

2022 ANNUAL REPORT

GALE
P A C I F I C



ABOUT GALE PACIFIC

GALE Pacific is an innovative, market-leading manufacturer of technical fabrics used for consumer and commercial applications around the world.

2022 HIGHLIGHTS

\$205.5m

REVENUE

PCP: \$205.2m

\$22.9m

EBITDA

PCP: \$28.2m

\$7.2m

NET CASH FLOW

from operating activities

PCP: \$34.6m

2.76c

**EARNINGS
PER SHARE**

PCP: 4.48c

\$13.0m

EBIT

PCP: \$19.0m

\$(5.5)m

NET CASH/(DEBT)

PCP: \$1.5m

2.0c[#]

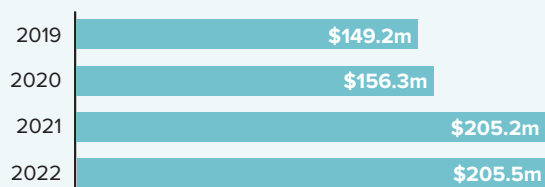
TOTAL DIVIDEND

PCP: 4.0c[^] unfranked

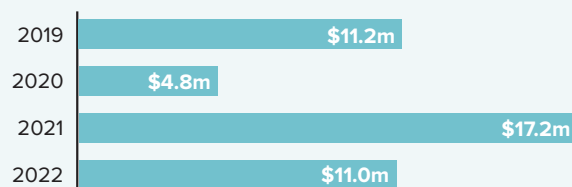
[#] Interim dividend franked at 50% and final dividend franked at 75%

[^] Includes 2.0 cent per share special dividend, unfranked

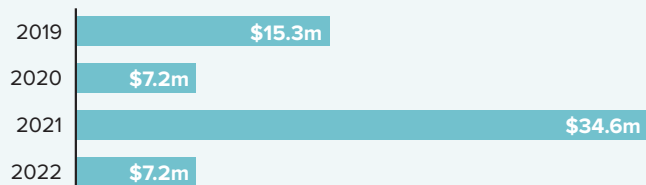
Revenue \$m



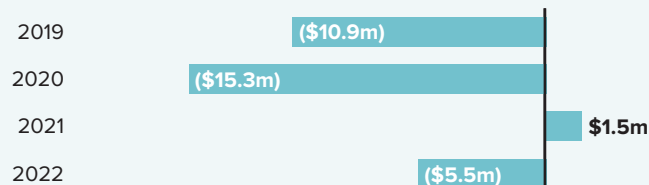
Profit before tax \$m



Operating Cash Flow \$m



Net Cash/(Debt) \$m



* All figures compare FY22 to FY21 unless otherwise indicated



GLOBAL REACH

with operations in Australia, New Zealand, USA, China, and Dubai



600+ STAFF

employed around the world working out of our 4 offices, 4 manufacturing sites and 8 warehouses



GROWTH FOCUSED

through innovation, category expansion, expanded distribution, and efficiency



CONSUMER PRODUCTS

includes outdoor roller shades, shade sails, shade and garden fabrics, shade structures and pet products sold through major retailers globally



COMMERCIAL PRODUCTS

includes knitted, coated, and advanced polymer fabrics for agricultural, architectural, construction, mining, and packaging

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CHAIRMAN'S LETTER

“Our core markets, Australia and the Americas, produced significant second half revenue and profit growth compared to prior year.”

David Allman



The 2022 financial year presented considerable difficulties and operating complexities in the form of supply chain disruptions, significant input cost increases, changed trading patterns following increased COVID-induced demand during FY21, and operating restrictions at our plant in China. These factors particularly impacted the first half of the year.

I am pleased to report that despite all these difficulties our management team managed to maintain a high level of customer service throughout the year and also managed to achieve operating efficiencies and improvements.

During the first half, we successfully introduced price increases which, together with operating efficiencies, offset a proportion of the cost increases and led to much improved financial outcomes in the second half. Pleasingly, second half sales volumes held up well despite higher consumer prices, with new products and placements adding to growth.

As a result, both of our core markets, Australia and the Americas, produced significant second half revenue and profit growth compared to prior year.

For the full year, revenue of \$205.5 million was in line with FY21, but 31% above FY20. Profit before tax

of \$11.0 million was 36% below prior year but more than double FY20. Earnings per share of 2.8 cents enabled dividends totalling 2 cents per share. Net cash generation of \$7.2 million was impacted by the requirement to fund higher cost inventories and increased debtors which resulted from higher second half revenue, while net debt of \$5.5 million at 30 June represented conservative gearing and a strong balance sheet.

Despite the difficult trading and operating conditions experienced during the first half of the year, we continued with our strategies aimed at building GALE into a much larger, fast growing global fabrics technology business.

Our most significant growth opportunity is to expand our presence in the large Americas market, and during FY21 we centralised a number of key management positions in the USA, where our managing director, John Paul Marcantonio, has been based since his appointment to the role in November 2019. The management team has been further enhanced and streamlined globally and the new structure is working extremely well. Over the last two years, we have also invested in resources for the long term in other areas, particularly in sales, marketing and product development, and we have some very exciting products in our development pipeline.

While these investments have resulted in considerable short-term increases in expenses,



we are confident they will enable us to achieve our growth objectives. We now have a first-class, well-structured management team and we do not see the need to add further significant management resources.

The management team and all our employees have successfully dealt with numerous challenges over the past two, quite extraordinary, years while prioritising health and safety. I would like to thank all of them for their commitment during this period.

The second half results give us great confidence that our growth objectives are realistic and that we have the management team and strategies in place to achieve them. This has been confirmed through our engagement with our advisors Luminis Partners.

We are planning for and anticipating revenue and profit growth in FY23, driven mainly by the Americas region during its peak selling season in our second half.

David Allman
Chairman



\$11.0m

**PROFIT
BEFORE TAX**

PCP: \$17.2m



2.0c

DIVIDEND

PCP: 4.0c

GALE PACIFIC FY22 OVERVIEW

“We are energised by the momentum with which we finished the year, delivering double-digit increases in second-half revenue, earnings and profit.”

John Paul Marcantonio



CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR'S REVIEW

The 2022 financial year was a tale of two separate halves in the face of continued, full-year macro complexity across our global supply chain and input cost inflation across our global operations.

After a challenging first half, we are energised by the momentum with which we finished the year, delivering double-digit year-on-year increases in second-half revenue, earnings and profit.

This result marks the third consecutive year of record second-half revenue and profit for the Company, driven by robust business performance in Australia and the United States, our anchor markets, and a return to growth in the Middle East & North Africa region.

We are encouraged by our ability to manage the headwinds we have faced across international shipping, logistics, input cost inflation, operating restrictions in China and overall market volatility throughout this reporting period and prior years.

Our results provide further evidence that our growth and operating strategies are working well and that our business and team are highly resilient in the

face of continued challenging and complex global operating conditions.

Our pricing measures throughout the year offset a meaningful portion of the significant increase in input costs, with further benefits to be realised in FY23.

We have additional price increases in place entering FY23 across all selling regions, and we are encouraged by some early signs of stabilisation across input cost categories.

Most importantly, we continued to invest in and accelerate our work to achieve our primary strategy and objective of building GALE Pacific into a fast-growing, world-class, global fabrics technology business.

We are a stronger company exiting FY22 with a newly reorganised, talented, experienced executive leadership team collaboratively and efficiently driving our growth strategy into action.

We have continued investing in people and capabilities to grow GALE Pacific well into the future, with a particular focus on sales, marketing and



\$7.2m

NET CASH FLOW

from operating activities

PCP: \$34.6m

GALE PACIFIC FY22 OVERVIEW (continued)

operational talent in the United States, given its scale and long-term growth potential for the Company.

The GALE Pacific **G**rowth **A**cceleration **P**lan builds on our growth strategy. It outlines how we will grow the Company over the coming years by focusing our efforts, investments and teams on expanding our categories, markets, supply chain, capabilities and people.

In line with our growth framework, we have recently announced a significant investment to upgrade our ERP systems across markets to cloud-based Microsoft Dynamics 365. These system improvements will significantly enhance cybersecurity while enabling our team to scale the company efficiently to achieve our growth plans.

We added new consumer insights, concept development and testing capabilities to the Company in FY22. These have improved the quality and scale of our innovation and new product funnel, with the team preparing to launch in FY23 the Company's most significant new-to-world fabric innovation for the consumer and commercial end-markets in many years.

We are confident that our brands and products have significant growth potential outside Australia and the United States. We now have the supply chain and operational capabilities to service this core element of our growth strategy. We will invest in growing these new and developing markets for GALE Pacific in FY23.

Our supply chain and operations teams are now aligned and integrated, forming ONE Global GALE Supply Chain team. Our planning, procurement, manufacturing, delivery, distribution and service teams are responsible for improving our operations by increasing efficiency, capacity utilisation and flexibility while delivering productivity and attacking the trapped cost of failure across our global business.

The key differentiator for our organisation over the coming years is also our most important responsibility as leaders, which is to grow our people. With our Attract, Engage, Develop organisational development model, we'll build and mobilise our team to deliver our growth plans while concurrently building our functional leadership capabilities.

Our goal is to build and empower the team to double our business by becoming an employer of choice for top talent to grow their careers. The results of our annual employee engagement survey show that we have made breakthrough progress toward this goal over the last year.

I would like to conclude by first thanking our entire GALE Pacific team for their hard work and commitment to improving the Company's operations and service while concurrently delivering record results in a highly challenging operating environment.

In addition, I would like to thank my fellow directors for their collaboration, support, counsel and continued belief in our team and our plan to build a larger, stronger GALE Pacific well into the future.

Finally, thank you, our shareholders, for your continued support.

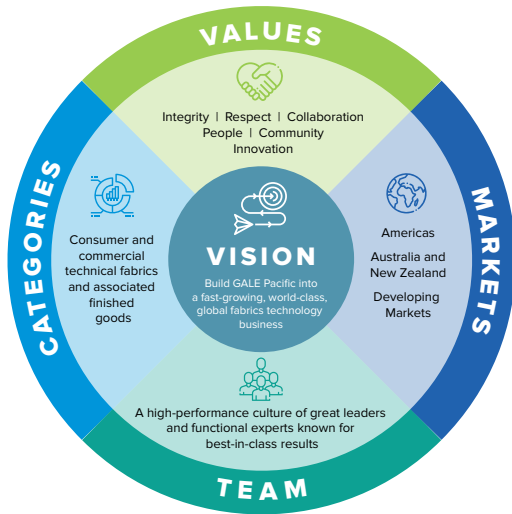
The opportunities in front of us energise us.

We are just getting started.



John Paul Marcantonio

Chief Executive Officer & Managing Director



HOW WE GROW	GROW OUR CATEGORIES	- DEVELOP AND LAUNCH breakthrough innovation in our core categories - ACCELERATE new & near neighbour category entry - ACCELERATE penetration via leadership brand activation and communication
	GROW OUR MARKETS	- DRIVE CATEGORY GROWTH in retail & commercial in Australia & the United States - RAPIDLY EXPAND distribution & availability in the United States - EXTEND OUR BORDERS into Latin America, Southeast Asia, Canada, Middle East & Europe
	GROW OUR SUPPLY CHAIN	- LEVERAGE ONE Global GALE Supply Chain Plan, Procure, Manufacture, Deliver, Distribute & Serve - ENHANCE utilisation, efficiency & flexibility across our global supply chain and operations - EXPAND productivity delivery & ATTACK trapped cost of failure
	GROW OUR CAPABILITIES	- SIMPLIFY OUR BUSINESS and ways of working for improved clarity, efficiency & execution - BUILD & IMPLEMENT the right global IT strategy, tools & team to enable our growth plans - DEEPEN OUR INSIGHTS & INNOVATION capabilities to accelerate our growth strategy
	GROW OUR PEOPLE	- DEVELOP our functional leadership capabilities throughout the organisation - EMBED our Attract, Engage, Develop organisational development model - BUILD & EMPOWER the team to DOUBLE by becoming an employer of choice for TOP TALENT to GROW their CAREERS

DELIVERED WITH **EDGE**: Every Day Great Execution



BUSINESS OVERVIEW

Gale Pacific is a fast-growing, world-class global fabrics technology business.

We are a market leading manufacturer and innovator of technical fabrics used for consumer and commercial applications around the world. Our products are used in various industries, such as architectural, agricultural, mining, construction and home improvement.



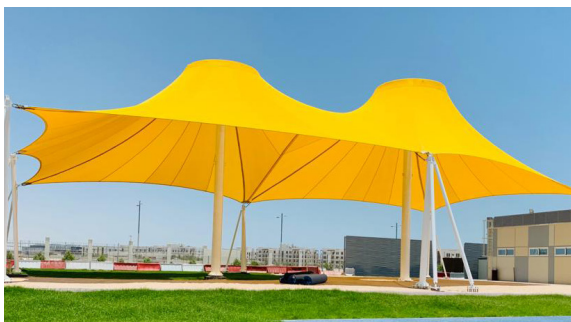
Americas

Second-half revenue of \$62.7 million and EBITDA of \$13.3 million were records for GALE in the Americas region for the third consecutive year.



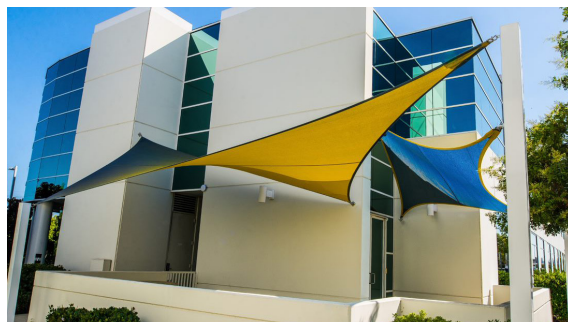
Australia & New Zealand

Delivered a robust second half despite weather and supply chain challenges. Primary drivers were increased demand for fabrics used in grain handling and water containment and for non-woven coated products used in food handling.



Middle East & North Africa

Improving business conditions, increased infrastructure project investment, new products, price increases and GALE's tightened credit policy improved overall and long-dated debtors drove revenue and EBITDA growth in the second half.



Eurasia

Revenue and EBITDA were lower compared to corresponding prior periods, driven primarily by demand normalisation across both commercial and consumer end-markets and despite price increases across the market.

“We are confident that our brands and products have significant growth potential outside Australia and the United States.”

John Paul Marcantonio

MAP LEGEND:



Head office



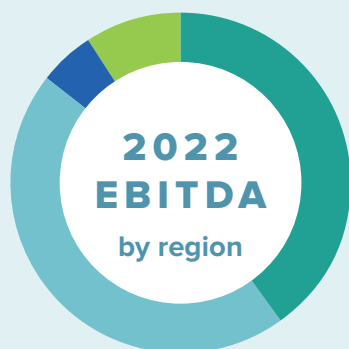
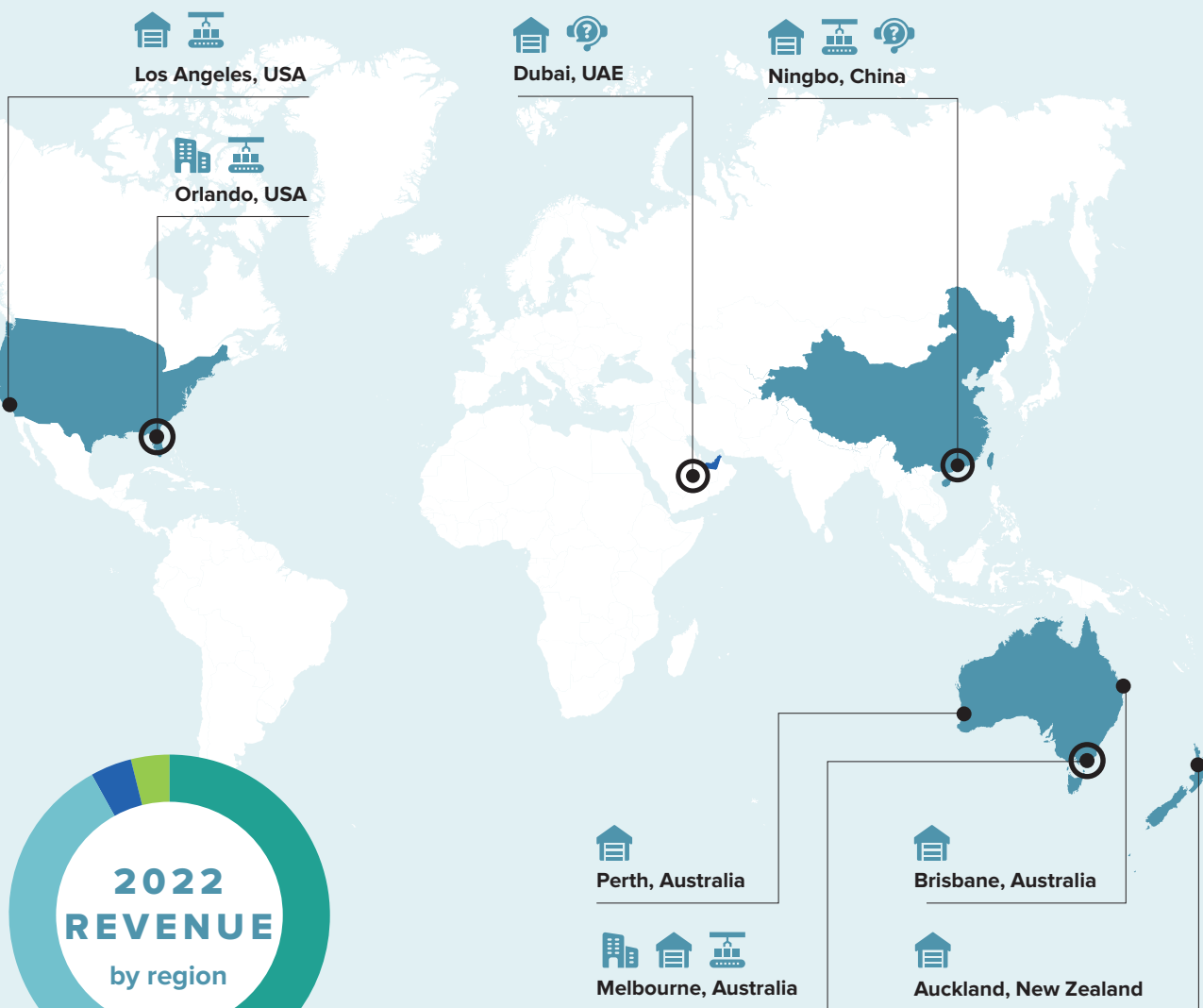
Sales office



Warehouse



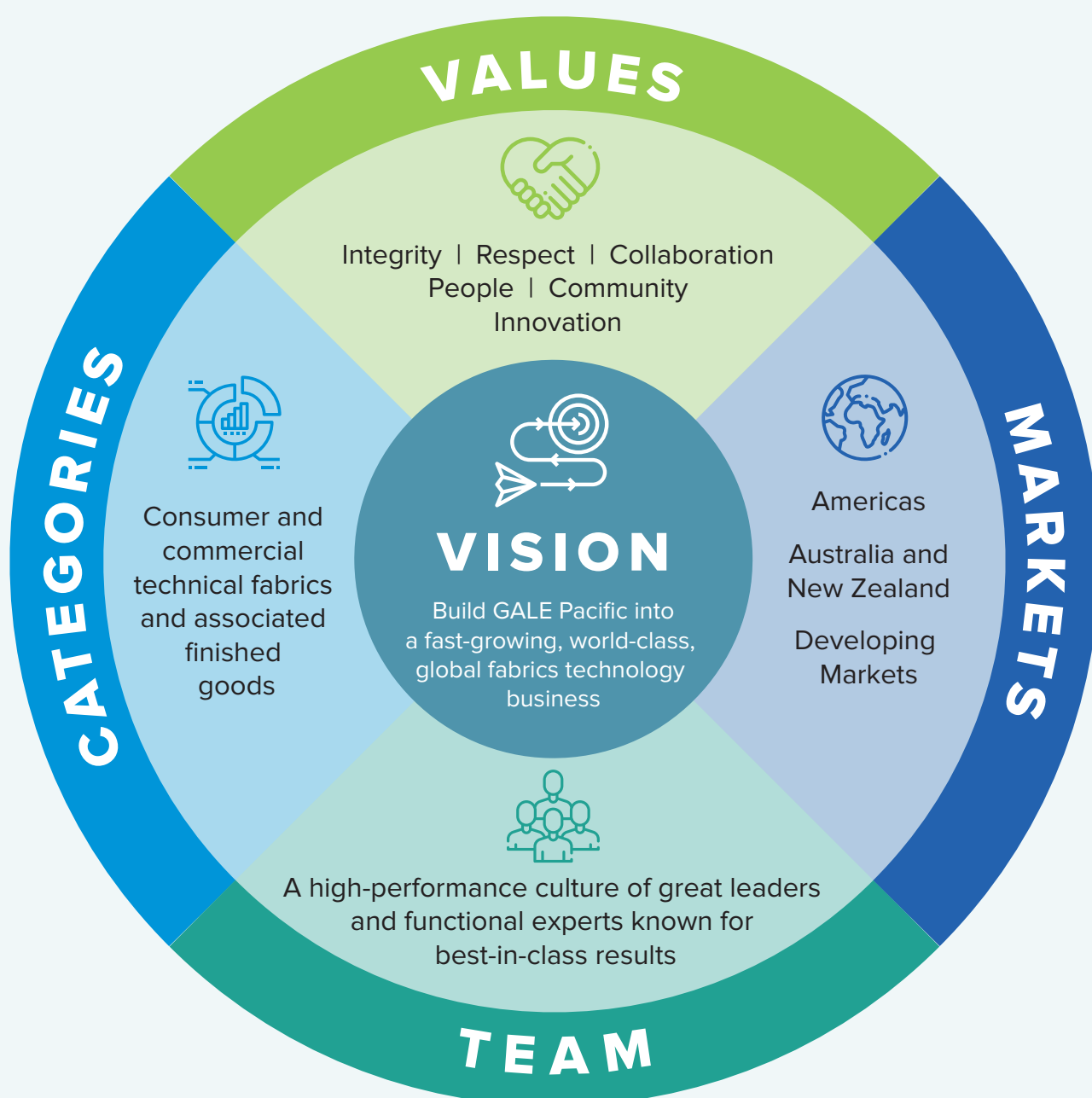
Manufacturing



	Revenue \$m	EBITDA \$m
● Australia & New Zealand	93.7	11.5
● Americas	95.6	13.0
● Middle East & North Africa	8.5	1.5
● Eurasia	7.6	2.5

OUR GROWTH ACCELERATION PLAN

The Growth Acceleration Plan framework to grow the Company in the United States and Australia and build its business across new and developing markets.



GROW OUR CATEGORIES

- **DEVELOP AND LAUNCH** breakthrough innovation in our core categories
- **ACCELERATE** new & near neighbour category entry
- **ACCELERATE** penetration via leadership brand activation and communication

GROW OUR MARKETS

- **DRIVE CATEGORY GROWTH** in retail & commercial in Australia & the United States
- **RAPIDLY EXPAND** distribution & availability in the United States
- **EXTEND OUR BORDERS** into Latin America & Southeast Asia; expand Canada, Middle East & Europe

GROW OUR SUPPLY CHAIN

- **LEVERAGE ONE** Global GALE Supply Chain I Plan, Procure, Manufacture, Deliver, Distribute & Serve
- **ENHANCE** utilisation, efficiency & flexibility across our global supply chain and operations
- **EXPAND** productivity delivery & **ATTACK** trapped cost of failure

GROW OUR CAPABILITIES

- **SIMPLIFY OUR BUSINESS** and ways of working for improved clarity, efficiency & execution
- **BUILD & IMPLEMENT** the right global IT strategy, tools & team to enable our growth plans
- **DEEPEN OUR INSIGHTS & INNOVATION** capabilities to accelerate our growth strategy

GROW OUR PEOPLE

- **DEVELOP** our functional leadership capabilities throughout the organisation
- **EMBED** our Attract, Engage, Develop organisational development model
- **BUILD & EMPOWER** the team to **DOUBLE** by becoming an employer of choice for **TOP TALENT** to **GROW** their **CAREERS**

DELIVERED WITH EDGE:
Every Day Great Execution

BOARD OF DIRECTORS



**DAVID ALLMAN,
B.SC.**

CHAIRMAN AND NON-EXECUTIVE DIRECTOR SINCE NOVEMBER 2009

David was Managing Director of McPherson's Limited

from 1995 to 2009 and prior to that was Managing Director of Cascade Group Limited for seven 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. During the last three years David has been Chairman of Catalyst Education Pty Ltd and Chairman of Direct Couriers Group Pty Ltd.

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



**PETER LANDOS,
B.ECON., CA**

NON-EXECUTIVE DIRECTOR SINCE MAY 2014

Peter is the Chief Operating Officer of the Thorney

Investment Group of Companies which he joined in 2000 having previously worked at Macquarie Bank Limited. Peter has extensive business and corporate experience specialising in advising boards and management in mergers and acquisitions, divestments, business restructurings and capital markets.

Peter is a non-executive director of Adacel Technologies Limited, Chairman of PRT Company Limited (formerly Prime Media Group Limited) and a non-executive director of various entities within the Australian Community Media Group including 20 Cashews Pty Ltd and Rural Press Pty Ltd.

Peter is the Chairman of the Audit and Risk Committee and is a member of the Company's Nomination Committee.



**DONNA
MCMASTER, GAICD**

NON-EXECUTIVE DIRECTOR SINCE MARCH 2018

Donna has extensive experience in senior executive

and strategic roles within public and private retail companies, with a proven track record in retail, brand and product development, marketing and communications.

Donna serves on multiple Boards and is currently Board Chair & Non-Executive Director of Dandenong Market Pty Ltd, Deputy Chair & Non-Executive Director of YMCA Service Pty Ltd where she is also Chair of the HR & Governance Committee, Non-Executive Director with Leading Edge Retail where she is also Chair of the Remuneration Committee and Non-Executive Director of Leading Edge, New Zealand.

Donna is a member of the Company's Nomination and Remuneration Committees.



**TOM STIANOS,
B.APP.SC., FAICD**

NON-EXECUTIVE DIRECTOR SINCE OCTOBER 2017

Tom has extensive experience as a non-executive director

of listed companies including many years as Managing Director. Tom is currently Chairman of Xref Limited (ASX:XF1), and Chairman of Escient. Tom was previously chairman of Empired Limited (ASX:EPD) a non-executive director of Inabox Group (ASX:IAB), CEO of SMS Management & Technology (ASX:SMX), and Director of the Australian Information Industry Association.

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

EXECUTIVE LEADERSHIP



JOHN PAUL MARCANTONIO

CEO & MANAGING DIRECTOR

John Paul joined GALE Pacific in October 2017 as the General Manager of the

Americas business. He was appointed Chief Executive Officer in November 2019 and then Managing Director in August 2020. John Paul has broad experience working globally across consumer and commercial product sectors. Before joining GALE Pacific, John Paul built his career at Newell Brands in roles of increasing responsibility and scope in marketing, sales, and management over fifteen years. He has held multiple global product and brand marketing leadership positions over his tenure. John Paul lived and worked in Melbourne, Australia, as the Marketing Director of Newell Brands' APAC hardware business.



MATT RUSSELL

CHIEF HUMAN RESOURCES OFFICER

Matt joined GALE Pacific in January 2021 as the Chief Human Resources Officer and leader of the Global

Health & Safety Environmental function for GALE Pacific. Matt has extensive experience leading the Human Resources function for public and private equity-backed global businesses in consumer and commercial durable goods. Before joining GALE Pacific, Matt was the global Human Resources leader for several business units of Newell Brands, most recently the Rubbermaid & Rubbermaid Commercial Business Unit. During his tenure with Newell Brands, Matt lived in Hong Kong, serving as the Vice President, Human Resources for the Asia Pacific region. Matt spent 15 years with Newell Brands in Human Resources roles of increasing responsibility and scope.



SHERYL SMITH

CHIEF FINANCIAL OFFICER

Sheryl joined GALE Pacific in January 2022 and has extensive experience working in various finance leadership

positions for global manufacturing companies. Before joining GALE Pacific, Sheryl held roles of increasing worldwide responsibility and scope in finance at Polypore International, including the previous four years as the company's CFO, GETRAG Corporation, PPG, and Morgan Stanley. Sheryl holds an International Master of Business Administration from the University of South Carolina and a Master of International Business from the Escuela de Administracion de Empresas in Barcelona, Spain.



ADAM BOCCELLI

GLOBAL VICE PRESIDENT | SUPPLY CHAIN

Adam joined GALE Pacific in August 2020 as the Vice President, Americas

Operations for GALE Pacific. He assumed responsibility for GALE's global supply chain functions, including the company's manufacturing operations in Ningbo, China, in August of 2021. Adam has extensive experience leading global supply chain functions, including planning, sourcing, manufacturing, and logistics of international businesses in the consumer, high tech, and medical diagnostics industries. Before joining GALE Pacific, Adam held several roles as a global operations leader for IDEXX Laboratories with positions of increasing responsibility and scope. Before IDEXX, Adam held roles with 3rd Party Logistics providers and publicly held consumer goods companies. Adam is also a United States Marine Corp veteran.

EXECUTIVE LEADERSHIP



TROY MORTLEMAN

**GENERAL MANAGER |
AUSTRALIA &
NEW ZEALAND &
DEVELOPING MARKETS**

Troy joined GALE Pacific in January 2020. Over the

last 14 years, he has built an impressive career at previously NZX listed Methven Ltd (MVN) as the Chief Operating Officer of Methven Australia. Troy held various senior roles of increasing responsibility in sales and general management and has experience across both retail & commercial channels of distribution for both consumer & commercial durables categories. Troy has a proven track record of concurrently building growing businesses while developing and leading high-functioning teams. Troy holds a Master of Business Administration from Deakin University and is a Graduate Member of the Australian Institute of Company Directors.



NATHAN BIRCKHEAD

**GLOBAL VICE
PRESIDENT | IT**

Nathan joined GALE Pacific in June 2021 and has

extensive experience in the

Information Technology function, having held various leadership positions during his career. Before joining GALE Pacific, Nathan was the Director of Information Technology for Omni-Parts Automotive, a wholly owned affiliate of Nissan Motor Company. Nathan developed, implemented, and led all aspects of the IT function, strategy, team, and infrastructure for Omni's automotive parts aftermarket business venture. Before joining Omni, Nathan spent ten years with Nissan in various IT roles of increasing responsibility and leadership.



KEVIN HARSHAW

**VICE PRESIDENT &
GENERAL MANAGER
| AMERICAS &
INNOVATION**

Kevin Harshaw joined GALE Pacific in August 2021

as the company's Vice President of Global Marketing & Innovation. In January 2022, Kevin assumed additional responsibility as the General Manager of the Americas region. Before joining GALE Pacific, Kevin Harshaw built an international career with leadership positions at Procter & Gamble, Reckitt, Kimberly-Clark, and private equity-backed companies. Kevin has lived and worked in the United States, Canada, Switzerland, and Thailand, leading local, regional, and global organisations across Health/OTC, Fabric Care, Personal Care, and Outdoor categories. Kevin has a track record of concurrently developing and launching global innovations that meet consumers' needs and energizing teams to overdeliver results.



CORPORATE GOVERNANCE

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GALE PACIFIC | 2022 ANNUAL REPORT

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 complies with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) (**Recommendations**).

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company (**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 (<https://www.galepacific.com/investor-info/corporate-governance>) 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 (<https://www.galepacific.com/investor-info/corporategovernance>).



DIRECTORS' REPORT

for the year ended 30 June 2022

The directors present their report, together with the consolidated financial statements, of Gale Pacific Limited (referred to hereafter as the 'Company' or 'Parent entity') and its controlled entities (together the 'Group') for the year ended 30 June 2022 and the independent Auditor's report thereon.

Changes in state of affairs

Throughout the COVID-19 global pandemic, the Group has prioritised the health and safety of its team, allowing remote work for those able to perform their job responsibilities in a remote work environment and ensuring the health, safety, and hygiene protocols across all global locations. The Group continues to operate in line with jurisdictional requirements and best available practices across its operating entities. The Group's global supply chain proved resilient, effectively managing through delays and cost inflation and disruption across international and local logistics with a focus on ensuring customer service through increased inventory holdings, particularly in the United States and Australia. The Group efficiently managed the challenges imposed by mandated production interruptions to its Ningbo, China, manufacturing facility due to electricity restrictions and COVID-19 lockdown protocols in both Ningbo and Shanghai throughout the year. As presented in the executive leadership section of the annual report, the Group's restructured executive leadership team brings improved capabilities in human resources, finance, marketing, innovation, information technology, and global supply chain management and aligns clearly with the Group's growth acceleration strategy. Additionally, the Group identified and commenced the work on the Charlotte, NC office location, US-based members of the executive leadership team will relocate to the Charlotte area to leverage the key geographic region as it relates to key customers and the textile industry.

Principal activities

During the financial year, the principal continuing activities of the Group consisted of marketing, sales, manufacture and distribution of branded screening, architectural shading, commercial agricultural / horticultural fabric products to domestic and global markets.

Review of operations

The profit for the Group after providing for income tax amounted to \$7,617,000 (30 June 2021: profit of \$12,327,000).

Events subsequent to balance date

Apart from the dividend declared, no other matter or circumstance has arisen since 30 June 2022 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.

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.

GALE assesses its exposure to climate risks and incorporates such assessments into its annual strategic planning process. The identified risks and possible impacts associated with the climate risks are appropriately considered and integrated into the various levels of planning and decision-making that drive the company's go-forward strategy.

Dividends

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

2022	
Final Dividend for the year ended	
30 June 2021 (paid 15 October 2021)	2.00 cents
Interim Dividend for the 6 months ended	
31 Dec 2021 (paid 14 April 2022)	1.00 cent

In addition to the above dividends, on the 23 August 2022 the Directors declared a dividend of 1.00 cent per share to the holders of fully paid ordinary shares in respect of the year ended 30 June 2022, payable on 14 October 2022 to shareholders on the register at 30 August 2022. The final dividend will be franked at 75%.

This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$2,800,000.

For the full year, dividends of 2.00 cents per share have been declared on earnings of 2.76 cents per share.

Share based payments

Performance rights

The number of performance rights on issue at the date of this report is 18,980,338 (2021: 17,907,971). 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.

In the current financial year, a total of 3,074,000 performance rights (December 2021, 2,870,000 performance rights and April 2022, 204,000 performance rights) were granted to executive officers (excluding the CEO & MD) and senior managers under the Company's Performance Rights Plan scheme for a three year period to 30 June 2024.

2,451,000 performance rights that were issued to executive officers and senior managers is subject to meeting the two vesting conditions (performance hurdle and time hurdle) as outlined below.

623,000 performance rights were issued to executive officers and senior managers is subject only to the vesting condition related to time hurdle as outlined below.

Vesting conditions

Performance hurdle – The compound annual growth rate (CAGR) of the diluted earnings per share over the relevant performance period should be greater than 3%. The vesting % will be prorated between 0% and 100% for CAGR less than 3% and 10% or above respectively.

Time hurdle – Continuous employment from the grant date to 30 September 2024.

During the financial year, a total of 1,001,732 performance rights vested and 999,901 performance rights forfeited. The vesting and forfeiting of those performance rights was subject to a continuation of employment for three years and the satisfactory achievement of performance hurdles based on improvements in the Group's diluted earnings per share over the three year period between 1 July 2018 and 30 June 2021.

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	4,500,000	N/A	N/A
P Landos	–	N/A	N/A
D McMaster	50,000	N/A	N/A
T Stianos	600,000	N/A	N/A
J P Marcantonio	285,882	N/A	14,000,000 ¹

¹ In accordance with the early achievement criteria of the three-year incentive scheme in place for the CEO & Managing Director, TSR hurdles up to 30 June 2022 have been satisfied and accordingly 7,621,600 performance rights will convert to ordinary fully paid shares subject to all of the other requirements under the incentive scheme being met.

DIRECTORS' REPORT (continued)

for the year ended 30 June 2022

Directors' meetings

The table below sets out the attendance by Directors.

Directors	Board of Directors' Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
	No. of Meetings Eligible to Attend	Attended	No. of Meetings Eligible to Attend	Attended	No. of Meetings Eligible to Attend	Attended	No. of Meetings Eligible to Attend	Attended
D Allman	10	10	5	5	1	1	—	—
P Landos	10	10	5	5	—	—	—	—
D McMaster	10	10	—	—	1	1	—	—
T Stianos	10	10	5	5	1	1	—	—
JP Marcantonio	10	10	—	—	—	—	—	—

As at the date of this report, the Company has an Audit & Risk Committee, a Remuneration Committee and a Nomination Committee of the Board of Directors.

As at the date of this report the members of the Audit & Risk Committee are Peter Landos, Tom Stianos and David Allman. The Chairman of the Audit & Risk Committee is Peter Landos.

As at the date of this report the members of the Remuneration Committee are Tom Stianos, David Allman and Donna McMaster. The current Chairman of the Remuneration Committee is Tom Stianos.

As at the date of this report the members of the Nomination Committee are David Allman, Peter Landos, Donna McMaster, and Tom Stianos. 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 Group's earnings and movements in shareholder wealth for the five years to 30 June 2022:

	30 June 2022	30 June 2021	30 June 2020	30 June 2019	30 June 2018
Sales ('000s)	205,543	205,223	156,338	149,217	148,811
Net profit before tax ('000s)	10,952	17,220	4,757	11,208	12,484
Net profit after tax ('000s)	7,617	12,327	3,719	9,198	9,807
Share price at start of year	41.0 cents	16.0 cents	32.0 cents	35.5 cents	40.0 cents
Share price at end of year	29.0 cents	41.0 cents	16.0 cents	32.0 cents	35.5 cents
Interim dividend	1.00 cent	2.00 cents	0.0 cent	1.00 cent	1.00 cent
Final dividend	1.00 cent	2.00 cents	1.00 cent	1.00 cent	1.00 cent
Basic earnings per share	2.76 cents	4.48 cents	1.34 cents	3.21 cents	3.35 cents
Diluted earnings per share	2.59 cents	4.21 cents	1.32 cents	3.16 cents	3.29 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 Practices

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

Non-executive directors remuneration

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.

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 25 October 2019 when shareholders approved the Company's constitution which provides for an aggregate remuneration of \$600,000 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

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

DIRECTORS' REPORT (continued)

for the year ended 30 June 2022

- Ensure that total remuneration is competitive by market standards.

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.

The executive remuneration packages contain the following key elements:

- Primary benefits – salary/fees;
- Cash bonuses – One year short term performance cash bonus payments are awarded in accordance with the Company's remuneration policy. The budget targets for each business unit and the Company overall is established each year by the Board. The performance criteria include sales and earnings before interest and tax growth and working capital management. For corporate executives, the performance criteria include growth in earnings before interest and tax and profit after tax.
- Share based payments, if the performance criteria and any Board discretion are satisfied, entitle an executive or senior manager to be issued shares in the Company at no cost to them. Shares are issued subsequently after the time all performance rights vesting conditions are met.

The combination of these comprises the senior manager and executive 's total remuneration.

Share-based payments

The Group maintains a performance rights scheme for certain staff and executives, including the Group Managing Director and Chief Executive Officer, 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 performance rights on issue as at 30 June 2022 was 18,980,338. 559,338 of these performance rights were granted on 16 January 2020 and will not vest until the time of the Company's 2022 annual report is released on the ASX (on or around 1 October 2022). 1,347,000 of these performance rights were granted on 30 October 2020 and 14,000,000 of these performance rights were granted on

23 December 2020 and both will not vest until the time of the Company's 2023 annual report is released on the ASX (on or around 1 October 2023). 3,074,000 of these performance rights were granted in this financial year and will not vest until the time of the Company's 2024 annual report is released on the ASX (on or around 1 October 2024). Each performance right has \$nil exercise price and 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.

Key management personnel of the group who held office during the year

Non-executive directors

D Allman (Chairman Non Executive)

P Landos (Non Executive)

D McMaster (Non Executive)

T Stianos (Non Executive)

Executive officers

J P Marcantonio (CEO and Managing Director)

M Russell (Global Chief Human Resources Officer) – appointed 10 August 2021 (previously Chief Human Resources Officer)

A Boccelli (Global Vice President, Supply Chain) – appointed 10 August 2021 (previously Vice President Operations – Americas)

K Harshaw (Vice President/General Manager of the Americas) – appointed 1 January 2022 (previously Head of Global Marketing and Innovation)

T Mortleman (General Manager – ANZ / Vice President Developing Markets) – appointed 23 February 2022)

S Smith (Chief Financial Officer) – appointed 31 January 2022

M Nicholls (General Manager – EurAsia) – effective 23 February 2022, the role is not considered as Key Management

A Haidar (General Manager – Middle East & North Africa) – effective 23 February 2022, the role is not considered as Key Management

D Romanelli (Chief Financial Officer) – resigned 30 September 2021

C Zhang (General Manager – China Manufacturing) – resigned 30 September 2021

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

Remuneration of key management personnel:

	Short Term Benefits				Post employ- ment	Share Based Pay- ments	Term- ination Ben- efits	Performance Related		
	Salary & Fees \$	Bonus \$	Other ⁷ \$	Non Mone- tary \$	Super \$	Rights \$	\$	Total \$	Total %	Rights %
2022										
Non-Executive Directors										
D Allman	117,756	–	–	–	19,752	–	–	137,508	–	–
P Landos*	95,388	–	–	–	7,375	–	–	102,763	–	–
T Stianos	87,123	–	–	–	8,712	–	–	95,836	–	–
D McMaster	77,169	–	–	–	7,717	–	–	84,886	–	–
Executive Officers										
J P Marcantonio	636,206	–	480,106	14,535	19,424	882,806	–	2,033,077	43%	43%
S Smith ¹	153,676	41,061	–	113	6,915	5,959	–	207,725	23%	3%
M Russell ²	343,388	91,751	–	19,759	16,415	41,757	–	513,069	26%	8%
A Boccelli ³	303,114	81,556	53,734	17,347	19,015	18,980	–	493,746	20%	4%
K Harshaw ⁴	192,891	78,494	106,297	10,787	10,678	22,630	–	421,775	24%	5%
T Mortleman	306,213	95,083	–	–	23,568	56,407	–	481,270	31%	12%
M Nicholls ⁵	145,136	10,123	–	–	11,699	47,694	–	214,651	27%	22%
A Haidar ⁵	179,581	22,226	–	–	–	63,351	–	265,158	32%	24%
D Romanelli ⁶	80,325	–	–	–	8,033	–	124,880	213,238	0%	0%
C Zhang ⁶	55,596	–	–	–	–	–	47,054	102,650	0%	0%

1 S Smith (Chief Financial Officer) – appointed 31 January 2022

2 M Russell (Global Chief Human Resources Officer) – appointed 10 August 2021 (previously Chief Human Resources Officer)

3 A Boccelli (Global Vice President, Supply Chain) – appointed 10 August 2021 (previously Vice President Operations – Americas)

4 K Harshaw (Vice President/General Manager of the Americas) – appointed 1 January 2022 (previously Head of Global Marketing and Innovation)

5 Effective 23 February 2022, the role is not considered as Key Management

6 Resigned 30 September 2021

7 Relocation benefits paid

* The Director's fees payable to P Landos are paid directly to Thorney Investment Group

DIRECTORS' REPORT (continued)

for the year ended 30 June 2022

	Short Term Benefits			Non	Post	Share		Performance	
	Salary &	Bonus	Other	Monetary	employment	Based	Termination	Total	Total
	Fees	\$	\$	\$	Super	Payments	Benefits	\$	%
	\$	\$	\$	\$	\$	\$	\$	\$	%
2021									
Non-Executive Directors									
D Allman	117,756	—	—	—	19,752	—	—	137,508	—
P Landos*	95,388	—	—	—	7,375	—	—	102,763	—
T Stianos	87,123	—	—	—	8,277	—	—	95,400	—
D McMaster	77,169	—	—	—	7,331	—	—	84,500	—
Executive Officers									
J P Marcantonio	599,910	—	—	17,566	20,137	991,830	—	1,629,444	61%
T Mortleman	279,125	121,857	—	—	26,517	14,489	—	441,988	31%
M Nicholls	206,922	73,124	—	—	16,934	75,429	—	372,409	40%
A Haidar	255,025	33,624	—	—	—	107,016	—	395,665	36%
D Romanelli	319,725	186,730	—	—	30,374	66,525	—	603,353	42%
C Zhang	209,173	42,851	—	9,457	—	77,301	—	338,781	35%

* The Director's fees payable to P Landos are paid directly to Thorney Investment Group

Key management personnel equity holdings:

Fully paid ordinary shares

	Balance at the	Granted as	Received on	Other ¹	Balance at
	start of the	Compensation	Exercise of	Movements	the end of the
	year	No.	Options	No.	year
	No.	No.	No.	No.	No.
2022					
Non-Executive Directors					
D Allman	4,500,000	—	—	—	4,500,000
T Stianos	600,000	—	—	—	600,000
D McMaster	50,000	—	—	—	50,000
Executive Officers					
J P Marcantonio	—	—	285,882	—	285,882
A Haidar ²	526,364	—	157,325	(683,689)	—
M Nicholls ²	—	—	106,981	(106,981)	—
D Romanelli ³	455,190	—	314,896	(770,086)	—

1 Includes shares traded on the stock market and other adjustments

2 The role is not considered as Key Management

3 Resigned 30 September 2021

	Balance at the start of the year No.	Granted as Compensation No.	Received on Exercise of Options No.	Other ¹ Movements No.	Balance at the end of the year No.
2021					
Non-Executive Directors					
D Allman	4,500,000	—	—	—	4,500,000
T Stianos	600,000	—	—	—	600,000
D McMaster	50,000	—	—	—	50,000
Executive Officers					
A Haidar	516,364	—	—	10,000	526,364
D Romanelli	263,000	—	—	192,190	455,190

Share based compensation

Each performance right entitles the holder to one ordinary share in the Company 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 16 January 2020 are subject to the continuation of employment to 30 June 2022 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 2020 to 30 June 2022. None of these rights can vest until the Company releases its FY22 annual report to the ASX (on or around 1st October 2022) and expire on 1 December 2022.

The performance rights granted on 30 October 2020 to the senior executives are subject to the continuation of employment to 30 June 2023 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 2020 to 30 June 2023. The performance rights granted on 23 December 2020 to the CEO and Managing Director are subject to employment conditions and satisfying of relevant performance hurdles based on TSR over the three year period from 1 July 2020 to 30 June 2023. None of these rights can vest until the Company releases its FY23 annual report to the ASX (on or around 1st October 2023) and expire on 1 December 2023.

The performance rights granted on 23 December 2021 and 6 April 2022 are subject to the continuation of employment to 30 June 2024 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 2021 to 30 June 2024. None of these rights can vest until the Company releases its FY24 annual report to the ASX (on or around 1st October 2024) and expire on 1 December 2024.

In addition to the time requirement of continuous 3 year employment, the diluted EPS needs to increase by greater than a CAGR of 3.0% and over the relevant 3-year performance period. The number of Rights vesting will be determined proportionately, on a straight-line basis, between CAGR of 3.0% and CAGR of 10.0%.

DIRECTORS' REPORT (continued)

for the year ended 30 June 2022

Key management personnel & other management equity holdings – compensation options and performance rights:

Granted and vested during the year

	Vested Number	Granted Number	Grant Date	Value Per Option/ Right at Grant Date	Exercise Price	Expiry Date	First Exercise Date	Last Exercise Date
2022								
Non-Executive Directors								
Executive Director	–	–						
Executive Officers	–	2,173,000	23/12/21	0.31	Nil	01/12/24	01/10/24	01/10/24
Other Management	–	901,000	23/12/21	0.30	Nil	01/12/24	01/10/24	01/10/24
Total	–	3,074,000						
2021								
Non-Executive Directors								
Executive Director		14,000,000	23/12/20	0.18	Nil	01/12/23	01/10/23	01/10/23
Executive Officers	–	1,504,000	30/10/20	0.16	Nil	01/12/23	01/10/23	01/10/23
Other Management	–	483,000	30/10/20	0.16	Nil	01/12/23	01/10/23	01/10/23
Total	–	15,987,000						

Movements during the year

	Balance at the start of the year No.	Granted as Comp- ensation No.	Exercised No.	Lapsed No.	Net Other Change ⁴ No.	Balance at the end of the year No.	Balance Held Nominally No.	Value of Lapsed Options/ Rights \$
2022								
Non-Executive Directors								
None	–	–	–	–	–	–	–	–
Executive Officers								
J P Marcantonio	14,318,000	–	(285,882)	(32,118)	–	14,000,000	–	–
T Mortleman	361,000	455,000	–	–	–	816,000	–	–
A Haidar ²	676,088	232,000	(157,325)	(17,675)	(733,088)	–	–	–
Cliff Zhang ¹	508,737	–	–	(508,737)	–	–	–	–
M Nicholls ²	494,585	179,000	(106,981)	(12,019)	(554,585)	–	–	–
S Smith	–	204,000	–	–	–	204,000	–	–
A Boccelli	–	331,000	–	–	–	331,000	–	–
K Harshaw	–	393,000	–	–	–	393,000	–	–
M Russell ³	–	379,000	–	–	229,000	608,000	–	–
D Romanelli ¹	728,896	–	(314,896)	(414,000)	–	–	–	–
Other Management								
Other Management	820,665	901,000	(136,648)	(15,352)	1,058,673	2,628,338	–	–
Total	17,907,971	3,074,000	(1,001,732)	(999,901)	–	18,980,338	–	–

	Balance at the start of the year No.	Granted as Comp- ensation No.	Exercised No.	Lapsed No.	Net Other Change ⁴ No.	Balance at the end of the year No.	Balance Held Nominally No.	Value of Lapsed Options/ Rights \$
2021								
Non-Executive Directors								
None	–	–	–	–	–	–	–	–
Executive Officers								
J P Marcantonio	588,000	14,000,000	–	(270,000)	–	14,318,000		
T Mortleman	–	361,000	–	–	–	361,000	–	–
A Haidar	535,088	285,000	–	(144,000)	–	676,088	–	–
Cliff Zhang	386,737	226,000	–	(104,000)	–	508,737	–	–
M Nicholls	389,585	218,000	–	(113,000)	–	494,585	–	–
D Romanelli	314,896	414,000	–	–	–	728,896	–	–
Other Management								
Other Management	662,665	483,000	–	(325,000)	–	820,665	–	–
Total	2,876,971	15,987,000	–	(956,000)	–	17,907,971	–	–

1 Resigned 30 September 2021

2 Effective 23 February 2022, the role is not considered as Key Management

3 Appointed 10 August 2021 (previously Chief Human Resources Officer)

4 Net Other Change represents the reclassification between KMP and other management

Employment and service 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.

DIRECTORS' REPORT (continued)

for the year ended 30 June 2022

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 32 to the consolidated 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 32 to the consolidated 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 Tohmatsu

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

Rounding of amounts

The Company is of a kind referred to in Class Order 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 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 immediately after this directors' report.

Auditor

Deloitte Touche Tohmatsu 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

for the year ended 30 June 2022

Deloitte.

Deloitte Touche Tohmatsu
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Australia

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www.deloitte.com.au

23 August 2022

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

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 2022, 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



Paul Schneider
Partner
Chartered Accountants

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GALE PACIFIC LIMITED

for the year ended 30 June 2022



Deloitte Touche Tohmatsu
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Independent Auditor's Report to the Members of Gale Pacific Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Gale Pacific Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

- Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
Recoverability of trade receivables in Middle East and North Africa <i>Refer to Note 10 Current assets – trade and other receivables.</i> As at 30 June 2022, the carrying amounts of Middle East and North Africa (“MENA”) trade receivables totalled AU\$8.27 million with AU\$1.88 million of the outstanding balance aged over 365 days. The balance of the expected credit loss allowance over impairment of receivables in MENA accounts for \$1.74 million of trade receivables greater than 365 days. The allowance determination as to whether the receivables are collectable requires a high level of management judgment and estimates, whereby management considers specific factors including the age of the balances, historical payment patterns and any other relevant information concerning the creditworthiness of the counterparties.	Our procedures included, but were not limited to: • Obtaining an understanding of how the allowance for impairment of MENA receivables is estimated by management and assessing management’s process in determining the estimated future cash flows of MENA receivables; • Evaluating on a sample basis, the aging analysis and subsequent settlement of the MENA receivables to the source documents including invoices and bank statements; • Assessing the reasonableness of allowance for impairment of MENA receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the MENA receivables; and • Evaluating the historical accuracy of management’s assessment of allowance for MENA receivables by assessing the actual write-offs, the reversal of previous recorded allowances and new allowances recorded in the current year in respect of MENA receivables. We also assessed the appropriateness of disclosures included in Note 10 of the financial report relating to accounts receivables.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 30 June 2022 but does not include the financial report and our auditor’s report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors 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 preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GALE PACIFIC LIMITED (continued)

for the year ended 30 June 2022

Deloitte.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion 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 2022.

In our opinion, the Remuneration Report of Gale Pacific Limited, for the year ended 30 June 2022, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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.



DELOITTE TOUCHE TOHMATSU



Paul Schneider
Partner
Chartered Accountants
Melbourne, 23 August 2022

DIRECTORS' DECLARATION

for the year ended 30 June 2022

In the opinion of the Directors of Gale Pacific Limited (the Company):

- the attached consolidated financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached consolidated financial statements and notes (page 33 to 71) comply with Australian Financial Reporting Standards as issued by the Australian Accounting Standards Board as described in note 2 to the financial statements;
- the attached consolidated financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2022 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors



David Allman

Chairman

23 August 2022

Melbourne



John Paul Marcantonio

Chief Executive Officer and Managing Director

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2022

		Consolidated	
	Note	2022 \$'000	2021 \$'000
Revenue			
Sale of goods		205,543	205,223
Other income	5	1,079	1,935
Expenses			
Raw materials and consumables used	6	(109,632)	(107,520)
Employee benefits expense	6	(41,284)	(40,254)
Depreciation and amortisation expense	6	(9,970)	(9,198)
Marketing and advertising		(3,188)	(1,949)
Occupancy costs		(2,510)	(2,679)
Warehouse and related costs		(13,446)	(13,326)
Other expenses		(13,636)	(13,215)
Finance costs	6	(2,004)	(1,797)
Profit before income tax expense		10,952	17,220
Income tax expense	7	(3,335)	(4,893)
Profit after income tax expense for the year attributable to the owners of Gale Pacific Limited		7,617	12,327
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the fair value of cash flow hedges taken to equity, net of tax	22	317	263
Foreign currency translation	22	4,396	(1,210)
Other comprehensive income for the year, net of tax		4,713	(947)
Total comprehensive income for the year attributable to the owners of Gale Pacific Limited		12,330	11,380
		Cents	Cents
Basic earnings per share	8	2.76	4.48
Diluted earnings per share	8	2.59	4.21

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2022

		Consolidated	
	Note	2022 \$'000	2021 \$'000
Assets			
Current assets			
Cash and cash equivalents	9	28,465	30,407
Trade and other receivables	10	47,295	41,471
Inventories	11	56,299	46,547
Derivative financial instrument – hedges	26	–	515
Prepayments		3,126	3,421
Total current assets		135,185	122,361
Non-current assets			
Property, plant and equipment	12	30,845	30,705
Intangibles	13	8,794	8,142
Right-of-use assets	14	26,415	20,314
Deferred tax	7	8,998	6,889
Total non-current assets		75,052	66,050
Total assets		210,237	188,411
Liabilities			
Current liabilities			
Trade and other payables	15	30,692	29,507
Borrowings	16	21,059	19,364
Lease liabilities	18	4,677	3,764
Derivative financial instrument – hedges	26	1,355	–
Current tax liabilities	7	3,053	1,156
Employee benefits		5,548	6,174
Provisions	17	507	501
Total current liabilities		66,891	60,466
Non-current liabilities			
Borrowings	19	12,935	9,575
Lease liabilities	20	24,111	18,579
Deferred tax	7	8,112	6,702
Employee benefits		212	170
Total non-current liabilities		45,370	35,026
Total liabilities		112,261	95,492
Net assets		97,976	92,919
Equity			
Issued capital	21	63,403	63,068
Reserves	22	10,335	4,459
Retained profits		24,238	25,392
Total equity		97,976	92,919

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2022

Consolidated	Issued Capital \$'000	Reserves (Note 22) \$'000	Retained Profits \$'000	Total equity \$'000
Balance at 1 July 2020	63,068	3,992	21,306	88,366
Profit after income tax expense for the year	–	–	12,327	12,327
Other comprehensive income for the year, net of tax	–	(947)	–	(947)
Total comprehensive income for the year	–	(947)	–	(947)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 31)	–	1,435	–	1,435
Transfer to Enterprise Reserve Fund	–	(21)	21	–
Dividends paid (note 23)	–	–	(8,262)	(8,262)
Balance at 30 June 2021	63,068	4,459	25,392	92,919

Consolidated	Issued Capital \$'000	Reserves (Note 22) \$'000	Retained Profits \$'000	Total equity \$'000
Balance at 1 July 2021	63,068	4,459	25,392	92,919
Profit after income tax expense for the year	–	–	7,617	7,617
Other comprehensive income for the year, net of tax	–	4,713	–	4,713
Total comprehensive income for the year	–	4,713	7,617	12,330
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 31)	–	999	–	999
Vesting of performance rights (note 31)	335	(335)	–	–
Transfer to Enterprise Reserve Fund	–	499	(499)	–
Dividends paid (note 23)	–	–	(8,272)	(8,272)
Balance at 30 June 2022	63,403	10,335	24,328	97,976

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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2022

		Consolidated	
	Note	2022 \$'000	2021 \$'000
Cash flows from operating activities			
Profit before income tax expense for the year		10,952	17,220
Adjustments for:			
Depreciation and amortisation		9,970	9,198
Share-based payments		999	1,435
Foreign currency gain		(63)	1,461
Interest and other finance costs		2,004	1,797
		23,862	31,111
Change in operating assets and liabilities:			
Increase in trade and other receivables		(5,824)	(1,868)
Decrease/(increase) in inventories		(9,752)	2,152
Decrease/(increase) in derivative assets		514	(515)
Decrease/(increase) in prepayments		295	(1,200)
Increase in trade and other payables		1,185	6,363
Increase/(decrease) in derivative liabilities		1,673	(333)
Increase/(decrease) in employee benefits		(584)	1,960
Increase in other provisions		8	357
		11,377	38,027
Interest and other finance costs paid		(2,004)	(1,797)
Income taxes paid		(2,137)	(1,612)
Net cash from operating activities		7,236	34,618
Cash flows from investing activities			
Payments for property, plant and equipment	12	(3,960)	(3,002)
Payments for intangibles	13	(889)	(855)
Proceeds from disposal of property, plant and equipment		122	96
Net cash used in investing activities		(4,727)	(3,761)
Cash flows from financing activities			
Proceeds/(repayment) of leases	18, 20	(2,943)	(4,182)
Dividends paid	23	(8,272)	(8,262)
Proceeds/(repayment) of borrowings	19	5,059	(14,159)
Net cash used in financing activities		(6,156)	(26,603)
Net increase/(decrease) in cash and cash equivalents		(3,647)	4,254
Cash and cash equivalents at the beginning of the financial year		30,407	27,811
Effects of exchange rate changes on cash and cash equivalents		1,705	(1,658)
Cash and cash equivalents at the end of the financial year	9	28,465	30,407

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 30 June 2022

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Note 1. General information

The consolidated financial report covers Gale Pacific Limited ('Company' or 'parent entity') and its controlled entities (together the 'Group'). The consolidated 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
Australia

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 Group's principal activities are the marketing, sales, manufacture and distribution of branded screening, architectural shading, commercial agricultural / horticultural fabric products to domestic and global markets.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 23 August 2022. The directors have the power to amend and reissue the financial statements.

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 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.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the consolidated 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 or amended 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.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform

In September 2020, the AASB made amendments to AASB 9 Financial Instruments, AASB 139 Financial Instruments: Recognition and Measurement, AASB 7 Financial Instruments: Disclosures, AASB 4 Insurance Contracts and AASB 16 Leases to address issues that arise during the reform of an interest rate benchmark (IBOR), including the replacement of one benchmark with an alternative one.

The Group has assessed the impact of **AASB 2020-8 Amendments** and determined there is no impact to the financial statements.

AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-related rent concessions beyond 30 June 2021

As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. The AASB made an amendment that provides an optional practical expedient where lessees benefiting from these rent

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2022

Note 2. Significant accounting policies (continued)

concessions may account for them as variable lease payments in the periods in which they are granted.

The Group has assessed the impact of **AASB 2021-3 Amendments** and determined there is no impact to the financial statements.

AASB 2020-3 Amendments to Australian Accounting Standards – Annual improvements 2018-2020 and other amendments

The AASB has made narrow scope amendments to

- AASB 116 Property, Plant and Equipment in relation to proceeds before intended use
- AASB 137 Provisions, Contingent Liabilities and Contingent Assets in relation to onerous contracts and the cost of fulfilling a contract
- AASB 3 Business combinations in relation to references to the Conceptual Framework, and annual improvements to AASB 16, AASB 1, AASB 9 and AASB 141.

The Group has assessed the impact of **AASB 2020-3 Amendments** and determined there is no impact to the financial statements.

Comparatives

Where necessary, the comparative statement of profit or loss and other comprehensive income has been reclassified and repositioned for consistency with the current period disclosures.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Gale Pacific Limited as at 30 June 2022 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the Company has control. The Company 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 Company. They are de-consolidated from the date that control ceases.

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

The Group recognises revenue as follows:

Sale of goods

Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration

is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Revenue from the sale of goods is recognised at the point in time when the performance obligation is satisfied and customer obtains control of the goods, which is generally at the time of delivery.

Other income

Other income 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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2022

Note 2. Significant accounting policies (continued)

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 highly 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.

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 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. The Group primarily uses the value-in-use methodology to estimate the recoverable amount for impairment testing purposes.

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. There are no critical accounting judgements, estimates and assumptions that are likely to affect the current or future financial years.

The preparation of the consolidated 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 a combination of Monte Carlo simulation model and Dividend Discount model taking into account the terms and conditions upon which the instruments were granted, expected volatility, expected dividend yield and risk-free rate assumptions. 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.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgement. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group. These assumptions include recent sales experience and historical collection rates.

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.

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2022

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

Cash flow hedges

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.

Fair value hedges

Forward foreign exchange contracts, designated as fair value hedges, are measured as such. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognised in profit or loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

Note 4. Operating segments

Identification of reportable operating segments

The Group is organised into four operating segments identified by geographic location, 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 market 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.

To continuously improve the transparency of the Group's management reporting GALE Pacific Limited follows an activity-based allocation method of reporting. Intersegment sales/margin and central costs are allocated to external revenue generating segments where the final economic benefit is derived. This enhanced method of reporting is being used by the CODM, to target product costing, product line profitability analysis, customer profitability analysis, and service pricing structures.

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.

EurAsia: Sales distribution based in China and Australasia, servicing European and Asian countries.

Americas: Sales office is located in Florida. Custom blind assembly and distribution facilities are located in both California and Florida 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. The results from our manufacturing operations in China are allocated to the operating segments where the sales originate, whilst its assets and liabilities are included within the EurAsia segment.

Major customers

During the year ended 30 June 2022 approximately 38% (2021: 35%) of the Group's external revenue was derived from sales to two customers (2021: Two), one customer located in the Australasian region and one customer located in the Americas region.

Operating segment information

Consolidated – 2022	Australasia \$'000	Americas \$'000	MENA \$'000	Eurasia \$'000	Other Segments \$'000	Total \$'000
Revenue						
Sales to external customers	93,704	95,641	8,556	7,642	–	205,543
Total revenue	93,704	95,641	8,556	7,642	–	205,543
Segment EBITDA	11,535	13,015	1,553	2,591	(5,768)	22,926
Depreciation and amortisation	(3,603)	(5,855)	(242)	(270)	–	(9,970)
Finance costs	(703)	(1,200)	(50)	(51)	–	(2,004)
Profit/(loss) before income tax expense	7,229	5,960	1,261	2,270	(5,768)	10,952
Income tax expense						(3,335)
Profit after income tax expense						7,617
Assets						
Segment assets	48,021	85,717	10,881	41,861	23,757	210,237
Total assets						210,237
Liabilities						
Segment liabilities	27,082	39,224	576	17,870	27,509	112,261
Total liabilities						112,261

Consolidated – 2021	Australasia \$'000	Americas \$'000	MENA \$'000	Eurasia \$'000	Other Segments \$'000	Total \$'000
Revenue						
Sales to external customers	91,971	96,219	8,603	8,430	–	205,223
Total revenue	91,971	96,219	8,603	8,430	–	205,223
Segment EBITDA	14,397	13,515	2,208	2,722	(4,626)	28,216
Depreciation and amortisation	(3,828)	(4,822)	(239)	(309)	–	(9,198)
Finance costs	(698)	(1,002)	(48)	(50)	–	(1,798)
Profit/(loss) before income tax expense	9,871	7,691	1,921	2,363	(4,626)	17,220
Income tax expense						(4,893)
Profit after income tax expense						12,327
Assets						
Segment assets	39,689	73,694	11,008	41,531	22,489	188,411
Total assets						188,411
Liabilities						
Segment liabilities	24,464	32,464	633	17,899	20,032	95,492
Total liabilities						95,492

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2022

Note 5. Other income

	Consolidated	
	2022 \$'000	2021 \$'000
Other income	1,079	1,935

Note 6. Expenses

	Consolidated	
	2022 \$'000	2021 \$'000
Profit before income tax includes the following specific expenses:		
<i>Raw materials and consumables used</i>		
Provision for personal protective equipment (note 11)	–	6,574
<i>Depreciation</i>		
Property, plant and equipment (note 12)	4,589	4,423
Right-of-use assets (note 14)	4,716	4,207
	9,305	8,630
Total depreciation		
<i>Amortisation</i>		
Intangible assets (note 13)	665	568
Total depreciation and amortisation	9,970	9,198
<i>Employee benefits expense</i>		
Employment costs and benefits	40,285	38,819
Share-based payment expense	999	1,435
Total employee benefits expense	41,284	40,254
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	1,108	1,013
Interest and finance charges paid/payable on lease liabilities	896	784
Finance costs expensed	2,004	1,797
<i>Leases</i>		
Variable lease payments	1,549	1,648

Note 7. Income tax

	Consolidated	
	2022 \$'000	2021 \$'000
Income tax expense		
Current tax	4,444	1,503
Deferred tax (Benefit)/Expense – origination and reversal of temporary differences	(1,109)	3,390
Aggregate income tax expense	3,335	4,893
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	(1,109)	3,390
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	10,952	17,220
Tax at the statutory tax rate of 30%	3,286	5,166
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non allowable/(non assessable) items	232	117
	3,518	5,283
Difference in tax rates	(183)	(390)
Income tax expense	3,335	4,893
	Consolidated	
	2022 \$'000	2021 \$'000
<i>Amounts charged directly to equity</i>		
Deferred tax assets	136	112

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2022

Note 7. Income tax (continued)

	Consolidated	
	2022 \$'000	2021 \$'000
<i>Net deferred tax asset</i>		
Deferred taxes comprises temporary differences attributable to:		
Amounts recognised in P&L:		
Tax losses	2,543	–
Property, plant and equipment	(1,487)	(885)
Foreign exchange	(892)	(1,249)
Capitalised costs	(598)	(774)
Provisions	110	1,667
Impairment of receivables	177	174
Other financial liabilities	6	303
Employee benefits	840	974
Other	187	(23)
Deferred tax asset	886	187
Movements:		
Opening balance	187	3,335
Credited/(charged) to profit or loss	1,109	(3,390)
Charged to equity	(136)	(112)
Transfer from current tax liability	(274)	354
Closing balance	886	187
	Consolidated	
	2022 \$'000	2021 \$'000
<i>Provision for income tax</i>		
Provision for income tax	3,053	1,156

The 2022 net deferred tax asset of \$886,000 (2021: \$187,000) is comprised of \$8,998,000 in deferred tax assets (2021: \$6,889,000) and \$8,112,000 (2021: \$6,702,000) in deferred tax liabilities, reflecting various tax positions in different jurisdictions.

As at 30 June 2022, the Group has \$9,953,000 unused tax losses (2021: \$nil) and \$2,543,000 deferred tax with respect to any such losses (2021: \$nil) in the consolidated financial statements, which are related to the Gale Pacific USA Inc entity, primarily driven by the write-off of Personal protective equipment (Gale Guard) which was provided for in full in the 2021 financial year.

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.

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	
	2022 \$'000	2021 \$'000
Profit after income tax attributable to the owners of Gale Pacific Limited	7,617	12,326
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	276,062,536	275,391,310
Adjustments for calculation of diluted earnings per share:		
Performance rights	18,049,075	17,608,820
Weighted average number of ordinary shares used in calculating diluted earnings per share	294,111,611	293,000,130
	Cents	Cents
Basic earnings per share	2.76	4.48
Diluted earnings per share	2.59	4.21

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2022

Note 8. Earnings per share (continued)

Accounting policy for earnings per share

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	
	2022 \$'000	2021 \$'000
Cash on hand	4	5
Cash at bank	28,461	30,402
	28,465	30,407

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	
	2022 \$'000	2021 \$'000
Trade receivables	49,124	42,545
Less: Allowance for expected credit losses	(2,039)	(1,621)
	47,085	40,924
Other receivables	210	547
	47,295	41,471

Allowance for expected credit losses

The Group has recognised an additional expected credit loss allowance of \$487,000 (2021: \$465,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2022.

Trade receivables and allowances for expected credit losses

The following table details the risk profile of trade receivables based on the Group's provision matrix.

	Consolidated	
	2022 \$'000	2021 \$'000
Trade receivables		
Not Outside of Credit Terms	38,901	30,620
Outside Credit Terms 0-30 Days	3,983	6,257
Outside Credit Terms 31-120 Days	1,725	1,854
Outside Credit Terms 121 Days to one year	2,289	1,589
More than One Year	2,226	2,225
	49,124	42,545
Allowance for expected credit losses		
Outside Credit Terms 31-120 Days	(2)	(2)
Outside Credit Terms 121 Days to one year	(46)	(30)
More than One Year	(1,991)	(1,589)
	(2,039)	(1,621)

As per management's assessment the allowance for expected credit losses on *Not Outside of Credit Terms* and *Outside Credit Terms 0-30 Days* is not material and not recognised.

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2022 \$'000	2021 \$'000
Opening balance	1,621	1,199
Additional allowances recognised	487	465
Receivables written off during the year as uncollectable	(69)	(43)
Closing balance	2,039	1,621

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.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The average credit terms vary between 30 to 60 days which depend on the sales region and the type of customer. The expected credit losses on trade receivables are estimated using a provision matrix by

reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 89% (2021: 71%) against all receivables over 365 days past due because historical experience has indicated that these receivables are generally not recoverable. The Group has significantly increased the expected loss rates for trade receivables from the prior year based on its judgement of the impact of current economic conditions and the forecast direction of travel at the reporting date. There has been no change in the

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2022

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

estimation techniques during the current reporting period. The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

Note 11. Current assets – inventories

	Consolidated	
	2022 \$'000	2021 \$'000
Raw materials	10,064	8,177
Work in progress	2,206	2,958
Finished goods	48,017	44,958
Less: Provision for impairment	(3,988)	(9,546)
	44,029	35,412
	56,299	46,547

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 'weighted average cost' 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	
	2022 \$'000	2021 \$'000
Buildings and leasehold improvements – at cost	17,974	17,399
Less: Accumulated depreciation	(8,464)	(7,701)
	9,510	9,698
Plant and equipment – at cost	119,304	114,584
Less: Accumulated depreciation	(98,706)	(94,712)
	20,598	19,872
Motor vehicles – at cost	309	305
Less: Accumulated depreciation	(134)	(142)
	175	163
Capital work-in-progress – at cost	562	972
	30,845	30,705

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 2020	10,465	21,378	118	393	32,354
Additions	25	73	52	2,852	3,002
Disposals	–	(96)	–	–	(96)
Exchange differences	(26)	(102)	–	(4)	(132)
Transfers in/(out)	236	2,028	5	(2,269)	–
Depreciation expense	(1,002)	(3,409)	(12)	–	(4,423)
Balance at 30 June 2021	9,698	19,872	163	972	30,705
Additions	90	2,456	–	1,414	3,960
Disposals	(69)	(53)	–	–	(122)
Exchange differences	427	653	4	(16)	1,068
Transfers in/(out)	402	1,203	–	(1,782)	(177)
Depreciation expense	(1,038)	(3,533)	(18)	–	(4,589)
Balance at 30 June 2022	9,510	20,598	149	588	30,845

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 allocate cost on a systematic basis for 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 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2022

Note 13. Non-current assets – intangibles

	Consolidated	
	2022 \$'000	2021 \$'000
Goodwill – at cost	11,275	11,027
Less: Impairment	(7,961)	(7,961)
	3,314	3,066
Development – at cost	5,075	4,074
Less: Accumulated amortisation	(790)	(404)
	4,285	3,670
Patents, trademarks and licenses – at cost	1,682	1,652
Less: Accumulated amortisation	(1,462)	(1,410)
	220	242
Application software – at cost	9,312	8,966
Less: Accumulated amortisation	(8,337)	(7,802)
	975	1,164
	8,794	8,142

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 2020	3,325	3,051	277	1,466	8,119
Additions	–	837	18	–	855
Exchange differences	(259)	(4)	(1)	–	(264)
Amortisation expense	–	(214)	(52)	(302)	(568)
Balance at 30 June 2021	3,066	3,670	242	1,164	8,142
Additions	–	877	8	4	889
Exchange differences	248	3	–	–	251
Transfers in/(out)	–	120	–	57	177
Amortisation expense	–	(385)	(30)	(250)	(665)
Balance at 30 June 2022	3,314	4,285	220	975	8,794

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

	Consolidated	
	2022 \$'000	2021 \$'000
Goodwill		
USA (2022: US\$2,077,000; 2021: US\$ 2,077,000)	2,967	2,719
China	347	347
	3,314	3,066

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 charge being recognised by the Group for the year ended 30 June 2022.

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 a terminal growth rate of 2.0% (2021: 2.0%).

USA

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

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

Discount Rate

The pre-tax discount rate used in the model is 10.0% (2021: 8.5%)

EBITDA assumptions

EBITDA for FY2023 is based on the Board approved budget, with FY2024 to FY2027 increasing by an average of 5.0% per annum, which is in line with the management's growth strategies for the short to medium term. Management believes this is achievable based on historical trends and the plans to continue to

invest in product development and expansion within the Americas region. The terminal growth rate was set at 2% inline with the long-term real growth rate of the US economy.

Sensitivity analysis

Management have conducted an analysis of the sensitivity of the impairment test to reasonably possible changes in the key assumptions used to determine the recoverable amount of the CGU. This sensitivity analysis considered the changes to terminal growth rate from 1.5% to 2.5% and discount rate from 9.25% to 10.75%. The analysis revealed that there is sufficient headroom in all instances of changes for two factors and there is no risk of impairment.

China

In assessing the recoverable amount of the China CGU, management made a number of significant assumptions including assumptions regarding 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 believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of the CGU.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2022

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

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.

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. Non-current assets – right-of-use assets

	Consolidated	
	2022 \$'000	2021 \$'000
Land and buildings – right-of-use	35,570	27,664
Less: Accumulated depreciation	(9,155)	(7,350)
	26,415	20,314

Note 14. Non-current assets – right-of-use assets (continued)

Reconciliations

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

Consolidated	Land buildings – right-of-use \$'000
Balance at 1 July 2020	21,780
Additions	4,784
Disposals	(1,427)
Exchange differences	(616)
Depreciation expense	(4,207)
Balance at 30 June 2021	20,314
Additions	9,384
Exchange differences	1,433
Depreciation expense	(4,716)
Balance at 30 June 2022	26,415

Accounting policy for right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Note 15. Current liabilities – trade and other payables

	Consolidated	
	2022 \$'000	2021 \$'000
Trade payables	17,175	17,927
Sundry payables and accruals – Customer rebates	9,420	8,054
Sundry payables and accruals – Other	4,097	3,526
	30,692	29,507

Refer to note 25 for further information on financial instruments.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2022

Note 15. Current liabilities – trade and other payables (continued)

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 16. Current liabilities – borrowings

	Consolidated	
	2022 \$'000	2021 \$'000
Bank loans	21,059	19,364

Refer to note 25 for further information on financial instruments. Refer note 19 for non-current portion of the borrowings.

Note 17. Current liabilities – provisions

	Consolidated	
	2022 \$'000	2021 \$'000
Warranties	507	501

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	
	2022 \$'000	2021 \$'000
Warranty movements		
Carrying amount at the start of the year	501	144
Additional provisions recognised	382	708
Claims	(376)	(351)
Carrying amount at the end of the year	507	501

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 18. Current liabilities – lease liabilities

	Consolidated	
	2022 \$'000	2021 \$'000
Lease liability	4,677	3,764

Refer to note 25 for further information on financial instruments.

Note 19. Non-current liabilities – borrowings

	Consolidated	
	2022 \$'000	2021 \$'000
Total Bank loans	12,935	9,575

Refer to note 25 for further information on financial instruments.

Total secured liabilities

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

	Consolidated	
	2022 \$'000	2021 \$'000
Total Bank loans	33,994	28,939

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2022

Note 20. Non-current liabilities – lease liabilities

	Consolidated	
	2022 \$'000	2021 \$'000
Lease liability – 1 to 5 years	22,624	17,977
Lease liability – greater than 5 years	1,487	602
	24,111	18,579

Refer to note 25 for further information on financial instruments.

Accounting policy for lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of-use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 21. Equity – issued capital

Consolidated	Consolidated			
	2022 Shares	2021 Shares	2022 \$'000	2021 \$'000
Ordinary shares fully paid	276,393,042	275,391,310	63,403	63,068

Movements in ordinary share capital

Consolidated	Consolidated			
	2022 Shares	2021 Shares	2022 \$'000	2021 \$'000
Opening Balance	275,391,310	275,391,310	63,068	63,068
Vesting of performance rights	1,001,732	–	335	–
Closing Balance	276,393,042	275,391,310	63,403	63,068

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

No new buy-back scheme was effective for the financial year ended 30 June 2022.

Vesting of performance rights

1,001,732 performance rights vested meeting the performance and time hurdles during the financial year ended 30 June 2022 (2021: Nil).

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 22. Equity – reserves

	Consolidated	
	2022 \$'000	2021 \$'000
Foreign currency reserve	2,195	(2,201)
Hedging reserve – cash flow hedges	435	118
Share-based payments reserve	3,271	2,607
Enterprise reserve fund	4,434	3,935
	10,335	4,459

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2022

Note 22. 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 2020	(991)	(145)	1,172	3,956	3,992
Foreign currency translation*	(1,210)	–	–	–	(1,210)
Movement in hedge	–	342	–	–	342
Income tax	–	(79)	–	–	(79)
Share-based payment	–	–	1,435	–	1,435
Statutory transfers from retained earnings	–	–	–	(21)	(21)
Balance at 30 June 2021	(2,201)	118	2,607	3,935	4,459
Foreign currency translation*	4,396	–	–	–	4,396
Movement in hedge	–	454	–	–	454
Income tax	–	(137)	–	–	(137)
Share-based payment	–	–	999	–	999
Vesting of performance rights	–	–	(335)	–	(335)
Statutory transfers from retained earnings	–	–	–	499	499
Balance at 30 June 2022	2,195	435	3,271	4,434	10,335

* Refer to note 24 for details of monetary items identified as a net investment in a foreign operation

Note 23. Equity – dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2022 \$'000	2021 \$'000
Final Dividend for the year ended 30 June 2020 of 1.00 cent per ordinary share (unfranked)	–	2,754
Interim Dividend for the year ended 30 June 2021 of 2.00 cents per ordinary share (unfranked)	–	5,508
Final Dividend for the year ended 30 June 2021 of 2.00 cents per ordinary share (unfranked)	5,508	–
Interim Dividend for the year ended 30 June 2022 of 1.00 cent per ordinary share (50% franked)	2,764	–
	8,272	8,262

On 23 August 2022 the Directors declared a dividend of 1.00 cent per share to the holders of fully paid ordinary shares in respect of the year ended 30 June 2022. This dividend has not been included as a liability in these financial statements. Including the final dividend with respect to 30 June 2022, for the full year, the dividends of 2.00 cents per ordinary share have been declared on earnings of 2.76 cents per share.

Accounting policy for dividends

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

Note 24. Monetary items identified as a net investment in a foreign operation

	Consolidated	
	2022 \$'000	2021 \$'000
Related party receivable to the Company from Gale Pacific Special Textiles (Ningbo) Limited	10,306	9,444
Related party receivable to the Company from Gale Pacific (New Zealand) Limited	2,958	3,828
	13,264	13,272

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 22.

Note 25. 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2022

Note 25. 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 applicable 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 Group adopts fair value hedge accounting on forward exchange contracts that are designated and qualify as fair value hedges. Forward exchange contracts are recognised in the profit and loss immediately, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

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:

Consolidated	Sell Australian dollars		Average exchange rates	
	2022 \$'000	2021 \$'000	2022	2021
Buy US dollars/sell Australian dollars				
Maturity:				
Less than 6 months	12,554	8,313	0.7185	0.7638
6 – 12 months	1,950	1,362	0.7179	0.7710
Consolidated	Sell US dollars		Average exchange rates	
	2022 \$'000	2021 \$'000	2022	2021
Buy Chinese yuan/sell US dollars				
Maturity:				
Less than 6 months	35,400	33,000	6.4500	6.5112

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

Consolidated	Assets		Liabilities	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
US dollars	58,489	60,370	27,274	26,097
New Zealand dollars	1,527	746	437	275
Chinese renminbi	1,326	489	—	—
UAE dirham	1,104	849	—	—
	62,446	62,454	27,711	26,372

The Group had net assets denominated in foreign currencies of \$34,735,000 (assets of \$62,446,000 less liabilities of \$27,711,000 as at 30 June 2022 (2021: \$36,082,000 (assets of \$62,454,000 less liabilities of \$26,372,000))). Based on this exposure, had the Australian dollar strengthened by 10% / weakened by 10% (2021: 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 \$103,000 lower/higher (2021: \$285,000 higher/lower) and equity would have been \$3,296,000 lower/higher (2021: \$2,952,000 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.

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 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:

Consolidated	2022	Balance \$'000	2021	Balance \$'000
	Weighted average interest rate %		Weighted average interest rate %	
Cash and cash equivalents	—	28,465	—	30,407
Bank loans	2.80%	(33,995)	2.19%	(28,912)
		(5,530)		1,495

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

An official increase/decrease in interest rates of 100 (2021: 100) basis points would have an adverse/favourable effect on profit before tax of \$339,940 (2021: \$289,116) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2022

Note 25. Financial instruments (continued)

those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

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.

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 – 2022	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						
<i>Non-interest bearing</i>						
Trade payables	–	17,175	–	–	–	17,175
Customer rebates	–	9,420	–	–	–	9,420
Other sundry payables and accruals	–	4,097	–	–	–	4,097
<i>Interest-bearing – variable</i>						
Bank loans	2.80%	21,059	12,935	–	–	33,994
Lease liability	3.41%	5,782	6,653	17,148	2,013	31,596
Total non-derivatives		57,533	19,588	17,148	2,013	96,282

Consolidated – 2021	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						
<i>Non-interest bearing</i>						
Trade payables	–	17,927	–	–	–	17,927
Customer rebates	–	8,054	–	–	–	8,054
Other sundry payables and accruals	–	3,526	–	–	–	3,526
<i>Interest-bearing – variable</i>						
Bank loans	2.19%	19,364	9,575	–	–	28,939
Lease liability	3.49%	4,497	4,497	12,252	3,509	24,755
Total non-derivatives		53,368	14,072	12,252	3,509	83,201

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

Note 26. 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 – 2022	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Liabilities</i>				
Forward foreign exchange contracts	–	1,355	–	1,355
Total liabilities	–	1,355	–	1,355
Consolidated – 2021	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Forward foreign exchange contracts	–	515	–	515
Total liabilities	–	515	–	515

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2022

Note 26. Fair value measurement (continued)

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 27. Related party transactions

Parent entity

Gale Pacific Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 30.

Key management personnel

Disclosures relating to key management personnel are set out in note 28 and the remuneration report included in the directors' report.

Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties

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

Note 28. 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	
	2022 \$'000	2021 \$'000
Short-term employee benefits	3,896,531	2,732,525
Post-employment benefits	159,303	136,696
Termination benefits	171,934	
Share-based payments	1,139,584	1,332,590
	5,367,352	4,201,811

Note 29. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2022 \$'000	2021 \$'000
Profit after income tax	6,511	10,610
Total comprehensive income	6,828	10,873

Statement of financial position

	Parent	
	2022 \$'000	2021 \$'000
Total current assets	32,285	22,846
Total assets	121,441	116,201
Total current liabilities	25,916	21,688
Total liabilities	49,607	43,922
Equity		
Issued capital	63,403	63,068
Hedging reserve – cash flow hedges	435	117
Share-based payments reserve	3,270	2,606
Retained profits	4,726	6,488
Total equity	71,834	72,279

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity has guarantees in relation to the debts of its subsidiaries in fixed and floating charges (or equivalent foreign charge) over all the assets and undertakings, including uncalled capital of each entity in the Group as at 30 June 2021 and 30 June 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2022

Note 30. Interests in subsidiaries (continued)

Please note comparative year has been changed to reflect consolidation entries between group entities.

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2022.

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 30. 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	
		2022 %	2021 %
Gale Pacific (New Zealand) Limited	New Zealand	100%	100%
Gale Pacific FZE	United Arab Emirates	100%	100%
Gale Pacific Special Textiles (Ningbo) Limited	China	100%	100%
Gale Pacific Trading (Ningbo) Limited	China	100%	100%
Gale Pacific USA, Inc.	USA	100%	100%
Zone Hardware Pty Ltd	Australia	100%	100%
Riva Window Fashions Pty Ltd	Australia	100%	100%

Note 31. 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.

A share option plan has been established by the Group and approved by shareholders at a general meeting, whereby the Group may, at the discretion of the Nomination and Remuneration Committee, grant options over ordinary shares in the Company to certain key management personnel of the Group. The options are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

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

2022

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
13/11/2018	01/12/2021	\$0.35	886,000	–	(686,836)	(199,164)	–
16/01/2020	01/12/2022	\$0.26	1,034,971	–	–	(160,737)	874,234
30/10/2020	01/12/2023	\$0.16	1,987,000	–	(314,896)	(640,000)	1,032,104
23/12/2020	01/12/2023	\$0.18	14,000,000	–	–	–	14,000,000
23/12/2022	01/12/2024	\$0.28	–	2,870,000	–	–	2,870,000
06/04/2022	01/12/2024	\$0.28	–	204,000	–	–	204,000
			17,907,971	3,074,000	(1,001,732)	(999,901)	18,980,338

2021

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
22/11/2017	01/12/2020	\$0.31	956,000	–	–	(956,000)	–
13/11/2018	01/12/2021	\$0.35	886,000	–	–	–	886,000
16/01/2020	01/12/2022	\$0.26	1,034,971	–	–	–	1,034,971
30/10/2020	01/12/2023	\$0.16	–	1,987,000	–	–	1,987,000
23/12/2020	01/12/2023	\$0.18	–	14,000,000	–	–	14,000,000
			2,876,971	15,987,000	–	(956,000)	17,907,971

The performance rights granted on the 23 December 2021 and 6 April 2022 to the senior executives are subject to performance conditions and time hurdles as outlined below.

Performance condition – The number of Rights issued that will vest will be determined proportionately from zero Rights vesting if the diluted EPS CAGR is less than 3.0% to 100% of the Rights vesting if the diluted EPS CAGR of 10.0% (or higher) is achieved.

Time hurdle – The vesting of your Rights is also dependent upon the employee remaining in continuous employment with the Company until 30 September 2024.

623,000 of the performance rights granted on the 23 December 2021 to the senior executives and senior managers are subject only to the time hurdle as outlined below.

Time hurdle – The vesting of your Rights is also dependent upon the employee remaining in

continuous employment with the Company until 30 November 2024.

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 Monte Carlo simulation 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

for the year ended 30 June 2022

Note 31. Share-based payments (continued)

The cost of equity-settled transactions is 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 \$0.28 (2021: \$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 32. Remuneration of auditors

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

	Consolidated	
	2022	2021
	\$	\$
<i>Audit services – Deloitte Touche Tohmatsu</i>		
Audit or review of the financial statements	416,806	385,978
<i>Other services – Deloitte Touche Tohmatsu</i>		
Other services (including tax services)	283,328	228,840
	700,134	614,818

Note 33. New accounting standards and interpretations not yet mandatory or early adopted

At the date of authorisation of the consolidated financial statements, other Standards and Interpretations in issue but not yet effective were listed below.

Standard / amendment	Effective for annual reporting periods beginning on or after
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 January 2023
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023
AASB 2021-5 Amendments to Australian Accounting Standards – Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

In addition, at the date of authorisation of the financial statements no IASB Standards and IFRIC Interpretations were on issue but not yet effective, but for which Australian equivalent Standards and Interpretations have not yet been issued. The Directors of the Group do not anticipate that the adoption of above amendments will have a material impact in future periods on the financial statements of the Group.

Note 34. Events after the reporting period

On 23 August 2022, the directors declared a 75% franked final dividend of 1.00 cent per share to the holders of fully paid ordinary shares in respect of the full-year ended 30 June 2022, to be paid to shareholders on 14 October 2022. This dividend has not been included as a liability in these consolidated financial statements. The total estimated dividend to be paid is \$2,800,000.

No matters or circumstances, other than those disclosed elsewhere in this interim condensed financial report, have arisen since the end of the financial half year which significantly affected or could significantly affect the operations of the Group, the results of those operations or the state of affairs of the Group in future financial years.

ADDITIONAL SECURITIES EXCHANGE INFORMATION

for the year ended 30 June 2022

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 19 August 2022 (**Reporting Date**).

Corporate Governance Statement

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 complies with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) (**Recommendations**).

The Company has prepared a statement which sets out the corporate governance practices that were in operation throughout the financial year for the Company (**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 (<https://www.galepacific.com/investor-info/corporate-governance>) 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 (<https://www.galepacific.com/investor-info/corporate-governance>).

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:

Class of Equity Securities	Number of holders
Fully paid ordinary shares	1,865
Performance rights expiring 1 December 2022	3
Performance rights expiring 1 December 2023	6
Performance rights expiring 1 December 2024	15

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 1,865 holders of a total of 276,393,420 ordinary shares of the Company. The voting rights attaching to the ordinary shares are set out in Clause 6.8 of the Company's Constitution which states as follows:

"....at a general meeting, on a show of hands, every person present who is a member or a proxy, attorney or representative of a member has 1 vote; and on a poll, every person present who is a member or a proxy, attorney or representative of a member has 1 vote for each share the member holds and which entitles the member to vote, except for partly paid shares, each of which confers on a poll only a fraction of one vote equal to the proportion of the total amount paid and payable (excluding amounts credited) on the share which has been paid (not credited) on the share."

Distribution of holders of equity securities

The distribution of holder of equity securities on issue in the Company as at the Reporting Date is as follows:

Ordinary fully paid shares			
Range	Total holders	Units	% of issued capital
1 – 1,000	126	22,872	0.01
1,001 – 5,000	549	1,603,046	0.58
5,001 – 10,000	252	2,009,777	0.73
10,001 – 100,000	718	25,668,431	9.29
100,001 and over	220	247,068,916	89.39
Total	1,865	276,393,042	100

Performance rights

Performance rights			
Range	Holders of performance rights expiring 1 December 2022	Holders of performance rights expiring 1 December 2023	Holders of performance rights expiring 1 December 2024
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	–	–	2
100,001 and over	3	6	10
Total	3	6	12

Unmarketable parcels

The number of holders of less than a marketable parcel of ordinary shares based on the closing market price as at the Reporting Date is as follows:

Unmarketable parcels as at reporting date	Minimum parcel size	Holders	Units
Minimum \$500 parcel at \$0.3000 per unit	1,667	241	187,816

ADDITIONAL SECURITIES EXCHANGE INFORMATION (continued) for the year ended 30 June 2022

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:

Class of equity securities	No. of ordinary fully paid shares	%
Thorney Holdings Proprietary Limited	78,800,399	28.61
Windhager Holding AG	44,358,481	16.05
Castle Point Funds Management	17,131,603	6.22

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.	%
THORNEY HOLDINGS PTY LTD	71,984,262	26.04
WINDHAGER HOLDING AG	44,358,481	16.05
NATIONAL NOMINEES LIMITED	17,580,858	6.36
ARD CORPORATION PTY LTD <RIDCORP FAMILY A/C>	7,447,074	2.69
UBS NOMINEES PTY LTD	6,816,137	2.47
BOND STREET CUSTODIANS LIMITED<ZCERNA – D02137 A/C>	4,500,000	1.63
CONTEMPLATOR PTY LTD <ARG PENSION FUND A/C>	3,950,000	1.43
BFA SUPER PTY LTD <GDN SUPER FUND A/C>	3,327,428	1.20
BNP PARIBAS NOMS PTY LTD <DRP>	3,121,162	1.13
BNP PARIBAS NOMS (NZ) LTD <DRP>	2,980,624	1.08
STITCHING PTY LTD <SSG SUPERANNUATION FUND A/C>	2,700,000	0.98
CERTANE CT PTY LTD <BC1>	2,448,043	0.89
CHILLEN PTY LIMITED (TALLEN)	2,431,317	0.88
MR NICHOLAS BARRY DEBENHAM & MRS ANNETTE CECILIA DEBENHAM <N & A DEBENHAM S/FUND A/C>	1,962,718	0.71
NCH PTY LTD	1,900,433	0.69
RATHVALE PTY LIMITED	1,857,200	0.67
MR NICHOLAS BARRY DEBENHAM & MRS ANNETTE CECILIA DEBENHAM <N & A DEBENHAM S/FUND A/C>	1,762,718	0.64
VENN MILNER SUPERANNUATION PTY LTD	1,750,000	0.3
CERTANE CT PTY LTD <BC2>	1,694,000	0.61
JFT INVESTMENTS PTY LTD <THE TIPPING SUPER FUND A/C>	1,500,000	0.54
TOTAL: TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES AS AT REPORTING DATE	191,309,737	69.22

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
Performance Rights	18,980,338	23

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

There is no current on-market buy-back program in place.

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.

Stock exchange listing

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

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.

CORPORATE DIRECTORY

for the year ended 30 June 2022

GALE PACIFIC LIMITED

ABN 80 082 263 778

DIRECTORS

DAVID ALLMAN

Chairman

PETER LANDOS

Non Executive Director

DONNA MCMASTER

Non Executive Director

TOM STIANOS

Non Executive Director

JOHN PAUL MARCANTONIO

Chief Executive Officer & Managing Director

COMPANY SECRETARY

Sophie Karzis

REGISTERED OFFICE

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

AUDITORS

Deloitte Touche Tohmatsu
477 Collins Street, Melbourne,
Victoria, 3000
+ 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
+ 613 9415 4000

