GALE PACIFIC

2023 ANNUAL REPORT

ABOUT GALE PACIFIC

Founded in Melbourne, Australia, in 1951, GALE Pacific is the market-leading manufacturer of technical fabrics used for consumer and commercial applications worldwide. Today, GALE employs more than **550 people** based in Australia, China, the United States, Europe, and Asia, with products recognised around the world for their quality, durability, sustainability, and reliability.

GALE Pacific is on a mission to inspire life to thrive with textile innovations guided by four principles:

Design, Comfort, Protection, and Sustainability.

GALE PACIFIC COMMERCIAL FABRICS

The Company's commercial products, marketed under the GALE Pacific Commercial® brand, include knitted, coated, and advanced polymer fabrics used in a growing number of applications across the agricultural, horticultural, aquacultural, architectural, construction, mining, and packaging industries.

PRODUCT CATEGORIES

- Architectural Shade Fabric
- Horticultural Knitted Fabric
- Commercial Netting
- Agricultural Shade and Protection
- All-Weather Advertising Banners
- Coated Polyfabrics
- Food-Grade Coated Non-Wovens

Coolaroo®

The Company's consumer products, marketed under the Coolaroo® brand, include outdoor roller shades, shade sails, shade and garden fabrics, shade structures, and pet products. They can be found at market-leading major retailers, both in-store and online, around the world.

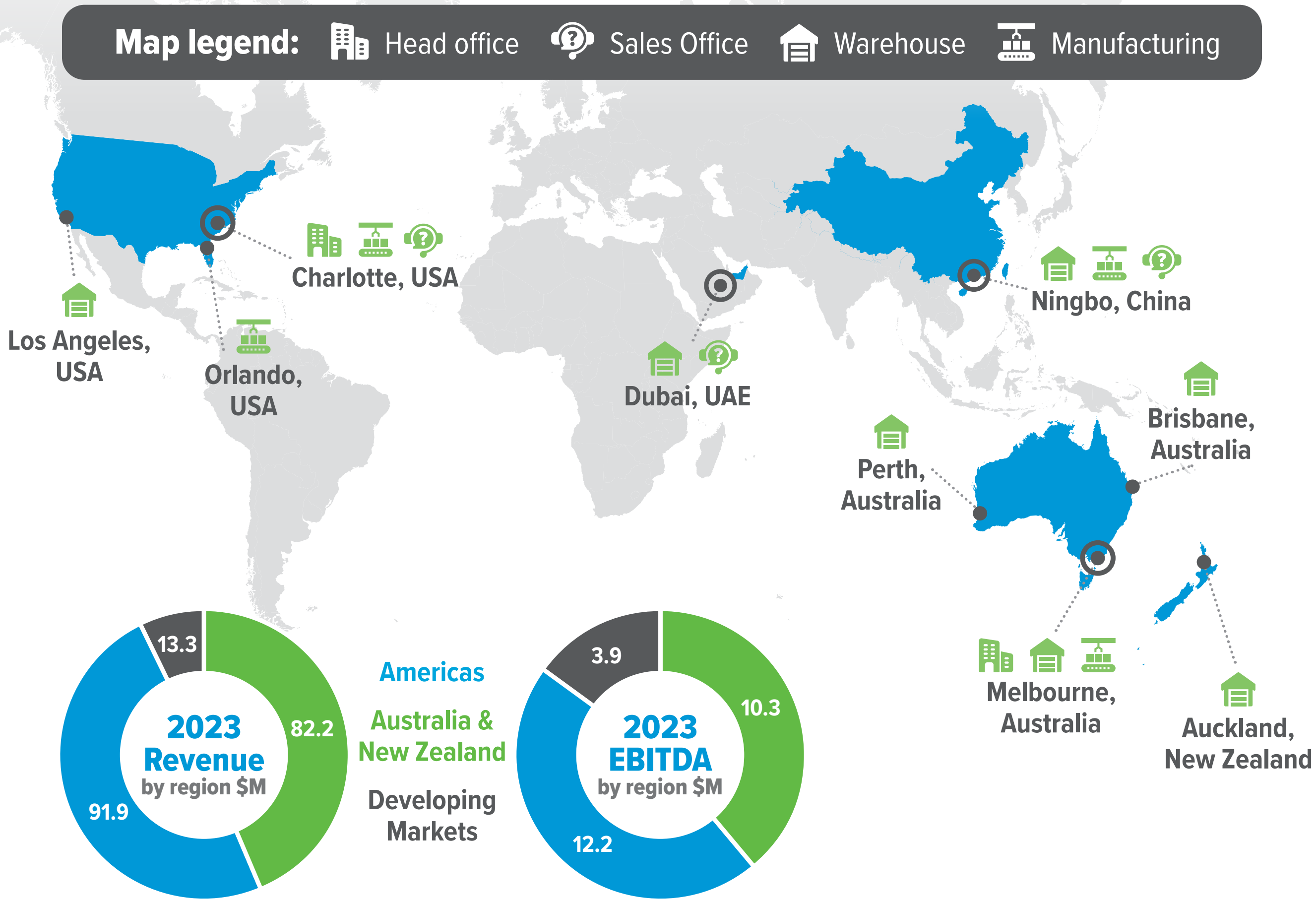
PRODUCT CATEGORIES

- Roller Shades
- Shade Sails
- Shade Fabric
- Pergolas and Gazebos
- Umbrellas
- Grow and Utility Bags
- Pet Beds

CONTENTS

All financial data in this report are represented in Australian Dollars (AU$) unless otherwise noted.

BUSINESS OVERVIEW



COMPANY MILESTONES

1951

Harry and Barbara Gale establish Gale Scarves in Victoria, Australia. Barbara weaves products from home, while Harry sells them to local merchants.

1974

The Gales experimented with new materials and processes, eventually creating a fabric which doesn't fray or tear under tension – resulting in the invention of high density polyethylene shade fabric.

1982

The demand for shade fabric continues to grow, prompting entry into the U.S. market with the opening of the first GALE office in Orlando, Florida. GALE has been servicing major U.S. retailers and distributors ever since.

1996

GALE relocates the head office, assembly floor, and warehouse to Braeside, Melbourne. The Coolaroo® brand is born, and all consumer products are consolidated under one brand.

DID YOU KNOW?

Since the start of FY19 GALE Pacific has...

processed over 50,000 tonnes of material. That is the same weight as:

222 Statues of Liberty	90 Airbus A380s	333 Blue Whales	The Sydney Harbour Bridge

& produced over 80 million metres or 262 million feet of fabric. That would:

Wrap around the globe 2 times	Span the width of Australia more than 20 times	Travel Charlotte to Melbourne more then 5 times	Ascend Mount Everest 9,000 times

2000

GALE Pacific lists on the Australian Securities Exchange (ASX: GAP). GALE acquires the coated fabrics business from VISY, enabling innovation such as Landmark grain covers and growth into new verticals. GALE Middle East established.

2005

GALE builds and opens it's wholly-owned, state of the art, purpose-built manufacturing facility for knitted products in Ningbo, China to serve our growing global customer base.

2018

Roller Shades expand in the U.S. and Australia making it GALE's largest category. Cancer Council Australia's 2020 endorsement of Coolaroo and GALE Pacific products reinforces the Company's leadership role in sun protection.

2023

US HQ moves to Charlotte, North Carolina, a major US textile hub and home to some of GALE's largest customers.

New textile innovations, HeatShield® and Ecobanner™, launch.

CHAIRMAN'S LETTER

David Allman

The financial result for the 2023 financial year was disappointing and well below our expectations at the start of the year as global markets shifted markedly and surprisingly post-pandemic.

During the year the impact of improving global supply chain conditions was more than offset by demand reductions resulting from broad market inflation negatively impacting consumer spending on home improvement, customer inventory de-stocking, and poor weather conditions across Australia and the United States during critical summer trading periods.

Full-year revenue of $187.6 million was down 9% on FY22, while profit before tax of $5.3 million was down 52% on FY22. Earnings per share of 1.34 cents was down from 2.76 cents in FY22, enabling an interim dividend of 1 cent. Net cash generation from operations of $8.4 million was positively impacted by the team reducing inventory rapidly in response to the demand pressures.

Despite the challenging operating environment and lower-than-anticipated financial results, we continued to invest in enabling our team to improve the Company as outlined in our Growth Acceleration Plan, an example being our investment in a new ERP system to allow the Company to scale with greater efficiency and data transparency and security.

Our investments in new product innovation are beginning to come to market in greater volume and with more significant impact, helping the Company enter new categories and drive greater growth in core categories while adding to the Company's intellectual property portfolio.

With the opening of our new office in March, the transition of our Americas head office and team from Orlando to Charlotte is complete. The Directors traveled to Charlotte in July to meet with group leadership and the newly formed Americas team, and we came away confident in their ability to deliver on the opportunity to expand our business in the Company's most significant growth region over the coming years.

Our management team dealt with a very challenging year while executing restructuring programs with professionalism and speed in our key markets of Australia and the United States and at our production facilities at Ningbo in China and Melbourne.

We remain confident in the opportunity to build GALE Pacific into a faster-growing, world-class global fabrics technology business and that we have the right strategy and management team to realise this vision for the Company over the coming years.

We are planning for revenue and profit growth in FY24 driven by business expansion in the Americas in the second half after a more challenging first half.

I want to thank our management team and all our employees worldwide for their continued commitment to improving the Company and their resilience during a very difficult year.

David Allman
Chairman

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.

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 Chair & Non-Executive Director of Dandenong Market Pty Ltd and serves as a Member of the Audit and Risk Committee as well as Deputy Chair & Executive Director of YMCA Service Pty Ltd where she is also a Member of the HR & Governance Committee.

Donna is a member of the Company's Nomination and Remuneration 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. 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 20 Cashews Pty Ltd group, including Australian Community Media and View Media Group.

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

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 Soco Limited, Chairman of Xref Limited, and Chairman of Escient. Tom was previously chairman of Empired Limited, a non-executive director of Inabox Group, CEO of SMS Management & Technology, 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.

2023 RESULTS AT A GLANCE

$187.6M REVENUE *PCP: $205.5m*	**$20.7M** EBITDA *PCP: $22.9m*	**$8.4M** NET CASH FROM OPERATIONS *PCP: $7.2m*

$8.9M EBIT *PCP: $13.0m*	**$15.8M** NET DEBT *PCP: $5.5m*	**1.34c** EARNINGS PER SHARE *PCP: 2.76c*	**1.0c** TOTAL DIVIDEND *PCP: 2.0c*

Global inventory reduced by
$27.1 million
($80.4 million to $53.3 million)
November - June

Design phase completed
Dynamics 365 cloud ERP

Restructuring programs to deliver
$5 million
in three year savings

Over $4.7 million saved
via operational excellence initiatives

Opened new US HQ in
Charlotte, NC

Product lead-times
reduced by
by 50%
globally

Launched

HEAT SHIELD™ technology

ecobanner™

NO DIVING 1.2m
LANE CLOSED
LAP SWIMMING ONLY

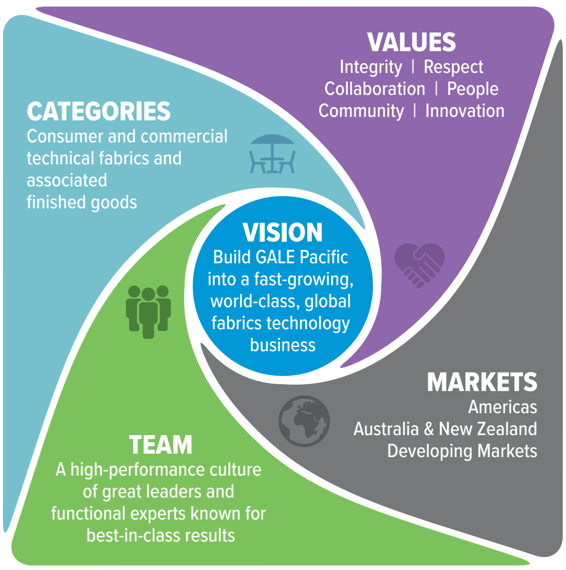
GALE PACIFIC FY23 OVERVIEW

John Paul Marcantonio

CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR'S REVIEW

Though we are constructively dissatisfied with the 2023 financial result, we are encouraged by our progress against our strategic plan, which we firmly believe is the right one for the Company and will lead to superior earnings growth over time. Our team built further competency, capability, and capacity across many critical elements outlined in our Growth Acceleration Plan in FY23.

Growth Acceleration Plan



Trading conditions were challenging throughout the year in all selling regions. Historically aggressive interest rate hikes by global central banks to fight broad market inflation, particularly in the United States and Australia, coupled with an accelerated shift in post-pandemic consumer spending on household goods to travel and services and overall challenging housing market conditions led to demand headwinds across markets and categories for the Company.

As an outdoor products company, weather conditions greatly influence the Company's performance. Unseasonably cool and historically wet weather across the eastern half of Australia negatively impacted the overall result for consumer and commercial categories. Similarly, poor weather across the western, southern, and southeastern United States throughout quarter three and much of quarter four negatively impacted the second-half result.

Global supply chain conditions materially improved in the second half, with international shipping capacity and costs now nearly fully normalised due to lower overall international demand for goods.

Our customers materially reduced on-hand inventories at stores and across their warehouse networks as these improved global supply chain conditions allowed for shorter product delivery lead times from order to shelf.

Additionally, the overall reduction in consumer spending resulted in year-over-year declines in comparative unit sell-through across customers and the broad market.

Our teams responded professionally and with speed, sidelining production capacity and balancing labour to match lower demand profiles while concurrently reducing lead time for goods made at our facility in Ningbo, China, by 50% in the second half.

Global Inventory decreased by
$27.1 million
($80.4 million to $53.3 million)
from November to June

Manufacturing lead times reduced by
50%

+$5 million
from restructuring savings over 3yrs

As a result of these efforts, overall global inventory was reduced by $27.1 million, from $80.4 million to $53.3 million, at year-end from its peak in November without any impact to service and delivery. Our operations are efficient, and manufacturing capacity closely aligns with anticipated forward-looking demand entering FY24.

New product innovation in our core categories is one of the most critical elements of our growth strategy, and our team delivered significant new product innovation projects across consumer and commercial categories in the year while managing the noted challenges.

New Coolaroo® shade fabric with HeatShield® technology launched in the second half of the year in the United States and led to record levels of sell-through for the shade sails category in only a few months.

"This double protection ensures things stay much cooler underneath, setting it apart from other products on the market."

– Nathalie Pimentel, *Director, Product Marketing & Innovation*

Read more about HeatShield® on p. 34

HEAT SHIELD™

HeatShield® is a patent pending, new-to-world fabric innovation developed by our R&D team that delivers fabric surface temperature reductions of up to 10 degrees Celsius or 15 degrees Fahrenheit by blocking both infrared and ultraviolet light.

Launching across our product portfolio in FY24, our selling teams have already secured commitments to expand Coolaroo® consumer products and GALE Pacific commercial fabrics with Heat Shield® technology across categories and at most existing and some significant new retail partners entering FY24.

Entering new near-neighbour categories and high-growth end-use markets with innovative new products that utilise our existing, differentiated manufacturing capabilities is another essential element of our growth strategy.

131.2M
Households in the US

+11.0M
GALE Products Sold Since 2019

8.5%
Household Penetration

Even with 11 million units sold since 2019, GALE Pacific products can only be found in a small portion of U.S. homes today. The total addressable market for GALE Pacific products in the United States is large today and will continue to develop over the coming years.

Leveraging several patented and patent-pending technologies in our coated commercial and technical fabrics portfolio, our team developed and launched a new-to-world, sustainable technical fabric for the away-from-home advertising industry.

Ecobanner™ is a patent pending, reinforced, fully recyclable printable fabric designed for large outdoor billboards and advertising. Developed and manufactured by GALE Pacific, Ecobanner™ is the only Australian-made, PVC-free flexible banner fabric capable of offering a 100% closed-loop end-of-life recycling and reuse solution.

Ecobanner™ on Glebe Island silo billboard in Sydney, Australia, for the FIFA 2023 Women's World Cup. Australia's first PVC-free printable banner fabric, championing a 100% closed-loop solution, Ecobanner™ demonstrates our commitment to sustainability and revolutionises outdoor advertising. Photo credit: oOh! Media.

Our transition to Charlotte, North Carolina was completed in March, with our group leadership and Americas operating teams moving into a new, purpose-built office location. The high-performance teams are now conveniently located to deliver on the Company's growth goals in our key target market. The proximity to our largest core customers, access to technology, and a large talent pool specific to the textile industry are core enablers of our growth plan over the coming years.

GALE Pacific's new Americas headquarters grand opening in Charlotte, North Carolina on 30 March 2023.

We completed the design phase of our **global Enterprise Resource Planning (ERP) system reimplementation project** in June, having reviewed and optimised all business processes across operations and finance for the Company following industry best practices for manufacturing and distribution firms that run cloud-based Microsoft Dynamics 365.

We are finalising a rigorous integration vendor selection process and will begin implementing the newly configured ERP system in September, with go-live scheduled for quarter four FY24. These newly streamlined operating systems are critical enablers of our growth plans and will support us to scale the Company efficiently while increasing information transparency and security.

In June, **we announced and actioned two distinct strategic restructuring programs** to further align our teams to our growth strategy, match our resources to the operating environment, and ensure the best total cost of production for our goods.

These programs in Australia (aligning teams to our growth categories in the commercial end markets while lowering total regional headcount) and the United States (the transition of our custom roller shade fabrication from a leased and operated facility in Orlando to a partner firm in Spartanburg, South Carolina) will deliver meaningful productivity and increased profit with combined three-year **savings of over $5 million.**

Sheryl Smith, our CFO, is leading a cross-functional team on an essential piece of work to understand better our current position regarding all matters ESG. We recently concluded a benchmarking study with a partner consulting firm with global ESG expertise to help our team and our company develop and implement a roadmap of activities over the coming years to improve the foundation in place today.

Despite the challenges, our team made significant foundational improvements to the Company throughout the 2023 financial year that will pay dividends in FY24 and beyond.

Throughout this year's annual report, you will see evidence of our plans in action and have an opportunity to meet a few of the members of our team who are actively improving the Company and describe how we **Grow Our Categories, Markets, Supply Chain, Capabilities and, most importantly, our People.**

"GALE Pacific is firmly committed to protection – from safeguarding individuals and assets to preserving our environment..."

– Sheryl Smith,
Chief Financial Officer

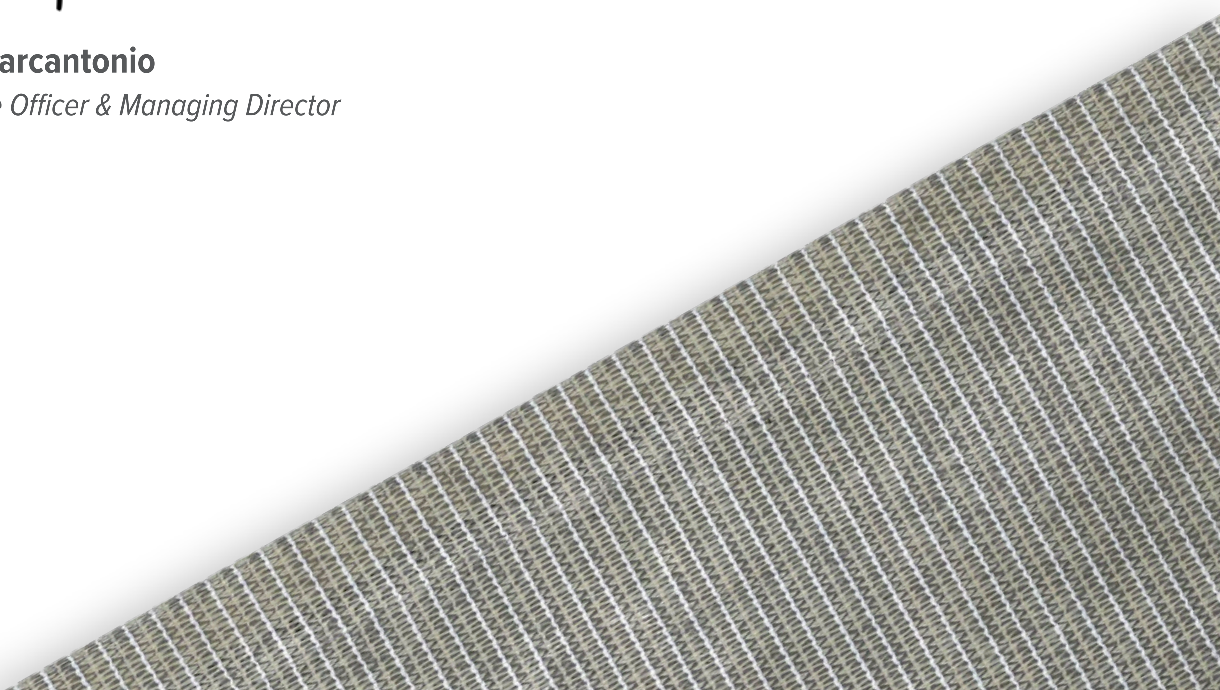
Read more about our ESG efforts on p. 35

You will also hear from a few of our largest and most strategic global customers as to the importance of their partnership with our company and how the products and services we provide, coupled with our ability to partner with them to expand and grow the size of our categories, makes **GALE Pacific a partner of choice for GROWTH.**

We also brought to life some of the Company's most significant product innovations and global project installations to show how our brands and products are presented to our target consumers and how they are used in application.

The opportunity to build the Company into a faster-growing, world-class global fabrics technology business is apparent. I want to thank our team for their commitment, dedication, and focus toward realising this vision for the Company over this and the coming years.

John Paul Marcantonio
Chief Executive Officer & Managing Director



PROJECT SPOTLIGHT

TURNING FUNCTION TO ART

Bangkok Keerapat International School

Sang Thong, Thailand

Shade Sail in Desert Sand

In the heart of Bangkok, Keerapat International School took creativity to new heights. Using Coolaroo's standard 3.6 sq.m. retail shade sails, they crafted a breathtaking canopy over their football field. By ingeniously interlinking multiple sails, they achieved a mesmerising play of shade and light, making the field not just functional, but visually spectacular!

FY23 REGIONAL RESULTS

AMERICAS

	FY23	FY22	FY21	FY20	% vs FY22	% vs FY21	% vs FY20
Revenue	91.9	95.6	96.2	73.3	(4)	(4)	25
EBITDA	12.2	13.0	13.5	11.8	(6)	(10)	3

Americas revenue of $91.9 million was down 4% compared to FY22 due to poor weather conditions in the second half and lower year-on-year unit sell-through across retail channels and customers as US consumers lowered overall spending versus prior year in the face of retail price inflation and shifted spending away from household goods and prioritised travel, entertainment, and services.

The improvement in global supply chain capacity led to product delivery lead time improvement, which, coupled with lower demand, led to significant on-hand inventory destocking at major retail partners across the region, which also negatively impacted revenue in FY23.

EBITDA declined 6% driven primarily by higher than forecasted weighted average product cost due to lower trading volumes in the second half, the inefficiency impact of lowering production volumes at GALE's manufacturing facility in Ningbo, China, to reduce Americas regional on-hand inventory levels and year-over-year increases in warehousing costs.

Americas regional revenue was up 25% compared to pre-pandemic financial year 2020 with comparable regional earnings as the Company continued investments in resources ahead of growth to drive scale and increased earnings in the Company's lead strategic growth region.

Regional profit margins improved exiting the year, driven by lower inbound freight costs in the second half and the further balancing of input costs compared to pricing measures enacted.

Regional inventory of US $12.4 million at year-end represented a reduction of US $10.3 million or 45% from the November peak driven by forecast accuracy improvements, reductions in required manufactured products from GALE's facility in Ningbo, China, and improved lead times resulting from international shipping capacity increases in the second half.

Distribution expansion and consumer availability improvements for the Company's core product ranges in existing and new customers continued, with new placements in shade sails, fabrics, roller shades, pet beds, and commercial fabrics driven by new product launches featuring the benefits of Coolaroo® with HeatShield® technology across categories.

Commercial fabric demand improved in the second half, with quarter four ending as the largest quarter for commercial fabric revenue in the region's history, up 11% from the previous commercial sales record set in quarter four of 2022.

GALE completed its Americas headquarters relocation to Charlotte, North Carolina, in March 2023 and has now completed its group executive leadership and Americas regional team restructuring and relocation activities with significant increases in capability and capacity across sales, marketing, engineering, product development, and program management to drive delivery of the regional growth strategy over the coming years.

AUSTRALIA | NEW ZEALAND

	FY23	FY22	FY21	FY20	% vs FY22	% vs FY21	% vs FY20
Revenue	82.2	93.7	92.0	64.6	(12)	(11)	27
EBITDA	10.4	11.5	14.4	5.4	(10)	(28)	92

Revenue of $82.2 million was down $11.5 million or 12% from the prior year, driven primarily by unseasonably cool and historically wet weather across the east coast of Australia, which had a negative impact across both consumer and commercial end markets.

This resulted in lower year-on-year unit sell-through at retail as consumers lowered overall spending in the face of retail price inflation and shifted spending away from household goods and prioritised travel, entertainment, and services.

EBITDA declined 10%, driven primarily by higher than forecasted weighted average product cost impacts driven by lower trading volumes and the inefficiency impact of lowering production volumes at GALE's manufacturing facilities in Ningbo, China and Braeside, Victoria.

Regional revenue was up 27% compared to pre-pandemic financial year 2020, while earnings nearly doubled as a direct result of the Company's strategy to focus on profitability improvement initiatives and profit enhancing growth programs.

Regional profit margins improved due to lower inbound freight costs and the further balancing of input costs compared to pricing measures enacted.

Regional inventory of $21.0 million at year-end represented a reduction of $14.3 million or 40% from the November peak, driven by forecast accuracy improvements, reductions in required manufactured products across facilities and suppliers, and improved lead times resultanting from international shipping capacity increases.

Record rainfall across the east coast grain belt constrained year-on-year demand for the Company's grain storage-related coated fabrics; however market share for these products stayed consistent and remain the benchmark across the Australian agricultural sector.

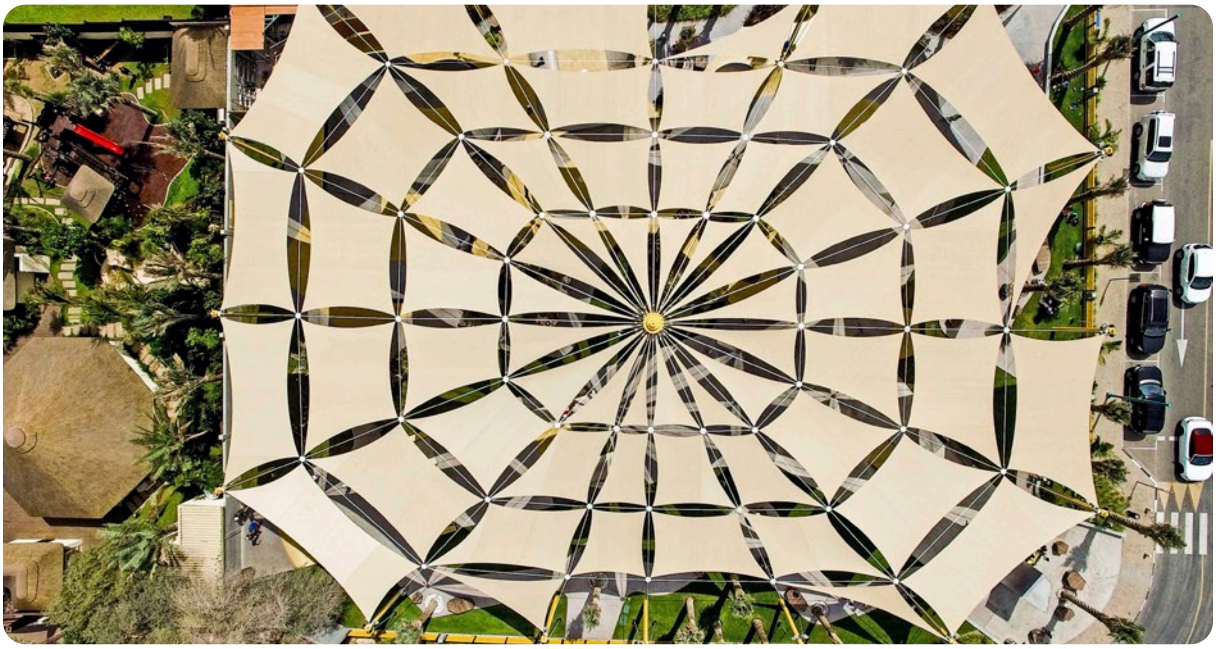
Additional share was secured throughout the year in the horticultural segment with GALE's differentiated orchard netting products driving growth at the largest regional fabricators.

Incremental placements for the FY24 peak consumer selling season have been secured that will improve the consumer purchase experience across the Company's market leading shade fabric, shade sail, outdoor roller blind and umbrella categories at Bunnings. The region also delivered market share expansion across established and developing e-commerce retailers.

Leveraging GALE's proprietary and differentiated coating capability to unlock new market opportunities, commercial trials are underway on increased recycled content in grain storage fabrics designed to provide a repeatable, closed-loop, end-of-life recycling solution, a first in the agricultural sector.

The first commercial installation of GALE's patent-pending Ecobanner™ was completed on Australia's largest outdoor billboard in Sydney. Further market penetration is expected across the coming year with market-leading outdoor advertising partners.

GALE also extended partnerships with leading produce and ready-made meal packaging manufacturers to develop and supply sustainable packaging innovation to meet Australia's single use plastic reduction targets.



DEVELOPING MARKETS

	FY23	FY22	FY21	FY20	% vs FY22	% vs FY21	% vs FY20
Revenue	13.4	16.2	17.0	18.4	(17)	(21)	(27)
EBITDA	3.9	4.1	4.9	4.8	(5)	(21)	(19)

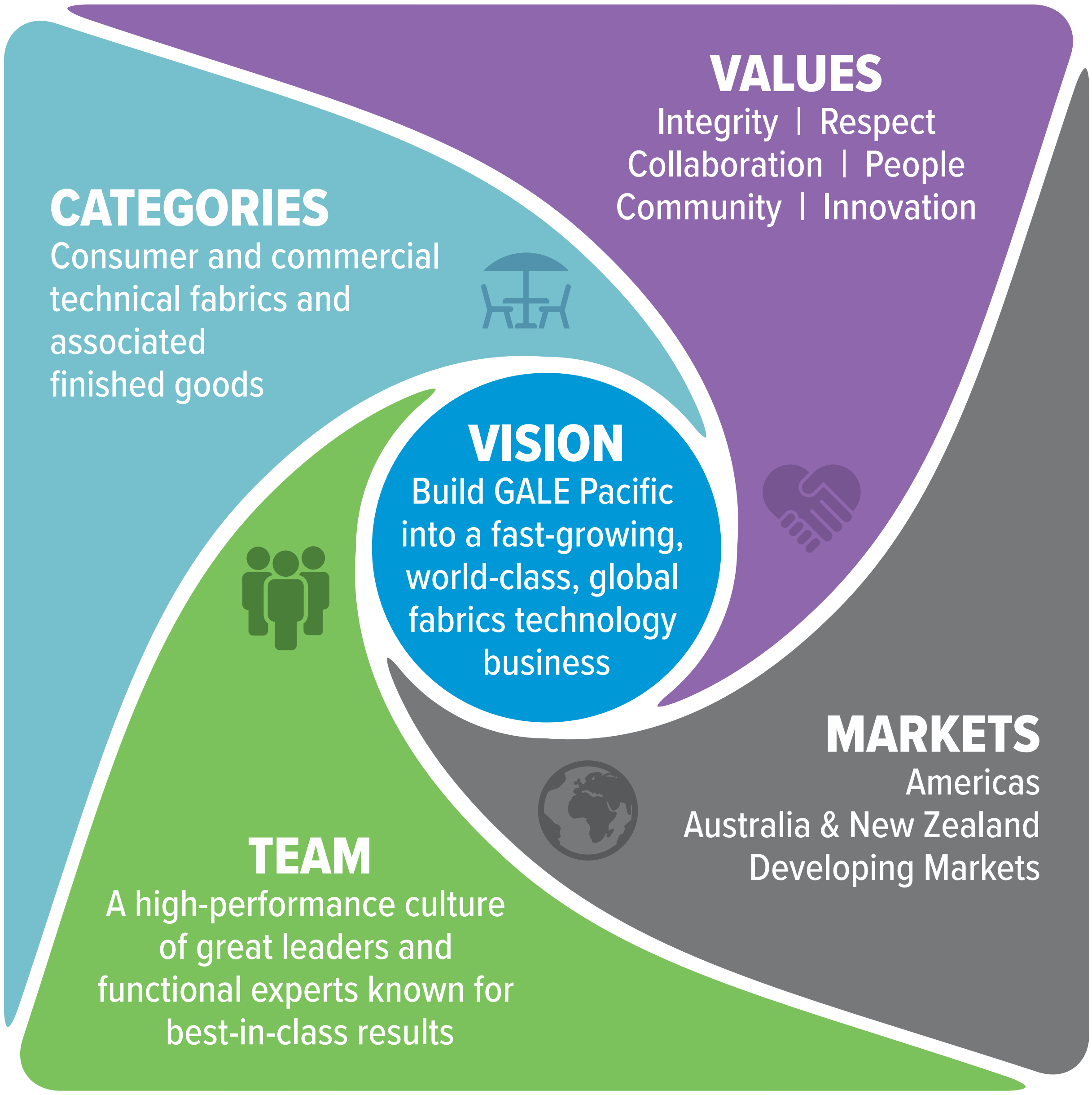
Revenue of $13.4 million was down $2.8 million or 17% due mainly to constrained demand in the Middle East from the continued implementation and execution of the Company's improved credit discipline in the region. Due to these stricter policies and operating measures, the Company reduced long-dated outstanding debtor balances by over 34% throughout the year.

IImproved margins across the company's commercial architectural shade fabrics from the maintenance of prior price increases and tight cost control limited the decline in year-on-year EBITDA to $0.2 million or 5%. The Company grew revenue across Europe and Southeast Asia by 20% due to further conversion of commercial shade fabric customers and projects throughout the year.

The Company's growth ambition outside its core revenue markets remains active, with growth initiatives in progress to penetrate new markets and segments that complement GALE's core capabilities and leverage its category-leading experience in established markets in Europe and Asia.

GROWTH ACCELERATION PLAN

The Growth Acceleration Plan defines how we will grow our Company over the coming years by focusing our efforts, investments and teams on growing our categories, markets, supply chain, capabilities and people.



HOW WE GROW

CATEGORIES

Develop and launch breakthrough innovation in our core categories

Accelerate new & near-neighbour category entry

Accelerate penetration via leadership brand activation and communication

MARKETS

Drive category growth in retail & commercial in Australia & the U.S.

Rapidly expand distribution & availability in the U.S.

Extend our borders into Latin America & Southeast Asia; expand Canada, Middle East & Europe

PEOPLE

Develop our functional leadership capabilities throughout 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**

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

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

Delivered with EDGE: Every Day Great Execution

GROWTH ACCELERATION PLAN IN ACTION

GROW OUR PEOPLE

Transforming Culture and Empowering Growth

Lisa Hill, *HR Manager, ANZ & Developing Markets*

Function: Human Resources **Office/Region:** Braeside, Australia

"We've been making strategic shifts to ensure our growth is not just about numbers, but about fostering our people's development."

What are the standout projects you have introduced at GALE Pacific?
One standout is our partnership with Culture Amp. We teamed up to use their tools and expertise to find out what makes our teams tick. As we venture into our second year, we notice trends shaping our path forward.

What's your next big goal?
We're diving into two things: Recognition and Career Development. We are eager to streamline the recognition process across the team and explore fresh avenues for career growth that go beyond the norm.

How have your initiatives made an impact?
Our revamped Performance Management approach has been well-received, and the Learn@GALE platform, with its extensive array of learning modules, has been a hit for both professional and personal growth. Our newly introduced Leadership Behaviours are also making a positive impact by empowering team members to step up in diverse roles.

How is GALE Pacific putting people first?
We have been making strategic shifts to ensure our growth is not just about numbers, but about fostering our people's development. We've implemented technology upgrades, aligned global policies, and initiated regional groups to encourage connections, well-being, and community engagement.

What is the strategy for nurturing talent within the organisation?
Our talent development strategy involves revamping Performance Management, introducing Leadership Behaviours, and implementing a comprehensive Talent & Succession planning process. These efforts are resulting in increased internal promotions and a more supportive environment for professional growth.

How have teams responded to this new focus?
They are embracing their roles as integral contributors to our collective success. Development discussions are sparking innovative ideas, and individuals are emerging as leaders, challenging norms and introducing impactful changes. The momentum is truly inspiring.

GROW OUR PEOPLE

ANZ Employee Engagement: Evolving Together and Building Community

Tom Lawless, *Product Manager, Retail*

Function: Retail ANZ **Office/Region:** Braeside, Australia

"Engagement isn't just a buzzword for us – it's brought about unity, made us more proud of our achievements, and optimistic about the journey ahead."

Why is Employee Engagement such a focal point in your region for GALE Pacific?
Although we have exceptional leaders in Australia and an engaged US-based leadership team, we've recognised the need to encourage growth here in the ANZ region. It's not about filling positions; it's about empowering our team to be more agile and self-driven.

Any standout initiatives that you feel have made a notable impact?
Definitely. During the National Blood Donor week, many from our Australian office stepped up to donate. It was an amazing experience, both for building team camaraderie and contributing to the community.

What's next on the agenda for Employee Engagement?
I'm genuinely excited about collaborating more with our US team. We're looking at forming a group to brainstorm and share insights. It's about fostering a strong, global collaborative spirit and leverage the collective creativity of our team.

How has Employee Engagement shifted the dynamics at GALE Pacific?
It's been transformative. Engagement isn't just a buzzword for us – it's brought about unity, made us prouder of our achievements, and made us optimistic about the journey ahead.

What's the general feedback from the team regarding these new changes?
The response has been heartening. Everyone appreciates the opportunities to bond outside of regular tasks. It's enhanced our collaboration, making problem-solving smoother and more innovative.

GROW OUR PEOPLE

US Employee Engagement: A Fresh Approach to Crafting Culture

Derek Johnson, *Product Marketing Manager*

Function: Product Marketing **Office/Region:** Charlotte, USA

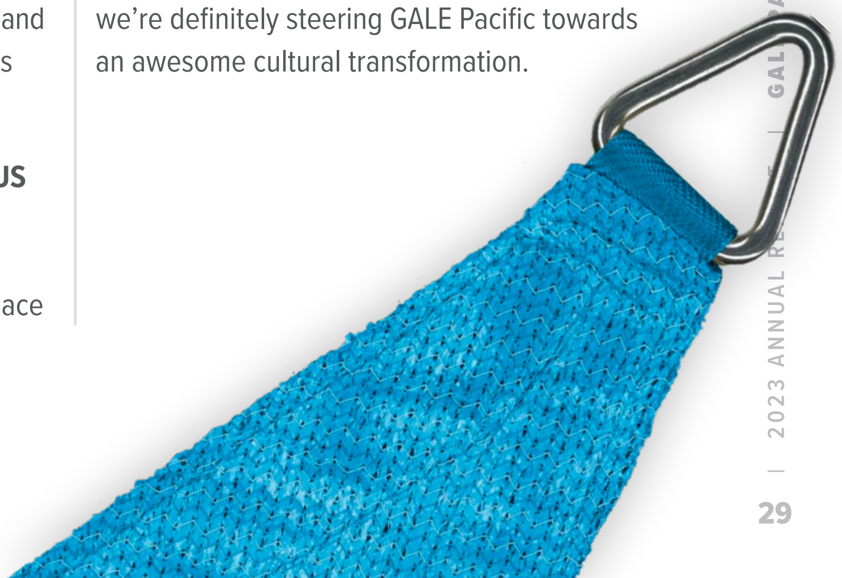
"With a brand-new office, and a fresh team, we have an exciting opportunity to build a stellar work atmosphere from the ground up."

How is Employee Engagement shaping GALE Pacific in your region?
For the US Engagement Team, we see ourselves as the architects of our region's culture. With a brand-new office and a fresh team, we have an exciting opportunity to build a stellar work atmosphere from the ground up.

What initiatives by the team have really stood out?
Our 'Office Housewarming Party' was a smashing hit. It wasn't just for our team – everyone's families got involved too. The whole planning and execution were spot-on. Beyond the fun, it was important for this new team to really connect.

Can you hint at any future plans from the US Engagement Team?
More than specific events, I'm excited about evolving our workplace culture. Think of a space where everyone syncs up effortlessly: regular celebrations, recognition for great work, and a genuine sense of community. A vibe where coming to work, be it at the office or from home, feels refreshing, engaging, and invigorating.

Is Employee Engagement making an impact at GALE Pacific yet?
While we're still setting the stage, there's clear momentum building. As we roll out both the tangible and intangible aspects of our plans, we're definitely steering GALE Pacific towards an awesome cultural transformation.



GROW OUR PEOPLE

Making Safety Our Competitive Edge

Madge Fu, *HSE Manager, GPST, ANZ & Developing Markets*

Function: Health, Safety, and Environment **Office/Region:** Ningbo, China

"Elevating our safety culture to a "Leading" stage, where shared ownership among employees becomes our competitive edge"

What is your main goal in your role?
To establish a culture of HSE excellence, aiming for zero incidents and positioning ourselves as industry leaders in safety and environment.

What are some standout projects during your tenure with GALE Pacific?
We've upgraded our firefighting facilities in China, introduced a Behaviour-Based Safety program, and updated our safety recognition system to boost hazard reporting.

What's your next big milestone?
Elevating our safety culture to a "Leading" stage, where shared ownership among employees becomes our competitive edge.

How have employees responded to these changes?
I have heard positive feedback from our safety training, enhanced work environment, and swift hazard solutions. Our annual surveys also reflected this encouraging sentiment.

How has Health and Safety changed during your time with GALE Pacific?
HSE performance, especially in China, improved dramatically. Our Total Recordable Injury Frequency Rate (TRIFR) dropped significantly in five years, and in the ANZ region, we have committed to continual refinement of our safety practices.

Any noticeable shifts in the region's working conditions?
Safety-wise, we've enhanced machinery guards and minimised working-at-height risks. For health, we've reduced manual labour risks by integrating automation and providing lifting aids. Additionally, facility improvements like canteen, dormitory, and tearoom renovation have positively impacted our working environment.

GROW OUR SUPPLY CHAIN

Streamlining Our Supply Chain for Success

Jeff Pearce, *Senior Manager, Global Logistics*

Function: Supply Chain **Office/Region:** Charlotte, USA

"Identifying and addressing non-value-added costs in GALE Pacific's supply chain will result in millions of dollars in cost avoidance year over yearw."

What has been the focus of your role this year?
Streamlining our inbound ocean supply chain to create cost-effective transportation and unloading methods while decreasing overall spend.

What changes have been implemented to enhance efficiency?
By optimising GALE Pacific's inbound ocean routes, we have decreased the overall time we hold sea containers. We have also leveraged our freight forwarder and created track and trace tools which has led to proactive labour planning and standardised work.

What has had the biggest impact?
We have created a culture of continuous improvement by regularly reviewing processes, gathering feedback from stakeholders, and actively seeking ways to enhance efficiency. Our lean business model allows us to challenge the status quo and quickly implement new processes when necessary.

What positive results have you seen from these changes?
By identifying and addressing non-value-added costs in GALE Pacific's supply chain, we're set to achieve over USD$1 million in year-over-year cost avoidance. We've successfully cut ocean-shipment lead times by 50%, all while maintaining a delivery record of over 98% in full and on time.

How has the customer been impacted by this project?
These changes now ensure product availability, faster delivery times, and improved product quality, resulting in a better overall customer experience.

GROW OUR CATEGORIES

The Revolutionary Comfort of HeatShield®

Nathalie Pimentel, *Director, Product Marketing & Innovation*

Function: Product Marketing & Innovation **Office/Region:** Charlotte, USA

"This double protection ensures things stay much cooler underneath, setting it apart from other products on the market."

Why is everyone talking about HeatShield®?
Our new shade fabric is unique because it not only blocks UV rays, which can be harmful, but also stops the heat from infrared rays. This double protection ensures things stay much cooler underneath, setting it apart from other products on the market.

Why is HeatShield® a favourite for everyday users?
HeatShield® is all about simplicity and comfort. When you set up a Coolaroo roller shade, pet bed, or any other product with HeatShield® technology, you'll immediately feel cooler underneath. It provides a refreshing spot, especially on those scorching hot days.

How will commercial or public spaces benefit from this technology?
HeatShield® is a game-changer. Businesses are always looking for ways to enhance comfort in outdoor areas and add an eye-catching feature to their space. Imagine playgrounds where kids play comfortably or parking areas where cars stay cooler.

How is HeatShield® different from other shades?
While most shades offer some relief from the sun, HeatShield® shades go the extra mile. The fabric circulates fresh air, offers visibility, and importantly, it shields from both UV and the heat rays. It's the complete package, and no other shade offers all of these features together.

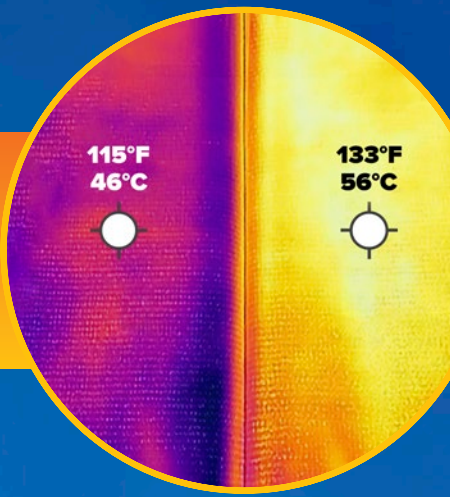
What's next for HeatShield®?
HeatShield® is not just a product, it's the future of our Coolaroo brand, and we're introducing it across our Commercial fabrics. This unique fabric is a testament to GALE Pacific's core principles: Design, Comfort, Protection, and Sustainability. With its captivating aesthetic and unparalleled dual protection, it stands apart from other products on the market.

Coolaroo®

HEAT SHIELD™ technology

THE COOLEST EXPERIENCE UNDER THE SUN

Fabric feels up to 10°C or 15°F cooler for people, pets, and play



Comparing surface temperature of HeatShield® fabric (left) vs standard fabric (right)

★★★★★

"We all noticed a drop in temperature, as well as some shady relief from the intense sun when sitting under it. Highly recommend!'"

Within months of its U.S. launch, our groundbreaking HeatShield® fabric technology achieved record sell-through rates, and as we gear up for FY24, we're expanding its reach with both current and major new retail partners, as well as into GALE Commercial.

*Patent pending

GROW OUR CAPABILITIES

Beyond Sustainability: Redefining the Fabric Industry

Andrew Nasarczyk, *Senior Manager, Global R&D*

Function: Research & Development **Office/Region:** Braeside, Australia

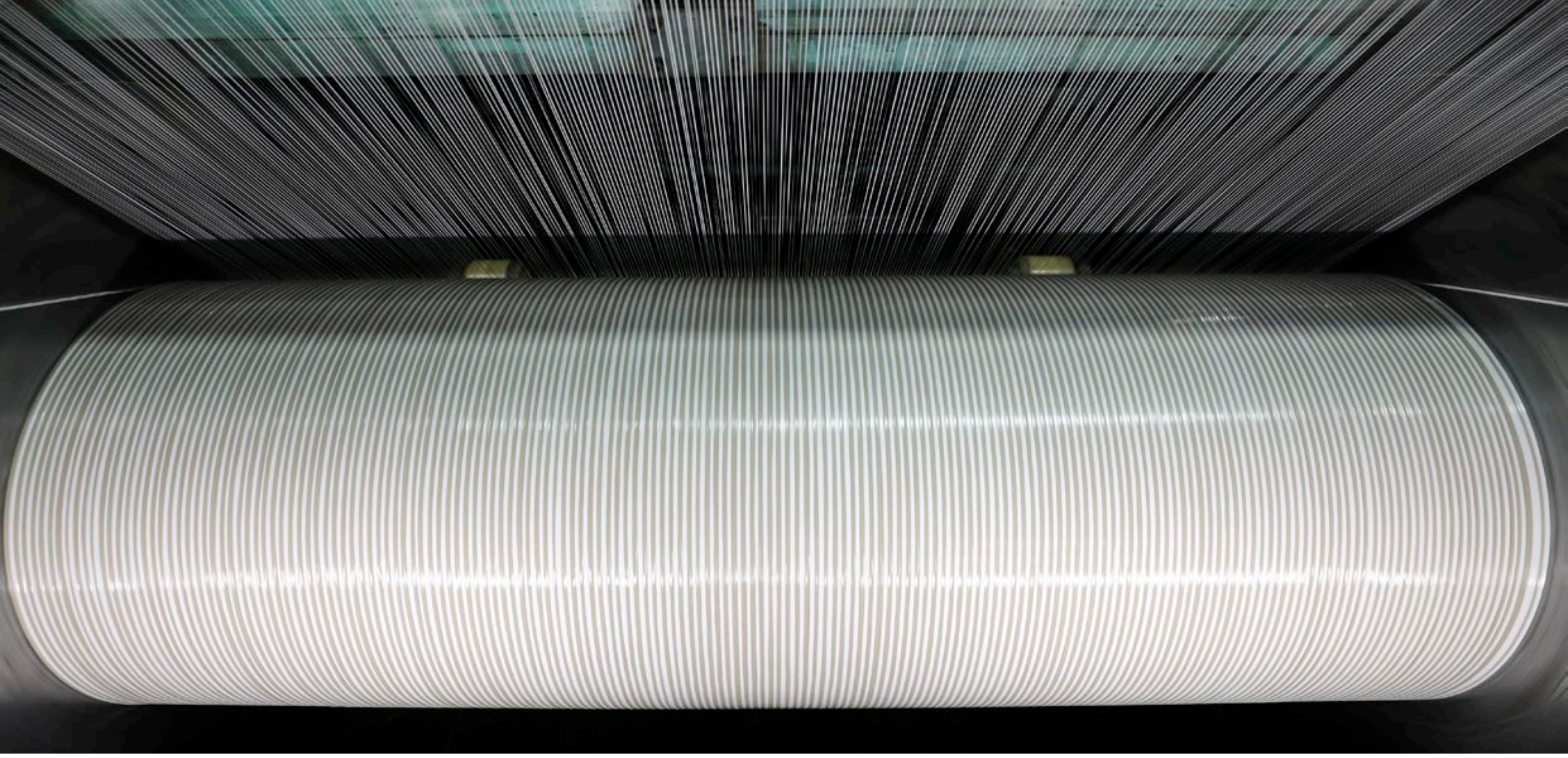
"GALE isn't just embracing sustainability, we're setting standards."

How is sustainability shaping GALE Pacific?
GALE isn't just embracing sustainability, we're setting standards. Securing a 2021 grant from Sustainability Victoria, we're crafting ways to transform end-of-life products into eco-friendly innovations.

What initiatives is GALE Pacific taking around sustainability?
We're actively pioneering solutions that have a tangible positive impact on the environment.

Can you highlight some standout sustainable products and their importance to GALE Pacific?
Ecobanner™ is a game-changing recyclable fabric, tailor-made for outdoor billboards and advertising with its patent-pending, reinforced, printable surface. It's Australia's first PVC-free flexible banner fabric offering a complete closed-loop solution. Additionally, our Closed Loop Grain covers signify a pivotal advancement in our sustainability journey. We're repurposing used grain covers and processing them into prime-grade resin, giving them a new purpose.

What are some of the latest sustainability initiatives at GALE?
We're committed to finding eco-friendly solutions to industry challenges. Our technical fabrics stand out with impeccable environmental credentials – free from harmful chemicals, easily recyclable, and tailored to meet the stringent demands of a discerning market. We're streamlining our manufacturing to ensure minimal waste, and optimising material, energy, and resources.



ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG)

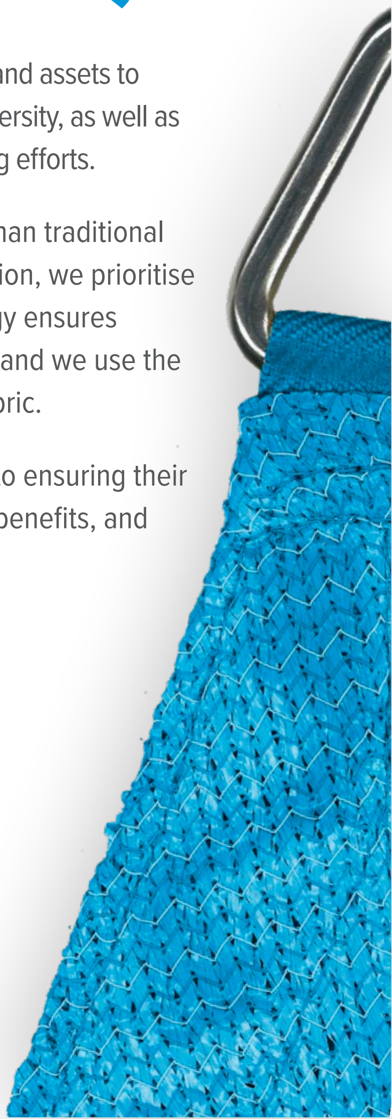
GALE Pacific is firmly committed to safety and protection – from safeguarding individuals and assets to preserving our environment. Our collaboration with Australian institutions like Deakin University, as well as with local recycling partners in Victoria, show our dedication to progressing fabric recycling efforts.

Supported by Cancer Council Australia, our advanced fabrics protect and cool more than traditional materials. From our iconic shade sails to innovative, efficient agricultural crop protection, we prioritise protection from the sun and other adverse weather conditions. Our coating technology ensures textiles are durable against chemical erosion and reinforced for high liquid retention, and we use the same techniques to deliver Ecobanner™, our 100% recyclable printable advertising fabric.

Recognising our employees' pivotal role in GALE Pacific's success, we are dedicated to ensuring their well-being. Our commitment is evident in our safe, modern facilities, comprehensive benefits, and initiatives for employee development. We maintain open communication, continually nurturing a positive workplace.

"From our iconic shade sails to innovative, efficient agricultural crop protection, we prioritise protection from the sun and other adverse weather conditions."

– Sheryl Smith, ***Chief Financial Officer***




AU
MATILDAS
VICTORY
oOh!

ecobanner™

SUSTAINABLE SKYLINES

The New Standard in Outdoor Advertising

"Sustainability is a cornerstone of our design approach and Ecobanner™ is the latest innovation that gives the Out of Home industry a new option that can be repurposed back in the manufacturing stream, creating a true end-of-life waste solution which avoids landfill. We are delighted to have worked with oOh!media on this launch."

– Troy Mortleman
General Manager, ANZ & Developing Markets

CHARLOTTE, NORTH CAROLINA

GALE PACIFIC OPENS NEW AMERICAS HEADQUARTERS IN CHARLOTTE, NORTH CAROLINA

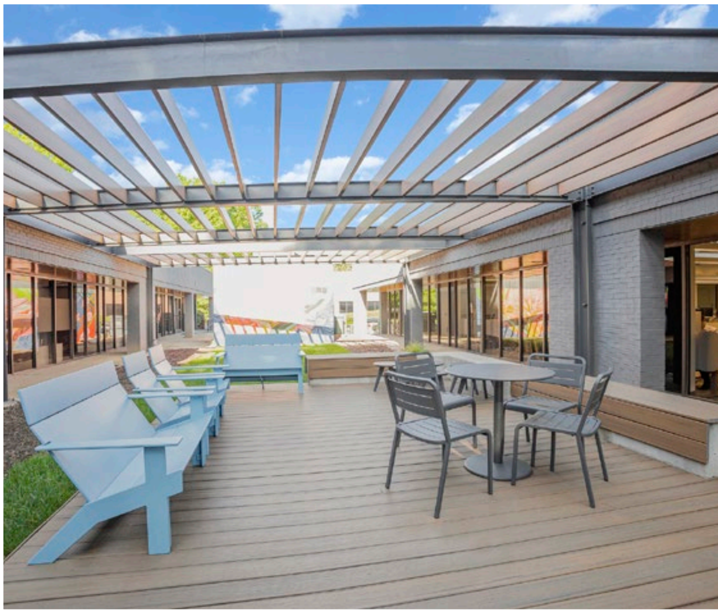
In March 2023, GALE Pacific celebrated a pivotal milestone as we successfully completed our US Headquarters' transition to Charlotte, North Carolina. The culmination of a plan years in the making, our transition journey was exciting, but not without challenges, such as global disruptions caused by the pandemic. Despite these hurdles, on March 30th, 2023, we officially opened the doors of our new, purpose-built office, marking not just a change in location but the start of a new chapter for the Company in the Americas.

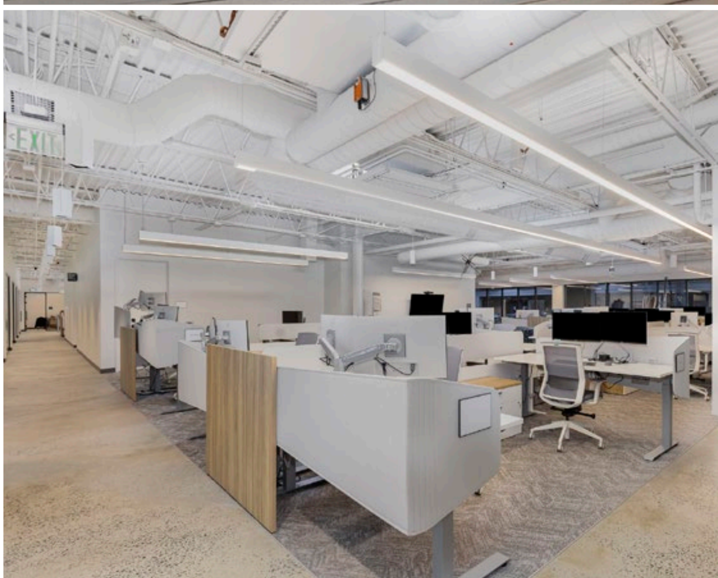
This move brought our group leadership and Americas operating teams to a strategic location, with a formidable high-performance team assembled to propel the Company forward in the heart of America's textile industry. Charlotte's unique advantages, such as its proximity to our largest core customers, rich technological resources, and increasing talent pool, are crucial components in our ambitious growth strategy for the ensuing years.

Many of our major customers have expressed their enthusiasm for having us in closer proximity, further validating our strategic relocation. As we reflect on our journey, it's impressive to think how far we've come from when GALE first entered the US market in 1982. The evolution of GALE Pacific in the Americas serves as a testament to our resilience and echoes a broader sentiment of growth, adaptability, and forward-thinking. We are excited for what lies ahead and the opportunities our new home presents.

"Our move to Charlotte is not just a change in location, but the start of a new chapter."

– Chris Gibson
Vice President/GM, Americas & Global Innovation





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.

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.

MATT RUSSELL

CHIEF HUMAN RESOURCES OFFICER

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

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.

TROY MORTLEMAN

GENERAL MANAGER | AUSTRALIA & NEW ZEALAND & DEVELOPING MARKETS

Troy joined GALE Pacific in January 2020. Over the 14 years prior, he 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 and commercial channels of distribution for both consumer and 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.

CHRIS GIBSON

VICE PRESIDENT & GENERAL MANAGER | AMERICAS & INNOVATION

Chris joined GALE Pacific in October 2022 as General Manager of the Americas and Vice President of Global Innovation. Prior to GALE Pacific, Chris was Chief Product & Marketing Officer for a global retail intelligence company, InVue. Prior to InVue, he was Vice President of Marketing and Product Management for Humanscale, a leading global designer and manufacturer of ergonomic products based in New York. Chris worked for General Electric in various commercial roles, including Director of Strategic Marketing at GE Corporate. Over his career, Chris has led more than 72 new product launches, across more than 90 countries.

Chris holds an M.P.A. from New York University, an M.B.A. from Louisiana State University, and a Bachelor of Industrial Design from Auburn University. He currently serves as the Executive Board Chairman for Auburn's College of Architecture, Design, and Construction.

PROJECT SPOTLIGHT

SUN-SAFE FUN FOR FAMILIES

Memorial Park Playground, Merrylands

Western Sydney, Australia

Commercial Heavy 430

Cumberland City Council teamed up with Western Sydney University, GALE Pacific, and dynamic collaborators to craft a ‘UV Shade Smart’ masterpiece. This ingenious shade structure breathes new life into an existing playground, slashing soaring surface temperatures and UV hazards. Now, families and little adventurers can revel in sunny days, knowing they’re shielded from the scorching heat!

MEET OUR CUSTOMERS

RETAIL USA

A Bright Future: Lowe's Sees GALE Pacific as a Partner for Growth

Valeria Diaz Oramas, *Associate Merchant – Blinds & Shades*

"The relationship built between Lowe's and GALE Pacific has evolved to be a strong one"

What drew you to GALE Pacific/Coolaroo initially?
The brand and products met the Lowe's customer's needs for price, quality, and aesthetics. Coolaroo's strong market presence makes Lowe's competitive by carrying their product.

How has partnering with GALE Pacific/Coolaroo boosted your business?
The trust, reliability, and effective communication we have built together has positively impacted Lowe's, leading to localisation opportunities and assortment expansion.

What upcoming products excite you the most?
I'm excited about the new Lowe's Allen + Roth program GALE Pacific will produce. It will differentiate Lowe's from the competition as it's only offered in the custom category today and no other retailers offer it in-aisle.

What excites you about the future partnership with GALE Pacific/Coolaroo?
Working together to grow the category, positioning Lowe's at a competitive advantage with product and price offerings, and leveraging GALE Pacific's NC move for a more hands on/in-store approach!

What have you found the most valuable part of working with GALE Pacific/Coolaroo?
Building a strong relationship! This has facilitated difficult conversations, business decisions, and securing a win-win approach to both of our businesses.

How has Coolaroo/GALE Pacific supported your business challenges and changes?
GALE Pacific has been adaptable and resilient when presented with business challenges. They are proactive and creative, coming to the table with solutions catering to a win-win scenario.

How has the relationship evolved?
The relationship between Lowe's and GALE Pacific has evolved to be a strong one in which goals and objectives are met, negotiations are successful, results are achieved, and sustained collaboration and innovation are obtained. GALE Pacific is a critical supplier for Lowe's, and I am glad to work with the team on achieving continued success for both parties!

COMMERCIAL ANZ

Redefining Partnerships: GALE Pacific and Bartlett's Journey of Development & Innovation

Dave O'Brien, *CEO*

"The collaboration between our two companies and the continued investment into innovation and R&D is the most valuable part of working together."

Bartlett
Industrial Textile Product
Manufacturing

What drew you to GALE Pacific's product line?
Our relationship was born out of Bartlett's need for technical industrial products to service the various markets that we operate in. Over the journey, GALE Pacific has consistently produced high-quality products that support our growing business.

How does GALE Pacific add value to your operations?
Having GALE Pacific products produced here in Australia helps to support our manufacturing business and Australian manufacturing as a whole. Delivering high-quality technical products with short lead times makes sure we stay competitive.

How has the partnership positively impacted your business?
Our teams have worked together on several exclusive technical products. The relationship between the two companies has always been one of collaboration and trust. This has been evident in particular with the R&D team where together, we have solved a number of unique and challenging problems for our end customers.

What have you found the most valuable part of working with GALE Pacific?
The collaboration between our two companies and the continued investment into innovation and R&D is the most valuable part of working together.

How has GALE Pacific supported your business challenges and changes?
GALE Pacific is a market leader in technical industrial fabrics. As an Australian manufacturer we continue to explore, service, and grow unique market opportunities, and to be successful in this, we rely on our key suppliers to support these challenges.

How has the relationship with GALE Pacific evolved?
We have become more partners than just suppliers. We work together to solve problems and to find new ways to improve our products and services.

RETAIL ANZ

Sailing Ahead: The Ongoing Success of Bunnings' Partnership with GALE Pacific

Koula Guardiani, *National Buyer*

"They listen to my wants and needs as a buyer and include me in initial product development sessions to ensure we are working towards the same goal."

What sparked your interest in Coolaroo?
The huge range of shade cloth and shade sail options. Coolaroo is definitely the leader in this space in Australia.

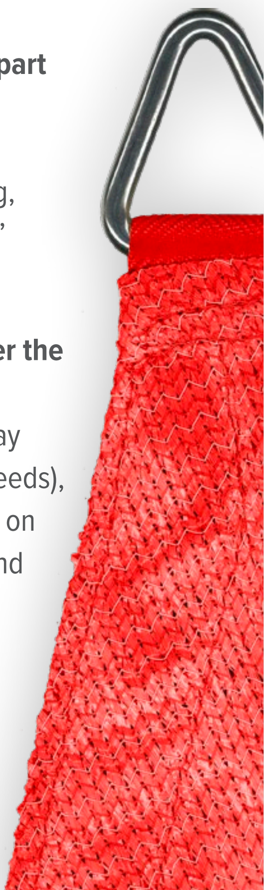
How has partnering with GALE Pacific shaped your business approach?
It's a true partnership. They listen to my wants and needs as a buyer and include me in initial product development sessions to ensure we are working towards the same goal.

What are you most excited about going forward in your partnership with GALE Pacific?
Most companies in a market-leading position tend to be complacent and do very little innovation in a mature market. Not GALE Pacific. Their dedicated product team is challenged with creating innovation and they deliver. I'm very excited to be an exclusive partner for Coolaroo HeatShield® Shade Sails for 12 months after its launch to market.

What's next on the horizon as you continue to collaborate with GALE Pacific?
More exclusive products to Bunnings, being first to market with innovation, and nailing the customers' expectations every time.

What have you found the most valuable part of working with GALE Pacific?
We work as a team to grow GALE Pacific and Bunnings businesses through a leading, innovative range that meets our customers' needs and wants.

How has the relationship progressed over the time you've worked with us?
The relationship has evolved from a one-way educational relationship (as a new buyer needs), to a true partnership where we collaborate on new product ideas, marketing initiatives, and long-term strategies.



Coolaroo®
Grow Bags

SAME SOIL.
SAME WATER.
BETTER RESULTS.

The perfect environment to accelerate growth & increase yield

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Strong & durable

Rinse & reuse

100% Recyclable HDPE fabric

★★★★★
Instagram influencer
120k followers

"Plants grew bigger & healthier."

FY23 DIRECTORS' REPORT

DIRECTORS' REPORT

for the year ended 30 June 2023

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 2023 and the independent Auditor's report thereon.

CHANGES IN STATE OF AFFAIRS

The Company is well progressed in its refinancing project which will deliver both a global solution and a more streamlined approach to support the Company's growth strategy. While these arrangements are being finalized, our existing facilities with ANZ Bank for Australia and the US have been extended through 30 August 2024; the China facility was refinanced with Ningbo Bank during the second half of 2023. See note 16 for additional information.

On the backside of the COVID-19 global pandemic, supply chain interruptions eased throughout fiscal year 2023 and customer inventory levels, especially in the U.S., were reduced back to pre-pandemic levels. This inventory de-stocking impacted sales in the second half in the Americas region, along with the cooler spring temperatures across much of the United States. Australia also experienced a cooler wetter spring which impacted their commercial business and retail sell through. The cooler spring weather was followed by extreme heat in the United States and Europe; during this period GALE Pacific launched new breakthrough innovation with the Company's HeatShield® products, the first commercial order was sold to a U.S. customer. HeatShield® is new innovation that actively reflects the sun's hot infrared rays to keep the fabric surface up to 10ºC (15ºF) cooler.

Lastly, the Charlotte, NC office location opened, housing the US-based members of the executive leadership team and the Americas team, the office is strategically located close 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 $3,696,000 (30 June 2022: profit of $7,617,000).

EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to 30 June 2023, the Group extended its existing credit facilities with the ANZ Bank until 30 August 2024. There are no other matters that have arisen since 30 June 2023, that have 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 Pacific is committed to integrating ESG (Environmental, Social, Governance) principals and activities into its annual strategic planning process, business model, operations and reporting to align with its stakeholder's expectations and future regulatory requirements in Australia and other jurisdictions worldwide. The Company acknowledges that the expectations around ESG reporting will only increase and, accordingly, is putting plans in place to enable the Company to report relevant and material ESG data and metrics to its stakeholders and update associated corporate policies and business practices. The Company has engaged a third-party consulting firm with expertise in ESG to support its efforts to further integrate ESG into its organization, building upon existing initiatives. One such initiative is the work the Company has done since FY18 to reduce its global TRIFR (Total Recordable Injury Frequency Rate) by 65% (from FY18 to FY23); this reduction is a result of a safety-first culture that focuses on training to prevent accidents before they happen. As the Company continues to focus on a GALE Safe culture, during FY23, the Company invested in a global injury management system that allows it to improve processes and enhances visibility to manage, measure and train employees. The Company also worked with Out of Home media to launch the latest innovation in billboards, the new revolutionary Ecobanner®, developed and manufactured by GALE Pacific, is the only Australian made, PVC-free flexible banner fabric, offering a 100% closed loop recycling solution. The first installation at the Glebe Island Silos in Sydney advertised a campaign for the FIFA Women's World Cup.

DIVIDENDS

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

	2023
Final Dividend for the year ended 30 June 2022 (paid 14 October 2022)	1.00 cent
Interim Dividend for the 6 months ended 31 Dec 2022 (paid 2 June 2023)	1.00 cent

There were no full year dividends declared for the year ended 30 June 2023.

SHARE BASED PAYMENTS

Performance Rights

The number of performance rights on issue at the date of this report is 20,640,000 (2022: 18,980,338). 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 3,223,000 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 2025.

Vesting Conditions

Performance hurdle - The compound annual growth rate (CAGR) of the diluted earnings per share (for the financial year ended 30 June 2022) over the relevant performance period (1 July 2022 to 30 Jun 2025) 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 2025.

During the financial year, a total of 559,338 performance rights lapsed and 1,004,000 performance rights were forfeited. The vesting conditions of those performance rights that lapsed, 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 2019 and 30 June 2022.

Further details of the performance rights movements during the reporting period for the Key management personnel 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] As at 30 June 2023, there were 14 million performance rights on issue to the CEO under his three year incentive arrangement which was approved by shareholders at the Company's Annual General Meeting in 2020.

As at 1 July 2023, in accordance with the contractual terms and conditions of the three year incentive, the Board assessed the performance hurdles attaching to the performance rights and determined that 7,621,600 performance rights had vested and that the balance of 6,378,400 had lapsed.

The Company expects to issue 7,621,600 fully paid ordinary shares to the CEO in conversion of the 7,621,600 vested performance rights in early September 2023.

DIRECTORS' MEETINGS

The table below sets out the attendance by Directors.

	Board of Directors' Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
Directors	# Eligible to Attend	Attended	# Eligible to Attend	Attended	# Eligible to Attend	Attended	# Eligible to Attend	Attended
D Allman	10	10	5	5	1	1	1	1
P Landos	10	9	5	5	-	-	1	1
D McMaster	10	10	-	-	1	1	1	1
T Stianos	10	8	5	5	1	1	1	1
J P 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.

COMPANY SECRETARY

Sophie Karzis (B. Juris, LLB), is a qualified lawyer with over 20 years' experience as a corporate and commercial lawyer and Company Secretary and General Counsel for a number of private and public companies. Sophie is the principal of Legal Counsel, a corporate law practice with a focus on equity capital markets, mergers and acquisitions, corporate governance for ASX-listed entities, as well as the more general aspects of corporate and commercial law. Sophie holds a bachelor's degree in law and jurisprudence from Monash University.

REMUNERATION REPORT (AUDITED)

The Directors present the Remuneration Report for the Company and its controlled entities for the year ended 30 June 2023. This Report forms part of the Directors' Report and has been audited in accordance with section 300A of the Corporations Act 2001. The Report details the remuneration arrangements for the Group's Directors and Executive Officers.

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 align their interests with those of the Group and its shareholders; and
- Ensure that rewards are aligned 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

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)
- A Boccelli (Global Vice President, Supply Chain)
- C Gibson (Vice President/General Manager of the Americas) – appointed 1 November 2022
- K Harshaw (Vice President/General Manager of the Americas) – resigned 31 October 2022
- T Mortleman (General Manager – ANZ / Vice President Developing Markets)
- S Smith (Chief Financial Officer)

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.

RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND COMPANY PERFORMANCE

The table below summarises information about the Group's earnings and movements for the five years to 30 June 2023:

	30 June 2023	30 June 2022	30 June 2021	30 June 2020	30 June 2019
Sales ('000s)	187,564	205,543	205,223	156,338	149,217
Net profit before tax ('000s)	5,310	10,952	17,220	4,757	11,208
Net profit after tax ('000s)	3,696	7,617	12,327	3,719	9,198
Share price at start of year	29.0 cents	41.0 cents	16.0 cents	32.0 cents	35.5 cents
Share price at end of year	18.0 cents	29.0 cents	41.0 cents	16.0 cents	32.0 cents
Interim dividend	1.00 cent	1.00 cent	2.00 cents	Nil	1.00 cent
Final dividend	Nil	1.00 cent	2.00 cents	1.00 cent	1.00 cent
Basic earnings per share	1.34 cents	2.76 cents	4.48 cents	1.34 cents	3.21 cents
Diluted earnings per share	1.30 cents	2.69 cents	4.21 cents	1.32 cents	3.16 cents

REMUNERATION PRACTICES

The Group policy for determining the nature and amount of emoluments of Board members and Executive officers is as follows.

The remuneration structure for Executive officers 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 officers are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement, Executive officers 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 Executive officers of the Group based predominantly on an objective review of the Group's financial performance, the individuals' achievement of stated financial and non-financial targets and any other factors the Committee deems relevant.

Non-executive directors receive a fee for being Directors of the Company and do not participate in performance based remuneration.

REMUNERATION STRUCTURE

In accordance with best practice corporate governance, the structure of Non-executive directors and Executive officers 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.

Executive officers 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
- 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 officer and senior manager remuneration packages contain the following key elements:

- Primary benefits – salary/fees;
- Cash bonuses (STI) – One-year short term performance cash bonus payments are awarded in accordance with the Company's remuneration policy. The budget targets for each business unit and the Company overall are established each year by the Board. The performance criteria include sales and earnings before interest and tax growth and working capital management. For corporate executives, the performance criteria include growth in earnings before interest and tax and profit before tax.
- Share based payments (LTI) – 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 Executive Officer's and Senior manager's total remuneration.

Cash bonus (STI)

The Group's Executive officers with the exception of the CEO have a target STI opportunity which is a percentage of fixed remuneration. The maximum payout would be 150% of that portion. The STI targets will be based on the budgeted profit before tax, operating cashflow, specific regional net revenue, earnings before interest and tax and working capital days.

Share-based payments (LTI)

The Group maintains a performance rights scheme for Executive officers. The CEO and Managing Director's scheme is 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 2023 for Executive officers was 18,030,000. 14,000,000 of these performance rights were granted to the CEO and Managing Director on 23 December 2020 and the vesting conditions will be assessed on 1 July 2023 and 590,000 of these performance rights were granted on 30 October 2020 and will not vest until the time of the Company's 2023 annual report is released on the ASX (on or around 31 August 2023). 1,369,000 of these performance rights were granted on 23 December 2021 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). 2,071,000 of these rights were granted in this financial year and will not vest until the time of the Company's 2025 annual report is released on the ASX (On or around 1 October 2025). 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 and in the case of the CEO and Managing Director's scheme, total shareholder return.

Performance rights issued to Executive officers 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.

EXECUTIVE EMPLOYMENT AGREEMENT

Remuneration arrangements for executives are formalised in employment agreements. The following outlines the details of contracts with executives:

CEO & Managing Director

The CEO is employed under an ongoing contract which can be terminated with notice by either the Group or the CEO. Under the terms of the present contract, as disclosed to the ASX on 23 November 2020:

- The CEO & MD receives fixed remuneration of US$458,400 per annum effective 1 December 2020.
- The CEO & MD's target STI opportunity is 50% of fixed remuneration
- The CEO & MD is eligible to participate in the LTI plan on terms determined by the Board, subject to receiving any required or appropriate shareholder approval.
- The CEO & MD is eligible for a 3-Year incentive scheme from the commencement date to three years ending 30 June 2023. During this period, they will not be eligible for the STI and LTI plans outlined above.

All other executives are employed on individual open-ended employment contracts that set out the terms of their employment.

TERMINATION PROVISIONS

The Executive Officers' termination provisions are as follows:

	Resignation	Termination for cause	Disability	Death or termination other than cause or disability
CEO notice period (by company or executive)	3 Months	None	None	12 Months
Other executives notice period (by company or executive) – Americas	1 Month	None	None	None
Other executives notice period (by company or executive) – Australia	3 Months	None	None	None

The agreements include restraints of trade on the employee as well as confidentiality and intellectual property agreements.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Short Term Benefits				Post Employment	Long-term benefits	Share Based Payments	Termination Benefits	Total	Performance Related	
	Salary & Fees $	Bonus $	Other [7] $	Non Monetary $	Super $	Employee entitlements $	Rights $	$	$	Total %	Rights %
2023											
Non-Executive Directors											
D Allman	117,756	-	-	-	19,752		-	-	137,508	-	-
P Landos*	86,716	-	-	-	7,375		-	-	94,091	-	-
T Stianos	87,123	-	-	-	9,148		-	-	96,271	-	-
D McMaster	77,169	-	-	-	8,103		-	-	85,272	-	-
Executive Officers											
J P Marcantonio	667,846	-	-	9,365	24,900		1,236,666	-	1,938,777	64%	64%
S Smith	422,752	59,888	-	394	17,567		6,363	-	506,964	13%	1%
M Russell	393,596	55,759	-	24,253	20,207		(43,616)	-	450,198	3%	(10)%
A Boccelli	349,864	49,563	-	20,524	21,516		(8,794)	-	432,672	9%	(2)%
K Harshaw [1]	162,534	-	-	5,974	11,137		(22,630)	128,763	285,779	(8)%	(8)%
C Gibson [2]	287,698	21,008	-	16,288	11,136		13,389	-	349,520	10%	4%
T Mortleman	320,121	21,990	-	-	25,292	6,019	(46,201)	-	327,221	(7)%	(14)%

[1] Resigned 31 October 2022

[2] C Gibson (Vice President/GM Americas & Global Innovation) – appointed 1 November 2022

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

REMUNERATION OF KEY MANAGEMENT PERSONNEL

	Short Term Benefits				Post Employment	Long-term benefits	Share Based Payments	Termination Benefits	Total	Performance Related	
	Salary & Fees $	Bonus $	Other [7] $	Non Monetary $	Super $	Employee entitlements $	Rights $	$	$	Total %	Rights %
2022											
Non-Executive Directors											
D Allman	117,756	-	-	-	19,752		-	-	137,508	-	-
P Landos*	86,716	-	-	-	7,375		-	-	94,091	-	-
T Stianos	87,123	-	-	-	8,712		-	-	95,836	-	-
D McMaster	77,169	-	-	-	7,717		-	-	84,886	-	-
Executive Officers											
J P Marcantonio[8]	636,206	-	480,106	14,535	19,424		1,236,666	-	2,386,937	52%	52%
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	5,827	56,407	-	487,097	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.

[8] Amount restated to reflect updated valuation of CEO share based payment incentive scheme (previously $882,806).

** 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 start of the year No.	Granted as compensation No.	Received on Exercise of Options No.	Other1 Movements No.	Balance at the end of the year No.
2023					
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
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] Effective 23 February 2022, the role is not considered as Key Management

[3] Resigned 30 September 2021

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 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.

The performance rights granted on 17 March 2023 are subject to the continuation of employment to 30 June 2025 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 2022 to 30 June 2025. None of these rights can vest until the Company releases its FY25 annual report to the ASX (on or around 1st October 2025) and expire on 1 December 2025.

In addition to the time requirement of continuous 3-year employment, the diluted EPS needs to increase (from the prior financial year reported diluted EPS) 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%.

KEY MANAGEMENT PERSONNEL & OTHER MANAGEMENT EQUITY HOLDINGS - COMPENSATION OPTIONS AND PERFORMANCE RIGHTS

Granted and Vested During the Year

					Terms and Conditions for Each Grant			
	Vested Number	Granted Number	Grant Date	Value Per Option / Right at Grant Date	Exercise Price	Expiry Date	First Exercise Date	Last Exercise Date
2023								
Non-Executive Directors	-	-						
Executive Officers	-	2,071,000	17/03/23	0.24	Nil	31/12/25	01/10/25	01/10/25
2022								
Non-Executive Directors	-	-						
Executive Officers	-	2,173,000	23/12/21	0.31	Nil	01/12/24	01/10/24	01/10/24

KEY MANAGEMENT PERSONNEL & OTHER MANAGEMENT EQUITY HOLDINGS - COMPENSATION OPTIONS AND PERFORMANCE RIGHTS

Movements During the Year

	Balance at the start of the year No.	Granted as Compensation No.	Exercised No.	Lapsed No.	Net Other Change[1] No.	Balance at the end of the year No.	Balance Held Nominally No.	Value of Lapsed Options/Rights $
2023								
Non-Executive Directors								
None	-	-	-	-	-	-	-	-
Executive Officers								
J P Marcantonio	14,000,000	-	-	-	-	14,000,000	-	-
T Mortleman	816,000	341,000	-	-	-	1,157,000	-	-
S Smith	204,000	450,000	-	-	-	654,000	-	-
A Boccelli	331,000	372,000	-	-	-	703,000	-	-
C Gibson [2]	-	489,000	-	-	-	489,000		
K Harshaw [3]	393,000	-	-	(393,000)	-	-	-	(109,694)
M Russell	608,000	419,000	-	-	-	1,027,000	-	-
Total	**16,352,000**	**2,071,000**	**-**	**(393,000)**	**-**	**18,030,000**	**-**	**(109,694)**

	Balance at the start of the year No.	Granted as Compensation No.	Exercised No.	Lapsed No.	Net Other Change[1] 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	14,000,000	-	-	-	-	14,000,000	-	-
T Mortleman	361,000	455,000	-	-	-	816,000	-	-
A Haidar	676,088	232,000	(157,325)	(17,675)	(733,088)	-	-	(6,186)
Cliff Zhang	508,737	-	-	(508,737)	-	-	-	(120,652)
M Nicholls	494,585	179,000	(106,981)	(12,019)	(554,585)	-	-	(4,206)
S Smith	-	204,000	-	-	-	204,000	-	-
A Boccelli	-	331,000	-	-	-	331,000	-	-
K Harshaw	-	393,000	-	-	-	393,000	-	-
M Russell	-	379,000	-	-	229,000	608,000	-	-
D Romanelli	728,896	-	(314,896)	(414,000)	-	-	-	(66,240)
Total	**16,769,306**	**2,173,000**	**(579,202)**	**(952,431)**	**(1,058,673)**	**16,352,000**	**-**	**(197,284)**

[1] Net Other Change represents reclassifications

[2] Appointed 1 November 2022

[3] Resigned 31 October 2022

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 Com-pany or any related entity.

PROCEEDINGS ON BEHALF OF THE COMPANY

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

NON-AUDIT SERVICES

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 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 objectivi-ty 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 ERNST & YOUNG

There are no officers of the Company who are former partners of Ernst & Young.

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

Ernst & Young 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.

SIGNED

in accordance with a resolution of Directors on 29 August 2023.

David Allman
Chairman

29 August 2023
Melbourne, Victoria, Australia

John Paul Marcantonio
Chief Executive Officer and Managing Director

29 August 2023
Charlotte, North Carolina, United States of America

AUDITOR'S INDEPENDENCE DECLARATION
for the year ended 30 June 2023

Building a better working world

Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

Auditor's Independence Declaration to the Directors of Gale Pacific Limited

As lead auditor for the audit of the financial report of Gale Pacific Limited for the financial year ended 30 June 2023, I declare to the best of my knowledge and belief, there have been:

a. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;

b. No contraventions of any applicable code of professional conduct in relation to the audit; and

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Gale Pacific Limited and the entities it controlled during the financial year.

Ernst + Young

Ernst & Young

Joanne D Lonergan
Partner
29 August 2023

DIRECTORS' DECLARATION
for the year ended 30 June 2023

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 70 to page 129) 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 2023 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

29 August 2023
Melbourne, Victoria, Australia

John Paul Marcantonio
Chief Executive Officer and Managing Director

29 August 2023
Charlotte, North Carolina, United States of America

CONSOLIDATED FINANCIAL STATEMENTS

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2023

		Consolidated	
Revenue	**Note**	**2023** *$'000*	**2022** *$'000*
Revenue from contracts with customers	4	187,564	205,543
Other income	5	681	1,079
Expenses			
Raw materials and consumables used		(92,119)	(109,632)
Employee benefits expense	6	(40,902)	(41,284)
Depreciation and amortisation expense	6	(11,823)	(9,970)
Marketing and advertising		(3,816)	(3,188)
Occupancy costs	6	(2,722)	(2,669)
Transport, warehouse and related costs	6	(13,160)	(13,446)
Other expenses		(14,826)	(13,477)
Finance costs	6	(3,567)	(2,004)
Profit before income tax expense		**5,310**	**10,952**
Income tax expense	7	(1,614)	(3,335)
Profit after income tax expense for the year attributable to the owners of GALE Pacific Limited		**3,696**	**7,617**
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity, net of tax	22	(237)	317
Foreign currency translation	22	(2,166)	4,396
Other comprehensive (loss)/income for the year, net of tax		**(2,403)**	**4,713**
Total comprehensive income for the year attributable to the owners of GALE Pacific Limited		**1,293**	**12,330**
		Cents	**Cents**
Basic earnings per share	8	1.34	2.76
Diluted earnings per share	8	1.30	2.69

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 for the year ended 30 June 2023

Assets	Note	Consolidated 2023 $'000	Consolidated 2022 $'000
Current Assets			
Cash and cash equivalents	9	23,641	28,465
Trade and other receivables	10	43,169	47,296
Inventories	11	53,344	56,299
Income tax refundable	7	1,822	-
Prepayments		1,907	3,126
Total current assets		**123,883**	**135,186**
Non-current assets			
Property, plant and equipment	12	30,847	30,845
Right-of-use assets	14	28,429	26,415
Intangibles	13	12,176	8,794
Deferred tax assets	7	2,391	1,164
Total non-current assets		**73,843**	**67,218**
Total assets		**197,726**	**202,404**
Liabilities			
Current liabilities			
Trade and other payables	15	22,084	30,776
Borrowings	16	39,156	20,995
Lease liabilities	18	5,695	4,677
Derivative financial instrument - hedges	26	2,576	1,355
Current tax liabilities	7	789	3,033
Employee benefits		5,164	5,548
Provisions	17	624	507
Total current liabilities		**76,088**	**66,891**
Non-current liabilities			
Borrowings	19	-	12,935
Lease liabilities	20	26,405	24,111
Deferred tax liabilities	7	242	279
Employee benefits		112	212
Total non-current liabilities		**26,759**	**37,537**
Total liabilities		**102,847**	**104,428**
Net assets		**94,879**	**97,976**
Equity			
Issued capital	21	63,403	63,403
Reserves	22	9,821	10,335
Retained profits		21,655	24,238
Total equity		**94,879**	**97,976**

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 2023

Consolidated	Issue 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**
Share-based payments (note 31)	-	999	-	999
Transfer to Enterprise Reserve Fund	-	499	(499)	-
Transactions with owners in their capacity as owners:				
Vesting of performance rights (note 31)	335	(335)	-	-
Dividends paid (note 23)	-	-	(8,272)	(8,272)
Balance at 30 June 2022	**63,403**	**10,335**	**24,238**	**97,976**

Consolidated	Issue Capital $'000	Reserves (Note 22) $'000	Retained Profits $'000	Total equity $'000
Balance at 1 July 2022	63,403	10,335	24,238	97,976
Profit after income tax expense for the year	-	-	3,696	3,696
Other comprehensive loss for the year, net of tax	-	(2,403)	-	(2,403)
Total comprehensive (loss)/income for the year	**-**	**(2,403)**	**3,696**	**1,293**
Share-based payments (note 31)	-	1,138	-	1,138
Transfer to Enterprise Reserve Fund	-	751	(751)	-
Transactions with owners in their capacity as owners:				
Dividends paid (note 23)	-	-	(5,528)	(5,528)
Balance at 30 June 2023	**63,403**	**9,821**	**21,655**	**94,879**

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 2023

		Consolidated	
Cash flows from operating activities	**Note**	**2023** *$'000*	**2022** *$'000*
Profit before income tax expense for the year		5,310	10,952
Adjustments for:			
Depreciation and amortisation		11,823	9,970
Share-based payments		1,138	999
Foreign currency gain		(3,183)	(63)
Interest and other finance costs		3,567	2,004
		18,655	**23,862**
Change in operating assets and liabilities:			
Decrease/(increase) in trade and other receivables		4,127	(5,824)
Decrease/(increase) in inventories		2,955	(9,752)
Decrease in derivative assets		-	514
Decrease in prepayments		1,219	295
Increase/(decrease) in trade and other payables		(8,692)	1,185
Increase in derivative liabilities		984	1,673
Decrease in employee benefits		(484)	(584)
Increase in other provisions		117	8
		18,881	**11,377**
Interest and other finance costs paid		(3,567)	(2,004)
Income taxes paid		(6,944)	(2,137)
Net cash from operating activities		**8,370**	**7,236**
Cash flows from investing activities			
Payments for property, plant and equipment	12	(5,629)	(3,960)
Payments for intangibles	13	(3,894)	(889)
Proceeds from disposal of property, plant and equipment		10	122
Net cash used in investing activities		**(9,513)**	**(4,727)**
Cash flows from financing activities			
Repayment of leases	25	(4,155)	(2,943)
Dividends paid	23	(5,528)	(8,272)
Proceeds of borrowings	25	5,226	5,059
Net cash used in financing activities		**(4,457)**	**(6,156)**
Net decrease in cash and cash equivalents		(5,600)	(3,647)
Cash and cash equivalents at the beginning of the financial year		28,465	30,407
Effects of exchange rate changes on cash and cash equivalents		776	1,705
Cash and cash equivalents at the end of the financial year	**9**	**23,641**	**28,465**

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 2023

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 29 August 2023. 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:

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 Financial Instruments: Recognition and Measurement.

The Group has assessed the impact of **IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities** and determined there is no impact to the financial statements.

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Group cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The Group has assessed the impact of amendments to **IAS 37** and determined there is no impact to the financial statements.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's Conceptual Framework with a reference to the current version issued in March 2018 without significantly changing its requirements.

The amendments add an exception to the recognition principle of IFRS 3 Business Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

These amendments had no impact on the consolidated financial statements of the Group as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment, any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

In accordance with the transitional provisions, the Group applies the amendments retrospectively only to items of PP&E made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment (the date of initial application).

These amendments had no impact on the consolidated financial statements of the Group as there were no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented.

Comparatives

Where necessary, the comparative statement of profit or loss and financial position 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 2023 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 abil-ity 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 con-sistency 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 be-tween 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 for-eign 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; deter-mines 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, reflects concessions provided to the customer such as discounts, rebates and refunds 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 relates to the sale of branded screening, architectural shading, and commercial agricultural and horticultural fabric products, and is recognised at the point in time when the performance obligation is satisfied and customer obtains control of the goods. This is generally at the time of delivery, or collection of goods by the customer. Payment is generally due within 30 – 90 days of invoicing.

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.

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.

Leases

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Impairment of assets

Goodwill, other intangible assets that have an indefinite useful life, and assets not yet ready for use as in-tended 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 esti-mate 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 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 have no impact on the carrying amounts of assets and liabilities 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.

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 testing, including at the reporting date, that the hedges are still highly effective.

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.

Variable consideration for rebates, discounts and returns

The Group estimates variable considerations to be included in the transaction price with rights of return and volume rebates.

The Group forecasts sales returns using a historical running rates adjusted for impacts from seasonality. These percentages are applied to the trailing six months sales to determine the expected value of the variable consideration related to the returns. Any significant changes in the historical return pattern will be included and estimated by the Group.

The Group's rebates and allowances are analysed and estimated on a per customer basis based on the customer's trading agreement. Variable considerations related to volume and revenue growth tiers are evaluated and assessed periodically using year-to-date and projected sales.

NOTE 4. OPERATING SEGMENTS

Identification of reportable operating segments

The Group was previously organised into 4 operating segments identified by geographic segments together with Other items consisting of the Corporate division. From the current reporting period and onwards, the Eurasia and MENA segments will be combined to a single Developing Markets segment which combines the markets to streamline resources and strategic initiatives. As a result of this change, the comparatives have been restated to align with the new reporting format.

In the new structure, the Group is organised into three operating segments identified by geographic location (two anchor markets and developing markets), together with Other items which is related to the Corporate division. 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.

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:

Americas (AMR)	Main sales office is located in North Carolina. May distribution facility is located in California. Custom blind assembly and distribution is located in Florida. All locations service the Americas region.
Australia / New Zealand (ANZ)	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.
Developing Markets (DEV)	A sales office and distribution facility is located in the United Arab Emirates to service the countries in that region. Additional sales team members located in Europe and Asia are responsible for servicing the applicable countries in their respective geographic area.

The 'Other Items' represents Corporate, Intersegment eliminations and total net assets of our manufacturing operations in China.

The results from our manufacturing operations in China are allocated to the operating segments of Americas, Australia / New Zealand and Developing Markets.

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

Major customers

During the year ended 30 June 2023 approximately 40% (2022: 38%) of the Group's external revenue was derived from sales to two customers (2022: Two), one customer located in the Australasian region and one customer located in the Americas region.

Operating segment information

Consolidated - 2023	Americas $'000	Australia / New Zealand $'000	Developing Markets $'000	Other Items $'000	Total $'000
Revenue					
Sales to external customers	91,935	82,247	13,382	-	187,564
Total revenue	**91,935**	**82,247**	**13,382**	**-**	**187,564**
Segment EBITDA	12,216	10,383	3,917	(5,816)	20,700
Depreciation and amortisation	(7,710)	(3,347)	(650)	(116)	(11,823)
Finance costs	(2,315)	(984)	(185)	(83)	(3,567)
Profit/(loss) before income tax expense	2,191	6,052	3,082	(6,015)	5,310
Income tax expense					(1,614)
Profit after income tax expense					3,696
Assets					
Segment assets	88,396	43,370	7,896	58,064	197,726
Total assets					**197,726**
Liabilities					
Segment liabilities	39,907	26,024	745	36,171	102,847
Total liabilities					**102,847**

Consolidated - 2022	Americas $'000	Australia / New Zealand $'000	Developing Markets $'000	Other Items $'000	Total $'000
Revenue					
Sales to external customers	95,641	93,704	16,198	-	205,543
Total revenue	95,641	93,704	16,198	-	205,543
Segment EBITDA	13,015	11,536	4,143	(5,768)	22,926
Depreciation and amortisation	(5,855)	(3,603)	(512)	-	(9,970)
Finance costs	(1,200)	(703)	(101)	-	(2,004)
Profit/(loss) before income tax expense	5,960	7,230	3,530	(5,768)	10,952
Income tax expense					(3,335)
Profit after income tax expense					7,617

Assets					
Segment assets	85,714	48,024	11,708	56,958	202,404
Total assets					**202,404**

Liabilities					
Segment liabilities	39,223	27,098	576	37,531	104,428
Total liabilities					**104,428**

Accounting policy for operating segments

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

NOTE 5. OTHER INCOME

	Consolidated	
	2023 $'000	**2022 $'000**
Scrap sales	657	931
Other income (primarily grants)	24	148
Other income	**681**	**1,079**

NOTE 6. EXPENSES

	Consolidated	
	2023 $'000	2022 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Property, plant and equipment (note 12)	5,189	4,589
Right-of-use assets (note 14)	5,961	4,716
Total depreciation	**11,150**	**9,305**
Amortisation		
Intangible assets (note 13)	673	665
Total depreciation and amortisation	**11,823**	**9,970**
Employee benefit expense		
Employment costs and benefits	39,764	40,285
Share-based payment expense	1,138	999
Total employee benefit expense	**40,902**	**41,284**
Finance costs		
Interest and finance charges paid/payable on borrowings	2,403	1,129
Interest and finance charges paid/payable on lease liabilities	1,360	896
Interest income	(196)	(21)
Total finance costs expensed	**3,567**	**2,004**
Occupancy costs		
Variable lease payments	1,459	1,549
Utilities	846	642
Cleaning & rubbish removal	417	448
Other - sundry	-	30
Total occupancy costs	**2,722**	**2,669**
Transport, Warehouse and related costs		
Outbound transportation costs	10,932	10,713
Repairs and maintenance	2,161	2,665
Other	67	68
Total Transport, Warehouse and related costs	**13,160**	**13,446**
The following are the total lease costs recognised:		
Depreciation expense of right-of-use assets	5,961	4,716
Interest expense on lease liabilities	1,360	896
Variable lease payments (included in ocupancy costs)	1,459	1,549
Total lease related expenses	**8,780**	**7,161**

NOTE 7. INCOME TAX

	Consolidated	
	2023 *$'000*	**2022** *$'000*
Income tax expense		
Current tax	2,547	4,199
Net deferred tax benefit - origination and reversal of temporary differences	(1,162)	(1,109)
Prior year tax true-up	229	245
Aggregate income tax expense	**1,614**	**3,335**

Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	5,310	10,952
Tax at the statutory tax rate of 30%	1,593	3,286
Non allowable/(non-assessable) items	312	232
Prior year tax true-up	229	245
Difference in overseas tax rates	(520)	(428)
Income tax expense	**1,614**	**3,335**

	Consolidated	
	2023 *$'000*	**2022** *$'000*
Amounts charged/(credited) directly to equity		
Deferred tax assets	(102)	137

	Consolidated	
	2023 *$'000*	**2022** *$'000*
Net deferred tax asset		
Deferred taxes comprises temporary differences attributable to:		
Tax losses	2,135	2,543
Property, plant and equipment	(1,051)	(1,487)
Foreign exchange	(503)	(892)
Capitalised costs	138	(598)
Provisions	203	110
Impairment of receivables	2	177
Other financial liabilities	-	6
Employee benefits	697	840
Other	528	186
Deferred tax asset	**2,149**	**885**
Movements		
Opening balance	885	187
Credited to profit or loss	1,162	1,109
Charged to equity	102	(137)
Transfer from current tax liability	-	(274)
Closing balance	**2,149**	**885**

	Consolidated	
	2023 *$'000*	**2022** *$'000*
Income tax receivable		
Income tax receivable	1,822	-

	Consolidated	
	2023 *$'000*	**2022** *$'000*
Current tax liability		
Current tax liability	789	3,033

The 2023 net deferred tax asset of $2,149,000 (2022: $885,000) is comprised of $2,391,000 in deferred tax assets (2022: $1,164,000) and $242,000 (2022: $279,000) in deferred tax liabilities, reflecting various tax positions in different jurisdictions.

As at 30 June 2023, the Group has $8,243,000 unused tax losses (2022: $9,953,000) and $2,135,000 deferred tax with respect to those losses (2022: $2,543,000) in the consolidated financial statements, which are related to the GALE Pacific USA Inc entity, primarily driven by the write-off of inventory, being personal protective equipment (GALE GUARD face masks) 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 ven-tures, 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 consol-idated 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	
	2023 *$'000*	**2022** *$'000*
Profit after income tax attributable to the owners of GALE Pacific Limited	3,696	7,617
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	276,393,042	276,062,536
Adjustments for calculation of diluted earnings per share:		
Performance rights	7,621,600	7,192,502
Weighted average number of ordinary shares used in calculating diluted earnings per share	284,014,642	283,255,038
	Cents	**Cents**
Basic earnings per share	1.34	2.76
Diluted earnings per share	1.30	2.69

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	
	2023 $'000	2022 $'000
Cash on hand	3	4
Cash at bank	23,638	28,461
	23,641	**28,465**

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	
	2023 $'000	2022 $'000
Trade receivables	44,295	49,125
Less: Allowance for expected credit losses	(1,342)	(2,039)
	42,953	**47,086**
Other receivables	216	210
	43,169	**47,296**

Allowance for expected credit losses

The Group has recognised a net release of expected credit loss allowance of $506,000 (2022: net charge of $487,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2023.

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	
Trade receivables	**2023** *$'000*	**2022** *$'000*
Not Outside of Credit Terms	23,957	38,901
Outside Credit Terms 0-30 Days	13,879	3,983
Outside Credit Terms 31-120 Days	2,706	1,725
Outside Credit Terms 121 Days to one year	1,835	2,289
More than One Year	1,918	2,226
	44,295	**49,124**

Allowance for expected credit losses	**2023** *$'000*	**2022** *$'000*
Outside Credit Terms 31-120 Days	(2)	(2)
Outside Credit Terms 121 Days to one year	(58)	(46)
More than One Year	(1,282)	(1,991)
	(1,342)	**(2,039)**

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	
Trade receivables	**2023** *$'000*	**2022** *$'000*
Opening balance	2,039	1,621
Additional allowances recognised	224	487
Excess allowances released	(730)	-
Receivables written off during the year as uncollectable	(191)	(69)
Closing balance	**1,342**	**2,039**

The net release in ECL provision for this financial year is primarily related to the revised credit policy in the Middle East region; the discipline put in place during FY23 has driven material reductions in the region's overall aged receivables, allowing the Company to true up the provision.

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 90 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 67% (2022: 89%) against all receivables over 365 days past. The Group has reduced the expected loss rates for trade receivables from the prior year based on its judgement of the impact of current economic conditions. There has been no change in the 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	
	2023 *$'000*	**2022** *$'000*
Raw materials	11,194	10,064
Work in progress	2,061	2,206
Finished goods	42,694	48,017
Less: Provision for impairment	(2,605)	(3,988)
	40,089	44,029
	53,344	**56,299**

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	
	2023 *$'000*	**2022** *$'000*
Buildings and leasehold improvements - at cost	19,245	17,974
Less: Accumulated depreciation	(8,851)	(8,464)
	10,394	**9,510**
Plant and equipment - at cost	121,279	119,304
Less: Accumulated depreciation	(101,087)	(98,706)
	20,192	**20,598**
Motor vehicles - at cost	306	309
Less: Accumulated depreciation	(177)	(161)
	129	**148**
Capital work-in-progress - at cost	132	589
	30,847	**30,845**

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 - 2022	Buildings and leasehold improvements *$'000*	Plant and equipment *$'000*	Motor vehicles *$'000*	Capital work in-progress *$'000*	Total *$'000*
Balance at 1 July 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	3	(15)	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**	**148**	**589**	**30,845**
Additions	-	97	-	5,532	5,629
Disposals	-	(10)	-	-	(10)
Exchange differences	(260)	(245)	(1)	78	(428)
Transfers in/(out)	2,236	3,831	-	(6,067)	-
Depreciation expense	(1,092)	(4,079)	(18)	-	(5,189)
Balance at 30 June 2023	**10,394**	**20,192**	**129**	**132**	**30,847**

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.

NOTE 13. NON-CURRENT ASSETS - INTANGIBLES

	Consolidated	
	2023 *$'000*	**2022** *$'000*
Goodwill - at cost	11,391	11,275
Less: Impairment	(7,961)	(7,961)
	3,430	**3,314**
Development - at cost	5,783	5,075
Less: Accumulated amortisation	(1,223)	(790)
	4,560	**4,285**
Patents, trademarks and licenses - at cost	1,693	1,682
Less: Accumulated amortisation	(1,497)	(1,462)
	196	**220**
Application software - at cost	9,444	9,312
Less: Accumulated amortisation	(8,686)	(8,337)
	758	**975**
Intangible work-in-progress	3,232	-
	12,176	**8,794**

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, trade-marks and licenses $'000	Application software $'000	Intangible work-in-progress $'000	Total $'000
Balance at 1 July 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
Additions	-	707	-	-	3,187	3,894
Exchange differences	116	-	-	-	45	161
Amortisation expense	-	(432)	(24)	(217)	-	(673)
Balance at 30 June 2023	3,430	4,560	196	758	3,232	12,176

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

	Consolidated	
Goodwill	**2023** *$'000*	**2022** *$'000*
USA (2022: US $2,077,000; 2021: US $2,077,000)	3,083	2,967
China	347	347
	3,430	**3,314**

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 2023.

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% (2022: 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 12.0% (2022: 10.0%)

EBITDA assumptions

EBITDA for FY2024 is based on the Board approved budget, with FY2025 to FY2028 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% in-line with the long-term real growth rate of the US economy.

Sensitivity Analysis

Management have conducted an analysis to reasonably test the sensitivity of the impairment assessment to possible changes in the key assumptions used to determine the changes in the recoverable amount of the CGU. This sensitivity analysis considered the changes to terminal growth rate from 0.5% to 2.5% and discount rate from 8.00% to 18.00%, which did not result in an impairment.

Around 40% reduction in the FY24 Budget EBITDA will reduce the headroom to zero, but not result in an impairment.

The analysis revealed that there is sufficient headroom in all instances of changes of these factors and there is no impact on the impairment assessment.

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 separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated

impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the statement of profit or loss in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

An intangible asset is derecognised upon disposal (i.e., at the date the recipient obtains control) or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

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

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 between 5 - 10 years based on the type of application software.

Intangible - work-in-progress

Intangible work-in-progress additions represent the capitalised expenses relating to the phase-1 implementation of a new ERP solution (Dynamics 365). The expenses incurred thus far relate to the initial design stage of the project. The anticipated completion and launch of the new ERP is estimated to be at the end of the following financial year.

NOTE 14. NON-CURRENT ASSETS - RIGHT-OF-USE ASSETS

	Consolidated	
	2023 *$'000*	**2022** *$'000*
Land and buildings - right-of-use	43,598	35,570
Less: Accumulated depreciation	(15,169)	(9,155)
	28,429	**26,415**

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 and buildings - right-of-use** *$'000*
Balance at 1 July 2021	**20,314**
Additions	9,384
Exchange differences	1,433
Depreciation expense	(4,716)
Balance at 30 June 2022	**26,415**
Additions	7,467
Exchange differences	508
Depreciation expense	(5,961)
Balance at 30 June 2023	**28,429**

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 in-curred, 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	
	2023 *$'000*	2022 *$'000*
Trade payables	9,995	17,175
Sundry payables and accruals - Customer rebates and variable revenue	8,894	9,420
Sundry payables and accruals - Other	3,195	4,181
	22,084	**30,776**

Refer to note 25 for further information on financial instruments.

Accounting policy for trade and other payables

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

NOTE 16. CURRENT LIABILITIES - BORROWINGS

	Consolidated	
	2023 *$'000*	2022 *$'000*
Bank loans	39,156	20,995

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

Subsequent to 30 June 2023, the Group extended the debt facilities with ANZ Bank until 30 August 2024. The extension covers Australia and the US facilities, the China facility was refinanced during the second half of FY23 to Ningbo Bank. The revised facilities with the ANZ Bank are subject to final documentation.

NOTE 17. CURRENT LIABILITIES - PROVISIONS

	Consolidated	
	2023 *$'000*	2022 *$'000*
Warranties	624	507

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.

The group typically provides for warranties for general defects that existed at the time of sale, as required by law.

Warranty movements

	Consolidated	
	2023 *$'000*	**2022 *$'000***
Carrying amount at the start of the year	507	501
Additional provisions recognised	629	382
Claims	(512)	(376)
Carrying amount at the end of the year	**624**	**507**

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	
	2023 *$'000*	**2022 *$'000***
Lease liability	5,695	4,677

Refer to note 25 for further information on financial instruments.

NOTE 19. NON-CURRENT LIABILITIES - BORROWINGS

	Consolidated	
	2023 *$'000*	**2022 *$'000***
Total Bank loans	-	12,935

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	
	2023 *$'000*	**2022 *$'000***
Total Bank loans	39,156	33,930

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.

NOTE 20. NON-CURRENT LIABILITIES - LEASE LIABILITIES

	Consolidated	
	2023 $'000	2022 $'000
Lease liability - 1 to 5 years	19,984	22,624
Lease liability - greater than 5 years	6,421	1,487
	26,405	**24,111**

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.

The Group has several lease contracts that include extension and termination options. These options are negotiated by management to provide flexibility in managing the leased asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these extension and termination options are reasonably certain to be exercised.

Set out below are the undiscounted potential future rental payments relating to periods following the exercise date of extension and termination options that are not included in the lease term:

As at 30 June 2023	Within five years $'000	More than five years $'000	Total
Extension options expected not to be exercised	-	30,365	30,365

NOTE 21. EQUITY - ISSUED CAPITAL

	Consolidated			
	2023 Shares	2022 Shares	2023 $'000	2022 $'000
Ordinary shares - fully paid	276,393,042	276,393,042	63,403	63,403

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 2023.

Vesting of performance rights

No new performance rights vested during the financial year ended 30 June 2023 (2022: 1,001,732).

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	
	2023 *$'000*	**2022** *$'000*
Foreign currency reserve	29	2,195
Hedging reserve - cash flow hedges	198	435
Share-based payments reserve	4,409	3,271
Enterprise reserve fund	5,185	4,434
	9,821	**10,335**

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.

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 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**
Foreign currency translation *	(2,166)	-	-	-	(2,166)
Movement in hedge	-	(339)	-	-	(339)
Income tax	-	102	-	-	102
Share-based payment	-	-	1,138	-	1,138
Statutory transfers from retained earnings	-	-	-	751	751
Balance at 30 June 2023	**29**	**198**	**4,409**	**5,185**	**9,821**

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

NOTE 23. EQUITY - DIVIDENDS

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2023 *$'000*	**2022** *$'000*
Final Dividend for the year ended 30 June 2022 of 1.00 cent per ordinary share (75% franked)	2,764	-
Interim Dividend for the year ended 30 June 2023 of 1.00 cent per ordinary share (100% franked)	2,764	-
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
	5,528	**8,272**

There were no dividends recommended or declared during the half year ended 30 June 2023.

Franking credits

	Consolidated	
	2023 *$'000*	**2022** *$'000*
Franking credits available at the reporting date based on a tax rate of 30%	2,018	241
Franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date based on a tax rate of 30%	-	1,886
Franking debits that will arise from the income tax receivable at the reporting date based on a tax rate of 30%	(1,674)	-
Franking debits that will arise from the payment of dividends declared subsequent to the reporting date based on a tax rate of 30%	-	(888)
Franking credits available for subsequent financial years based on a tax rate of 30%	**344**	**1,239**

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	
	2023 *$'000*	**2022** *$'000*
Related party receivable to the Company from GALE Pacific Special Textiles (Ningbo) Limited	10,724	10,306
Related party receivable to the Company from GALE Pacific (New Zealand) Limited	2,754	2,958
Monetary items identified as a net investment in a foreign operation	**13,478**	**13,264**

The foreign exchange gain or loss arising during the financial year on monetary items forming part of the net investment in foreign operations, 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.

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:

	Sell Australian dollars		Average exchange rates	
Buy US dollars/sell Australian dollars	**2023 *$'000***	**2022 *$'000***	**2023**	**2022**
Maturity:				
Less than 6 months	11,482	12,554	0.6793	0.7185
6 - 12 months	-	1,950	-	0.7179

	Sell US dollars		Average exchange rates	
Buy Chinese Yuan/sell US Dollars	**2023 *$'000***	**2022 *$'000***	**2023**	**2022**
Maturity:				
Less than 6 months	26,500	35,400	6.8300	6.4500
6 - 9 months	9,000	-	6.8800	-

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

	Assets		Liabilities	
Consolidated	**2023** *$'000*	**2022** *$'000*	**2023** *$'000*	**2022** *$'000*
US dollars	49,868	58,489	14,896	27,274
New Zealand dollars	550	1,527	39	437
Chinese yuan	714	1,326	2,935	-
UAE dirham	917	1,104	-	-
	52,049	**62,446**	**17,870**	**27,711**

The Group had net assets denominated in foreign currencies of $34,179,000 (assets of $52,049,000 less liabilities of $17,870,000 as at 30 June 2023 (2022: $34,735,000 (assets of $62,446,000 less liabilities of $27,711,000)). Based on this exposure, had the Australian dollar strengthened by 5% / weakened by 5% (2022: 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 $127,000 lower/higher (2022: $103,000 lower/higher) and equity would have been $3,296,000 lower/higher (2022: $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:

	2023		2022	
Consolidated	**Weighted average interest rate %**	**Balance** *$'000*	**Weighted average interest rate %**	**Balance** *$'000*
Cash and cash equivalents	-	23,641	-	28,465
Bank loans	4.90%	(39,156)	2.80%	(33,930)
Net exposure to cash flow interest rate risk		**(15,515)**		**(5,465)**

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 (2022: 100) basis points would have an ad-verse/ favourable effect on profit before tax of $391,560 (2022: $339,940) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts forecasts.

Credit risk

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

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 2023	Weighted average interest rate %	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	9,995	-	-	-	9,995
Customer rebates	-	8,894	-	-	-	8,894
Other sundry payables and accruals	-	3,195	-	-	-	3,195
Interest-bearing - variable						
Bank loans	4.90%	39,911	-	-	-	39,911
Lease liability	-	7,005	6,909	15,612	7,047	36,573
Total non-derivatives		**69,000**	**6,909**	**15,612**	**7,047**	**98,568**

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						
Non-interest bearing						
Trade payables	-	17,175	-	-	-	17,175
Customer rebates	-	9,420	-	-	-	9,420
Other sundry payables and accruals	-	4,181	-	-	-	4,181
Interest-bearing - variable						
Bank loans	2.80%	20,995	12,935	-	-	33,930
Lease liability	-	5,947	6,667	17,649	1,810	32,073
Total non-derivatives		**57,718**	**19,602**	**17,649**	**1,810**	**96,779**

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

LIABILITIES FROM FINANCING ACTIVITIES

Changes in liabilities arising from financing activities are shown below.

Consolidated	Current Borrowings *$'000*	Non-Current Borrowings *$'000*	Current Lease Liabilities *$'000*	Non-current Lease Leabilities *$'000*	Total *$'000*
Balance at 1 July 2021	19,296	9,575	3,768	18,579	51,218
Net proceeds / (repayments)	1,699	3,360	(2,943)	-	2,116
New / extension of leases	-	-	3,852	5,532	9,384
Balance at 30 June 2022	20,995	12,935	4,677	24,111	62,718
Net proceeds / (repayments)	5,226	-	(4,155)	-	1,071
New / extension of leases	-	-	5,173	2,294	7,467
Other	12,935	(12,935)	-	-	-
Balance at 30 June 2023	**39,156**	**-**	**5,695**	**26,405**	**71,256**

'Other' represents the reclassification of non-current borrowings to current borrowings based on the termination date of the ANZ Bank related facilities as at 30 June 2023.

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 - 2023	Level 1 *$'000*	Level 2 *$'000*	Level 3 *$'000*	Level 4 *$'000*
Liabilities				
Forward foreign exchange contracts	-	2,576	-	2,576
Total liabilities	-	2,576	-	2,576

Consolidated - 2022	Level 1 *$'000*	Level 2 *$'000*	Level 3 *$'000*	Level 4 *$'000*
Liabilities				
Forward foreign exchange contracts	-	1,355	-	1,355
Total liabilities	-	1,355	-	1,355

There were no transfers between levels during the financial year.

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

Valuation techniques for fair value measurements categorised within level 2 and level 3

Derivative financial instruments have been valued using quoted market rates. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates.

Accounting policy for fair value measurement

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

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

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

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

NOTE 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	
	2023 $	2022 $
Short-term employee benefits	3,264,199	3,887,859
Post-employment benefits	176,134	159,303
Termination benefits	128,763	171,934
Share-based payments	1,135,178	1,493,444
	4,704,274	**5,712,540**

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	
	2023 *$'000*	2022 *$'000*
(Loss)/profit after income tax	(788)	6,511
Total comprehensive (loss)/income	(1,025)	6,828

Statement of financial position

	Parent	
	2023 *$'000*	**2022** *$'000*
Total current assets	27,486	32,285
Total assets	115,381	121,441
Total current liabilities	37,758	25,916
Total liabilities	47,940	49,607
Equity		
Issued capital	63,403	63,403
Hedging reserve - cash flow hedges	198	435
Share-based payments reserve	4,409	3,270
(Accumulated losses)/retained profits	(569)	4,726
Total equity	**67,441**	**71,834**

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2022 and 30 June 2023.

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:

		Ownership interest	
Name	Principal place of business /Country of incorporation	2023 %	2022 %
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%

On 24 May 2023, two dormant subsidiaries, Riva Window Fashions Pty Ltd (ACN 145 083 254) and Zone Hardware Pty Ltd (ACN 115 484 878) were deregistered.

Apart from the above, there were no other entities, associates or joint venture entities over which control was gained or lost during the period.

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 to 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 or return to shareholders.

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.

This performance rights 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 performance rights for ordinary shares in the Company to key management personnel and certain senior managers of the Group. The performance rights are issued for nil consideration and are granted in accordance with performance guidelines established by the Nomination and Remuneration Committee.

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

2023

Grant date	Expiry date	Grant date Fair value	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
16/01/2020	01/12/2022	$0.26	559,338	-	-	(559,338)	-
30/10/2020	01/12/2023	$0.16	1,347,000	-	-	(218,000)	1,129,000
23/12/2020	01/12/2023	$0.27	14,000,000	-	-	-	14,000,000
23/12/2021	01/12/2024	$0.28	2,870,000	-	-	(786,000)	2,084,000
06/04/2022	01/12/2024	$0.28	204,000	-	-	-	204,000
17/03/2023	01/12/2025	$0.24	-	3,223,000	-	-	3,223,000
			18,980,338	**3,223,000**	**-**	**(1,563,338)**	**20,640,000**

2022

Grant date	Expiry date	Grant date Fair value	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	-	(314,896)	(160,737)	559,338
30/10/2020	01/12/2023	$0.16	1,987,000	-	-	(640,000)	1,347,000
23/12/2020	01/12/2023	$0.27	14,000,000	-	-	-	14,000,000
23/12/2021	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**

The performance rights granted on the 17 March 2023 to the senior executives are subject to performance conditions and time hurdles as outlined below.

Performance condition - The diluted EPS needs to increase (from the prior financial year reported diluted EPS) by greater than a CAGR of 3.0% and over the relevant 3-year performance period (1 July 2022 to 30 Jun 2025). The number of Rights vesting will be determined proportionately, on a straight-line basis, between CAGR of 3.0% and CAGR of 10.0%.

Time hurdle - The vesting of Rights is also dependent upon the employee remaining in continuous employment with the Company until 30 September 2025.

The other performance rights granted (with the exception of those granted to the CEO as set out below) are subject to the same performance condition as the 17 March 2023 grant, but tested over the three year performance period starting from 30 June before the award was granted, with employees required to remain in continuous employment with the Company until 30 September after the end of the performance period.

The performance rights granted on 23 December 2020 to the CEO (also the Managing Director of the Group) are subject to employment conditions and satisfying of relevant performance hurdles based on total shareholder return (TSR) over the three-year period from 1 July 2020 to 30 June 2023.

The percentage of the Performance Rights that will vest will be determined in accordance with the table below.

TSR	Percentage of Performance Rights that vest
Below Threshold: TSR of below 25%	Nil
At Threshold: TSR of 25%	25% (i.e., 3.5 million Performance Rights)
Above Threshold	Each additional whole 1% TSR above 25% will add 0.32% to proportion of Performance Rights vesting to a maximum of 100% of Performance Rights vesting at 260% TSR or above

Any early achievement of the TSR thresholds will be taken into account at the end of the Performance Period. In particular, if the required TSR increase of 25% or above is achieved in any financial half year prior to 1 January 2023 (*Early Achievement)*, the TSR performance condition will deemed to be satisfied as at the end of the Performance Period to the same extent as if the increase in the TSR had occurred over the full Performance Period (even if there is a subsequent decline in the TSR).

For the purpose of testing the TSR performance condition at the end of the Performance Period, the highest TSR increase over the Performance Period or any single financial half year prior to 1 January 2023 will be used (i.e., TSR increases in respect of different periods, and any vesting of Performance Rights referrable to such increases, will not be cumulative).

If there is a change of control, the TSR performance condition will be immediately tested and calculated on the basis of an end price determined with reference to the change of control event (the Change of Control Price) and Performance Rights may vest accordingly.

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.

The fair value of equity settled performance rights with non-market vesting conditions is determined using the share price at grant date less the present value of the expected dividend yield during the vesting period. No account is taken of any other vesting conditions.

The fair value of equity settled performance rights with market based vesting conditions is determined using a Monte Carlo simulation, that takes into account the opening share price at grant date, the expected dividend yield, risk free interest rate for the term of the option, market volatility, assumed exercise price and any specific vesting conditions that would impact the fair value at grant date.

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.

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 (i.e internal conditions), the failure to satisfy the condition is treated as a cancellation.

If the condition is not within the control of the Group or employee (i.e market based conditions) 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 Ernst & Young, the auditor of the Company:

	Consolidated	
Audit services	**2023** *$'000*	**2022** *$'000*
Audit or review of the financial statements - Ernst & Young	672,320	-
Audit or review of the financial statements - Deloitte Touche Tohmatsu	-	416,806
	672,320	**416,806**
Other services		
Other services - Deloitte Touche Tohmatsu	395,950	283,328
	1,068,270	**700,134**

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.

Definition of Accounting Estimates - Amendments to IAS 8

In February 2021, the IASB issued amendments to IAS 8, in which it introduces a definition of 'accounting estimates'. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, they clarify how entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Group's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12

In May 2021, the Board issued amendments to IAS 12, which narrow the scope of the initial recognition exception under IAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

The amendments should be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability should also be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

The Group is currently assessing the impact of the amendments.

Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2

In February 2021, the IASB issued amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements, in which it provides guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the con-cept of materiality in making decisions about accounting policy disclosures.

The amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2023 with earlier application permitted. Since the amendments to the Practice Statement 2 provide non-mandatory guidance on the application of the definition of material to accounting policy information, an effective date for these amendments is not necessary.

The Group is currently assessing the impact of the amendments.

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 amend-ments will have a material impact in future periods on the financial statements of the Group.

NOTE 34. EVENTS AFTER THE REPORTING PERIOD

Subsequent to 30 June 2023, the Company extended its existing credit facilities with the ANZ Bank until 30 August 2024. There are no other matters that has arisen since 30 June 2023, 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.

Coolaroo®

amazon ★★★★★ Over 54,000 5 star reviews

ELEVATED PET BEDS

ORIGINAL

COOLING AND BREATHABLE

FLEA, MITE, MOLD & MILDEW RESISTANT

ON THE GO

COLLAPSIBLE FOR STORAGE & TRAVEL

PORTABLE, ON-THE-GO DESIGN

PRO

CRATE-READY DESIGN

QUICK, NO-TOOL ASSEMBLY

13% compounded annual growth rate for Coolaroo Pet beds over last 3 years

Category refresh launching in FY24 to incorporate HeatShield® and facilitate distribution expansion

Launching in FY24

with HEAT SHIELD™ technology

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Ernst & Young
8 Exhibition Street
Melbourne VIC 3000 Australia
GPO Box 67 Melbourne VIC 3001

Tel: +61 3 9288 8000
Fax: +61 3 8650 7777
ey.com/au

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 (collectively the Group), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

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

a. Giving a true and fair view of the consolidated financial position of the Group as at 30 June 2023 and of its consolidated financial performance for the year ended on that date; and

b. 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 and 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 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 judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

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Carrying Value of Inventories

Why significant	How our audit addressed the key audit matter
As at 30 June 2023, the Group held $53.3 million in inventories representing 26% of total assets in various locations. As detailed in Note 2 and Note 11 of the financial report, inventories are valued at the lower of cost and net realisable value. There is judgment involved in determining the cost of inventories and in assessing net realisable value. In determining the cost of inventories, the Group considers elements relating to the costs to operate the Group's factories, as well as freight, duty and exchange rates. Judgments were involved in the process of allocating these costs to inventories. The Group is also required to eliminate any intercompany profits in inventory at year end which requires estimation. There is also judgement involved in estimating the value of inventory which may be sold below cost and determining required provisioning against this inventory. Such judgments include expectations for future sales and movement strategies for slow moving inventories. Given the judgment involved in determining the carrying value of inventories, this was considered a key audit matter.	Our audit procedures included the following: ► Assessed the application of the Group's inventory costing methodology, and whether this was consistent with Australian Accounting Standards; ► Assessed the accuracy of key inputs to the Group's inventory valuation model, on a sample basis; ► Assessed management's process for the elimination of intercompany profit in inventory and recalculated the adjustment; ► Assessed the basis for inventory provisions recorded by the Group to determine whether inventory was recorded at the lower of cost and net realisable value. In doing so, we examined the process for identifying specific slow-moving inventories, historical inventory turnover and management's judgment with respect to future sales expectations; ► Compared the net realisable value post year end for a sample of inventory items with the carrying value of inventories at 30 June 2023; ► Assessed the Group's disclosures included in Note 2 and Note 11 of the financial report.

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Allowance for Expected Credit Loss in relation to Middle East and North Africa ("MENA") Trade Receivables

Why significant	How our audit addressed the key audit matter
As at 30 June 2023, the carrying amounts of MENA trade receivables totalled $3.9 million with $0.6 million of the outstanding balance aged over 365 days. The balance of the expected credit loss allowance for MENA receivables accounts for $1.1 million of trade receivables greater than 365 days. There is a high level of management judgement involved in determining the expected credit loss allowance, 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. Given the judgement involved and the aged nature of these receivables, allowance for expected credit loss was considered a key audit matter.	Our procedures included the following: ▶ Obtained an understanding of how the allowance for expected credit loss on MENA receivables is estimated by management and assessed management's process in determining the estimated future cash flows of MENA receivables; ▶ Evaluated on a sample basis, the aging analysis and agreed the subsequent settlement of the MENA receivables to source documents including invoices and bank statements, as appropriate; ▶ Assessed the reasonableness of the allowance for expected credit loss of MENA receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and agreed repayment plans; ▶ Assessed the historical accuracy of management's assessment of allowance for expected credit loss of 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; ▶ Assessed the appropriateness of disclosures included in Note 2 and Note 10 of the financial report relating to accounts receivables.

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

for the year ended 30 June 2023

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Customer Rebates and Variable Revenue

Why significant	How our audit addressed the key audit matter
The Group has various rebate and other contracted arrangements with its customers that vary on a customer and geographical basis. The Group also provides credit to customers on a non-standard basis for items including, but not limited to, damaged or defective product. The Group is required to calculate known and estimate variable revenue at the time of initial revenue recognition. The accrual for Customer Rebates and variable Revenue at 30 June 2023 is $8.9 million. Given the varied nature of the arrangements with customers and the judgement required in estimating variable revenue, customer rebates and variable revenue was considered a key audit matter.	Our audit procedures included the following: ► Obtained an understanding of the nature of the various rebate arrangements through discussion with sales representatives and assessed whether the terms of a sample of agreements were appropriately reflected in the accounting treatment in accordance with Australian Accounting Standards; ► Agreed rebate percentages included in accrual calculations to signed customer contracts and claims from customers made during the financial year, on a sample basis; ► Assessed accruals against actual rebate expense to assess the accuracy of the accruals process and that expenses were recognised in the appropriate period; ► Performed detailed analytical review of the expenses related to non-standard customer claims to sales compared to prior periods; ► Assessed the appropriateness of disclosures included in Note 2 and note 15 of the financial report relating to judgments used in assessing customer rebates and estimating variable revenue.

Information other than the financial report and auditor's report thereon

The directors are responsible for the other information. The other information comprises the information included in the Company's 2023 annual report, 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 accordingly we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

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.

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

for the year ended 30 June 2023

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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 Group's ability to continue as a going concern, disclosing, as applicable, matters relating 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 have no realistic alternative but to do so.

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 judgment 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.

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- 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 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 to the directors, we determine those matters that were of most significance in the audit of the financial report of the current year 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 audit of the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 54 to 65 of the directors' report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of Gale Pacific Limited for the year ended 30 June 2023, 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.

Ernst + Young

Ernst & Young

Joanne D Lonergan
Partner
Melbourne
29 August 2023

ADDITIONAL SECURITIES EXCHANGE INFORMATION

In accordance with ASX Listing Rule 4.10, the Company provides the following information to shareholders not elsewhere disclosed in this Annual Report. The information provided is current as at 29 August 2023 **(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	1,776
Performance rights expiring 1 December 2023	5
Performance rights expiring 1 December 2024	10
Performance rights expiring 1 December 2025	9

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 1,776 holders of a total of 276,393,042 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	130	25,453	0.01
1,001 – 5,000	509	1,470,925	0.53
5,001 – 10,000	244	1,958,408	0.71
10,001 – 100,000	683	24,511,983	8.87
100,001 and over	210	248,426,273	89.88
Total	**1,776**	**276,393,042**	**100**

Performance Rights			
Range	Holders of performance rights expiring 1 December 2023	Holders of performance rights expiring 1 December 2024	Holders of performance rights expiring 1 December 2025
1 – 1,000	-	-	-
1,001 – 5,000	-	-	-
5,001 – 10,000	-	-	-
10,001 – 100,000	-	2	-
100,001 and over	5	8	9
Total	**5**	**10**	**9**

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 $0.2300 per unit	2,174	325	350,546

SUBSTANTIAL SHAREHOLDERS

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

Shareholder	No. 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
MR KENNETH JOSEPH HALL <HALL PARK A/C>	6,700,000	2.42
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
NCH PTY LTD	3,729,831	1.35
BFA SUPER PTY LTD <GDN SUPER FUND A/C>	3,327,428	1.20
BNP PARIBAS NOMS PTY LTD <DRP>	3,165,751	1.15
BNP PARIBAS NOMS (NZ) LTD <DRP>	2,980,624	1.08
STITCHING PTY LTD <SSG SUPERANNUATION FUND A/C>	2,700,000	0.98
CHILLEN PTY LIMITED (TALLEN)	2,431,317	0.88
MR PETER HOWELLS	2,200,000	0.80
RATHVALE PTY LIMITED	2,113,680	0.76
CERTANE CT PTY LTD <BC2>	2,058,000	0.74
VENN MILNER SUPERANNUATION PTY LTD	1,750,000	0.3
MR LESLIE JOHN FIELD + MRS EVE FIELD	1,739,207	0.63
MR NICHOLAS BARRY DEBENHAM & MRS ANNETTE CECILIA DEBENHAM <N & A DEBENHAM S/FUND A/C>	1,631,780	0.59
TOTAL: TOP 20 HOLDERS OF ORDINARY FULLY PAID SHARES AS AT REPORTING DATE	**191,164,430**	**69.89**

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	20,640,000	24

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 2023

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

Ernst & Young
8 Exhibition Street
Melbourne, VIC 3000

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

PROJECT SPOTLIGHT

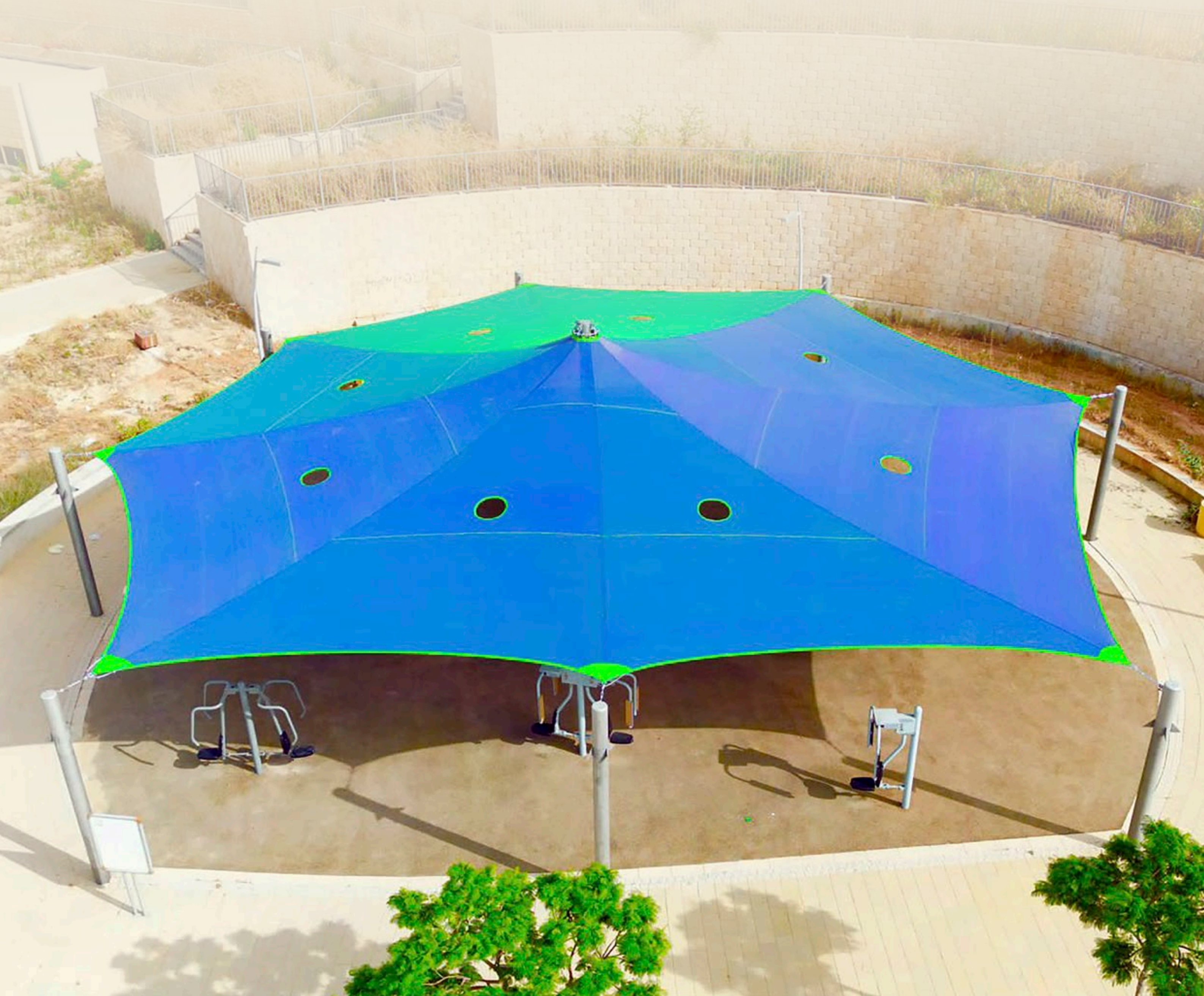
WHERE DESIGN MEETS NATURE

Saqr Park

Ras al Khaimah, UAE

DualShade, Topaz

In April 2023, ADAA Tents and Shades collaborated with GALE Pacific to design a captivating tensile structure for Saqr Park, a family-friendly attraction celebrating the Emirate's diversity. The design, featuring the luxe blue-green of DualShade's Topaz, seamlessly merges sky and earth, energising this communal space and echoing the harmony with nature.



GALE PACIFIC

AUSTRALIA

145 Woodlands Drive,
Braeside, Victoria 3195, Australia

AMERICAS

5311 77 Center Drive, Ste. 150
Charlotte, NC 28217, USA

EUROPE & ASIA

No. 777 Hengshan W. Road,
Beilun, Ningbo, 315800, China

MIDDLE EAST & AFRICA

PO Box 17696,
Jebel Ali, Dubai, UAE