



Edgar Filing: Gales Industries Inc - Form 8-K/A

Explanatory Note

This amendment supplements the Current Report on Form 8-K filed by Gales Industries Incorporated ("we," "our," "us," "Gales" or the "Company") with the Securities and Exchange Commission on April 18, 2007, in which we disclosed the completion of our acquisition of all the outstanding capital stock of Sigma Metals, Inc., to file the financial statements and other information required by Item 9.01.

Item 9.01 Financial Statements and Exhibits

Financial Statements.

- (a) Financial statements of Sigma Metals, Inc.
- (b) Unaudited Pro Forma Condensed Consolidated Financial Information and Notes.

SIGMA METALS, INC.

FINANCIAL STATEMENTS  
AND SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED  
DECEMBER 31, 2006  
DECEMBER 31, 2005

SIGMA METALS, INC.

Table of Contents

For the Years Ended  
December 31, 2006  
December 31, 2005

	PAGES
	-----
Auditors' Report	1
Comparative Balance Sheets	2-3
Comparative Statements of Income and Retained Earnings	4
Comparative Statements of Cash Flows	5-6
Notes to Financial Statements	7-11
Supplementary Information:	
Comparative Schedules of Expenses	12-13

# Edgar Filing: Gales Industries Inc - Form 8-K/A

## Independent Auditors' Report

Board of Directors  
Sigma Metals, Inc.

We have audited the accompanying Comparative Balance Sheets of Sigma Metals, Inc. as of December 31, 2006 and December 31, 2005 and the related Statements of Income and Retained Earnings, and Cash Flows for each of the years then ended. These financial statements are the responsibility of the Sigma Metals, Inc. management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sigma Metals, Inc. as of December 31, 2006 and December 31, 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the accompanying schedules of expenses is presented only for supplementary analysis purposes. Such information has not been subjected to the inquiry and analytical procedures applied in the review of the basic financial statements, but was compiled from information that is the representation of management, without audit or review. Accordingly, we do not express an opinion or any other form of assurance on the supplementary information.

Respectfully submitted,

BILDNER & GIANNASCO, LLP  
Certified Public Accountants

Jericho, New York  
March 19, 2007

2

### SIGMA METALS, INC.

#### Comparative Balance Sheets

ASSETS -----	DECEMBER 31, 2006 -----	DECEMBER 31, 2005 -----
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 44,798	\$ 21,477
Accounts Receivable	2,392,947	975,951
Inventory	2,812,873	1,355,606

Edgar Filing: Gales Industries Inc - Form 8-K/A

Prepaid Expenses	27,818	16,325
	-----	-----
TOTAL CURRENT ASSETS	\$5,278,436	\$2,369,359
	-----	-----
FIXED ASSETS - AT COST		
Property and Equipment	\$ 290,775	\$ 200,320
Less: Accumulated Depreciation	158,780	135,018
	-----	-----
FIXED ASSETS - NET	\$ 131,995	\$ 65,302
	-----	-----
OTHER ASSETS		
Security Deposits	\$ 22,763	\$ 19,117
Other Assets	851	400
	-----	-----
TOTAL OTHER ASSETS	\$ 23,614	\$ 19,517
	-----	-----
TOTAL ASSETS	\$5,434,045	\$2,454,178
	=====	=====

The accompanying audit report and notes are an integral part of these statements.

3

SIGMA METALS, INC.

Comparative Balance Sheets

LIABILITIES AND STOCKHOLDERS' EQUITY	DECEMBER 31, 2006	DECEMBER 31, 2005
-----	-----	-----
CURRENT LIABILITIES		
Accounts Payable	\$2,035,030	\$1,081,994
Notes Payable - SBA	7,345	17,054
Notes Payable - State Bank - Software	26,196	--
Notes Payable - State Bank	897,800	666,702
Lease Payable	--	3,061
Accrued Operating Expenses	282,592	157,552
	-----	-----
TOTAL CURRENT LIABILITIES	\$3,248,963	\$1,926,363
	-----	-----
LONG-TERM LIABILITIES		
Advances from Stockholders	\$ 257,000	\$ 250,000
Notes Payable - SBA	--	7,338
	-----	-----
TOTAL LONG-TERM LIABILITIES	\$ 257,000	\$ 257,338
	-----	-----
TOTAL LIABILITIES	\$3,505,963	\$2,183,701

Edgar Filing: Gales Industries Inc - Form 8-K/A

COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Common Stock (\$300 par value; 100 shares authorized and outstanding)	\$ 30,000	\$ 30,000
Retained Earnings	1,898,082	240,477
TOTAL STOCKHOLDERS' EQUITY	\$1,928,082	\$ 270,477
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$5,434,045	\$2,454,178

4

SIGMA METALS, INC.

Comparative Statements of Income and Retained Earnings

FOR THE YEAR ENDED

	DECEMBER 31, 2006	DECEMBER 31, 2005
REVENUE	\$ 17,979,414	\$ 11,783,651
COST OF GOODS SOLD		
Inventory, Beginning	1,355,606	\$ 753,041
Purchases	13,375,354	8,769,224
Testing & Tolling	\$ 295,646	\$ 194,838
Manufacturing Overhead	608,761	542,239
	\$ 15,635,367	\$ 10,259,342
Less: Inventory, Ending	2,812,873	1,355,606
COST OF GOODS SOLD	\$ 12,822,494	\$ 8,903,736
GROSS PROFIT	\$ 5,156,920	\$ 2,879,915
EXPENSES		
Selling	923,847	770,409
General and Administrative	2,218,053	1,865,417
Interest	129,490	139,553
Franchise Tax	425	425
TOTAL EXPENSES	\$ 3,271,815	\$ 2,775,804
NET INCOME FOR YEAR	\$ 1,885,105	\$ 104,111
DISTRIBUTIONS	(227,500)	(66,000)

Edgar Filing: Gales Industries Inc - Form 8-K/A

RETAINED EARNINGS, BEGINNING OF YEAR	240,477	202,366
	-----	-----
RETAINED EARNINGS, END OF YEAR	\$ 1,898,082	\$ 240,477
	=====	=====

The accompanying audit report and notes are an integral part of these statements.

5

SIGMA METALS, INC.

Comparative Statements of Cash Flows

	FOR THE YEAR ENDED	
	DECEMBER 31, 2006	DECEMBER 31, 2005
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income for Year	\$ 1,885,105	\$ 104,111
Adjustments to Reconcile Net Income to Net Cash Provided (Used) by Operating Activities:		
Depreciation	23,761	17,338
Changes in Assets and Liabilities:		
(Increase) Decrease In -		
Accounts Receivable	(1,416,996)	225,960
Inventory	(1,457,267)	(602,565)
Prepaid Expenses	(11,493)	1,315
Other Current Assets	(451)	(400)
Deposits	(3,646)	(4,847)
Increase (Decrease) In -		
Accounts Payable	953,037	101,237
Lease Payable	(3,061)	3,061
Accrued Operating Costs	125,040	87,604
	-----	-----
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES (Forward)	\$ 94,029	\$ (67,186)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Equipment	\$ (90,455)	\$ (26,123)
	-----	-----
NET CASH (USED) BY INVESTING ACTIVITIES (Forward)	\$ (90,455)	\$ (26,123)
	-----	-----

6

SIGMA METALS, INC.

Comparative Statements of Cash Flows

Edgar Filing: Gales Industries Inc - Form 8-K/A

(Continued)

	FOR THE YEAR ENDED	
	DECEMBER 31, 2006	DECEMBER 31, 2005
	-----	-----
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES (Forward)	\$ 94,029	\$ (67,186)
	-----	-----
NET CASH (USED) BY INVESTING ACTIVITIES (Forward)	\$ (90,455)	\$ (26,123)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES		
Increase in Bank Debt	\$ 231,098	\$ 179,500
Increase (Decrease) in Notes Payable Equipment	9,149	(16,365)
Increase in Shareholders Loans	7,000	10,626
Distributions	(227,500)	(66,000)
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	\$ 19,747	\$ 107,761
	-----	-----
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 23,321	\$ 14,452
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	21,477	7,025
	-----	-----
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 44,798	\$ 21,477
	=====	=====
Supplemental Disclosure of Cash Flow Information:		
Interest Paid	\$ 122,490	\$ 139,553
	-----	-----
Income Taxes Paid	\$ 425	\$ 425
	-----	-----

The accompanying audit report and notes are an integral part of these statements.

7

SIGMA METALS, INC.

Notes to Financial Statements  
For the Years Ended  
December 31, 2006  
December 31, 2005

1- SIGNIFICANT ACCOUNTING POLICIES

Background of Company

## Edgar Filing: Gales Industries Inc - Form 8-K/A

Sigma Metals, Inc. ("The Company") is a stocking aircraft metals warehouse with value added capability. The Company also services the critical needs of aircraft manufacturers and the major airlines. The Company is located in Deer Park, New York. Its customer base consists of both foreign and domestic Corporations.

### Cash & Cash Equivalents

Cash and cash equivalents include all highly liquid debt instruments with an original maturity of three month or less. Cash consists of aggregate cash balances in the Company's bank accounts and cash equivalents consist primarily of money market accounts.

### Accounts Receivable

Accounts receivable are presented at face value, net of the allowance for doubtful accounts. The allowances for doubtful accounts are established through provisions charged against income and are maintained at a level believed adequate by management to absorb estimated bad debts based on current economic conditions. Management considers all accounts to be collectible and, therefore, has not established a provision for uncollectible accounts.

### Concentration of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk consist of trade accounts receivable. The Company grants credits to its customers, which are located in and out of the United States. The Company does have foreign sales, but they are primarily with large corporations that the Company has done business with for a number of years. The majority of these transactions are insured.

### Inventory

Inventories are stated at the lower of cost (first-in, first-out) or market.

### Property and Equipment

Property and equipment are carried at cost less accumulated depreciation and amortization. The Company maintains a policy to capitalize all property and equipment purchases in excess of \$1,000. Expenditures for repairs and improvements in excess of \$1,000 that add to the productive capacity or extend the useful life of an asset are capitalized. Repair and maintenance charges are expensed as incurred. Property under a capital lease is capitalized and amortized over the lease terms. Upon disposition, the cost and related accumulated depreciation are removed from the accounts and any related gain or loss is reflected in earnings. Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets.

8

### Property and Equipment - (Continued)

Depreciation and Amortization are provided by charges to operations over the estimated useful lives, principally on the straight-line method. The estimated useful lives are:

Tools	5 Years
Furniture, Fixtures and Office Equipment	5 Years
Transportation Equipment	5 Years
Machinery and Equipment	7 Years



## Edgar Filing: Gales Industries Inc - Form 8-K/A

Leasehold Improvements

3-15 Years

### Impairment of Long-Lived Assets

The Company reviews long-lived assets for impairment at the facility level annually or when events or circumstances indicate that the carrying value of such assets may not be fully recoverable. Impairment is evaluated based on the sum of undiscounted estimated future cash flows expected to result from use of the assets compared to their carrying value. If impairment is recognized, the carrying value of the impaired asset is reduced to their fair value, based on discounted estimated future cash flows.

### Finance Costs

Costs connected with obtaining and executing debt arrangements are capitalized and amortized on the straight-line basis over the term of the related debt.

### Revenue Recognition

The Company generally recognizes revenue when products are shipped and the customer takes ownership and assumes risk of loss, collection of the relevant receivable is probable, persuasive evidence of an arrangement exists, and the sales price is fixed or determinable.

### Expenses

Selling, general, and administrative costs are charged to expense as incurred.

### Use of Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. The more significant management estimates are the useful lives of property and equipment, provisions for inventory obsolescence, unamortized finance costs, accrued expenses, and various contingencies. Actual results could differ from those estimates. Changes in facts and circumstances may result in revised estimates, which are recorded in the period in which they become known.

### Fair Value of Financial Instruments

The Company has estimated the fair value of financial instruments using available market information and other valuation methodologies in accordance with Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments."

9

### Fair Value of Financial Instruments -- (Continued)

Management of the Company believes that the fair value of financial instruments, consisting of cash, accounts receivable, accounts payable and accrued liabilities, approximates carrying value due to the immediate or short-term maturity associated with these instruments and that the notes payable is carried at fair value in that it carries interest rates that are comparable to similar instruments with similar maturities.

### Income Taxes

The Company has elected to be taxed as a Small Business Corporation and,

## Edgar Filing: Gales Industries Inc - Form 8-K/A

consequently, no Federal tax liability is reflected on the Comparative Statements of Income and Retained Earnings.

### 2- INVENTORY

Inventory consists primarily of sheet metal and is considered all raw materials.

Raw Material (Sheet Metal)	2006	2005
	----	----
	\$2,812,873	\$1,355,606

### 3- PROPERTY AND EQUIPMENT

A schedule of Property and Equipment as of December 31, 2006 and December 31, 2005 is set forth below:

	2006	2005
	----	----
Tools, Machinery and Equipment	\$ 107,702	\$ 92,724
Furniture, Fixtures and Office Equipment	112,578	59,337
Transportation Equipment	17,006	7,006
Leasehold Improvements	53,489	41,253
Total Property, and Equipment	\$ 290,775	\$ 200,320
Less: Accumulated Depreciation	(158,780)	(135,018)
Property. and Equipment. Net	\$ 131,995	\$ 65,302

Depreciation and amortization expense for the years ended December 31, 2006 and December 31, 2005 was \$23,761 and \$17,338, respectively.

### 4- LINES OF CREDIT

The Company had a Bank Line of Credit expiring on May 31, 2006 with a maximum borrowing limit of \$800,000 and interest at one and one half over prime. The prime interest rate at December 31, 2006 and December 31, 2005 was 8.25% and 7.25% respectively. The Line of Credit was renewed for a maximum borrowing limit of \$900,000 and interest at one and one half over prime. This new Line of Credit is due to expire on May 31, 2007. As of December 31, 2006 and 2005 the balance was \$897,800 and \$666,702, respectively.

10

### 4- LINES OF CREDIT - (Continued)

The Line of Credit is secured by a first security interest in all assets. The Line of Credit is due on demand or, if no demand is made, in one payment of all outstanding principal plus accrued unpaid interest on May 31, 2007, at which time it is subject to annual review, pending receipt of the subject's financial statements.

### 5- NOTES PAYABLE - SOFTWARE

In March of 2006, the Company financed the purchase of new computer software with State Bank of Long Island in the amount of \$50,000. The terms of the Note are 2 years at 8% payable monthly in the amount of \$2,261.36. As of the Balance Sheet date, the current balance was \$26,196. Interest incurred amounted to \$2,311.37.

Scheduled amortization payments for the following years are set forth below:

## Edgar Filing: Gales Industries Inc - Form 8-K/A

December 31, 2007	\$25,980
December 31, 2008	216

### 6- LONG TERM DEBT

The Company has an SBA Loan of \$50,000, payable in monthly installments of \$1,477 that started on June 17, 2004 with an interest rate of 4%. The loan is secured by the Company's assets. This loan matures in May of 2007.

Scheduled amortization payments for the following years are set forth below:

	2006	2005
	----	----
December 31, 2006	--	\$17,054
December 31, 2007	\$7,345	7,345

### Retirement Plan

The Company adopted a 401(k) Profit Sharing Plan effective June 6, 1994. The terms of the Plan are as follows:

**CONTRIBUTION:** Up to 25% of Plan Participations' Compensation.

**ALLOCATION- EMPLOYER:** 3.32% of Annual Compensation greater than Cov. Comp. plus 3.32070% of Annual Compensation. Cov. Comp. is based upon \$72,001 year.

**NORMAL RETIREMENT AGE:** 65 or 5 years of Participation, if later.

**FORFEITURES:** Allocated to Participants' Accounts.

**ELIGIBILITY:** All Non-Union Employees over the Age of 21 who completed 1 year of service.

**DEATH BENEFIT:** 100% of the Total Account

11

### Retirement Plan -- (Continued)

**DISABILITY:** 100% of the Total Account

**EMPLOYEES CONTRIBUTIONS:** Up to 100% of Annual Compensation. (Maximum \$14,000)

**MATCHING CONTRIBUTIONS:** 0.00% of Employee deferral up to 0.00% of Compensation deferred.

#### Vesting Schedule

Year	Pct Vested
----	-----
1	0
2	20
3	40
4	60
5	80
6-15	100

The contributions for December 31, 2006 and December 31, 2005 were \$76,790 and

## Edgar Filing: Gales Industries Inc - Form 8-K/A

\$76,551 respectively.

### Shareholder Loans

Two of the major shareholders have advanced the Company \$125,000 each for working capital. These notes are payable on demand and bear interest at a rate of 6%. They also have been subordinated to State Bank of Long Island.

### Commitments and Contingencies

The Company presently leases manufacturing and office facilities under a lease expiring January 31, 2008, at an annual rental of approximately \$22,000, plus annual real estate tax and utilities by the lessee.

This lease is between the Company and Giaquinto -- Lusting Associates, LLC, a Limited Liability Company.

### Subsequent Events

On January 2, 2007, the Company entered into a Stock Purchase Agreement (the "Sigma Agreement") with Gales Industries Incorporated, a Delaware Corporation and the holders of all of the outstanding shares of Sigma Metals (the "Shareholder"). Pursuant to the Sigma Agreement, subject to the satisfaction of various terms and conditions, the Company will acquire from the Shareholders all of the issued and outstanding capital stock of Sigma Metals.

The closing of the Agreement is scheduled to occur in April of 2007 or on such other date as the Company and the Shareholders may agree. The purchase price for all of the shares is \$5,008,204, plus an amount equal to Sigma Metals' earnings for the period from January 1, 2007, until the closing, subject to certain adjustments as set forth in the Sigma Agreement.

## SUPPLEMENTARY INFORMATION

12

### SIGMA METALS, INC.

#### Comparative Schedules of Expenses

	FOR THE YEAR ENDED	
	DECEMBER 31, 2006	DECEMBER 31, 2005
<b>MANUFACTURING OVERHEAD</b>		
Material, Tools and Supplies	\$ 22,663	\$ 19,358
Warehouse Expense	28,963	32,850
Rent	70,441	56,385
Light and Power	25,429	19,277
Factory Maintenance	28,616	32,441
Equipment Rental	--	3,080
Truck Rental	15,869	14,791
Depreciation - Machinery	14,631	13,230
Employee Benefits	27,197	21,027
Payroll Taxes	26,633	21,982
Insurance	60,097	55,023
Group Insurance	21,892	32,973

Edgar Filing: Gales Industries Inc - Form 8-K/A

Labor - Warehouse	266,330	219,822
	-----	-----
TOTAL MANUFACTURING OVERHEAD	\$608,761	\$542,239
	=====	=====
SELLING EXPENSES		
Commissions - Outside	\$103,916	\$ 69,541
Commissions	438,782	338,398
Shipping Supplies	122,098	136,945
Meetings and Conferences	102,212	85,670
Automotive Expenses	73,534	54,216
Trade Shows	5,750	11,509
Payroll Taxes	43,878	33,840
Group Insurance	33,677	40,290
	-----	-----
TOTAL SELLING EXPENSES	\$923,847	\$770,409
	=====	=====

The accompanying audit report and notes are an integral part of these statements.

13

SIGMA METALS, INC.

Comparative Schedules of Expenses

	FOR THE YEAR ENDED	
	DECEMBER 31, 2006	DECEMBER 31, 2005
	-----	-----
GENERAL AND ADMINISTRATIVE EXPENSES		
Officers' Salaries	\$ 802,435	\$ 706,385
Office Salaries	960,207	797,080
Rent	65,966	53,160
Telephone	35,477	34,582
Payroll Taxes	78,149	67,767
Profit Sharing Plan	76,790	76,551
Professional Fees	54,317	42,339
Office Expenses	28,832	23,643
Group Insurance	97,198	40,137
Sundry	3,527	4,786
Depreciation - Office	9,130	4,108
Donations	6,025	2,609
Bad Debt	--	12,270
	-----	-----
TOTAL GENERAL & ADMINISTRATIVE EXPENSES	\$2,218,053	\$1,865,417
	=====	=====

The accompanying audit report and notes are an integral part of these statements.

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

## Edgar Filing: Gales Industries Inc - Form 8-K/A

The following unaudited pro forma condensed consolidated financial statements and related notes are presented to show the pro forma effects of the acquisition of Sigma Metals, Inc. and the issuance of Series B Convertible Preferred Stock having an initial liquidation value of \$8,023,000. The pro forma condensed consolidated statement of operations for the year ended December 31, 2006 is presented to show income from continuing operations as if the acquisition of Sigma Metals, Inc. and the issuance of the Series B Convertible Preferred Stock had occurred as of the beginning of the period. The pro forma condensed consolidated balance sheet is based on the assumption that the acquisition of Sigma Metals, Inc. and the issuance of the Series B Convertible Preferred Stock had occurred effective December 31, 2006.

Pro forma data are based on assumptions and include adjustments as explained in the notes to the unaudited pro forma condensed consolidated financial statements. The pro forma data are not necessarily indicative of the financial results that would have been attained had the acquisition of Sigma Metals, Inc. and the issuance of the Series B Convertible Preferred Stock occurred on the dates referenced above and should not be viewed as indicative of operations in future periods. The unaudited pro forma condensed consolidated financial statements should be read in conjunction with the notes thereto, our consolidated financial statements as of and for the year ended December 31, 2006 included in our Annual Report on Form 10-KSB for the year ended December 31, 2006 and the consolidated financial statements as of and for the years ended December 31, 2006 and 2005 of Sigma Metals, Inc. filed here with.

Gales Industries Incorporated  
 Unaudited Pro Forma Consolidated Comparative Condensed Balance Sheet  
 December 31, 2006

	Gales Industries -----	Sigma -----
ASSETS		
Current Assets		
Cash and Cash Equivalents	\$ --	\$ 44,7
Accounts Receivable (Net of Allowance for Doubtful Accounts of \$176,458 for Gales and \$25,000 for Sigma@ 12/31/2006)	3,508,957	2,392,9
Inventory	15,257,641	2,812,8
Prepaid Expenses and Other Current Assets	232,749	27,8
Deposits	180,456	
	-----	
Total Current Assets	19,179,803	5,278,4
Property, Plant, and Equipment, net	3,565,316	131,9
Deferred Financing Costs	369,048	
Other Assets	63,522	8
Goodwill	1,265,963	
Deposits	448,530	22,7
	-----	
TOTAL ASSETS	\$ 24,892,182	\$ 5,434,0
	=====	
Current Liabilities		

Edgar Filing: Gales Industries Inc - Form 8-K/A

Accounts Payable and Accrued Expenses	\$ 7,648,426	\$ 2,317,6
Notes Payable Current Portion	127,776	33,5
Notes Payable - Revolver	5,027,463	897,8
Notes Payable - Sellers AIM - Current Portion	192,400	
Capital Lease Obligations - Current Portion	407,228	
Due to Sellers AIM	53,694	
Dividends Payable	120,003	
Deferred Gain on Sale - Current Portion	38,033	
Income Taxes Payable	653,426	
	-----	
Total current liabilities	14,268,449	3,248,9
Long term liabilities		
Due to Sellers - Sigma - Net of Current Portion	257,000	
Notes Payable - Net of Current Portion	645,458	
Notes Payable - Sellers AIM - Net of Current Portion	1,290,562	
Notes Payable - Sellers Sigma - Net of Current Portion	--	
Capital Lease Obligations - Net of Current Portion	552,589	
Deferred Tax Liability	512,937	
Deferred Gain on Sale - Net of Current Portion	713,118	
Deferred Rent	39,371	
	-----	
TOTAL LIABILITIES	\$ 18,022,484	\$ 3,505,9
Series B Convertible Preferred - \$.001 Par value, 2,000,000 Shares Authorized, 802,300 Shares Issued and Outstanding with an initial liquidation value of \$8,023,000 '(Authorized, Issued and Outstanding for the Proforma December 31, 2006)	\$ --	\$
Common Stock - \$.001 Par value, 120,055,746 Shares Authorized, 57,269,301 Shares Issued and Outstanding as of December 31, 2006 on a pro forma basis 65,314,694 Shares Issued and Outstanding as of December 31, 2006	57,269	30,0
Additional Paid-In Capital	7,898,702	
Additional Paid-In Capital Series B Preferred		
Additional Paid-In Capital: Sigma Shares		
Retained Earnings (Accumulated Deficit)	(1,086,273)	1,898,0
	-----	
Total Stockholders' Equity	6,869,698	1,928,0
	-----	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 24,892,182	\$ 5,434,0
	=====	

0

Notes to Unaudited Pro Forma Consolidated Comparative Condensed Balance Sheet

- (a) Represents the net cash from sale of Series B Convertible Preferred Stock remaining after using a portion of the proceeds for the purchase of the stock of Sigma Metals, Inc. and paying soft costs associated with the acquisition.
- (b) Represents the goodwill resulting from the excess of the purchase price paid for the stock of Sigma over the value of the assets acquired less the liabilities assumed.

## Edgar Filing: Gales Industries Inc - Form 8-K/A

- (c) Represents the revolving loan facility put in place to pay the amounts due third parties and the former Officers of Sigma for borrowed money.
- (d) Represents the current and long term portions of the notes issued by Gales Industries as part of the purchase price for the stock of Sigma.
- (e) Represents the par value of the shares of Gales Industries Series B Convertible Preferred stock issued, in part, to finance the purchase of the stock of Sigma.
- (f) Represents the elimination of Sigma's Stockholders' Equity (\$30,000) partially offset by the par value (\$8,045) of the 8,045,393 shares issued to the sellers as part of the purchase price for the stock of Sigma.
- (g) Represents the excess of amounts paid by investors over the par value of shares of Gales Industries Series B Convertible Preferred stock net of the soft costs associated with the issuance of such shares.
- (h) Represents the excess over par value of the fair value of the common stock issued as part of the purchase price for the stock of Sigma.
- (i) Represents the eliminations of Sigma's accumulated surplus.

Gales Industries Incorporated  
Pro Forma Combined Statement Of Income  
For the Year Ended December 31, 2006

	Gales Industries -----	Sigma -----
Net Sales	\$ 33,044,996	\$ 17,979,414
Cost of Sales	28,002,942	12,822,494
	-----	-----
Gross Profit	5,042,054	5,156,920
Operating costs and expenses		
Selling and marketing	601,011	923,847
General and administrative	3,789,587	2,218,053
	-----	-----
Income (Loss) from operations	651,456	2,015,020
Other (income) and expenses:		
Interest & financing costs	1,040,108	129,490
Gain on Sale of Life Insurance Policy	(53,047)	--
Gain on Sale of Real Estate	(300,037)	--
Other Income	(435,627)	--
Other Expenses	246,659	425
	-----	-----
Net Income (Loss) before provision for income taxes	153,400	1,885,105
Provision for income taxes	489,969	767,396
	-----	-----
Net Income (Loss)	\$ (336,569)	\$ 1,130,686



Edgar Filing: Gales Industries Inc - Form 8-K/A

-----  
-----  
Pro Forma dividend attributable to preferred stockholders

Pro Forma net earnings attribute to common stockholders

Notes to Pro Forma Combined Statement Of Income

- (a) Represents the pro forma income tax expense for Sigma, as if it were taxable as a "C" not an "S" corp.
- (b) Represents one year's interest expense on \$1,084,213 of notes issued as part of purchase price for Sigma stock, being amortizing monthly with an interest rate of 7%.
- (c) Represents the 8% preferred stock dividend for the \$4,349,318 portion of the \$8,023,000 Series B Convertible Preferred Stock used to purchase Sigma.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this amendment to its Current Report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: June 8, 2007

GALES INDUSTRIES INCORPORATED

By: /s/ Peter D. Rettaliata  
Name: Peter D. Rettaliata  
Title: Chief Executive Officer