

## **APPENDIX 4E, DIRECTORS' REPORT & CONSOLIDATED FINANCIAL REPORT**

For the full year ended  
30 June 2021

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## Company details

Name of entity:	Gale Pacific Limited
ABN:	80 082 263 778
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

## Results for announcement to the market

		%	\$'000	To	\$'000
Revenues from continuing activities:	Up	31.3	48,885		205,223
Profit from continuing activities after tax attributable to members:	Up	231.5	8,608		12,327
Net profit for the period attributable to members:	Down	231.5	8,608		12,327
Please refer to the accompanying Directors' announcement to the Australian Securities Exchange for further commentary.					

## Net tangible assets

	As at 30 June 2021	As at 30 June 2020
Net tangible assets per security <sup>1</sup> :	30.78 cents	29.14 cents

<sup>1</sup> Net tangible assets include the right-of-use assets recognised under AASB 16 Leases.

## Dividends

	Amount Per Security	Percentage Franked
Final dividend for the year ending 30 June 2020 (paid 16th October 2020)	1 cent	0%
Interim dividend for the 6 months ended 31 Dec 2020 (paid 9th April 2021)	2 cents	0%
Final dividend for the year ending 30 June 2021:	2 cents	0%
Date final dividend for year ending 30 June 2021 is payable:	15 October 2021	
Record date for determining entitlements to the dividend:	3 September 2021	
Trading ex-dividend:	2 September 2021	

Please refer to the accompanying Directors' announcement to the Australian Securities Exchange for further commentary.

	Amount Per Security	Ordinary Security Val.
Final dividend for the year ending 30 June 2020 (paid 16th October 2020)	1 cent	\$2,753,913
Interim dividend for the 6 months ended 31 December 2020 (paid 9th April 2021)	2 cents	\$5,507,826

The above table refers to the dividends paid to members during the financial year ended 30 June 2021.

#### Earnings per share

	Year Ending 30 June 2021	Year Ending 30 June 2020
Basic Earnings Per Share	4.48 cents	1.34 cents
Diluted Earnings Per Share	4.21 cents	1.32 cents

#### Earnings per security

	2020 / 2021	2019 / 2020
Earnings used in the calculations of basic and diluted earnings per share:	12,327,000	3,719,000
Weighted average number of ordinary shares used in the calculation of basic earnings per share:	275,391,310	277,684,598
Performance rights on issue:		
Weighted average number of performance rights issued in prior years:	2,876,971	4,894,000
Weighted average number of performance rights issued during the year:	15,284,496	497,691
Weighted average number of performance rights lapsed during the year:	(552,647)	(1,854,038)
Weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share:	293,000,130	281,222,251

#### Items to be referenced in the accompanying audited financial statements

- Consolidated statement of profit and loss and other comprehensive income
- Consolidated statement of financial position
- Consolidated statement of changes in equity
- Consolidated statement of cash flows
- Significant accounting policies
- Auditor independence declaration and report
- Any other significant information

**Other information required by listing rules**

Other information requiring disclosure to comply with Listing Rule 4.3A is contained in the accompanying 2021 consolidated financial statements.

There were no entities, associates or joint venture entities over which control was gained or lost during the period.

Gale Pacific Limited advises that its Annual General Meeting will be held on or about Friday, 19 November 2021. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all shareholders and released to ASX immediately after despatch.

In accordance with the ASX Listing Rules, valid nominations for the position of director are required to be lodged at the registered office of the Company by 5:00pm (AEST) Thursday, 30 September 2021.

The process and requirements in relation to the nomination of Directors will be per the relevant section of the Constitution.

This report is based on financial statements which have been audited by Deloitte Touche Tohmatsu.

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**Signed**

A handwritten signature in black ink, appearing to read "John Paul Marcantonio", written over a horizontal line.

John Paul Marcantonio  
Chief Executive Officer and Managing Director

Date: 24 August 2021

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 2021 and the independent Auditor's report thereon.

### **Changes in state of affairs**

Throughout the COVID-19 pandemic GALE Pacific's primary concern has been ensuring the health and safety of its employees around the world. The Company continued to enact flexible, 'work from home where able' policies ahead of government requirements in all regions and maintained strict facility specific safety and hygiene protocols across all global locations. All distribution and manufacturing facilities continue to operate according to best available practice to maintain healthy and safe workplaces for all stakeholders including team members, suppliers, contractors, customers, and consumers while the Company continues its essential business operations. We also successfully adapted our global supply chain to meet the opportunity presented by sharp increases in demand and managed well the challenges posed by worldwide shipping and transportation constraints, material and labor inflation, and the continued complexity posed by the COVID-19 pandemic.

### **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 \$12,327,000 (30 June 2020: profit of \$3,719,000).

### **Events subsequent to balance date**

Apart from the dividend declared, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

### **Environmental regulation and performance**

The Group's operations are not subject to any significant environmental regulations under the Commonwealth or State legislation. The Directors believe that the Group has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Group.

### **Dividends**

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

	<b>2020/2021</b>
Final Dividend for the year ending 30 June 2020 (paid 16 October 2020)	1.00 cent
Interim Dividend for the 6 months ended 31 Dec 2020 (paid 9 April 2021)	2.00 cents

In addition to the above dividends, on the 24 August 2021 the Directors declared a dividend of 2.00 cents per share to the holders of fully paid ordinary shares in respect of the year ended 30 June 2021, payable on 15 October 2021 to shareholders on the register at 3 September 2021. The final dividend will be unfranked. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$5,500,000.

For the full year, dividends of 4.00 cents per share have been declared on earnings of 4.48 cents per share.

## Share based payments

### Performance Rights

The number of performance rights on issue at the date of this report is 17,907,971 (2020: 2,876,971). No amount is payable on the vesting of a performance right. Each performance right entitles the holder to one (1) ordinary share in Gale Pacific Limited in the event that the performance right is exercised. Performance rights carry no rights to dividends and no voting rights.

14,000,000 performance rights were granted to the CEO and Managing Director on 23 December 2020. The performance rights will vest subject to employment conditions and achieving a TSR growth of at least 25% (vesting of 25%) and TSR growth of 260% (vesting of 100%) over the performance period between 1 July 2020 to 30 June 2023.

1,987,000 performance rights were granted to executives on 30 October 2020. The performance rights will vest subject to a continuation of employment to 30 June 2023 and the satisfying of relevant performance hurdles based on the Group's diluted earnings per share over the three-year period from 1 July 2020 to 30 June 2023. None of these performance rights can vest until 30 June 2023 and expire on 1 December 2023.

On the 30 June 2020, 956,000 performance rights lapsed due to not meeting the performance conditions. The vesting of those performance rights was subject to a continuation of employment for three years and the satisfactory achievement of performance hurdles based on improvements in the Group's diluted earnings per share over the three year period between 1 July 2017 and 30 June 2020.

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

### Directors' shareholdings

The following table sets out each Director's relevant interest in shares, options and performance rights in shares of the Company as at the date of this report.

Directors	Fully Paid Ordinary Shares	Options	Performance Rights
D Allman	4,500,000	N/A	N/A
P Landos	-	N/A	N/A
D McMaster	50,000	N/A	N/A
T Stianos	600,000	N/A	N/A
J P Marcantonio	-	N/A	14,318,000 <sup>1</sup>

<sup>1</sup> In accordance with the early achievement criteria of the three-year incentive scheme in place for the CEO & Managing Director, TSR hurdles for the period 1 January 2021 to 30 June 2021 have been satisfied and accordingly 6,770,400 performance rights will convert to ordinary fully paid shares subject to all of the other requirements under the incentive scheme being met.

## Directors' meetings

The table below sets out the attendance by Directors.

Directors	Board of Directors' Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings		Nomination Committee Meetings	
	No of Meetings Eligible to Attend	Attended	No of Meetings Eligible to Attend	Attended	No of Meetings Eligible to Attend	Attended	No of Meetings Eligible to Attend	Attended
D Allman	11	11	4	4	1	1	1	1
P Landos	11	11	4	4	-	-	1	1
D McMaster	11	11	-	-	1	1	1	1
T Stianos	11	11	4	4	1	1	1	1
JP Marcantonio	10	10	4	4	1	1	-	-

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

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

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

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

## Remuneration report

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

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

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

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

Remuneration packages contain the following key elements:

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



### *Relationship between the remuneration policy and Company performance*

The table below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to 30 June 2021:

	30 June 2021	30 June 2020	30 June 2019	30 June 2018	30 June 2017
Sales	205,223	156,338	149,217	148,811	175,265*
Net profit before tax	17,220	4,757	11,208	12,484	(4,861)
Net profit after tax	12,327	3,719	9,198	9,807	(8,044)
Share price at start of year	16.0 cents	32.0 cents	35.5 cents	40.0 cents	36.0 cents
Share price at end of year	41.0 cents	16.0 cents	32.0 cents	35.5 cents	40.0 cents
Interim dividend	2.00 cents	0.0 cent	1.00 cent	1.00 cent	1.00 cent
Final dividend	2.00 cents	1.00 cent	1.00 cent	1.00 cent	1.00 cent
Basic earnings per share	4.48 cents	1.34 cents	3.21 cents	3.35 cents	(2.71) cents
Diluted earnings per share	4.21 cents	1.32 cents	3.16 cents	3.29 cents	(2.71) cents

\* Sales in 2017 does not reflect the adoption of the accounting standard AASB 15 Revenue from Contracts with Customers.

### *Remuneration Practices*

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

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

### *Remuneration Practices*

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

### *Non-executive directors remuneration*

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

The Company's Constitution and the Australian Securities Exchange Listing Rules specify that the aggregate remuneration of Non Executive Directors shall be determined from time to time by a general meeting. An amount not exceeding the amount determined is then divided between the Directors as agreed. The last determination was at the Annual General Meeting held on 25 October 2019 when shareholders approved the Company's constitution which provides for an aggregate remuneration of \$600,000 per annum. The amount of the aggregate remuneration and the manner in which it is apportioned is reviewed periodically. The Board considers fees paid to Non Executive Directors of comparable companies when undertaking this review process.

Each non executive director receives a fee for being a director of the Company and does not participate in performance based remuneration.

### *Senior manager and executive director remuneration*

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

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

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

The executive remuneration packages contain the following key elements:

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

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

#### *Share-based payments*

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

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

The number of performance rights on issue at 30 June 2021 was 17,907,971. 886,000 of these performance rights were granted on 13 November 2018 and will not vest until the time of the Company's 2021 annual report is released on the ASX (on or around 1 October 2021). 1,034,971 of these performance rights were granted on 16 January 2020 and will not vest until the time of the Company's 2022 annual report is released on the ASX (on or around 1 October 2022). 1,987,000 of these performance rights were granted on 30 October 2020 and 14,000,000 of these performance rights were granted on 23 December 2020 and both will not vest until the time of the Company's 2023 annual report is released on the ASX (on or around 1 October 2023). Each performance right has \$nil exercise price and entitles the holder to one (1) ordinary share in Gale Pacific Limited and is subject to satisfying the relevant performance hurdles based on improvements in the Group's diluted earnings per share.

Options and performance rights issued to executives during the year were issued in accordance with the Group's remuneration policy which:

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

#### *Key Management Personnel of the Group Who Held Office During the Year*

##### *Directors*

D Allman (Chairman Non Executive)  
P Landos (Non Executive)  
D McMaster (Non Executive)  
T Stianos (Non Executive)  
J P Marcantonio (CEO and Managing Director) – Effective 14 August 2020

##### *Executives*

A Haidar (General Manager – Middle East & North Africa)  
T Mortleman (General Manager – Australia & New Zealand)  
M Nicholls (General Manager – EurAsia)  
D Romanelli (Chief Financial Officer)  
C Zhang (General Manager – China Manufacturing)

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

Directors	Short Term Benefits			Post Employment	Share Based Payments	Termination Benefits	Total	Performance Related	
	Salary & Fees \$	Bonus \$	Non Monetary \$	Super \$	Rights \$	\$	\$	Total %	Rights %
<b>2020 / 2021</b>									
<b>Executive Directors</b>									
J P Marcantonio	599,910	-	17,566	20,137	991,830	-	1,629,444	61%	61%
<b>Non-Executive Directors</b>									
D Allman	117,756	-	-	19,752	-	-	137,508	-	-
P Landos	95,388	-	-	7,375	-	-	102,763	-	-
T Stianos	87,123	-	-	8,277	-	-	95,400	-	-
D McMaster	77,169	-	-	7,331	-	-	84,500	-	-
<b>Total</b>	<b>977,346</b>	<b>-</b>	<b>17,566</b>	<b>62,872</b>	<b>991,830</b>	<b>-</b>	<b>2,049,615</b>	<b>48%</b>	<b>48%</b>
<b>2019 / 2020</b>									
<b>Executive Directors</b>									
N Pritchard	221,755	-	-	10,417	(4,101)	90,643	318,713	(1)%	(1)%
<b>Non-Executive Directors</b>									
D Allman	117,756	-	-	19,752	-	-	137,508	-	-
P Landos	95,388	-	-	7,375	-	-	102,763	-	-
T Stianos	87,123	-	-	8,277	-	-	95,400	-	-
D McMaster	77,169	-	-	7,331	-	-	84,500	-	-
<b>Total</b>	<b>599,191</b>	<b>-</b>	<b>-</b>	<b>53,151</b>	<b>(4,101)</b>	<b>90,643</b>	<b>738,883</b>	<b>-</b>	<b>-</b>

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

Key Management Personnel	Short Term Benefits			Post Employment	Share Based Payments	Termination Benefits	Total	Performance Related	
	Salary & Fees \$	Bonus \$	Non Monetary \$	Super \$	Rights \$	\$	\$	Total %	Rights %
<b>2020 / 2021</b>									
M Nicholls	206,922	73,124	-	16,934	75,429	-	372,409	40%	20%
C Zhang	209,173	42,851	9,457	-	77,301	-	338,781	35%	23%
A Haidar	255,025	33,624	-	-	107,016	-	395,665	36%	27%
D Romanelli	319,725	186,730	-	30,374	66,525	-	603,353	42%	11%
T Mortleman	279,125	121,857	-	26,517	14,489	-	441,988	31%	3%
<b>Total</b>	<b>1,269,970</b>	<b>458,186</b>	<b>9,457</b>	<b>73,825</b>	<b>340,760</b>	<b>-</b>	<b>2,152,197</b>	<b>37%</b>	<b>16%</b>
<b>2019 / 2020</b>									
J P Marcantonio	548,431	27,482	23,643	25,952	(1,887)	-	623,621	4%	0%
M Nicholls	232,264	47,710	-	17,228	3,285	-	300,487	17%	1%
C Zhang	212,350	59,014	14,628	-	3,347	-	289,338	22%	1%
A Haidar	279,339	-	-	-	4,434	-	283,773	2%	2%
D Romanelli	242,308	7,415	-	23,019	7,975	-	280,717	5%	3%
T Mortleman	130,448	5,093	-	12,393	-	-	147,934	3%	-
M Parker	24,209	-	-	2,083	(1,448)	13,074	37,918	(4)%	(4)%
<b>Total</b>	<b>1,669,349</b>	<b>146,714</b>	<b>38,271</b>	<b>80,676</b>	<b>15,705</b>	<b>13,074</b>	<b>1,963,788</b>	<b>8%</b>	<b>1%</b>

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

	Balance at the start of the year No.	Granted as Compensation No.	Received on Exercise of Options No.	Other <sup>1</sup> Movements No.	Balance at the end of the year No.
<b>2020/2021</b>					
<i>Executive Directors</i>					
J P Marcantonio	-	-	-	-	-
<i>Non Executive Directors</i>					
D Allman	4,500,000	-	-	-	4,500,000
T Stianos	600,000	-	-	-	600,000
D McMaster	50,000	-	-	-	50,000
<i>Executives</i>					
A Haidar	516,364	-	-	10,000	526,364
D Romanelli	263,000	-	-	192,190	455,190
<b>Total</b>	<b>5,929,364</b>	<b>-</b>	<b>-</b>	<b>202,190</b>	<b>6,131,554</b>
<b>2019/2020</b>					
<i>Executive Directors</i>					
N Pritchard	1,434,593	-	-	(1,434,593)	-
<i>Non Executive Directors</i>					
D Allman	3,000,000	-	-	1,500,000	4,500,000
T Stianos	200,000	-	-	400,000	600,000
D McMaster	-	-	-	50,000	50,000
<i>Executives</i>					
M Parker	227,257	-	-	(227,257)	-
A Haidar	516,364	-	-	-	516,364
D Romanelli	-	-	-	263,000	263,000
<b>Total</b>	<b>5,378,214</b>	<b>-</b>	<b>-</b>	<b>551,150</b>	<b>5,929,364</b>

<sup>1</sup> Includes shares traded on the stock market

## 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 13 November 2018 are subject to the continuation of employment to 30 June 2021 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 2018 to 30 June 2021. None of these rights can vest until the Company releases its FY21 annual report to the ASX (on or around 1<sup>st</sup> October 2021) and expire on 1 December 2021.

The performance rights granted on 16 January 2020 are subject to the continuation of employment to 30 June 2022 and then the satisfying of relevant performance hurdles based on improvements in the Group's diluted earnings per share over the three year period from 1 July 2020 to 30 June 2022. None of these rights can vest until the Company releases its FY22 annual report to the ASX (on or around 1<sup>st</sup> October 2022) and expire on 1 December 2022.

The performance rights granted on 30 October 2020 to the senior executives are subject to the continuation of employment to 30 June 2023 and then the satisfying of relevant performance hurdles based on improvements in the Group's diluted earnings per share over the three year period from 1 July 2021 to 30 June 2023.

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

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 2021 to 30 June 2023. Further details can be found in note 31.

None of these rights can vest until the Company releases its FY23 annual report to the ASX (on or around 1<sup>st</sup> October 2023) and expire on 1 December 2023.

## Directors' and Executives' 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
<u>2020 / 2021</u>								
Executive Directors (Performance Rights)								
J P Marcantonio	-	14,000,000	23/12/20	0.1800	Nil	1/12/23	01/10/23	01/10/23
Non-Executive Directors								
None	-	-						
Management Personnel (Performance Rights)								
Key Management	-	1,504,000	30/10/20	0.1600	Nil	1/12/23	01/10/23	01/10/23
Other Management	-	483,000	30/10/20	0.1600	Nil	1/12/23	01/10/23	01/10/23
Total	-	15,987,000						

### 2019/2020

<b>Executive Directors (Performance Rights)</b>								
None	-	-						
<b>Non-Executive Directors</b>								
None	-	-						
<b>Management Personnel (Performance Rights)</b>								
Key Management	-	849,306	16/01/20	0.2642	Nil	1/12/22	01/10/22	01/10/22
Other Management	-	185,665	16/01/20	0.2642	Nil	1/12/22	01/10/22	01/10/22
<b>Total</b>	<b>-</b>	<b>1,034,971</b>						

**Directors' and Executives' Equity Holdings Compensation Options and Performance Rights:  
Movements During the Year**

	Balance at the start of the year	Granted as Compensation	Exercised	Lapsed	Net Other Change	Balance at the end of the year	Balance Held Nominally	Value of Lapsed Options/Rights
	No.	No.	No.	No.	No.	No.	No.	\$
<b>2020 / 2021</b>								
<b>Executive Directors (Performance Rights)</b>								
J P Marcantonio	588,000	14,000,000	-	(270,000)	-	14,318,000	-	-
<b>Non-Executive Directors</b>								
None	-	-	-	-	-	-	-	-
<b>Executives (Performance Rights)</b>								
T Mortleman	-	361,000	-	-	-	361,000	-	-
A Haidar	535,088	285,000	-	(144,000)	-	676,088	-	-
Cliff Zhang	386,737	226,000	-	(104,000)	-	508,737	-	-
M Nicholls	389,585	218,000	-	(113,000)	-	494,585	-	-
D Romanelli	314,896	414,000	-	-	-	728,896	-	-
<b>Other Management Personnel (Performance Rights)</b>								
Other Management	662,665	483,000	-	(325,000)	-	820,665	-	-
<b>Total</b>	<b>2,876,971</b>	<b>15,987,000</b>	<b>-</b>	<b>(956,000)</b>	<b>-</b>	<b>17,907,971</b>	<b>-</b>	<b>-</b>

<b>2019 / 2020</b>								
<b>Executive Directors (Performance Rights)</b>								
N Pritchard	1,875,000	-	-	(578,000)	(1,297,000)	-	-	-
<b>Non-Executive Directors</b>								
None	-	-	-	-	-	-	-	-
<b>Executives (Performance Rights)</b>								
M Parker	659,000	-	-	(203,000)	(456,000)	-	-	-
A Haidar	465,000	216,088	-	(146,000)	-	535,088	-	-
Cliff Zhang	331,000	160,737	-	(105,000)	-	386,737	-	-
J P Marcantonio	588,000	-	-	-	-	588,000	-	-
M Nicholls	232,000	157,585	-	-	-	389,585	-	-
D Romanelli	-	314,896	-	-	-	314,896	-	-
<b>Other Management Personnel (Performance Rights)</b>								
Other Management	744,000	185,665	-	(267,000)	-	662,665	-	-
<b>Total</b>	<b>4,894,000</b>	<b>1,034,971</b>	<b>-</b>	<b>(1,299,000)</b>	<b>(1,753,000)</b>	<b>2,876,971</b>	<b>-</b>	<b>-</b>

**Employment and service agreements**

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

**Indemnity and insurance of officers**

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

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

#### **Indemnity and insurance of auditor**

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

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

#### **Proceedings on behalf of the Company**

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

#### **Non-audit services**

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 32 to the consolidated financial statements.

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

The directors are of the opinion that the services as disclosed in note 32 to the consolidated financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

#### **Officers of the Company who are former partners of Deloitte Touche Tohmatsu**

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

#### **Rounding of amounts**

The Company is of a kind referred to in Class Order 106/191, issued by the Australian Securities and Investments Commission, relating to 'rounding off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

#### **Auditor's independence declaration**

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

#### **Auditor**

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

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



Deloitte Touche Tohmatsu  
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Australia

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24 August 2021

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

Dear Board Members

**Gale Pacific Limited**

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

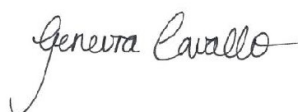
As lead audit partner for the audit of the financial statements of Gale Pacific Limited for the financial year ended 30 June 2021, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Genevra Cavallo  
Partner  
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.  
Member of Deloitte Asia Pacific Limited and the Deloitte organisation.





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

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of Gale Pacific Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

- Giving a true and fair view of the Group's financial position as at 30 June 2021 and of its financial performance for the year then ended; and
- Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for Opinion

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

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

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

#### Key Audit Matters

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

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Member of Deloitte Asia Pacific Limited and the Deloitte organisation.



Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Recoverability of trade receivables in Middle East and North Africa</b></p> <p><i>Refer to Note 10 Current assets – trade and other receivables.</i></p> <p>As at 30 June 2021, the carrying amounts of Middle East and North Africa (“MENA”) trade receivables totalled AU\$7.7 million with AU\$2.1 million of the outstanding balance aged over 365 days as disclosed in Note 10. The balance of the expected credit loss allowance over impairment of receivables in MENA accounts for 73% of trade receivables greater than 365 days.</p> <p>The allowance determination as to whether the receivables are collectable requires a high level of management judgment and estimates, whereby management considers specific factors including the age of the balances, historical payment patterns and any other relevant information concerning the creditworthiness of the counterparties.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Obtaining an understanding of how the allowance for impairment of MENA receivables is estimated by management and assessing management’s process in determining the estimated future cash flows of MENA receivables;</li> <li>• Evaluating on a sample basis, the aging analysis and subsequent settlement of the MENA receivables to the source documents including invoices and bank statements;</li> <li>• Assessing the reasonableness of allowance for impairment of MENA receivables with reference to the credit history including default or delay in payments, settlement records, subsequent settlements and aging analysis of the MENA receivables; and</li> <li>• Evaluating the historical accuracy of management’s assessment of allowance for MENA receivables by assessing the actual write-offs, the reversal of previous recorded allowances and new allowances recorded in the current year in respect of MENA receivables.</li> </ul> <p>We also assessed the appropriateness of disclosures included in Note 10 of the Financial Report relating to receivables.</p>

#### Other Information

- The directors are responsible for the other information. The other information comprises the information included in the Group’s annual report for the year ended 30 June 2021 but does not include the financial report and our auditor’s report thereon.

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

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



*Responsibilities of the Directors for the Financial Report*

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

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

*Auditor's Responsibilities for the Audit of the Financial Report*

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional skepticism 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's to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

## Deloitte.

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

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

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

### Report on the Remuneration Report

#### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 7 to 13 of the Directors' Report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Gale Pacific Limited, for the year ended 30 June 2021, complies with section 300A of the Corporations Act 2001.

#### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

*Deloitte Touche Tohmatsu*

DELOITTE TOUCHE TOHMATSU

*Genevra Cavallo*

Genevra Cavallo  
Partner  
Chartered Accountants  
Melbourne, 24 August 2021

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 21 to page 57) comply with International Financial Reporting Standards as issued by the International 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 2021 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

A handwritten signature in black ink, appearing to read "D. T. Allman", written over a horizontal line.

David Allman  
Chairman

A handwritten signature in black ink, appearing to read "John Paul Marcantonio", written over a horizontal line.

John Paul Marcantonio  
Chief Executive Officer and Managing Director

24 August 2021  
Melbourne

**Gale Pacific Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2021**



	Note	Consolidated 2021 \$'000	2020 \$'000
<b>Revenue</b>			
Sale of goods		205,223	156,338
Other income	5	1,935	1,255
<b>Expenses</b>			
Raw materials and consumables used	6	(107,520)	(77,121)
Employee benefits expense	6	(40,254)	(34,951)
Depreciation and amortisation expense	6	(9,198)	(11,780)
Marketing and advertising		(1,949)	(2,283)
Occupancy costs		(2,679)	(2,949)
Warehouse and related costs		(13,326)	(10,289)
Other expenses		(13,215)	(11,269)
Finance costs	6	(1,797)	(2,194)
<b>Profit before income tax expense</b>		<b>17,220</b>	<b>4,757</b>
Income tax expense	7	(4,893)	(1,038)
<b>Profit after income tax expense for the year attributable to the owners of Gale Pacific Limited</b>		<b>12,327</b>	<b>3,719</b>
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the fair value of cash flow hedges taken to equity, net of tax	22	263	(212)
Foreign currency translation	22	(1,210)	(505)
Other comprehensive income for the year, net of tax		(947)	(717)
<b>Total comprehensive income for the year attributable to the owners of Gale Pacific Limited</b>		<b>11,380</b>	<b>3,002</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	8	4.48	1.34
Diluted earnings per share	8	4.21	1.32

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

	Note	Consolidated 2021 \$'000	2020 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	30,407	27,811
Trade and other receivables	10	41,471	39,603
Inventories	11	46,547	48,699
Derivative financial instrument - cash flow hedges	26	515	-
Prepayments		3,421	2,221
Total current assets		<u>122,361</u>	<u>118,334</u>
<b>Non-current assets</b>			
Property, plant and equipment	12	30,705	32,354
Intangibles	13	8,142	8,119
Right-of-use assets	14	20,314	21,780
Deferred tax	7	6,889	11,100
Total non-current assets		<u>66,050</u>	<u>73,353</u>
<b>Total assets</b>		<u>188,411</u>	<u>191,687</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	15	29,507	23,144
Borrowings	16	19,364	23,274
Lease liabilities	18	3,764	3,830
Derivative financial instrument - cash flow hedges	26	-	595
Current tax liabilities	7	1,156	1,023
Employee benefits		6,174	4,179
Provisions	17	501	144
Total current liabilities		<u>60,466</u>	<u>56,189</u>
<b>Non-current liabilities</b>			
Borrowings	19	9,575	19,824
Lease liabilities	20	18,579	19,338
Deferred tax	7	6,702	7,765
Employee benefits		170	205
Total non-current liabilities		<u>35,026</u>	<u>47,132</u>
<b>Total liabilities</b>		<u>95,492</u>	<u>103,321</u>
<b>Net assets</b>		<u>92,919</u>	<u>88,366</u>
<b>Equity</b>			
Issued capital	21	63,068	63,068
Reserves	22	4,459	3,992
Retained profits		25,392	21,306
<b>Total equity</b>		<u>92,919</u>	<u>88,366</u>

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

Consolidated	Issued Capital \$'000	Reserves (Note 22) \$'000	Retained Profits \$'000	Total equity \$'000
Balance at 1 July 2019	65,097	4,070	21,030	90,197
Profit after income tax expense for the year	-	-	3,719	3,719
Other comprehensive income for the year, net of tax	-	(717)	-	(717)
Total comprehensive income for the year	-	(717)	3,719	3,002
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 31)	-	16	-	16
Transfer to Enterprise Reserve Fund	-	623	(623)	-
Share Buy Back (note 21)	(2,029)	-	-	(2,029)
Other	-	-	2	2
Dividends paid (note 23)	-	-	(2,822)	(2,822)
Balance at 30 June 2020	63,068	3,992	21,306	88,366
Consolidated	Issued Capital \$'000	Reserves (Note 22) \$'000	Retained Profits \$'000	Total equity \$'000
Balance at 1 July 2020	63,068	3,992	21,306	88,366
Profit after income tax expense for the year	-	-	12,327	12,327
Other comprehensive income for the year, net of tax	-	(947)	-	(947)
Total comprehensive income for the year	-	(947)	12,327	11,380
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments (note 31)	-	1,435	-	1,435
Transfer to Enterprise Reserve Fund	-	(21)	21	-
Dividends paid (note 23)	-	-	(8,262)	(8,262)
Balance at 30 June 2021	63,068	4,459	25,392	92,919



		Consolidated	
	Note	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>			
Profit before income tax expense for the year		17,220	4,757
Adjustments for:			
Depreciation and amortisation		9,198	11,780
Share-based payments		1,435	16
Foreign currency gain		1,461	(793)
Interest and other finance costs		1,797	2,194
		31,111	17,954
Change in operating assets and liabilities:			
Increase in trade and other receivables		(1,868)	(11,451)
Decrease/(increase) in inventories		2,152	(2,503)
Increase in derivative assets		(515)	-
Increase in prepayments		(1,200)	(97)
Increase in trade and other payables		6,363	7,470
Increase/(decrease) in derivative liabilities		(333)	256
Increase in employee benefits		1,960	684
Increase/(decrease) in other provisions		357	(313)
		38,027	12,000
Interest and other finance costs paid		(1,797)	(2,194)
Income taxes paid		(1,612)	(2,647)
Net cash from operating activities		34,618	7,159
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	12	(3,002)	(3,087)
Payments for intangibles	13	(855)	(813)
Proceeds from disposal of property, plant and equipment		96	240
Net cash used in investing activities		(3,761)	(3,660)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	19	-	9,144
Proceeds/(repayment) of leases	18,20	(4,182)	(3,401)
Payments for share buy-backs	21	-	(2,029)
Dividends paid	23	(8,262)	(2,822)
Repayment of borrowings	19	(14,159)	(6,793)
Net cash used in financing activities		(26,603)	(5,901)
Net increase/(decrease) in cash and cash equivalents		4,254	(2,402)
Cash and cash equivalents at the beginning of the financial year		27,811	29,846
Effects of exchange rate changes on cash and cash equivalents		(1,658)	367
Cash and cash equivalents at the end of the financial year	9	30,407	27,811

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

## **Note 1. General information**

The financial report covers Gale Pacific Limited ('Company' or 'parent entity') and controlled entities as a consolidated entity (referred to as the 'Group'). The 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 entity'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 24 August 2021. 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:

## Note 2. Significant accounting policies (continued)

### **AASB 2018-6 Amendments to Australian Accounting Standards - Definition of a Business**

This Standard makes amendments to AASB 3 Business Combinations (August 2015). These amendments arise from the issuance of International Financial Reporting Standard Definition of a Business (Amendments to IFRS 3) by the International Accounting Standards Board (IASB) in October 2018.

The Group has assessed the impact of **AASB 2018-6 Amendments** and determined there is no impact to the financial statements.

### **AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material**

The Standard principally amends AASB 101 and AASB 108. The amendments refine the definition of material in AASB 101. The amendments clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendment also includes some supporting requirements in AASB 101 in the definition to give it more prominence and clarifies the explanation accompanying the definition of material.

The Group has assessed the impact of **AASB 2018-7 Amendments** and determined there is no impact to the financial statements.

### **AASB 2019-1 Amendments to Australian Accounting Standards - References to the Conceptual Framework**

This Standard makes amendments to the Australian Accounting Standards, Interpretations and other pronouncements listed on pages 6 to 7 of the Standard.

These amendments arise from the issuance of the Conceptual Framework for Financial Reporting and the International Financial Reporting Standard Amendments to References to the Conceptual Framework in IFRS Standards by the International Accounting Standards Board (IASB) in March 2018.

The Group has assessed the impact of **AASB 2019-1 Amendments** and determined there is no impact to the financial statements.

### **AASB 2019-3 Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform**

This Standard makes amendments to AASB 7 Financial Instruments: Disclosures (August 2015), AASB 9 Financial Instruments (August 2015) and AASB 139 Financial Instruments: Recognition and Measurement (August 2015).

These amendments arise from the issuance of International Financial Reporting Standard Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) by the International Accounting Standards Board (IASB) in September 2019.

The Group has assessed the impact of **AASB 2019-3 Amendments** and determined there is no impact to the financial statements.

### **AASB 2019-5 Amendments to Australian Accounting Standards - Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia**

This Standard makes amendments to AASB 1054 Australian Additional Disclosures (May 2011).

The AASB decided to add an additional disclosure requirement to AASB 1054 on the potential effect on an entity's financial statements of issued IFRS Standards that have not yet been issued by the AASB. This is to ensure that IFRS compliance can be maintained automatically when for-profit publicly accountable entities comply with Australian Accounting Standards.

The Group has assessed the impact of **AASB 2019-5 Amendments** and determined there is no impact to the financial statements.

### **Comparatives**

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

## Note 2. Significant accounting policies (continued)

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Gale Pacific Limited as at 30 June 2021 and the results of all subsidiaries for the year then ended.

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

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

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

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

### Foreign currencies and translations

#### *Foreign currency transactions*

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

#### *Foreign operations*

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

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

#### *Monetary items forming net investment in foreign operations*

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

### Revenue recognition

The Group recognises revenue as follows:

#### *Sale of goods*

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

## Note 2. Significant accounting policies (continued)

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

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

### *Other income*

Other income is recognised when it is received or when the right to receive payment is established.

### **Current and non-current classification**

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

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

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

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

### **Derivative financial instruments**

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

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

### *Cash flow hedges*

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

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

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

### **Impairment of assets**

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

## Note 2. Significant accounting policies (continued)

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

### Employee benefits

#### *Short-term employee benefits*

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

#### *Long-term employee benefits*

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

#### *Defined contribution superannuation expense*

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

### Rounding of amounts

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

## Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. There are no critical accounting judgements, estimates and assumptions that are likely to affect the current or future financial years.

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

In addition, the known and potential impacts of the COVID-19 pandemic in the near future have been taken into consideration when determining significant estimates and judgements. We are not aware, as at the date of this report, of a material uncertainty arising from COVID-19 that casts significant doubt on the ability of Gale Pacific Limited to continue as a going concern.

#### *Share-based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a combination of Monte Carlo simulation model and Dividend Discount model taking into account the terms and conditions upon which the instruments were granted, expected volatility, expected dividend yield and risk-free rate assumptions. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.



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

#### *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 and retrospective testing, including at the reporting date, that the hedges are still highly effective.

#### *Fair Value Hedges*

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

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

### Note 4. Operating segments

#### *Identification of reportable operating segments*

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

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

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

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

#### Note 4. Operating segments (continued)

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

The operating segments are as follows:

Australasia	Manufacturing and distribution facilities are located in Australia, and distribution facilities are located in New Zealand. Sales offices are located in all states in Australia.
EurAsia	Sales distribution based in China and Australasia, servicing European and Asian countries.
Americas	Sales office is located in Florida. Custom blind assembly and distribution facilities are located in both California and Florida which service the North American region.
Middle East and North Africa ('MENA')	A sales office and distribution facility is located in the United Arab Emirates to service this market.

The 'Other Segments' represents Corporate and Intersegment eliminations. The results from our manufacturing operations in China are allocated to the operating segments where the sales originate, whilst its assets and liabilities are included within the EurAsia segment.

#### Major customers

During the year ended 30 June 2021 approximately 35% (2020: 35%) of the Group's external revenue was derived from sales to two customers (2020: Two), one customer located in the Australasian region and one customer located in the Americas region.

#### Operating segment information

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



**Note 4. Operating segments (continued)**

	Australasia \$'000	Americas \$'000	MENA \$'000	EurAsia \$'000	Other Segments \$'000	Total \$'000
<b>Consolidated - 2020</b>						
<b>Revenue</b>						
Sales to external customers	64,554	73,337	10,469	7,978	-	156,338
<b>Total revenue</b>	<u>64,554</u>	<u>73,337</u>	<u>10,469</u>	<u>7,978</u>	<u>-</u>	<u>156,338</u>
Segment EBITDA	5,397	11,827	2,161	2,656	(3,310)	18,731
Depreciation and amortisation	(4,465)	(6,389)	(514)	(412)	-	(11,780)
Finance costs	(752)	(1,243)	(89)	(64)	(46)	(2,194)
<b>Profit/(loss) before income tax expense</b>	<u>180</u>	<u>4,195</u>	<u>1,558</u>	<u>2,180</u>	<u>(3,356)</u>	<u>4,757</u>
Income tax expense						(1,038)
<b>Profit after income tax expense</b>						<u>3,719</u>
<b>Assets</b>						
Segment assets	45,575	74,139	15,871	36,185	19,917	191,687
<b>Total assets</b>						<u>191,687</u>
<b>Liabilities</b>						
Segment liabilities	23,814	32,481	639	15,072	31,315	103,321
<b>Total liabilities</b>						<u>103,321</u>

*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**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Other income	<u>1,935</u>	<u>1,255</u>

Note 6. Expenses

Consolidated	
2021	2020
\$'000	\$'000

Profit before income tax includes the following specific expenses:

*Raw materials and consumables used*

Provision for personal protective equipment (note 11)	6,574	-
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*Depreciation*

Property, plant and equipment (note 12)	4,423	5,908
Right-of-use assets (note 14)	4,207	4,651

Total depreciation	8,630	10,559
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*Amortisation*

Intangible assets (note 13)	568	1,221
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Total depreciation and amortisation	9,198	11,780
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*Employee benefit expense*

Employment costs and benefits	38,819	34,935
Share-based payment expense	1,435	16

Total employee benefit expense	40,254	34,951
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*Finance costs*

Interest and finance charges paid/payable on borrowings	1,013	1,326
Interest and finance charges paid/payable on lease liabilities	784	868

Finance costs expensed	1,797	2,194
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*Leases*

Variable lease payments	1,648	2,016
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Note 7. Income tax

	Consolidated	
	2021	2020
	\$'000	\$'000
<b>Income tax expense</b>		
Current tax	1,503	1,401
Deferred tax - origination and reversal of temporary differences	3,390	(363)
Aggregate income tax expense	<u>4,893</u>	<u>1,038</u>
Deferred tax included in income tax expense comprises:		
Decrease/(increase) in deferred tax assets	3,390	(363)
<b>Numerical reconciliation of income tax expense and tax at the statutory rate</b>		
Profit before income tax expense	17,220	4,757
Tax at the statutory tax rate of 30%	5,166	1,427
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Non allowable/(non assessable) items	117	151
	5,283	1,578
Difference in overseas tax rates	(390)	(540)
Income tax expense	<u>4,893</u>	<u>1,038</u>
	Consolidated	
	2021	2020
	\$'000	\$'000
<i>Amounts charged/(credited) directly to equity</i>		
Deferred tax assets	112	(91)

**Note 7. Income tax (continued)**

**Consolidated**  
**2021                  2020**  
**\$'000                  \$'000**

*Net deferred tax asset*

Deferred taxes comprises temporary differences attributable to:

Amounts recognised in P&L:

Tax losses	-	561
Tax offsets	-	1,143
Property, plant and equipment	(885)	(936)
Foreign exchange	(1,249)	(458)
Capitalised costs	(774)	(444)
Provisions	1,667	850
Impairment of receivables	174	-
Other financial liabilities	303	116
Employee benefits	974	503
Franking Deficit Credit	-	1,617
Other	(23)	383
	<u>187</u>	<u>3,335</u>
Deferred tax asset		
Movements:		
Opening balance	3,335	2,872
Credited/(charged) to profit or loss	(3,390)	363
Credited/(charged) to equity	(112)	91
Transfer from current tax liability	354	9
	<u>187</u>	<u>3,335</u>
Closing balance		

**Consolidated**  
**2021                  2020**  
**\$'000                  \$'000**

*Provision for income tax*

Provision for income tax	<u>1,156</u>	<u>1,023</u>
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The 2021 net deferred tax asset of \$187,000 (2020: \$3,335,000) is comprised of \$6,889,000 in deferred tax assets (2020: \$11,100,000) and \$6,702,000 (2020: \$7,765,000) in deferred tax liabilities, reflecting various tax positions in different jurisdictions.

As at 30 June 2021, the Group has \$nil unused tax losses (2020: \$1,871,000) and \$nil deferred tax with respect to any such losses (2020: \$561,000) in the consolidated financial statements.

*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.

## Note 7. Income tax (continued)

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

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

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

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

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

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

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

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

## Note 8. Earnings per share

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit after income tax attributable to the owners of Gale Pacific Limited	12,327	3,719
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	275,391,310	277,684,598
Adjustments for calculation of diluted earnings per share:		
Performance rights	17,608,820	3,537,653
Weighted average number of ordinary shares used in calculating diluted earnings per share	293,000,130	281,222,251
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	4.48	1.34
Diluted earnings per share	4.21	1.32

## Note 8. Earnings per share (continued)

### Accounting policy for earnings per share

#### Basic earnings per share

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

#### Diluted earnings per share

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

## Note 9. Current assets - cash and cash equivalents

	Consolidated	
	2021	2020
	\$'000	\$'000
Cash on hand	5	7
Cash at bank	30,402	27,804
	<u>30,407</u>	<u>27,811</u>

### 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	
	2021	2020
	\$'000	\$'000
Trade receivables	42,545	40,644
Less: Allowance for expected credit losses	(1,621)	(1,199)
	<u>40,924</u>	<u>39,445</u>
Other receivables	547	158
	<u>41,471</u>	<u>39,603</u>

### Allowance for expected credit losses

The Group has recognised an additional expected credit loss allowance of \$465,000 (2020: \$884,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2021.

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

*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.

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Trade receivables</b>		
Not Outside of Credit Terms	30,620	27,893
Outside Credit Terms 0-30 Days	6,257	4,295
Outside Credit Terms 31-120 Days	1,854	2,983
Outside Credit Terms 121 Days to one year	1,589	3,567
More than One Year	2,225	1,906
	<u>42,545</u>	<u>40,644</u>
<b>Allowance for expected credit losses</b>		
Outside Credit Terms 31-120 Days	(2)	(27)
Outside Credit Terms 121 Days to one year	(30)	(12)
More than One Year	(1,589)	(1,160)
	<u>(1,621)</u>	<u>(1,199)</u>

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:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Opening balance	1,199	406
Additional allowances recognised	465	884
Receivables written off during the year as uncollectable	(43)	(91)
Closing balance	<u>1,621</u>	<u>1,199</u>

*Accounting policy for trade and other receivables*

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

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

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime ECL. The average credit terms vary between 30 to 60 days which depend on the sales region and the type of customer. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Group has recognised a loss allowance of 71% (2020: 60%) against all receivables over 365 days past due because historical experience has indicated that these receivables are generally not recoverable. The Group has significantly increased the expected loss rates for trade receivables from the prior year based on its judgement of the impact of current economic conditions and the forecast direction of travel at the reporting date. There has been no change in the 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**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Raw materials	8,177	5,948
Work in progress	2,958	2,717
Finished goods	44,958	43,251
Less: Provision for impairment	(9,546)	(3,217)
	<u>35,412</u>	<u>40,034</u>
	<u>46,547</u>	<u>48,699</u>

*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**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Buildings and leasehold improvements - at cost	17,399	17,708
Less: Accumulated depreciation	(7,701)	(7,243)
	<u>9,698</u>	<u>10,465</u>
Plant and equipment - at cost	114,584	113,402
Less: Accumulated depreciation	(94,712)	(92,024)
	<u>19,872</u>	<u>21,378</u>
Motor vehicles - at cost	305	248
Less: Accumulated depreciation	(142)	(130)
	<u>163</u>	<u>118</u>
Capital work-in-progress - at cost	972	393
	<u>30,705</u>	<u>32,354</u>



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

### Reconciliations

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

	Buildings and leasehold improvements \$'000	Plant and equipment \$'000	Motor vehicles \$'000	Capital work- in-progress \$'000	Total \$'000
<b>Consolidated</b>					
Balance at 1 July 2019	10,928	15,905	94	8,565	35,492
Additions	9	552	38	2,488	3,087
Disposals	-	(230)	(10)	-	(240)
Exchange differences	(52)	3	-	26	(23)
Transfers in/(out)	511	10,121	-	(10,686)	(54)
Depreciation expense	(931)	(4,973)	(4)	-	(5,908)
Balance at 30 June 2020	10,465	21,378	118	393	32,354
Additions	25	73	52	2,852	3,002
Disposals	-	(96)	-	-	(96)
Exchange differences	(26)	(102)	-	(4)	(132)
Transfers in/(out)	236	2,028	5	(2,269)	-
Depreciation expense	(1,002)	(3,409)	(12)	-	(4,423)
Balance at 30 June 2021	<u>9,698</u>	<u>19,872</u>	<u>163</u>	<u>972</u>	<u>30,705</u>

### 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 2021 \$'000	2020 \$'000
Goodwill - at cost	11,027	11,286
Less: Impairment	(7,961)	(7,961)
	<u>3,066</u>	<u>3,325</u>
Development - at cost	4,074	3,242
Less: Accumulated amortisation	(404)	(191)
	<u>3,670</u>	<u>3,051</u>
Patents, trademarks and licenses - at cost	1,652	1,658
Less: Accumulated amortisation	(1,410)	(1,381)
	<u>242</u>	<u>277</u>
Application software - at cost	8,966	9,264
Less: Accumulated amortisation	(7,802)	(7,798)
	<u>1,164</u>	<u>1,466</u>
	<u><u>8,142</u></u>	<u><u>8,119</u></u>

**Reconciliations**

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

	Goodwill \$'000	Development \$'000	Patents, trademarks and licenses \$'000	Application software \$'000	Total \$'000
<b>Consolidated</b>					
Balance at 1 July 2019	3,261	2,357	305	2,469	8,392
Additions	-	790	24	-	814
Exchange differences	64	-	-	17	81
Transfers in/(out)	-	-	-	53	53
Amortisation expense	-	(96)	(52)	(1,073)	(1,221)
	<u>3,325</u>	<u>3,051</u>	<u>277</u>	<u>1,466</u>	<u>8,119</u>
Balance at 30 June 2020	3,325	3,051	277	1,466	8,119
Additions	-	837	18	-	855
Exchange differences	(259)	(4)	(1)	-	(264)
Amortisation expense	-	(214)	(52)	(302)	(568)
	<u>3,066</u>	<u>3,670</u>	<u>242</u>	<u>1,164</u>	<u>8,142</u>
Balance at 30 June 2021	<u><u>3,066</u></u>	<u><u>3,670</u></u>	<u><u>242</u></u>	<u><u>1,164</u></u>	<u><u>8,142</u></u>

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

	Consolidated 2021 \$'000	2020 \$'000
<b>Goodwill</b>		
USA (2021: US\$2,077,000; 2020: US\$ 2,077,000)	2,719	2,978
China	<u>347</u>	<u>347</u>
	<u><u>3,066</u></u>	<u><u>3,325</u></u>

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

#### *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 2021.

#### *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%.

#### 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 discount rate used in the model is 8.5% (2020:10%)

#### *EBITDA assumptions*

EBITDA for FY2022 is based on the Board approved budget, with FY2023 to FY2026 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 believe this is achievable based on historical trends and the plans to continue to invest in product development and expansion within the Americas region.

#### *Sensitivity Analysis*

Management have conducted an analysis of the sensitivity of the impairment test to reasonably possible changes in the key assumptions used to determine the recoverable amount of the CGU. This sensitivity analysis highlights that the recoverable amount is sensitive to the achievement of short term EBITDA and a decline of 2% of the EBITDA to terminal year for each year would reduce the headroom in the CGU to nil but would not result in an impairment charge.

#### China

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

Management believes that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of the CGU.

#### *Accounting policy for intangible assets*

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

#### *Goodwill*

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

#### *Research and development*

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

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

#### *Patents, trademarks and licenses*

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

#### *Application software*

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

### Note 14. Non-current assets - right-of-use assets

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Land and buildings - right-of-use	27,664	26,371
Less: Accumulated depreciation	(7,350)	(4,591)
	<u>20,314</u>	<u>21,780</u>

#### *Reconciliations*

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

<b>Consolidated</b>	Land and buildings - right-of-use \$'000	Total \$'000
Balance at 1 July 2019	-	-
Balance on initial adoption of AASB16 on 1 July 2019	24,323	24,323
Additions	2,246	2,246
Exchange differences	(138)	(138)
Depreciation expense	(4,651)	(4,651)
Balance at 30 June 2020	21,780	21,780
Additions	4,784	4,784
Disposals	(1,427)	(1,427)
Exchange differences	(616)	(616)
Depreciation expense	(4,207)	(4,207)
Balance at 30 June 2021	<u>20,314</u>	<u>20,314</u>

#### *Accounting policy for right-of-use assets*

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

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

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

#### Note 15. Current liabilities - trade and other payables

	Consolidated	
	2021	2020
	\$'000	\$'000
Trade payables	17,927	14,390
Sundry payables and accruals - Customer rebates	8,054	5,836
Sundry payables and accruals - Other	3,526	2,918
	<u>29,507</u>	<u>23,144</u>

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	
	2021	2020
	\$'000	\$'000
Bank loans	<u>19,364</u>	<u>23,274</u>

Refer to note 25 for further information on financial instruments.

#### Note 17. Current liabilities - provisions

	Consolidated	
	2021	2020
	\$'000	\$'000
Warranties	<u>501</u>	<u>144</u>

#### Warranties

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

	Consolidated	
	2021	2020
	\$'000	\$'000
Warranty movements		
Carrying amount at the start of the year	144	457
Additional provisions recognised	708	312
Claims	<u>(351)</u>	<u>(625)</u>
Carrying amount at the end of the year	<u>501</u>	<u>144</u>

#### 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	
	2021	2020
	\$'000	\$'000
Lease liability	3,764	3,830

Refer to note 25 for further information on financial instruments.

**Note 19. Non-current liabilities - borrowings**

	Consolidated	
	2021	2020
	\$'000	\$'000
Total Bank loans	9,575	19,824

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	
	2021	2020
	\$'000	\$'000
Total Bank loans	28,939	43,098

*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	
	2021	2020
	\$'000	\$'000
Lease liability - 1 to 5 years	17,977	15,757
Lease liability - greater than 5 years	602	3,581
	18,579	19,338

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.

## Note 20. Non-current liabilities - lease liabilities (continued)

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

## Note 21. Equity - issued capital

	2021 Shares	Consolidated 2020 Shares	2021 \$'000	2020 \$'000
Ordinary shares - fully paid	275,391,310	275,391,310	63,068	63,068
Movements in ordinary share capital				
	Consolidated 2021 Shares	Consolidated 2020 Shares	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Opening Balance	275,391,310	282,217,475	63,068	65,097
Shares Buy Back	-	(6,826,165)	-	(2,029)
Closing Balance	275,391,310	275,391,310	63,068	63,068

### Ordinary shares

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

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

### Share buy-back

No new buy-back scheme was effective for the financial year ended 30 June 2021.

### 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	
	2021 \$'000	2020 \$'000
Foreign currency reserve	(2,201)	(991)
Hedging reserve - cash flow hedges	118	(145)
Share-based payments reserve	2,607	1,172
Enterprise reserve fund	3,935	3,956
	<u>4,459</u>	<u>3,992</u>

### 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 2019	(487)	67	1,156	3,334	4,070
Foreign currency translation *	(504)	-	-	-	(504)
Movement in hedge	-	(303)	-	-	(303)
Income tax	-	91	-	-	91
Share-based payment	-	-	16	-	16
Statutory transfers from retained earnings	-	-	-	622	622
Balance at 30 June 2020	(991)	(145)	1,172	3,956	3,992
Foreign currency translation *	(1,210)	-	-	-	(1,210)
Movement in hedge	-	342	-	-	342
Income tax	-	(79)	-	-	(79)
Share-based payment	-	-	1,435	-	1,435
Statutory transfers from retained earnings	-	-	-	(21)	(21)
Balance at 30 June 2021	<u>(2,201)</u>	<u>118</u>	<u>2,607</u>	<u>3,935</u>	<u>4,459</u>

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



## Note 23. Equity - dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2021 \$'000	2020 \$'000
Final Dividend for the year ended 30 June 2019 of 1.00 cent per ordinary share (unfranked)	-	2,822
Final Dividend for the year ended 30 June 2020 of 1.00 cent per ordinary share (unfranked)	2,754	-
Interim Dividend for the year ended 30 June 2021 of 2.00 cents per ordinary share (unfranked)	5,508	-
	<u>8,262</u>	<u>2,822</u>

On 24 August 2021 the Directors declared a dividend of 2.00 cents per share to the holders of fully paid ordinary shares in respect of the year ended 30 June 2021. This dividend has not been included as a liability in these financial statements. Including the final dividend with respect to 30 June 2021, for the full year, the dividends of 4.00 cents per ordinary share have been declared on earnings of 4.48 cents per share.

### Accounting policy for dividends

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

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

	Consolidated	
	2021 \$'000	2020 \$'000
Related party receivable to the Company from Gale Pacific Special Textiles (Ningbo) Limited	9,444	10,345
Related party receivable to the Company from Gale Pacific (New Zealand) Limited	3,828	3,905
Monetary items identified as a net investment in a foreign operation	<u>13,272</u>	<u>14,250</u>

The foreign exchange gain arising during the financial year on monetary items forming part of the net investment in related party, recognised in foreign currency translation reserve is detailed in note 22.

## Note 25. Financial instruments

### Financial risk management objectives

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

The Group's financial risk management processes and procedures seek to minimise the potential adverse effects on the Group's financial performance that may occur due to the unpredictability of financial markets. Risk management policies are reviewed regularly to reflect changes in market conditions and the Group's activities.

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.

## Note 25. Financial instruments (continued)

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	
	2021	2020	2021	2020
	\$'000	\$'000		
<b>Buy US dollars/sell Australian dollars</b>				
Maturity:				
Less than 6 months	8,313	9,828	0.7638	0.6715
6 - 12 months	1,362	1,508	0.7710	0.6632
	Sell US dollars		Average exchange rates	
	2021	2020	2021	2020
	\$'000	\$'000		
<b>Buy Chinese Yuan/sell US Dollars</b>				
Maturity:				
Less than 6 months	33,000	23,000	6.5112	7.0093

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

	Assets		Liabilities	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
<b>Consolidated</b>				
US dollars	60,370	52,903	26,097	28,603
New Zealand dollars	746	583	275	154
Chinese renminbi	489	272	-	-
UAE dirham	849	860	-	-
	<u>62,454</u>	<u>54,618</u>	<u>26,372</u>	<u>28,757</u>

The Group had net assets denominated in foreign currencies of \$36,082,000 (assets of \$62,454,000 less liabilities of \$26,372,000) as at 30 June 2021 (2020: \$25,861,000 (assets of \$54,618,000 less liabilities of \$28,757,000)). Based on this exposure, had the Australian dollar strengthened by 10% / weakened by 10% (2020: 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 \$285,000 lower/higher (2020: \$322,000 higher/lower) and equity would have been \$2,952,000 higher/lower (2020: \$2,601,000 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.

## Note 25. Financial instruments (continued)

### Interest rate risk

The Group is exposed to interest rate risk as entities in the Group borrow and deposit funds at both fixed and variable interest rates. Effective weighted average interest rates on classes of financial liabilities are disclosed under liquidity risk. The Group does not use interest rate swaps to manage the risk of interest rate changes.

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

Consolidated	2021		2020	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Cash and cash equivalents	-	30,407	-	27,811
Bank loans	2.19%	(28,912)	2.49%	(43,036)
Net exposure to cash flow interest rate risk		<u>1,495</u>		<u>(15,225)</u>

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 (2020: 100) basis points would have an adverse/favourable effect on profit before tax of \$289,116 (2020: \$430,250) 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.

## Note 25. Financial instruments (continued)

### Remaining contractual maturities

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

	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
<b>Consolidated - 2021</b>						
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	17,927	-	-	-	17,927
Sundry payables and accruals	-	11,580	-	-	-	11,580
<i>Interest-bearing - variable</i>						
Bank loans	2.19%	19,364	9,575	-	-	28,939
Lease liability	3.49%	3,764	-	17,977	602	22,343
Total non-derivatives		52,635	9,575	17,977	602	80,789

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

## Note 26. Fair value measurement

### Fair value hierarchy

The following tables detail the Group's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<b>Consolidated - 2021</b>				
<b>Assets</b>				
Forward foreign exchange contracts	-	515	-	515
Total assets	-	515	-	515
<b>Consolidated - 2020</b>				
<b>Liabilities</b>				
Forward foreign exchange contracts	-	595	-	595
Total liabilities	-	595	-	595

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.

## Note 26. Fair value measurement (continued)

### *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:

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	2,732,525	2,453,525
Post-employment benefits	136,696	133,827
Termination benefits	-	103,717
Share-based payments	1,332,590	11,604
	<u>4,201,811</u>	<u>2,702,673</u>

## 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	
	2021 \$'000	2020 \$'000
Profit after income tax	10,610	2,550
Total comprehensive income	10,873	2,338

### *Statement of financial position*

	Parent	
	2021 \$'000	2020 \$'000
Total current assets	22,846	25,758
Total assets	116,201	123,030
Total current liabilities	21,688	21,584
Total liabilities	43,922	54,796
Equity		
Issued capital	63,068	63,068
Hedging reserve - cash flow hedges	117	(145)
Share-based payments reserve	2,606	1,172
Retained profits	6,488	4,139
Total equity	72,279	68,234

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

The parent entity has guarantees in relation to the debts of its subsidiaries in fixed and floating charges (or equivalent foreign charge) over all the assets and undertakings, including uncalled capital of each entity in the Group as at 30 June 2021 and 30 June 2020.

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

### *Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

### *Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

### Note 30. Interests in subsidiaries

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

Name	Principal place of business / Country of incorporation	Ownership interest	
		2021 %	2020 %
Gale Pacific (New Zealand) Limited	New Zealand	100%	100%
Gale Pacific FZE	United Arab Emirates	100%	100%
Gale Pacific Special Textiles (Ningbo) Limited	China	100%	100%
Gale Pacific Trading (Ningbo) Limited	China	100%	100%
Gale Pacific USA, Inc.	USA	100%	100%
Zone Hardware Pty Ltd	Australia	100%	100%
Riva Window Fashions Pty Ltd	Australia	100%	100%

### Note 31. Share-based payments

The Group maintains a performance rights scheme for certain staff and executives, including executive directors, as approved by shareholders at an annual general meeting. The scheme is designed to reward key personnel when the Group meets performance hurdles relating to:

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

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

Performance rights issued to executives during the financial year were issued in accordance with the Group's remuneration policy which:

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

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

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

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

2021

Grant date	Expiry date	Grant price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
22/11/2017	01/12/2020	\$0.31	956,000	-	-	(956,000)	-
13/11/2018	01/12/2021	\$0.35	886,000	-	-	-	886,000
16/01/2020	01/12/2022	\$0.26	1,034,971	-	-	-	1,034,971
30/10/2020	01/12/2023	\$0.16	-	1,987,000	-	-	1,987,000
23/12/2020	01/12/2023	\$0.18	-	14,000,000	-	-	14,000,000
			2,876,971	15,987,000	-	(956,000)	17,907,971



### Note 31. Share-based payments (continued)

2020

Grant date	Expiry date	Grant price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
21/09/2016	01/12/2019	\$0.35	1,299,000	-	-	(1,299,000)	-
22/11/2017	01/12/2020	\$0.31	1,774,000	-	-	(818,000)	956,000
13/11/2018	01/12/2021	\$0.35	1,821,000	-	-	(935,000)	886,000
16/01/2020	01/12/2022	\$0.26	-	1,034,971	-	-	1,034,971
			4,894,000	1,034,971	-	(3,052,000)	2,876,971

The performance rights granted on the 30 October 2020 to the senior executives are subject to performance conditions and time hurdles as outlined below.

**Performance condition** - The number of Rights issued that will vest will be determined proportionately from zero Rights vesting if a 3.0% increase in EPS is achieved over the 3-year performance period to 100% of the Rights vesting if a 10.0% (or higher) increase in EPS is achieved.

**Time hurdle** - The vesting of your Rights is also dependent upon the employee remaining in continuous employment with the Company until 30 September 2023

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 2021 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 be 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 referable 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.

Vesting of Performance Rights is generally also conditional upon Mr Marcantonio remaining employed by the Company for the Performance Period. Underlying shares for performance rights that have vested will be issued after the end of the Performance Period unless there is a change of control event, in which case underlying shares for performance rights that have vested will be issued immediately prior to the completion of the change of control event.

#### 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.



### Note 31. Share-based payments (continued)

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

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

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

The weighted average fair value of the share options granted during the financial year is \$0.18 (2020: \$0.26).

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

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

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

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

### Note 32. Remuneration of auditors

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

	Consolidated	
	2021	2020
	\$	\$
<i>Audit services - Deloitte Touche Tohmatsu</i>		
Audit or review of the financial statements	331,865	320,640
<i>Other services - Deloitte Touche Tohmatsu</i>		
Other services (including tax services)	282,953	302,309
	<u>614,818</u>	<u>622,949</u>

### Note 33. New Accounting Standards and Interpretations not yet mandatory or early adopted

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

Standard/amendment	Effective for annual reporting periods beginning on or after
AASB 17 Insurance Contracts and AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts	1 January 2023
AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and AASB 2017-5 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections	1 January 2022 (Editorial corrections in AASB 2017-5 applied from 1 January 2018)
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current and AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date	1 January 2022
AASB 2020-3 Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments	1 January 2022
AASB 2020-8 Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform – Phase 2	1 June 2021
AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definition of Accounting Estimates	1 January 2023

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

### Note 34. Events after the reporting period

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Company in future financial years. The Group notes the ongoing COVID-19 lockdowns that have been implemented subsequent to reporting date across a number of states. The impact of these lockdowns do not have a material impact on these consolidated financial statements.