ higher) and equity would have been $1,746,000 higher/lower (2015: $2,326,000 higher/lower). The percentage change is the expected overall volatility of the significant currencies, which is based on management's assessment of reasonable possible fluctuations taking into consideration movements over the last 12 months each year and the spot rate at each reporting date.

Price risk
The Group is not exposed to any significant price risk.

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Note 22. 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 material long term borrowings and does not use interest rate swaps to manage the risk of interest rate changes.

As at the reporting date, the Group had the following variable rate bank balances and borrowings outstanding:

	2016		2015	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Cash and cash equivalents	-	24,563	-	17,752
Bank loans	3.65%	(31,971)	4.89%	(8,337)
Commercial bills payable	-	-	2.89%	(24,500)
Other loans	6.96%	(744)	6.96%	(1,587)
Net exposure to cash flow interest rate risk		(8,152)		(16,672)

An analysis by remaining contractual maturities in shown in 'liquidity and interest rate risk management' below.

An official increase/decrease in interest rates of 100 basis points would have an adverse/favourable effect on profit before tax of $327,000 per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Before accepting any new customer, the Group uses internal resources and criteria to assess the potential customer's credit quality and defines credit limits by customer. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Liquidity risk
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.

The Group manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

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Note 22. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2016	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	10,161	-	-	-	10,161
Sundry payables and accruals	-	9,437	-	-	-	9,437
Interest-bearing - variable						
Bank loans	3.65%	13,858	3,584	17,597	-	35,039
Other loans	6.96%	553	260	-	-	813
Total non-derivatives		34,009	3,844	17,597	-	55,450

Consolidated - 2015	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	6,375	-	-	-	6,375
Sundry payables and accruals	-	6,512	-	-	-	6,512
Interest-bearing - variable						
Bank loans	3.40%	34,084	-	-	-	34,084
Other loans	6.90%	914	586	268	-	1,768
Total non-derivatives		47,885	586	268	-	48,739

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 23. Fair value measurement

Fair value hierarchy
The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2016	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Forward foreign exchange contracts	-	1,421	-	1,421
Total liabilities	-	1,421	-	1,421

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Note 23. Fair value measurement (continued)

Consolidated - 2015	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Forward foreign exchange contracts	-	1,363	-	1,363
Total assets	-	1,363	-	1,363

There were no transfers between levels during the financial year.

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.

Valuation techniques for fair value measurements categorised within level 2 and level 3
Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Accounting policy for fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 24. Commitments

	Consolidated	
	2016 $'000	2015 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	3,142	2,484
One to five years	4,560	1,915
	7,702	4,399

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

Note 25. Related party transactions

Parent entity
Gale Pacific Limited is the parent entity.

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Note 25. Related party transactions (continued)

Subsidiaries
Interests in subsidiaries are set out in note 28.

Key management personnel
Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the directors' report.

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2016	2015
	$	$
Current payables:		
Accrued director fees and superannuation contributions	-	2,493

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 26. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2016	2015
	$	$
Short-term employee benefits	2,692,699	2,752,869
Post-employment benefits	155,724	173,899
Termination benefits	287,082	275,608
Share-based payments	208,802	82,809
	3,344,307	3,285,185

Note 27. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2016	2015
	$'000	$'000
Profit after income tax	4,706	6,567
Total comprehensive income	2,757	8,029

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Note 27. Parent entity information (continued)

Statement of financial position

	Parent	
	2016 $'000	2015 $'000
Total current assets	45,333	43,113
Total assets	124,694	113,510
Total current liabilities	21,208	27,391
Total liabilities	40,837	27,391
Equity		
Issued capital	71,485	71,485
Hedging reserve - cash flow hedges	(995)	954
Share-based payments reserve	762	575
Retained profits	12,605	13,105
Total equity	83,857	86,119

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2016 and 30 June 2015.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2016 and 30 June 2015.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2016 and 30 June 2015.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 28. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2016 %	Ownership interest 2015 %
Gale Pacific (New Zealand) Limited	New Zealand	100.00%	100.00%
Gale Pacific FZE	United Arab Emirates	100.00%	100.00%
Gale Pacific Special Textiles (Ningbo) Limited	China	100.00%	100.00%
Gale Pacific Trading (Ningbo) Limited	China	100.00%	100.00%
Gale Pacific USA, Inc.	USA	100.00%	100.00%
Zone Hardware Pty Ltd	Australia	100.00%	100.00%
Riva Window Fashions Pty Ltd	Australia	100.00%	100.00%

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Note 29. 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. The scheme is designed to reward key personnel when the Group meets performance hurdles relating to:
- Improvement in earnings per share; and
- Improvement in return to shareholders.

Each performance right entitles the holder one ordinary share in the Company when exercised and is subject to the satisfying of relevant performance hurdles based on improvements in the Group's diluted earnings per share.

Performance rights issued to executives during the financial 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.

Refer to note 6 for the amount expensed to profit or loss during the financial year.

Set out below are summaries of performance rights granted under the plan:

2016

Grant date	Expiry date	Grant price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
11/12/2014	01/12/2017	$0.18	2,364,138	-	-	(1,783,733)	580,405
09/10/2015	01/12/2018	$0.21	-	3,022,000	-	-	3,022,000
			2,364,138	3,022,000	-	(1,783,733)	3,602,405

2015

Grant date	Expiry date	Grant price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
30/06/2014	30/06/2014	$0.15	2,125,000	-	-	(2,125,000)	-
30/06/2014	30/06/2014	$0.15	600,000	-	-	(600,000)	-
30/06/2014	30/06/2014	$0.15	975,000	-	-	(975,000)	-
11/12/2014	01/12/2017	$0.18	-	2,690,965	-	(326,827)	2,364,138
			3,700,000	2,690,965	-	(4,026,827)	2,364,138

There were no performance rights exercisable at the reporting dated (30 June 2016).

For performance rights granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, using the binominal option pricing, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
09/10/2015	01/12/2018	$0.26	$0.00	-	80.00%	1.80%	$0.214

Accounting policy for share-based payments
Equity-settled share-based compensation benefits are provided to certain employees including executive directors. Equity-settled transactions are awards of performance rights over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using the Binomial option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

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Note 29. Share-based payments (continued)

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

The weighted average fair value of the share options granted during the financial year is $0.21 (2015: $0.18).

Expected volatility is based on the historical share price volatility over the past 3 years. To allow for the effects of early exercise, it was assumed that executives and senior employees would exercise the options after vesting date when the share price is two and a half times the exercise price.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 30. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmastsu, the auditor of the Company:

	Consolidated	
	2016 $	2015 $
Audit services - Deloitte Touche Tohmastsu		
Audit or review of the financial statements	223,250	270,750
Other services - Deloitte Touche Tohmastsu		
Other services (including tax services)	57,484	21,000
	280,734	291,750

Note 31. New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2016. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

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Note 31. New Accounting Standards and Interpretations not yet mandatory or early adopted (continued)

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace AASB 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets and makes minor amendments for financial liabilities. New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' model to recognise an allowance. The Group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Group.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Group

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard will eliminate the classifications of operating leases and finance leases for lessees. Subject to exceptions (short-term leases of 12 months or less and leases of low-value assets), a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset and an interest expense on the recognised lease liability. In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117 ‘Leases’. However EBITDA results will be improved as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Group.

Other amending accounting standards
Other amending accounting standards issued are not considered to have a significant impact on the financial statements of the Group as their amendments provide either clarification of existing accounting treatment or editorial amendments.

Note 32. Events after the reporting period

Apart from the dividend declared as disclosed in note 20, no other matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Additional securities exchange information

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 9 August 2016 (Reporting Date).

Corporate Governance Statement

The Company has prepared a Corporate Governance Statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company. In accordance with ASX Listing Rule 4.10.3, the Corporate Governance Statement will be available for review on Gale Pacific's website (Error! Hyperlink reference not valid.), and will be lodged with ASX at the same time that this Annual Report is lodged with ASX.

Number of Holdings of Equity Securities

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

The fully paid issued capital of the Company consisted of 297,474,396 ordinary fully paid shares held by 1,498 shareholders. Each share entitles the holder to one vote.

8 holders have been granted 3,602,405 performance rights over ordinary shares. Performance rights do not carry a right to vote.

Voting Rights of Equity Securities

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

As at the Reporting Date, there were 1,498 holders of a total of 297,474,396 ordinary shares of the Company. The voting rights attaching to the ordinary shares, set out in Article 54 of the Company's Articles of Association are:

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

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

Distribution of Holders of Equity Securities

Ordinary Fully Paid Shares			
Range	Total Holders	Units	% of Issued Capital
1 – 1,000	114	28,903	0.01
1,001 – 5,000	285	875,693	0.29
5,001 – 10,000	218	1,758,463	0.59
10,001 – 100,000	664	25,301,981	8.51
100,001 and over	217	269,509,356	90.60
Total	1,498	297,474,396	100.00

Performance Rights			
Range	Total Holders	Units	% of Performance Rights
1 – 1,000	0	0	0.00
1,001 – 5,000	0	0	0.00
5,001 – 10,000	0	0	0.00
10,001 – 100,000	0	0	0
100,001 and over	8	3,602,405	100.00
Total	8	3,602,405	100.00

Unmarketable Parcels

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

Unmarketable Parcels as at 9 August 2016	Minimum Parcel Size	Holders	Units
Minimum $500 parcel at $0.38 per unit	1,316	127	43,758

Substantial Shareholders

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

Shareholder	No.	%
THORNEY HOLDINGS PTY LTD	79,702,646	26.79%
WINDHAGER HOLDING AG	41,925,781	14.09%
JP MORGAN NOMINEES AUSTRALIA LIMITED	20,196,966	6.79%

Twenty Largest Holders of Quoted Equity Securities

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

Shareholder	No.	%
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	74,531,770	25.05
WINDHAGER HOLDING AG	41,925,781	14.09
J P MORGAN NOMINEES AUSTRALIA LIMITED	20,195,966	6.79
GALE AUSTRALIA PTY LTD	13,997,844	4.71
UBS NOMINEES PTY LTD	7,718,384	2.59
GERNIS HOLDINGS PTY LIMITED	7,409,665	2.49
NATIONAL NOMINEES LIMITED	4,968,574	1.67
CONTEMPLATOR PTY LTD <ARG PENSION FUND A/C>	4,691,433	1.58
MR GEOFFREY DUNCAN NASH <GDN SUPER FUND A/C>	3,327,428	1.12
BNP PARIBAS NOMINEES PTY LTD <AGENCY LENDING DRP A/C>	3,187,327	1.07
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	3,069,480	1.03
STITCHING PTY LTD <SSG SUPERANNUATION FUND A/C>	3,050,000	1.03
W DONNELLY SERVICES PTY LTD <THE DONNELLY SUPER FUND A/C>	2,602,485	0.87
CHILLEN PTY LIMITED (TALLEN)	2,431,317	0.82
BOND STREET CUSTODIANS LIMITED <ZCERNA - D02137 A/C>	2,400,000	0.81
GALLIUM PTY LTD	2,279,359	0.77
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED - A/C 2	2,262,288	0.76
CITICORP NOMINEES PTY LIMITED	2,088,389	0.70
GFS SECURITIES PTY LTD <GLENFARE SUPER FUND A/C>	2,080,935	0.70
VENN MILNER SUPERANNUATION PTY LTD	2,000,000	0.67
TOTAL: TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES AS AT 9 AUGUST 2016	**206,218,425**	**69.32**
TOTAL: REMAINING HOLDERS BALANCE	**91,255,971**	**30.68**

Other Information

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

Stock Exchange Listing

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

Voluntary Escrow

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

Unquoted Equity Securities

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

CLASS OF EQUITY SECURITIES	NUMBER OF UNQUOTED EQUITY SECURITIES	NUMBER OF HOLDERS
SHARES	0	0
OPTIONS	0	0
CONVERTIBLE NOTES	0	0
PERFORMANCE RIGHTS	4,424,210	8

There are no persons who hold 20% or more of equity securities in each unquoted class other than under an employee incentive scheme.

On Market Buyback

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

Item 7 Issues of Securities

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

Securities purchased on-market

No securities were purchased on-market during the reporting period under or for the purposes of an employee incentive scheme or to satisfy the entitlements of the holders of options or other rights to acquire securities granted under an employee incentive scheme.

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