



ASX/Media Release

(ASX: GAP)

25 August 2014

Gale Pacific FY2014 NPAT \$8.2 million

- Strong growth in Americas and Middle East offset by weakness in Australasia
- Final dividend 1.35 cents unfranked
- Organisational restructure and appointment of new Group Managing Director
- Business transformation underway

Gale Pacific Limited, the manufacturer and marketer of branded screening, shading and home improvement products, today announced an after tax profit of \$8.2 million for the year to 30 June 2014 (FY2013: \$9.1 million). Earnings before interest and tax were \$12.1 million (FY2013: \$12.9 million). Sales increased by 14% to \$137.3 million from \$120.0 million.

The final dividend has been maintained at 1.35 cents per share, payable on 1 December 2014 to shareholders on the register at 17 November 2014. This will bring dividends for the full year to 2.65 cents, franked to 37%. The final dividend will be unfranked.

Results summary for year ended	30 June 2014 (A\$ million)	30 June 2013 (A\$ million)	Change (%)
Sales revenue	137.3	120.0	14%
EBITDA	17.6	18.0	(2%)
Depreciation and amortisation	5.4	5.1	6%
EBIT	12.1	12.9	(6%)
Profit before tax	11.0	12.0	(8%)
Profit after tax	8.2	9.1	(9%)
Earnings per shares (cents)	2.72	3.00	(9%)
Final dividend (cents)	1.35	1.35	-
Full year dividends (cents)	2.65	2.65	-

Organisational Restructure

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

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

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

Review of Operations

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

Australasia

	FY2014 A\$ million	FY2013 A\$ million	Change %
Sales	79.9	76.9	4%
EBITDA	1.7	6.2	(73%)

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

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

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

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

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

Americas

	FY2014 US\$ million	FY2013 US\$ million	Change %
Sales	32.9	25.9	27%
EBITDA	3.0	2.1	43%

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

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

Middle East

	FY2014 US\$ million	FY2013 US\$ million	Change %
Sales	11.1	9.7	14%
EBITDA	2.4	1.9	26%

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

China and Other Overseas Markets

	FY2014 US\$ million	FY2013 US\$ million	Change %
Sales – Other Overseas Markets	8.3	7.6	9%
Sales – Internal	38.9	28.6	36%
EBITDA	9.0	7.6	18%

Other Overseas Markets

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

China: Manufacturing Facility

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

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

Cash Flow and Balance Sheet

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

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

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

Outlook

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

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

About Gale Pacific

Gale Pacific Limited (ASX: GAP) is a leading global manufacturer and marketer of branded screening, shading and home improvement products that protect, enhance and beautify outdoor and indoor environments around the world. Its products include:

- Shade products for personal protection as well as large-scale public use;
- Screening & fencing fabrics used domestically and in commercial applications;
- Agriculture and horticultural products to reduce UV damage and water loss, and to provide protection from birds, hail and insects;
- Window furnishings for use indoors and outdoors;
- Pool fencing, balustrade, shower screens, kitchen splashbacks

The company has modern manufacturing facilities in Ningbo, China and sells its products in Australasia, the Americas, the Middle East, Europe, Japan and other markets. It has approximately 800 employees around the world.

In Australia, Gale Pacific sells its products through retail outlets under the Coolaroo, ZONE, Highgrove and REstored brands.

For further information please contact:

David Allman
Chairman
Gale Pacific Limited
Telephone: (03) 9513 3312

APPENDIX 4E

FULL YEARLY REPORT

Name of Entity:	Gale Pacific Limited
ABN or Equivalent Company Reference:	80 082 263 778
Report for the Year Ended:	30 June 2014
Previous Corresponding Period is the Financial Year Ended:	30 June 2013

RESULTS FOR ANNOUNCEMENT TO THE MARKET

		%	\$'000		\$'000
Revenues from continuing activities:	Up	14.4	17,316	To	137,304
Profit from continuing activities after tax attributable to members:	Down	(9.4)	(851)	To	8,233
Net profit for the period attributable to members:	Down	(9.4)	(851)	To	8,233
Please refer to the accompanying Directors' announcement to the Australian Securities Exchange for further commentary.					

DIVIDENDS

	Amount Per Security	Percentage Franked
Final Dividend for the year ending 30 June 2014:	1.35 cents	0%

Date dividend is payable:	01 December 2014
Record date for determining entitlements to the dividend:	17 November 2014
Trading ex dividend:	13 November 2014

NET TANGIBLE ASSET PER SECURITY

	As at 30 June 2014	As at 30 June 2013
Net tangible asset per ordinary security:	19.2 cents	20.9 cents

EARNINGS PER SECURITY (EPS)

	2013 / 2014	2012 / 2013
Earnings used in the calculations of basic and diluted earnings per share:	8,233,000	\$9,084,000
Weighted average number of ordinary shares used in the calculation of basic earnings per share:	297,464,328	296,195,413
Performance rights on issue:	3,700,000	6,622,500
Weighted average number of performance rights issued in prior years:	6,622,500	735,000
Weighted average number of performance rights issued during the year:	961,644	5,866,164
Weighted average number of performance rights vested during the year	(724,932)	-
Weighted average number of performance rights lapsed during the year:	(1,260,000)	-
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:	303,063,540	302,796,577



Name: David Allman
 Title: Chairman
 Date: 25 August 2014