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# AUSTRALIAN MADE

ANNUAL REPORT  
2022

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# BUY AUSTRALIAN MADE





## OUR VISION

To be a leading supplier of shelf stable products to its chosen channels and markets, built around a reputation of delivering quality, innovation, and sustainability to the satisfaction of customer needs whilst enhancing shareholder value.

"We are active in developing new products to grow market share and building strong, ongoing relationships with our customers and suppliers."





# CORE VALUES



## INNOVATION

Embracing new ideas,  
creating new opportunities

- We dare to be different
- We challenge the status quo and take calculated risks
- We encourage and seek new ideas and opportunities
- We use consumer insights to create new thinking and innovative solutions



## CUSTOMERS

Customers are at the  
centre of what we do

- We build recognisable, strong and trusted brands
- We develop lasting customer relationships
- We respond quickly and effectively to our customers' needs
- We take pride in delivering quality products on time
- We create value for our loyal customers





## SAFETY

Safety comes first

- We keep our people and visitors safe
- We aim for Zero harm - no injuries or incidents
- We model and reinforce safe behaviour - at work and home
- We proactively identify hazards
- We main clean and safe workplaces and equipment



## PEOPLE

We trust, develop, and care for our people

- We act with compassion, honesty, and consistency
- We empower, trust, and support each other
- We listen attentively and communicate openly
- We demonstrate positive "can-do" attitudes every day
- We work as one team – Team Pental
- We provide opportunities for personal growth & development
- We recognise and celebrate our successes



## QUALITY

Focused on quality and continuous improvement

- We pride ourselves on quality
- We continuously improve everything we do
- We take responsibility for achieving our business objectives
- We are agile, flexible, and respond rapidly to change
- We plan for the long-term and a sustainable future





# CHAIRMAN'S REPORT

On behalf of the board and the Pental team,  
I am pleased to present Pental's Annual Report  
for the year ended 26 June 2022 (FY22).

FY22 was a year of significant growth for our business, corner-stoned by our transformational acquisition of Hampers With Bite. Our ability to implement initiatives to improve both revenue and costs allowed us to weather the amendments to our Duracell distribution agreement and significant shifts overall in the macro-economic environment, both nationally and internationally. Against the backdrop of tougher economic conditions, it is very pleasing to be reporting our strong FY22 results which demonstrate the resilience of our business and the power of our brands in a challenging operating environment.

Our transformational acquisition has boosted the continuous growth Pental achieved over the previous three years, by adding a fourth successful year of profit growth. Our underlying profit after tax for FY22 increased by 32.2% from last year, and we also grew our statutory profit for FY22 by 18.72% to \$6.4 million from \$5.4 million in FY21.

**We grew our  
underlying profit  
after tax by 32.2%  
to \$7.4 million**

Refer to table on page 22 for a reconciliation of  
underlying profit to statutory profit.

After reporting a tough first half for the traditional branded business impacted by significant inflationary pressures on raw materials, the Group was successful in executing multiple cost recovery projects in the second half of FY22. Coupled with strong promotional plans and a clear communication strategy, we ensured our brands continued to enjoy a strong position in the marketplace.

Over the course of the financial year, Pental's owned brands revenue grew by 5.2%, marking a strongly improved growth trajectory. The growth was led by our powerhouse cleaning brand White King which grew 11.1% compared to prior year. Pleasingly, White King toilet gels maintained 2 rankings (number 2 and 4) in the top 5 selling SKUs in the grocery market. For our leading personal care brand, Country Life, revenue also grew by 9.3% compared to previous financial year.

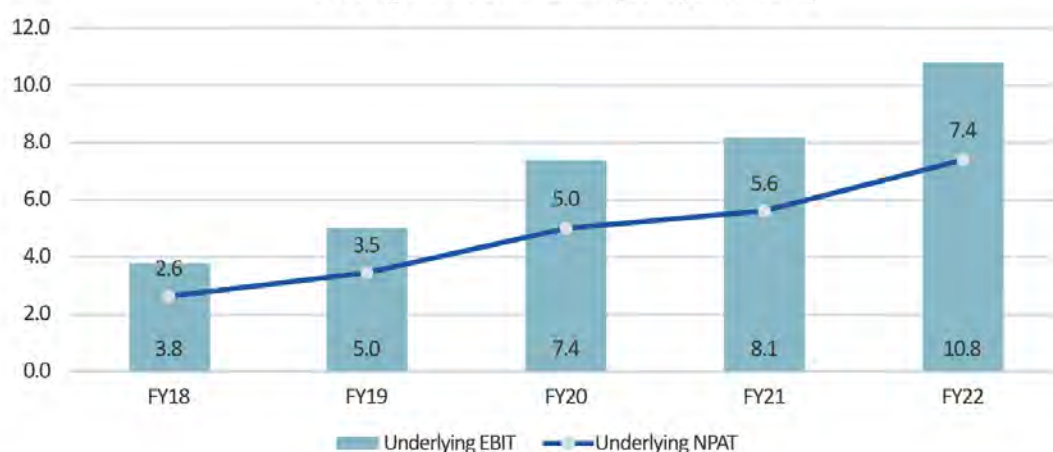
Revenue from the New Zealand operations (owned brands) for FY22 was up 7.0% in New Zealand Dollars (7.8% in Australian Dollars after conversion) compared to the prior period despite repeated disruptions to the supply chain, predominantly due to the COVID-19 driven disruptions at the port of Auckland. Little Lucifer branded firelighters registered a significant growth of 70.4% in the firelighter category in New Zealand market while both key household brands – Sunlight and Janola – enjoyed a healthy year-on-year growth of 6.5% and 5.0% respectively.

Pental's export market growth was impacted during FY22 through disruptions caused by supply chain restrictions. A tense political environment between Australia and China has impacted trade, and distributors in China generally remained cautious of importing Australian manufactured goods. As a result, our exports (excluding New Zealand) revenue fell \$0.5 million to \$1.3 million. We remain optimistic about the export segment as international relations steadily improve.

As expected, following changes to the Duracell distributorship agreement effective May 2021, contracted brands revenue decreased by 57.6% to \$30.81 million. As previously indicated, impact of lost Duracell business was approximately \$3 million on our FY22 earnings before interest and tax (EBIT) result compared to the prior year.

Working capital released from reduced Duracell distributorship business enabled the Group to replace this low margin business with no ownership rights, to purchase a high profit margin business, which has become an integral part of the group. We faced challenges with increased raw material costs impacted by various global events which significantly impacted private label and contract manufacturing profitability. The company absorbed an estimated \$2 million in increased input costs.

Profit growth over last 4 years (\$' millions)



# CHAIRMAN'S REPORT

## (CONT)

### HWB Acquisition and Capital Raise

In line with Pental's growth strategy outlined in previous annual reports, and announced to the market on 20th August 2021, the Group entered an agreement to acquire the Hampers with Bite business on 20 August 2021 and completed the acquisition on 1 September 2021. The Group raised a total of \$10.046 million (net of costs) through a placement and a share purchase plan (SPP) to facilitate its acquisition of Hampers with Bite.

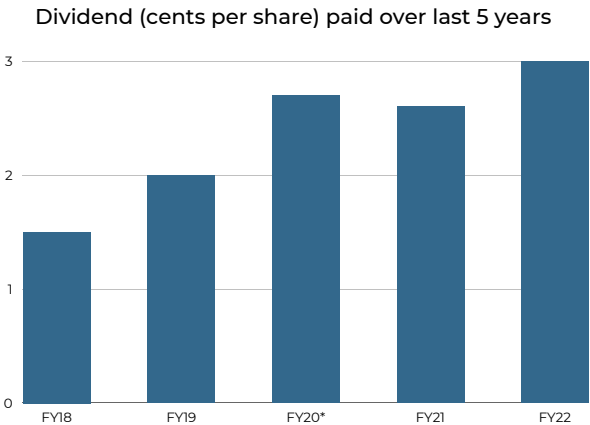
Hampers With Bite Pty Ltd (HWB) is a Melbourne-based online hamper and gifting specialist. Its range of premium hampers and gifts are targeted at affordable prices focusing on corporate clients and gifts to family and friends. HWB provides customers with the option of creating their own hamper or simply purchasing one of HWB's pre-designed hampers online.

Prior to acquisition by the Group, HWB grew from an approximately \$10 million revenue with an EBIT of \$1 million EBIT business in FY19 to an approximately \$24 million revenue business in FY21 with an EBIT of approximately \$5 million. HWB continued its strong growth trajectory into FY22, recording revenue of \$37.885 million for the financial year compared with \$23.811 million in FY21, an increase of 59.1%. Under Pental's ownership, from 1 September 2021 to 26 June 2022, the business delivered strong revenue of \$31.649 million with an EBIT contribution of \$6.509 million, underpinned by a strong Christmas season across both B2B and B2C channels.



### Dividend

The Group has built a consistent history of strong dividend returns as demonstrated by below chart.



\*includes special dividend of 0.7 cents per share

The board has continued this trend and declared a fully franked final dividend of 1.7 cents per share payable to shareholders on 23 September 2022, with a record date of 5 September 2022. This takes total dividends for the year to 3.0 cents per share. This represents a 15.38% increase on the prior year's dividend of 2.6 cents, with a payout ratio of 69% of underlying net profit after tax excluding significant items.



## Looking Forward

Pental is very excited about its future, as the Company is well positioned to reap rewards with its strong retail brands like White King reinforced by its ability to leverage new markets and direct reach to consumers through the HWB e-commerce channel.

Strengthening our manufacturing capabilities to maintain and improve our position as a leading low-cost producer through process improvements, capital investment and product innovation our growth strategy also includes pursuing new markets in Asia, new sales channels, and product categories.

We will continue to invest to grow our capabilities and we will continue to pursue any value-creating acquisition or distributorship opportunities that may arise in expanding markets with strong growth potential.

The Board and management remain of the firm belief that strong brand management supported by innovation, a continued focus on driving manufacturing costs down and tight cost controls provides the foundations that will improve shareholder returns over the long term.

Leveraging its production strength and available capacity, Pental continues to explore and expand its offering of contract manufactured products for leading retailers and distributors.

Pental continues to explore and investigate distribution opportunities in other offshore markets.

We will continue to focus on our strategic priorities:

1. Driving sales growth through our Number One Brand White King.
2. Developing new hamper and gifting products for the Hampers with Bite business.
3. Developing a full year calendar of events in the e-commerce sales channel.
4. Continue to explore additional acquisition opportunities.
5. Grow the new sales channels we developed in FY22.
6. Continuous operational improvements at both the Shepparton and Maidstone operations sites.

I acknowledge the efforts of Pental management team and my fellow Directors over the past year.

On behalf of the Board, I sincerely thank our people for their committed efforts during the year. We again thank our shareholders, suppliers and customers for their ongoing loyalty and support.



Mark Hardgrave  
Chairman

# SALES ACHIEVEMENTS

## FY22 HIGHLIGHTS



White King is  
the #1 Brand in  
Bathroom Cleaners

Strong  
Double-Digit Growth  
in Commercial,  
Online, Pharmacy &  
Retail Discounters  
channels

**COUNTRY  
LIFE**

Dollar Growth up  
(in Australia) 22%



White King  
11% Growth in  
Net Sales compared  
to previous year



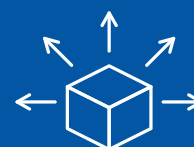
Little Lucifer in New  
Zealand experienced  
exceptional  
70% growth  
over previous year



Pental Brands  
Net Sales growth  
5.2% compared to  
previous year



Extended our range of  
White King Toilet Gels  
in Woolworths



Launched 13 New  
Household Cleaning  
Products within multiple  
grocery and pharmacy  
chains

# DIRECTORS' REPORT

The directors of Pental Limited submit herewith the annual financial report of the company for the year (52 weeks) ended 26 June 2022. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

## INFORMATION ABOUT THE DIRECTORS

The names and particulars of the directors of the company during or since the end of the financial year are:



### Mr Mark Hardgrave

Bachelor of Commerce, ACA, GAICD Non-Executive Independent Chairman

Mark has over 35 years' experience having held previous positions in corporate finance, funds management and various C-suite roles. He is currently a non- Executive Director of ASX listed company Traffic Technologies Limited (ASX: TTI).

Previously, Mark held a directorship in Wingara AG Ltd (ASX: WNR) from March 2018 to June 2020 and Forbidden Foods Limited (ASX: FFF) from August 2020 to July 2022.

He is a co-founder and former joint Managing Director of M&A Partners, a Melbourne based boutique corporate advisory group. Prior to that, Mark was involved in funds management, equity capital markets, and mergers & acquisitions in various roles at firms such as Bennelong Group, Thorney Investment Group, Merrill Lynch and Taverners Group.

Appointed Director 1 May 2019

Appointed Chairman on 31 December 2019

Member of Audit & Risk Committee and Remuneration Committee



### Mr Charlie McLeish

Bachelor of Business, Managing Director & CEO

Before his appointment at Pental, Charlie McLeish spent over 30 years in the Fast-Moving Consumer Goods (FMCG) industry including 20 years managing major bakeries within Bunge Australia (Goodman Fielder) focusing on Business Turnaround.

After Goodman Fielder, Charlie spent 15 years at George Weston Foods in the position of General Manager of Tip Top Bakeries Victoria where he managed a major turnaround to profitability. Charlie then transitioned to National Sales Director of Don Smallgoods.

Charlie has vast sales, marketing, manufacturing and logistics experience with proven turnaround capabilities.

Appointed CEO 1 January 2014

Appointed Managing Director 6 April 2020



## Ms Kerrie Parker

### B.Bus, FCPA, GAICD Non-Executive Independent Director

Kerrie Parker is currently the Executive Vice President Resources at Deakin University and during her career has worked in CFO roles with Golden Circle Limited, GM Finance Amcor Fibre Packaging also CFO and Managing Director of Sara Lee Household & Body Care Australia.

Kerrie has significant whole of business experience gained in CEO, CFO and General Management leadership roles in fast moving consumer goods (FMCG), agriculture, manufacturing, and government roles. She is experienced in publicly listed ASX/NSX organisations, multinationals, private equity, government and higher education, and has a deep understanding of the demands and expectations of many business environments.

Kerrie has a Bachelor of Business, Graduate Certificate in Information Technology, is a Fellow Certified Practising Accountant and a Graduate of the Australian Institute of Company Directors.

Appointed Director 1 February 2021  
Chairperson of Audit & Risk Committee and member of Remuneration Committee.



## Mr Jeff Miciulis

### Non-Executive Independent Director

Jeff brings 35 years' experience in Sales, Marketing, Country Leadership, and Regional Leadership at Energizer in both Household Batteries, and Personal Care Shaving Products. He commenced his career as a Sales Trainee with Eveready Australia and rose to become National Sales Manager before taking his career overseas for the next 20 years.

During that time he held numerous leadership roles of increasing responsibility across multiple international markets.

Overseas roles included International Marketing, General Manager South Africa, Managing Director Malaysia, Regional Vice President Middle East, and Africa, and Regional Vice President South Asia, and China

Appointed 5 March 2019.  
Chairman of Remuneration Committee and member of the Audit & Risk Committee



## Mr Fred Harrison

### Non-Executive Independent Director

Fred is the CEO of Ritchies Stores Pty Ltd. He began his career as a casual with Ritchies in 1975, whilst still at Frankston High School, and worked his way up to management before being appointed as General Manager in 1987 and then as Chief Executive Officer in 1994.

Ritchies operates 78 supermarkets and liquor stores making Ritchies the largest Independent in Australia, with annual sales greater than \$1.15 billion.

Appointed Director 28 August 2019  
Member of Remuneration Committee



## Director's Shareholdings

The following table sets out each director's relevant interest in shares, and options over shares of the company as at the date of this report.

Director's Shareholdings	Fully Paid Ordinary Shares Number	Share Number Options	Unvested Performance Rights Number
Mark Hardgrave	363,158	-	-
Charlie McLeish	84,595	-	1,588,000
Kerrie Parker	77,000	-	-
Jeff Miciulis	1,000,000	-	-
Fred Harrison	447,368	-	-

## Share Options Granted To Directors and Senior Management

During and since the end of the financial year no share options were granted to Non-Executive Directors or senior management, however, the Group's Executive Director (Charlie McLeish) and senior management were issued performance rights pursuant to the Executive Variable Incentive Plan (EVIP) as detailed in the Remuneration Report.

## Principal Activities

The Group consists of two fully owned subsidiaries that conduct all trading operations for the Group.

The first subsidiary, Pental Products Pty Ltd, is an Australia-based leading manufacturer, wholesaler and distributor of personal care and home products. This subsidiary offers its product range to consumers across Australia, New Zealand and Asia through well-known heritage brands including White King, Country Life, Janola, Softly, Jiffy and more.

The Group acquired a second subsidiary, Hampers with Bite Pty Ltd, during the reporting period. The principal activities of the acquired subsidiary are to market, assemble and distribute affordable premium gift hampers across consumers and businesses Australia wide.



### Mr Oliver Carton

#### B Juris LL.B Company Secretary

Oliver is a qualified lawyer with over 30 years' experience in a variety of corporate roles. He currently runs his own consulting business and was previously a Director of the Chartered Accounting firm KPMG where he managed its Corporate Secretarial Group. Prior to that, he was a senior legal officer with ASIC.

Oliver is an experienced company secretary and is currently company secretary of a number of listed and unlisted companies, ranging from Pental Limited to the not-for-profit Melbourne Symphony Orchestra Pty Ltd.

## Group Overview - Trusted Brands That Get The Job Done

Pental Limited has been a long-standing trusted manufacturer and distributor of personal, household, and commercial products across Australia, New Zealand, and Asia. Pental products has 2 main business units – Consumer products and Hampers with Bite.

During the 2022 financial year, the Group welcomed the Hampers with Bite business which was acquired on 1 September 2021. Hampers With Bite Pty Ltd (HWB) is a Melbourne-based online hamper and gifting specialist. Its range of premium hampers and gifts are targeted at affordable prices towards gifts to friends & family and corporate clients. HWB provides customers with the option of creating their own hamper or simply purchasing one of HWB's pre-designed hampers online. HWB operates from its main operations site at Maidstone in the state of Victoria, Australia.

The Group is based in Australia and has 156 full-time equivalent employees at reporting date. Consumer products business unit manages a portfolio of leading consumer brands, which are household names in Australia and New Zealand - it is a branded market leader and one of the largest local manufacturers of bar soaps, liquid bleach, and firelighter cubes.

The consumer products business unit also provides distributorship services to brands and products that are non-perishable and have a long shelf life.

Pental has grown through dedication to customer service, efficiency, and quality.

For more than 60 years we have worked hard to stay true to our Australian heritage, investing in our manufacturing plant in Shepparton, Victoria. The production plant at Shepparton facilities comprise:

- Household Cleaning Liquids plant;
- Bar Soap plant;
- Laundry and Dishwashing Liquids plant;
- Firelighters plant.

Across Australia and New Zealand, Pental's products are stocked in all major grocery retailers and convenience stores that sell personal care and household cleaning products. We continue to expand into commercial and industrial channels.





## Pental's Core Brands

Pental's core brands are household names:

- **White King in Australia**
- **Softly in Australia and New Zealand**
- **Janola and Sunlight in New Zealand**
- **Little Lucifer in Australia and New Zealand**
- **Country Life and Velvet in Australia**
- **Hampers With Bite**
- **Jiffy in Australia**

Household Cleaning	Personal Care	Laundry	Fire Needs	Kitchen	Gifting & E-commerce
 	 		 		

Pental is expanding distribution throughout Asia, by developing products and pack sizes that are suitable for these new markets. The Company currently exports to China, Vietnam, and Thailand. This has been achieved mainly through creating partnerships with strategically aligned distributors. We are also exploring various opportunities to maximise the recently acquired e-commerce platform of HWB to expand our business.



# MARKET SHARE RECAP

#2  
sku in  
market



#4  
sku in  
market



White King's Toilet Gel grew at double (Dollars) and triple (Units) that of the Segment

This has resulted in Market Share gains of for FY22 +2.2% points\*

#1  
sku in  
market



#6  
sku in  
market



White King's Bathroom portfolio enjoyed sustainable, 7% growth.

This has resulted in Market Share gains of for FY22 +2.2% points\*

IRI MarketEdge, 26/06/22



# DIRECTORS' REPORT

## (CONT)

### Review Of Operations

	FY22 <sup>(i)</sup> \$'000	FY21 <sup>(i)</sup> \$'000	Change	
			\$'000	%
Net Sales Revenue	117,432	124,940	(7,508)	(6.0%)
Underlying EBITDA	14,682	11,998	2,684	22.4%
EBITDA Margin on Set Sales	12.5%	9.6%		2.9%
Depreciation & Amortisation	(3,899)	(3,849)	(50)	1.3%
Underlying EBIT	10,783	8,149	2,634	32.3%
EBIT Margin on Set Sales	9.2%	6.5%		2.7%
Finance Costs	(189)	(121)	(68)	(56.2%)
Underlying Profit Before Tax	10,594	8,028	2,566	32.0%
Income Tax Expense	(3,180)	(2,421)	(759)	(31.4%)
Underlying Profit After Tax	7,414	5,607	1,807	32.2%
Underlying Basic EPS (cents)	4.53	4.12	0.41	10.1%
HWB Acquisition Related Costs	(1,047)	-	(1,047)	(100.0%)
Reported Net Profit After Tax	6,367	5,607	760	13.6%
Reported Basic EPS (cents)	3.89	3.94	(0.05)	(1.3%)
Dividend (cents per share)	3.00	2.60	0.40	15.4%
Working Capital <sup>(ii)</sup>	18,906	17,858	1,048	5.9%
Cash	8,132	12,702	(4,570)	(36.0%)
Borrowings	(3,825)	Nil	(3,825)	(100.0%)
Gearing <sup>(iii)</sup>	5%	Nil		

(i) Unaudited non-IFRS financial table

(ii) Receivables plus inventory less trade and other payables

(iii) Net debt to equity



## Financial Performance

Total Group sales revenue was down by 6.0% compared to prior period, which was in line with expectations as announced to the market in the half year report. The decrease was predominantly driven by decreases in the Duracell distributorship following changes to the agreement effective May 2021.

### Owned Brands Segment

Owned Brands segment revenue was \$54.973 million which was up on prior year (\$52.268 million) by 5.2%. Pleasingly, the growth was driven by a strong performance in both the Australia (up 5.9%) and New Zealand (up 7.8%) markets offset marginally by decline in exports to Asia and other territories.

In Australia, key drivers of growth were the White King (up 11.3%) and Country Life (up 22.0%) brands. Pental maintains a strong hold in market share across many segments including White King in the liquid bleach segment, Jiffy in the firelighters, and Softly in the wool wash segments, all maintaining their number one position. The Group was successful in securing ranging of various innovative new products launched during the financial year:

- A new variant of toilet gels was launched in Woolworths along with a new detergent bleach and bleach spray under the White King brand.
- The Group also grew its strong partnership with Bunnings where it launched 5 new products in the second half of the financial year under the White King and Country Life brands.
- The Group was also able to secure new product ranging with Costco with its White King bleach and mould and soap scum remover bulk packs
- A new bleach-free multipurpose cleaner was launched in Chemist Warehouse along with Country Life hand wash.

Net sales revenue in New Zealand was up \$0.959 million compared to prior year (an increase of 7.8%) driven by strong growth in Little Lucifer firelighters (up 70.4%), Janola (up 5.0%) and Sunlight (up 6.5%) dishwash ranges. New Zealand ports faced unprecedented challenges posed by COVID-19 related disruptions leading to significant shipping delays. Pental mitigated these delays by increased its stock holding in New Zealand on key lines to avoid such outcomes in the short term. Pental's share in the New Zealand market in several key categories such as Toilet, Household Cleaning, and Dish Wash remains strong.

Exports to Asia were down by \$0.523 million or 29.0% compared to prior year. China comprises a significant portion of Asian territory sales for Pental. Political relations between Australia and China have been tense in the last 24 months with the introduction of tariffs on various Australian exports. Whilst no tariffs have been introduced on Pental's product range, these conditions have forced China based distributors and sub distributors to take a cautious approach to any imports from Australia, resulting in subdued sales through this channel.



## Contracted Brands Segment

As expected, and as announced to the market in the 2021 annual report, contracted brands revenue fell sharply by \$41.862 million or 57.6% in FY22 predominantly due to amendments to Duracell distributorship agreement effective May 2022. For the remaining distribution channels, Duracell performed in line with prior year despite the commercial channels being impacted by multiple lockdowns and disruptions caused by COVID-19. Duracell remains a key part of Pental's portfolio of product offerings.

Private label contract manufacturing business revenue was \$17.469 million, marginally down by 1.2% compared to prior year. The contracted nature of these products allowed limited ability to pass on significant and sharp cost increases that the Group incurred during the financial year. The Group estimates it absorbed approximately \$2 million in cost increases relating to private label contracts that was not recovered during the financial year. However, as these contracts phase out (typically 1-year contracts), the Group is working closely with its key clients to strategically price new contracts based on its manufacturing capabilities, hedging of raw materials (where possible), competition and potential disruptions.

## Hampers with Bite Segment

The Group entered an agreement to acquire the Hampers with Bite (HWB) business on 20 August 2021 and completed the acquisition on 1 September 2021. Under Pental's ownership, from 1 September 2021 to 26 June 2022, HWB delivered strong revenue of \$31.649 million with an EBIT contribution of \$6.509 million, underpinned by a strong Christmas season across both business-to-business (B2B) and business-to-consumer (B2C) channels.

On a full financial year basis, including the July and August 2021 trading periods, Hampers with Bite continued its strong revenue growth trajectory into FY22 recording revenue of \$37.885 million for the financial year compared with \$23.811 million during FY211, a significant increase of 59.1%.

The Group was successful in commencing a range of personal care products manufactured at its Shepparton facilities under Vitale brand that were included in new hamper offerings in 2022. With the initial encouraging success of Vitale brand, the group will continue to develop more products targeted at hampers consumers. The Group continues to target key events outside of the Christmas season in order to pursue growth in other months of the year.

Underlying EBIT of \$10.783 million was \$2.634 million (or 32.3%) higher compared to last year after adjusting reported EBIT for \$1.047 million in costs relating to the acquisition of HWB.



## Financial Performance Cont.

FY21 EBIT of \$8.149 million excludes non-cash impairment charge of \$0.348 million (\$0.244 million net of tax) on brand names. On a reported basis, EBIT grew by 24.8% compared to prior year (FY22: \$9.736 million vs FY21: \$7.801 million).

On an underlying basis, after adjusting reported FY22 profit before tax for \$1.047 million in costs relating to the acquisition of HWB, profit before tax was \$10.594 million, an increase of 32.0% compared to prior year. On a statutory basis, Pental achieved net profit after tax (NPAT) of \$6.367 million, which was 18.7% higher compared to reported NPAT for FY21.

The Group believes that presenting underlying results provides a better understanding of its financial performance by facilitating a more representative comparison of financial performance between financial periods. Underlying results exclude the effect of non-operating items that are unrelated to the underlying performance of the business.

Underlying results have been presented with reference to the Australian Securities and Investment Commission Regulatory Guide 230 "Disclosing non-IFRS financial information".

Please refer to the following reconciliation for statutory profit comparison to prior period:

	FY22 <sup>(i)</sup> \$'000	FY21 <sup>(i)</sup> \$'000	% Change
Underlying Profit After Tax	7,414	5,607	32.23%
One Off/Significant Expenses After Tax) <sup>(ii)</sup>	(1,047)	(244)	
Reported Profit After Tax	6,367	5,363	18.7%
Income Tax Expense	3,180	2,317	
Finance And Borrowings Cost	189	121	
Reported EBIT	9,736	7,801	24.8%
One Off/Significant Expenses Before Tax) <sup>(ii)</sup>	1,047	348	
Underlying EBIT	10,783	8,149	32.3%
Depreciation And Amortisation	3,899	3,849	
Underlying EBITDA	14,682	11,998	22.4%

(i) Unaudited non-IFRS financial table

(ii) Costs relating to acquisition of HWB have been deemed non-deductible for tax purposes

(iii) Refer to consolidated statement of profit or loss and other comprehensive income



In FY22, the Group experienced significant price increases in various input costs predominantly driven by commoditised raw materials such as tallow (bar soaps), vegetable noodles (bar soaps), paraffin (firelighters), surfactants (bleach and laundry liquids) and resin (impacting bottle prices). The Group was able to pass on these cost increases to its customers effective in the second half of the financial year.

Due to international events like low availability of shipping capacity driven by China's COVID-19 restrictions and invasion of Ukraine by Russia driving fuel prices to historically high levels, both international and local freight remained challenging. The Group was able to negotiate through these operational challenges with a robust structure and reliance on multiple service partners. However, these negotiations came at a cost – Pental's outgoing freight, excluding the HWB segment, increased by \$0.591 million despite the reduced Duracell distributorship. Excluding the impact of reduced Duracell volume and new HWB business, outbound freight costs increased by \$1.204 million.

Pental continued its focus on labour efficiencies and utilisation improvements to drive production costs down. As a result, labour recovery was increased and net labour costs (differential between labour costs and labour recovered through production) was reduced by 14.1%.

### Shareholder metrics

The total dividend for the 2022 financial year is 3.0 cents per ordinary share (2021: 2.6 cents), representing a payout ratio of 69.0% of the full-year underlying NPAT (2021: 63.2% of the underlying NPAT) and consists of:

- Interim fully franked dividend of 1.3 cents per ordinary share, which was paid on 23 March 2022;
- Proposed final fully franked dividend of 1.70 cents per ordinary share, payable to shareholders on 23 September 2021, with a record date of 5 September 2022.

### Cash generation and capital management

Net cash provided by operating activities was \$9.924 million (2021: Net cash provided by operating activities \$16.045 million) representing a strong cash conversion of EBITDA at 72.8% (2021: 137.7%, however 2021 net cash provided by operating activities includes approximately \$8.07 million freed up in working capital due to changes in the Duracell distribution agreement).

Net working capital (receivables, inventories less trade and other payables) of \$18.906 million was higher than last year by \$1.048 million, predominantly due to addition of recently acquired Hampers with bite business. The Group maintained a healthy level of inventory as at reporting date despite ongoing disruptions to supply chains.

Pental's debtors' position and cash collection continue to be strong, with minimal overdue as at the reporting date.

As outlined in its FY21 Annual Report, Pental has invested approximately \$1.6 million across FY21 and FY22 towards enhancing its fire protection systems at its Shepparton facilities. These enhancements include installation of an automated sprinkler system at the manufacturing facilities and upgrade of the hydrant system to meet and exceed insurers' standards. This investment will not only ensure a high standard of safety for Pental's workforce but will also assist with sourcing Insurance in a very challenging insurance market. The Insurance market in Australia has deteriorated significantly in the last 24 months, following multiple global risk events including Victorian bushfires, Californian bushfires and COVID-19, all of which drove significant losses for insurers. Pental experienced a steep increase in insurance premiums at the December 2020 renewal, as the pool of insurers shrunk due to more insurers seeking to de-risk their portfolios away from high-fire risk businesses. The Group is pleased to report a significant annual reduction of approximately \$0.5 million in its insurance premiums effective as of 1 December 2021 upon renewal.

The Company's closing net cash position of \$8.132 million with a debt of \$3.825 million was effectively cash positive. Please refer to Note 29 (a) to the financial statements for details.



# DIRECTORS' REPORT

## (CONT)

### Financial Performance Cont.

#### Impact of COVID 19

The Group experienced a few disruptions to its operations driven by COVID-19 mainly in the areas of international shipping and general increase in freight costs. The Group however navigated through these disruptions with ample alternatives.

The Directors believe COVID-19 will not have a material impact on the Group's ability to continue as an ongoing concern. The Group is effectively debt free (or in a net positive cash position) as at the reporting date with a healthy cash balance of \$8.1 million supported by a banking facility of \$8 million.

Whilst there are risks associated with the Group's raw material supply chain from other countries, as demonstrated thus far, the Directors and management assess this risk as manageable due to the Group's reliance on local sources for a majority of its raw materials. The Group has been stringently following government issued guidelines to mitigate risks associated with spread of novel coronavirus in the workplace.



## Strategic Objectives: The Five Key Pillars

Pental's core brands are recognisable by consumers when conducting their daily shopping in supermarkets and convenience stores across both Australia and New Zealand. Pental's strategy supports its vision to be a leading supplier of shelf stable (non-food) products to its chosen markets through delivering quality, innovation and sustainability to the satisfaction of customer needs while enhancing shareholder value. Our strategy has five pillars as detailed below. These five pillars support growth and are matched by our strategy to establish new partnerships and distributorships that will complement our product range, expertise, and leverage our infrastructure while expanding into new channels.

This year saw promising progress across the five strategic pillars as outlined here.



### 1. Driving sales growth through key brands

Pental prides itself on investing in product innovation, supporting its brands with advertising, and field support to grow our share of shelf space, our market share and brand equity in key categories. We constantly review the effectiveness of promotions in driving sales and margins, and the contribution made by products to overall sales. This enables us to identify early opportunities for innovation and product development which support sales growth and differentiate us from the competition.

A key part of our product offering is to tender for private label opportunities to complement revenues from our branded portfolio by manufacturing these products where it makes commercial and strategic sense. Securing third party accreditation for our manufacturing and supply chain through ISO9002 and HACCP makes Pental an attractive manufacturing partner with established credentials.

Pental has been successful in growing its owned branded portfolio revenue by 5.2% over the course of 2022 financial year. The growth was pleasingly driven by expansion of White King and Country Life brands. White King's Bathroom cleaning portfolio delivered strong dollar (+7.0%) and unit (+ 4.8%) growth in FY22 resulting in the Brand being the top brand in the Segment. Country Life Bar Soap continues to outpace the Segment experiencing 19% dollar and 5.2% unit growth.



### 2. Developing new products and channels

Pental enjoys a niche rank in the categories it participates due to its agility to develop new products and speed to market. Pental constantly reviews the sales performance of each product ensuring we are supplying our consumers high quality and value-for-spend products. We now manufacture 99% of our consumer product range in Australia and New Zealand. For the gifting and hamper business, we carefully select and source most high-quality products locally.

Pental continues to assess opportunities in the Australian market in order to find new avenues to reach consumers. As such, we started supplying a range of five products through a major hardware channel. The early performance of our products through this channel are very encouraging. Pental is developing more products for this channel in order to maximise its offering of efficient, affordable and well recognised branded products to consumers. We also launched a range of new products in existing channels including a bleach free multipurpose cleaner in pharmacy channel, a new variant of toilet gels in grocery channel and a new softly liquid for delicacies in major grocery channels.

The acquisition of HWB provides Pental with a strong avenue to reach consumers. We were successful in commencing a range of personal care products manufactured at its Shepparton facilities under Vitale brand that were included in new hamper offerings in 2022. Encouraged by the initial success of Vitale brand, we will continue to develop more products targeted at hampers consumers. We continue to target key events outside of the Christmas season in order to pursue growth in other months of the year.





### 3. Expand export markets

The combination of Pental's strong presence in New Zealand market and close geographical proximity means we can reap rewards from fast product launches under our strong brands compared to international competitors.

We continue our strong partnership with our Auckland-based sales and distribution agent. NZ revenue grew by 7.8% during the reported period. This growth was achieved through both product innovation and increased field support at store level. Both our power brands Janola and Sunlight performed strongly in the New Zealand market and enjoy a significant share of their respective categories. Revenue from firelighters under Little Lucifer brands was up 70.4% in the financial year compared to the previous financial year.

Asia remains a key part of our growth ambitions despite the disappointing sales performance in the last 2 financial years disrupted by COVID-19 related issues and a tense political environment with China. Pental is making progress to form strong alliances with distributors outside of China, mainly in Thailand, South Korea, and Indonesia.



### 4. New Projects and acquisitions

As communicated on a number of occasions previously, Pental is targeting growth through strategically suitable acquisitions to complement its organic growth.

As such, Pental acquired Hampers with Bite business on 1 September 2021. Hampers With Bite Pty Ltd (HWB) is a Melbourne-based online hamper and gifting specialist. Its range of premium hampers and gifts are targeted at affordable prices focusing on corporate clients and gifts to family and friends. HWB provides customers with the option of creating their own hamper or simply purchasing one of HWB's pre-designed hampers online. Prior to its acquisition by the Group, HWB grew from an approximately \$10 million revenue with an EBIT of \$1 million EBIT business in FY19 to an approximately \$24 million revenue business in FY21 with an EBIT of approximately \$5 million.

HWB continued its strong growth trajectory into FY22. Under Pental's ownership, from 1 September 2021 to 26 June 2022, HWB business delivered strong revenue of \$31.649 million with an EBIT contribution of \$6.509 million, underpinned by a strong Christmas season across both B2B and B2C channels.

Pental continues to search for additional strategically suitable acquisitions that complement its strength and consumer base.



### 5. Continuous manufacturing improvement

Pental's final strategic pillar is continuous manufacturing improvement to support profitable growth through capital investment, along with cost savings and delivering high-quality, trusted products. At the Shepparton plant we continue to focus on improving productivity and line efficiency through labour reduction initiatives and CAPEX strategies to reduce changeover times, increased line availability, and ongoing preventative maintenance programs.

The installation of a new filling line at Pental's Shepparton manufacturing site last year has enabled the production and development of products that are more earth-friendly and sustainable for the market. This investment has also enabled Pental to participate in tendering of contract manufacturing opportunities that were previously not possible.

Pental has made a significant investment over the last two financial years in upgrading the infrastructure at its Shepparton plant, mainly through the upgrade of its fire protection systems and traffic management improvement initiatives with the safety of our team being our primary focus.

# MARKET SHARE WINS



#1

SKU in market

Jiffy outpaced the category average growth rate in FY22 resulting in Market Share gains of +1.1% points vs prior year\*



#6

SKU in market

Country Life achieved outstanding dollar (+19%) and unit (+5.2%) growth resulting in a +0.5 market share percentage point gain for the full year\*.





# DIRECTORS' REPORT

## (CONT)

### Operational Risks

#### Product sourcing:

Pental relies on a range of parties for its product-sourcing strategy. Any change in existing relationships (including the termination of any key supply arrangements) or any change in terms or conditions of overseas/local suppliers and any change in the political or economic environment may impact performance. Pental is continually refining its sourcing arrangements, including operating dual sourcing arrangements to mitigate risk.

#### Supply chain:

Pental has an extensive and reliable supply chain that enables it to efficiently procure and deliver products to customers. Disruption to a material aspect of this supply chain could have a material adverse impact on Pental's operational and financial performance. Pental's ongoing review of supply chain costs and the corresponding change of supply chain arrangements with minimal disruption especially through the COVID-19 pandemic period, has demonstrated that Pental can effectively manage this risk.

IRI MarketEdge, 26/06/22







## Operational Risks Cont.

Pental faces specific and general operational risks which may impact the future operating and financial performance of the Group. There can be no guarantee that Pental will achieve its objectives or that forward-looking statements will be realised.

The operating and financial performance is influenced by a variety of general economic and business conditions including levels of consumer spending, inflation, interest and exchange rates, and certain raw material prices.

Following is a summary of the most significant risks facing continuing business operations, as identified and assessed by a risk management process carried out by the Audit and Risk Committee and Pental's risk mitigation approaches:

### Competition and demand:

The majority of Pental's branded products are sold in supermarkets in Australia and New Zealand. In both countries competition between retail chains is intense, leading to aggressive reviews of product mixes as well as increased moves towards own or private label products to improve retail margins. This situation is not unique to Pental and affects suppliers of most products stocked across supermarket chains.

New entrants into Pental's market segment have the potential to cause market disruption across Pental's and competitors' brands as they bid to secure shelf space. This disruption has the potential to erode revenues and margins. Across the supermarket sector in both countries, operators are competing for shoppers' share of wallet through discounting and private label diversification. The competitive environment is challenging, coupled with need to recover rising input costs through prices rises which due to long lead times (typically between 13 weeks and 26 weeks) can lead to shrinkage in margins.

Pental believes it can continue to successfully operate in the fast-moving consumer goods market through strong product innovation and managing its product sourcing and manufacturing costs.

### Workplace Health and safety:

Being a leading manufacturer and the physical nature of its operations, Pental considers workplace health and safety of paramount importance. Pental has invested heavily into its hazard reporting, compliance and training systems including a dedicated health and safety officer to ensure the Group strives towards a zero-incident mindset.

# DIRECTORS' REPORT

## (CONT)

### Operational Risks Cont.

#### Raw material price fluctuation:

A vast majority of Pental's products contain raw materials that are considered commoditised. These raw materials such as tallow, paraffin, caustic soda, coconut oil etc. are subject to market and price movements including exposure to foreign exchange rates. Factors outside of the Group's control such as weather impacting cattle numbers which in turn impacts tallow supply, international demand and supply of crude oil impacting paraffin supply etc. can impact these raw material prices significantly without a possible recovery through price increases. Pental manages this risk through its hedging policy and wherever commercially viable, through securing contracts against price movements.

#### Loss of key personnel:

Pental's future success depends to a significant extent on the retention of key personnel, particularly in senior management, who have extensive market and business knowledge. The loss of key personnel and the time taken to recruit suitable replacements or additional personnel could adversely affect the Company's future financial performance. The Board reviews the organisational structure of the business to ensure the best people are retained, whilst investing in developing other key people in the business.

#### Damage to Pental's brands:

The reputation and value associated with Pental's brand names could be adversely impacted by various factors including quality failures, disputes with third parties such as suppliers or customers or adverse media coverage. Significant erosion in the reputation of, or value associated with, Pental's brands could have an adverse effect on Pental's future financial performance. Pental believes that its quality processes and systems, and proactive tracking and management of any disputes, minimises this risk.

#### Cyber security:

Pental relies heavily on its Information Technologies (IT) to operate on a daily basis in transacting with its customers as well as to continue manufacturing its quality products at its facilities. In today's hyperconnected age, all businesses are exposed to threats posed by internet connectivity such as ransomware attacks (malicious software), phishing scams attempting to gain access or credentials, or suffering data breaches or network security etc. Such attacks, if successful, can result in prolonged period of IT outages affecting the Group's ability to transact with its customers as well as its ability to manufacture thus impacting its profitability. Pental puts a high importance on this risk and proactively manages it through strong IT controls and software systems including firewall monitoring, anti-virus software, multi-factor authentication systems, virtual private network systems (VPN) etc.

### Outlook

The outlook for the Group is contained in the Chairman's report.

### Changes In The State Of Affairs

During the financial year, there were no significant changes in the state of affairs of the Group, other than as referred to in this Annual Report.

### Future Developements

Information regarding likely developments in the operations of the Group in future financial years is set out in the Review of operations and elsewhere in the Annual Report.

### Subsequent Events

There has not been any matter or circumstance occurring subsequent to the end of financial year that has significantly affected, or may affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## Dividends

In respect of the year (52 weeks) ended 26 June 2022 an interim fully franked dividend of 1.3 cent per ordinary share was paid on 23 March 2022. The directors have declared the payment of a final fully franked dividend of 1.7 cents per ordinary share, payable to shareholders on 23 September 2022, with a record date of 5 September 2022. The total dividend for the FY22 financial year of 3.0 cents per share represents a payout ratio of 69.0% of net profit after tax (excluding HWB acquisition related costs).

In the prior year ended 27 June 2021, the total dividend paid was 2.6 cents per ordinary share, representing a payout ratio of 63.2% of net profit after tax (i.e. before significant non cash items).

## Environmental Regulations

The Shepparton manufacturing site is subject to the Environmental Protection Act 1970, although due to current practices Pental is not required to have an EPA license.

Pental has a Trade Waste Agreement with Goulburn Valley Water which stipulates limits on volume and content of our Trade Waste emissions. Pental proactively monitors the trade waste discharged from site as part of that Trade Waste Agreement.

Continuous Improvement initiatives focussing on Trade waste system dilution capital improvements, internal hard waste segregation management and compliance cleaning programs are in progress.

Pental continues to be focussed on working with authorities and waste service providers to implement sustainable solutions. Environmental performance is reported monthly to the Site Management Group and the Board.

## Shares Under Option or Issued on Exercise of Options

There were no unissued shares under exercisable options as at the date of this report.

The Group's Executive Director (Charlie McLeish), Chief Financial Officer (Neil Godara) and senior management were issued performance rights pursuant to the Executive Variable Incentive Plan (EVIP) as detailed in the Remuneration Report. These performance rights remain unvested as at the date of this report.

## Indemnification of Officers and Auditors

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, Oliver Carton, and all executive officers of the company and of any related body corporate against a liability incurred by such a director, secretary or executive officer 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.

The company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the company or of any related body corporate against a liability incurred as such an officer or auditor.

## Annual Reporting Calendar

### REPORTING REQUIREMENT

### DATE

Lodgement of Appendix 4E - FY22	18 August 2022
FY22 Annual Financial Report	18 August 2022
Deadline for nomination as Director	30 September 2022
Annual Report and Notice of Annual General Meeting	18 October 2022
Annual General Meeting	17 November 2022



# DIRECTORS' REPORT

## (CONT)

### Directors' Meetings

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 13 Board, 4 Audit Committee and 2 Remuneration Committee meetings were held.

Directors	Board of Directors		Audit and Risk Committee		Remuneration Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Mark Hardgrave	13	13	4	3	2	2
Kerrie Parker	13	13	4	4	2	2
Jeff Miciulis	13	13	4	4	2	2
Fred Harrison	13	13	-	-	2	2
Charlie McLeish	13	13	-	-	-	-

#### Non-audit services

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

The directors are satisfied that the provision of non-audit services during the 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 financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, 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 Code of Conduct APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional & 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.

#### Auditor's independence declaration

The auditor's independence declaration is included on page 58 of the annual report.

#### Rounding off of amounts


The Company is a company of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the Directors' Report and financial report are rounded off to the nearest hundred thousand dollars, unless otherwise indicated.


# SUSTAINABILITY

Our goal is to create a more sustainable packaging that still protects our amazing hampers but also protects the environment.

Comprehensive trials of new paper packaging in collaboration with Ranpak (the first global producer of 100% sustainable, paper-based packaging) have been completed in June & July 2022.

View to roll out new packaging from early 2023 with the goal of reducing the usage of packaging landfill waste by a minimum of 90%. Plastic Version New Eco-Friendly Material Flat inner bubble Square packaging bubble Flat filling

Plastic Version	
Flat Inner Bubble	Square Packaging Bubble
	

New Eco-Friendly Verison	
Flat Filling	Flat Filling
	



# REMUNERATION REPORT - AUDITED

This remuneration report details the nature and amount of remuneration for each director and senior management personnel of Pental Limited.

## Key Management Personnel

The directors and other members of key management personnel of the Group during the year were:

Mark Hardgrave

Charlie McLeish

Jeff Miciulis

Fred Harrison

Kerrie Parker

Neil Godara

Non-executive Independent Chairman  
Managing Director and Chief Executive Officer  
Non-executive Independent Director  
Non-executive Independent Director  
Non-executive Independent Director  
Chief Financial Officer

There have been no changes in key management personnel since the end of the reporting period.





## Remuneration Policy

The remuneration policy of Pental Limited has been designed to align executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering variable cash and equity incentives based on key performance areas affecting the Group's financial results. The Board of Pental Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives to run and manage the Group, as well as create goal congruence between executives and shareholders.

The Board's policy for determining the nature and amount of remuneration for executives and board members of the Group is as follows:

### Executives

The remuneration policy, setting the terms and conditions for the Managing Director and other senior executives (Executives), was developed and approved by the Board. Executive packages are reviewed annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries and of comparable size. The performance of executives is measured regularly against agreed key performance indicators (KPIs) and is based predominantly on the forecast growth of the Group's profits and shareholders' value. All bonuses and incentives are linked to predetermined operational and financial KPIs. Executives are also entitled to participate in an Executive Variable Incentive Plan (EVIP). The executives receive a superannuation guarantee contribution required by the law, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

The various elements of the executive remuneration structure serve various purposes as listed below:

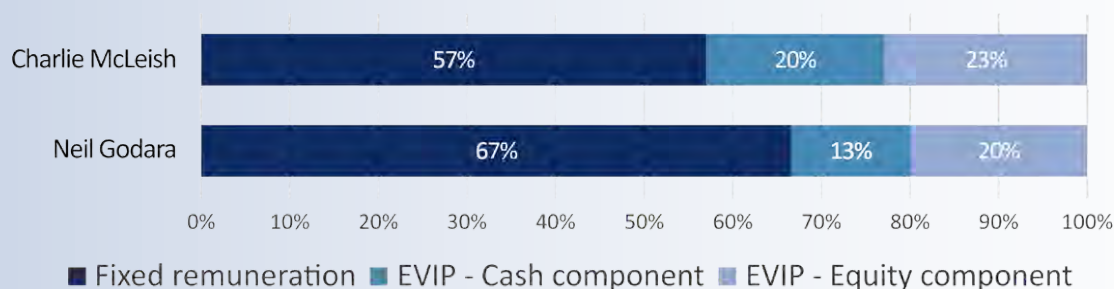
Element	Purpose	Performance Metrics	Potential Value
Fixed remuneration	To attract and retain high performing talent by providing a market competitive salary	Nil	Market rate which is reviewed annually to ensure it remains competitive. Not guaranteed to increase in executives' contracts
EVIP - cash component	Reward for current year performance when value has been created for shareholders by achieving or outperforming profitability targets	Group earnings before interest and tax (EBIT) targets together with pre-determined key performance indicators within the executive's area of responsibility	20% of total fixed remuneration for the Chief Financial Officer 35% of total fixed remuneration for the Managing Director and Chief Executive Officer.
EVIP - equity component	Alignment to long term shareholder return by achieving or outperforming current year profitability targets and ensuring long term share price preservation.	Share price as at vesting date to remain above the share price on grant date	30% of total fixed remuneration (at face value) for the Chief Financial Officer
		Group earnings before interest and tax (EBIT) targets together with pre-determined key performance indicators within the executive's area of specialisation	40% of total fixed remuneration (at face value) for the Managing Director and Chief Executive Officer.

Maximum possible remuneration for the executives has been structured as per below to strike a balance between the short-term and long-term objectives of the remuneration policy.

# REMUNERATION REPORT - AUDITED

## (CONT)

### Executive Remuneration Structure



### Non-executive members of the board

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. The maximum aggregate amount of fees that can be paid to non-executive directors as per last approval is \$0.750 million. Fees for non-executive directors are not linked to the performance of the Group. No shares or options have been issued to non-executive directors, under the EVIP or an option scheme, within the last five years.

### Key terms of executive employment contracts

The executives and the Group are bound by formal employment contracts which contain key terms of their employment including fixed remuneration inclusive of superannuation and where eligible, ability to participate in EVIP.

The agreements do not reflect a fixed term of employment or nominate a specified amount to be paid on termination of employment. The agreements normally provide that the termination notice period may be paid out by the Group.

The major provisions of the employment agreements are as per below:

Executive Name	Term of Agreement	Total fixed remuneration including superannuation	Eligibility to participate in EVIP	Notice of termination
Charlie McLeish	On-going	\$550,000	Eligible	The period of notice required by the Group to terminate the employment is twelve months without cause and the notice required by Mr McLeish is four months.
Neil Godara	On-going	\$280,000	Eligible	The period of notice required by either the Group or Mr Godara to terminate the employment without cause is one month.

## Relationship between the remuneration policy and company performance

The remuneration policy has been tailored to increase goal congruence between shareholders and executives. To improve transparency, this has been achieved through structuring executive remuneration with a combination of total fixed remuneration and a performance-based incentive system controlled through EVIP. Details of EVIP are provided within the remuneration report.

Fees for non-executive directors are not linked to the performance of the Group.

The following tables set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2022. It has been the focus of the Board of Directors to retain management personnel essential to the profitable operations of the Group, and to attract suitable executives.

	26 June 2022 <sup>1</sup>	27 June 2021 <sup>1</sup>	28 June 2020	30 June 2019 <sup>1</sup>	1 July 2018 <sup>1</sup>
Sales revenue	117,432	124,940	126,460	100,446	75,667
Net profit/(loss) before tax	9,547	7,680	7,221	2,756	(26,824)
Net profit/(loss) after tax	6,367	5,363	5,019	1,921	(27,839)
Underlying net profit after tax	7,414	5,607	5,019	3,451	2,602

1. Underlying net profit after tax has been adjusted to exclude costs relating to the HWB acquisition for FY22: \$1,047 thousand, brand impairment for FY21: \$348 thousand, FY19: \$2,185 thousand, goodwill impairment for FY18: \$29,446 thousand, ACCC penalty for FY18: \$700 thousand, ACCC legal costs for FY18: \$421 thousand (FY21: \$104 thousand, FY19: \$655 thousand, FY18: \$126 thousand).

	26 June 2022	27 June 2021	28 June 2020	30 June 2019	1 July 2018
Share price at start of year	\$0.415	\$0.34	\$0.288	\$0.280	\$0.595
Share price at end of year	\$0.415	\$0.415	\$0.34	\$0.288	\$0.280
Interim dividend (cents) per share <sup>1</sup>	1.30	1.00	0.70	0.70	0.60
Special dividend (cents) per share <sup>1,2</sup>	-	-	0.70	-	-
Final dividend (cents) per share <sup>1,2</sup>	1.70	1.60	1.50	1.30	0.90
Basic earnings/(loss) cents per share	3.89	3.94	3.68	1.41	(20.43)
Diluted earnings/(loss) cents per share	3.80	3.85	3.64	1.41	(20.43)

1. Franked to 100% at 30% corporate income tax rate.

2. Declared after the balance date and not reflected in the financial statements of that year.



# DRIVING OUT WASTE



Increasing  
Measurements  
to Improve  
Efficiencies



Working with  
Industry Experts



Reducing  
Production  
Waste



Staff Education  
and Training  
Programs



Increased  
Manufacturing  
Performance  
Reporting



Questioning and  
Benchmarking  
All Costs



Ongoing Focus  
on Continuous  
Improvement  
Projects

# REMUNERATION REPORT - AUDITED

## (CONT)

The compensation of each member of the key management personnel of the Group for the current year is set out below:

2022	Short-term employee benefits			Long-term employee benefits	Post-employment benefits	Share-based payments	Total \$
	Salary & fees <sup>(i)</sup> \$	Bonus \$	Non-Monetary <sup>(ii)</sup> \$	Long service leave <sup>(iii)</sup> \$	Superannuation \$	Rights \$	
Non Executive Directors							
Mark Hardgrave	109,091	-	-	-	10,909	-	120,000
Jeff Miciulis	72,727	-	-	-	7,273	-	80,000
Fred Harrison	76,364	-	-	-	3,636	-	80,000
Kerrie Parker	78,182	-	-	-	1,818	-	80,000
Total Directors	336,364	-	-	-	23,636	-	360,000
Executives							
Charlie McLeish	531,822	70,000	7,231	8,278	27,500	73,553	718,384
Neil Godara	266,242	28,000	6,407	8,327	23,249	22,226	354,451
Total Executives	798,064	98,000	13,638	16,605	50,749	95,779	1,072,835
Total Remuneration	1,134,428	98,000	13,638	16,605	74,385	95,779	1,432,835

(i) Salary & fees includes movements in the annual leave provision relating to the executives.

(ii) Non-monetary benefits include car parking & motor vehicle toll tags

(iii) Long service leave benefit represents movements in the long service leave provision relating to the executives.



The compensation of each member of the key management personnel of the Group for the prior year is set out below:

2022	Short-term employee benefits			Long-term employee benefits	Post-employment benefits	Share-based payments	Total \$
	Salary & fees <sup>(i)</sup> \$	Bonus \$	Non-Monetary <sup>(ii)</sup> \$	Long service leave <sup>(iii)</sup> \$	Superannuation \$	Rights \$	
Non Executive Directors							
Mark Hardgrave	109,589	-	-	-	10,411	-	120,000
Jeff Miciulis	73,059	-	-	-	6,941	-	80,000
Fred Harrison	73,059	-	-	-	6,941	-	80,000
Kerrie Parker <sup>(iv)</sup>	78,182	-	-	-	2,892	-	33,333
John Etherington <sup>(v)</sup>	78,182	-	-	-	5,205	-	60,000
Total Directors	336,364	-	-	-	32,390	-	373,333
Executives							
Charlie McLeish	568,747	192,500	6,600	16,382	24,996	60,937	870,162
Neil Godara	235,336	50,000	3,436	3,802	21,690	17,381	331,645
Total Executives	804,083	242,500	10,036	20,184	46,686	78,318	1,201,807
Total Remuneration	1,145,026	242,500	10,036	20,184	79,076	78,318	1,575,140

(i) Salary & fees includes movements in the annual leave provision relating to the executives.

(ii) Non-monetary benefits include car parking & motor vehicle toll tags

(iii) Long service leave benefit represents movements in the long service leave provision relating to the executives.

(iv) Kerrie Parker was appointed non-executive director on 1 February 2021.

(v) John Etherington resigned as non-executive director on 31 March 2021.

### Transactions with key management personnel

As disclosed in information about the Directors, Mr Fred Harrison is the CEO of Ritchies. Mr Harrison's employer, Ritchies Stores Pty Ltd invoiced the Group a total of \$129,799.66 inclusive of GST (2021: \$266,239.93 inclusive of GST) relating to the Group's participation in various promotional activities and supplier trading terms during the financial year. All transactions were conducted at arm's length. As at the reporting date, the Group owed Ritchies Stores Pty Ltd \$18,022.90 (2021: \$106,288.84) in relation to above mentioned promotional activities and supplier trading terms.





# REMUNERATION REPORT - AUDITED

## (CONT)

### Executive Variable Incentive Plan (EVIP)

Under Pental's EVIP, executives and selected senior management employees are eligible for both a cash and equity incentive upon the achievement of certain Group level KPI's and personal KPIs set at the commencement of each financial year, weighted as follows:

- Fifty percent of both the cash and equity incentive KPIs relate to the achievement of a target EBIT for the financial year.
- The remaining fifty percent are based on specific KPIs relevant to the participant's particular responsibilities.

### Variable Incentive – cash

Variable cash incentive under EVIP is paid shortly after the release of audited full year results. The maximum amount of remuneration under the variable cash incentive plan ranges from 20 to 35 percent of the individual executive / senior management employee's total fixed remuneration.

### Variable Incentive – equity

The variable equity incentive is designed to reward achievement of annual KPIs, assist the retention of key high performing executives and align the rewards to the company's share price. The maximum amount of remuneration under the variable equity incentive plan varies from 30 to 40 percent of the individual executive/senior management employee's total fixed remuneration. The variable equity incentive is delivered as Performance Rights (Rights), which are granted under the Executive Performance Rights Plan (Rights Plan) to enable the subsequent acquisition of the share component. The Rights will convert to ordinary shares after three years from the end of financial year of the grant date. Rights will be granted on a face value basis using the last ten business days of the previous financial year Volume Weighted Average Price (VWAP). The variable equity incentive is based upon an assessment of performance against respective KPIs in the year in which it is granted. If the performance criteria are not met within the financial year, the Rights are forfeited at the end of the same financial year.

The vesting of the Rights is conditional on:

- The executive satisfying Group level and personal performance criteria,
- The executive being employed by the Group on the vesting date; and
- Pental's VWAP share price for the last ten business days preceding the vesting date being equal to or greater than the VWAP for the preceding ten business days from the grant date.

In total, the Rights are held for four years from the grant date. The value to the executive therefore is not at the grant date, rather at the vesting date which is three years from the end of financial year of the grant date.

Dividends are not payable on the Rights. Dividends are payable on ordinary shares after conversion of the Rights to ordinary shares.

Under the EVIP, the executives can receive the following annualised remuneration from the vesting of the Rights

#### Percentage of total fixed remuneration:

Charlie McLeish	Up to 40%
Neil Godara	Up to 30%

In the event the Group fails to meet its annual financial performance criteria, the Board retains the discretion to award up to 50 percent of EVIP entitlements to recognise and reward executives for extraordinary efforts and achievements during the financial year.

# REMUNERATION REPORT - AUDITED

## (CONT)

### EVIP - FY22 Performance

The following table contains details of EVIP entitlements achieved by the executive team during the year:

2022	% of EVIP achieved	EVIP – cash component <sup>(iii)</sup> \$	EVIP – Equity component at face value \$	VWAP <sup>(i)</sup> used to calculate number of Rights \$	Number of Rights issued <sup>(i), (iii)</sup>
<b>Executives</b>					
Charlie McLeish	50%	70,000	110,000	0.4120	267,000
Neil Godara	50%	28,000	42,000	0.4120	102,000
		98,000	152,000		369,000

(i) Volume Weighted Average Price (VWAP) based on closing share price of last 10 business days of financial year 2021 and volume traded on each day in that period. Source – Commonwealth Securities Limited.

(ii) Number of Rights have been issued after rounding to nearest thousand.

(iii) The executives have been issued partial entitlements for 2022 financial year due to not meeting financial performance conditions.

The fair value of the Rights granted is measured using Monte Carlo method. The following table contains relevant inputs to measure the fair value of the Rights as at grant date:

	Grant Date	No. of Rights granted	Share price at grant date <sup>(i)</sup>	Exercise price	Expected volatility	Risk free rate	Expected dividend yield	Fair value per Right at grant date	Fair value of Rights at grant date
<b>Executives</b>									
Charlie McLeish <sup>(i)</sup>	18/11/2021	534,000	\$0.4150	Nil	40%	1.38%	5%	\$0.189	\$100,926
Neil Godara	1/7/2021	204,000	\$0.4000	Nil	40%	0.72%	5%	\$0.190	\$38,760

(i) Rights granted to Mr McLeish were voted and approved by the shareholders at the last Annual General Meeting through an ordinary resolution.

(ii) Volume Weighted Average Price (VWAP) based on closing share price of last 10 business days of financial year 2021 and volume traded on each day in that period. Source – Commonwealth Securities Limited.

The following tables contains details of EVIP entitlements achieved by the executive team during the previous financial year:

The following tables contains details of EVIP entitlements achieved by the executive team during the previous financial year:

2022	% of EVIP achieved	EVIP – cash component \$	EVIP – Equity component at face value \$	VWAP <sup>(i)</sup> used to calculate number of Rights \$	Number of Rights issued
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#### Executives

Charlie McLeish	100%	192,500	220,000	0.3458	636,000
Neil Godara	100%	50,000	75,000	0.3458	217,000
		242,500	295,000		853,000

(i) Volume Weighted Average Price (VWAP) based on closing share price of last 10 business days of financial year 2020 and volume traded on each day in that period. Source – Commonwealth Securities Limited.

(ii) Number of Rights have been issued after rounding to nearest thousand.

The fair value of the Rights granted were measured using Monte Carlo method. The following table contains relevant inputs to measure the fair value of the Rights granted during previous financial year

	Grant Date	No. of Rights granted	Share price at grant date <sup>(i)</sup>	Exercise price	Expected volatility	Risk free rate	Expected dividend yield	Fair value per Right at grant date	Fair value of Rights at grant date
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#### Executives

Charlie McLeish <sup>(i)</sup>	19/11/2020	636,000	\$0.4100	Nil	51%	0.30%	7%	\$0.212	\$134,832
Neil Godara	1/7/2020	217,000	\$0.3458	Nil	51%	0.40%	7%	\$0.157	\$34,069

(i) Rights granted to Mr McLeish were voted and approved by the shareholders at the last Annual General Meeting through an ordinary resolution.

(ii) Volume Weighted Average Price (VWAP) based on closing share price of last 10 business days of financial year 2021 and volume traded on each day in that period. Source – Commonwealth Securities Limited.





# SHORT TO MEDIUM TERM OBJECTIVES

Continuous  
IMPROVEMENT  
PROJECTS

Focusing on  
EMPLOYEE  
RETENTION

Ongoing  
PACKAGING  
REVIEWS

White King  
MASTER BRAND  
STRATEGY

INCREASED  
AUTOMATION  
with packing of  
Hampers

Pental Shepparton  
producing products  
for the HAMPER  
BUSINESS

GROWTH  
through both range  
diversification and  
range rationalisation

R&D team  
to focus on new  
SUSTAINABLE  
PRODUCTS AND  
PACKAGING

Always  
progressing with  
NEW  
TECHNOLOGY

# REMUNERATION REPORT - AUDITED

## (CONT)

### Share-Based Payments (Right Plan)

All performance rights under the EVIP are issued pursuant to the Executive Performance Rights Plan (Rights Plan). Under the conditions of Rights Plan, performance Rights are convertible to ordinary shares (with no exercise price) as at the vesting date which is 4 years from the grant date (or 3 from the end of the financial year)

All Rights issued are convertible to ordinary shares at no consideration, subject to achieving performance or vesting conditions.

The following table discloses changes in the performance rights holdings of management personnel:

	Grant Date	Vesting Date	Balance at 27/6/2021 No.	Rights granted No.	Rights vested No.	Rights forfeited No.	Rights lapsed No.	Balance at 26/6/2022 No.
Charlie McLeish	1/7/2019	1/7/2023	685,000	-	-	-	-	685,000
Neil Godara	1/7/2019	1/7/2023	223,000	-	-	-	-	223,000
Charlie McLeish	19/11/2020	1/7/2024	636,000	-	-	-	-	636,000
Neil Godara	1/7/2020	1/7/2024	217,000	-	-	-	-	217,000
Charlie McLeish	18/11/2021	1/7/2025	-	534,000	-	267,000	-	267,000
Neil Godara	1/7/2021	1/7/2025	-	204,000	-	102,000	-	102,000



## Key Management Personnel Equity Holdings

Fully paid ordinary shares of Pental Limited held by key management personnel including a close member of family or entity that is controlled or significantly influenced are as per below:

	Balance at 26/6/2020	Net change other <sup>(i)</sup>	Balance at 27/6/2021	Net change other <sup>(i)</sup>	Balance at 26/6/2022 <sup>(iv)</sup>
<b>Non Executive Directors</b>					
Mark Hardgrave	100,000	-	100,000	263,158	363,158
Fred Harrison	250,000	-	250,000	197,368	447,368
Kerrie Parker	-	-	-	77,000	77,000
Jeff Miciulis	800,000	-	800,000	200,000	1,000,000
John Etherington <sup>(ii)</sup>	160,000	(160,000)	-	-	-
<b>Executives</b>					
Charlie McLeish <sup>(iii)</sup>	14,500	(14,500)	-	84,595	84,595
Neil Godara <sup>(iii)</sup>	-	-	-	-	-

(i) Net change other includes shares traded during the financial year.

(ii) Mr Etherington retired as director during the previous financial year.

(iii) Both Mr Leish and Mr Godara have been issued performance rights under the Executive Variable Incentive Plan (EVIP)

(iv) There has been no change in shareholding from the end of the financial year to the date of this report.

## Key Management Personnel Share Option Holdings

Other than the performance rights holding disclosed previously, no share options are on issue as at the date of this report.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298 (2) of the Corporations Act 2001.

On behalf of the Directors



Mark Hardgrave  
Chairman  
Melbourne, 18 August 2022





# CORPORATE GOVERNANCE STATEMENT

This Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (Best Practice Recommendations).

The Company's website contains an Investor Section, which details the Company's Corporate Governance policies and procedures. This provides public access to all the information relevant to the Company meetings its corporate governance obligations.

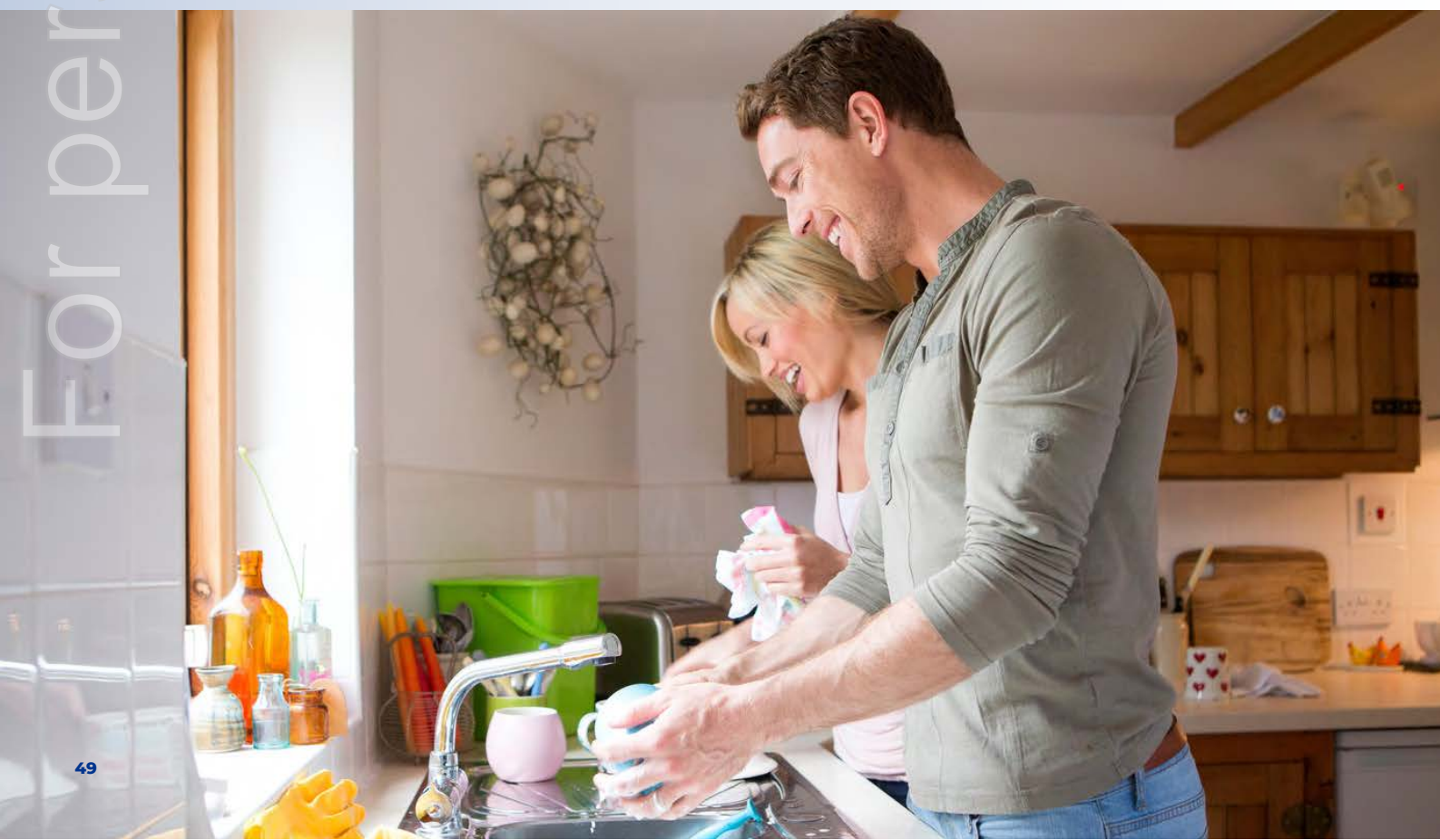


	Best Practice Recommendation	Comment
1.	<i>Lay solid foundations for management and oversight</i>	
1.1	<p>A listed entity should disclose:</p> <p>(a) the respective roles and responsibilities of its board and management; and</p> <p>(b) those matters expressly reserved to the board and those delegated to management</p>	<p>The Corporate Governance Policies include a Board Charter which discloses the specific responsibilities of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Managing Director and Chief Executive Officer.</p> <p>The responsibilities of the Board, which are reserved for the Board and not delegated to management, include:</p> <ul style="list-style-type: none"> <li>• Oversight of the business and affairs of the Company;</li> <li>• Establishment of control and accountability systems;</li> <li>• Establishment with management of strategic directions, supporting strategies and operating performance objectives;</li> <li>• Appointing the Managing Director and any other Executive Director; and</li> <li>• Reviewing and ratifying systems of risk management and internal compliance and control, code of conduct and legal compliance.</li> </ul> <p>The Board Charter is available on the Company's website.</p>
1.2	<p>A listed entity should disclose:</p> <p>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</p> <p>(b) provide security holders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a director.</p>	<p>The Board has not established a Nominations Committee given the size of the Board and the Company's operations. The Board as a whole performs the role of selecting of potential new directors, and appropriate checks are made before an appointment occurs.</p> <p>The Company provides security holders with all material information in its possession concerning the appointment or re-appointment of a director in the Notice of Shareholder Meeting concerning that appointment or re-appointment. A recommendation of the Directors concerning that appointment or re-appointment is also given.</p>

	Best Practice Recommendation	Comment
1.	<i>Lay solid foundations for management and oversight</i>	
1.3	A listed entity should have a written agreement with each director and senior executive setting out the terms of their appointment.	The Company has a written agreement with each director and senior executive setting out the terms of their appointment.
1.4	The company secretary of a listed entity should be accountable directly to the board, through the proper functioning of the board.	The company secretary is accountable directly to the board, through the chair, on all matters to do with the proper functioning of the board. The current company secretary is a long-standing appointee and has direct contact with all directors as and when required.
1.5	<p>A listed entity should:</p> <p>(a) have a diversity policy that includes requirements of the board or a relevant committee of the board to set measurable objectives for achieving gender diversity and to assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it: and</p> <p>(c) disclose as at the end of each reporting period the measurable objectives for achieving gender diversity set by the board or a relevant committee of the board in accordance with the entity's diversity policy and its progress towards achieving them and either:</p> <ol style="list-style-type: none"> <li>the respective proportions of men and women on the board, in senior executive positions and across the whole organisation (including how the entity has defined "senior executive" for these purposes); or</li> <li>if the entity is a "relevant employer" under the Workplace Gender Equality Act, the entity's most recent "Gender Equality Indicators", as defined in and published under the Act.</li> </ol>	<p>The Company does not have a specific policy or measurable objectives for achieving gender diversity. The Board believes the existing Code of Conduct anti-discrimination provisions provide for this. The Company does not believe it is appropriate to establish a quota system for measuring gender diversity, and indeed such a quota system could itself lead to discrimination.</p> <p>As a "relevant employer" under the Workplace Gender Equality Act, the company is compliant with the minimum requirements of the act and intends to take appropriate action should it be of the view that there is insufficient gender diversity within the business.</p> <p>As at 26 June 2022, there were 55 (27 June 2022, 29) women employed representing 35.26% (27 June 2021, 22.66%) of total employees. There were no female senior executives as at the reporting date (27 June 2021: None).</p> <p>There was one female on the Board of Directors (27 June 2021, one).</p> <p>The Company's Corporate Governance Section on its website includes the Company's 2022 Workplace Gender Equality public report and the corresponding compliance notice issued to the company on the 22nd July 2020.</p>



	Best Practice Recommendation	Comment
1.	<i>Lay solid foundations for management and oversight</i>	
1.6	<p>A listed entity should:</p> <p>(a) have and disclose the process of periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The Company does not have a formal policy for the periodic evaluation of its Board. The Board does not consider that a formal policy is necessary given the size of the Board and operations of the Company. The Company intends carried out an internal process of evaluation during the current period.</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose process of periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The Board is responsible for assessing the performance of the Managing Director. The Managing Director is responsible for assessing the performance of all executives within the Company, in conjunction with the Board.</p> <p>Key performance indicators are set annually, and appraisals are conducted at least biannually for all Pental employees.</p> <p>A performance evaluation for the Managing Director and all executives has taken place during the year under the process disclosed.</p>



	Best Practice Recommendation	Comment
2.	<i>Structure the board to add value</i>	
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <ol style="list-style-type: none"> <li>1. has at least three members, a majority of whom are independent directors; and</li> <li>2. is chaired by an independent director, and disclose</li> <li>3. the charter of the committee;</li> <li>4. the members of the committee; and</li> <li>5. as the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> <p>(b) if it does not have a nomination committee disclose that fact and the processes it employs to address board succession issues and to ensure that the board has the appropriate balance of skills, knowledge, experience, independence and diversity to enable it to discharge its duties and responsibilities effectively.</p>	<p>The Board has not established a Nominations Committee. The Board as a whole carries out the function of a Nominations Committee, and Pental believes this is appropriate for a Company of its size and business. The Board seeks to ensure that it has an appropriate mix of skills and necessary to fulfil its obligations.</p>
2.2	<p>A listed entity should have and disclosed a board skills matrix setting out the mix of skills and diversity that the board currently has or is looking to achieve in its membership.</p>	<p>Pental does not have a board skills matrix. The names and details of Directors in office at the date of this Annual Report, including skills, experience, term of office and expertise, are included in the Directors' Report Section of this Annual Report. The Board considers that it has directors with appropriate skills, experience and expertise for a business such as Pental's.</p>
2.3	<p>A listed entity should disclose:</p> <p>(a) the names of the directors considered by the board to be independent directors;</p> <p>(b) if a director has an interest, position, association or relationship of the type described in Box 2.3 but the board is of the opinion that it does not compromise the independence of the director, the nature of the interest position, association or relationship in question and an explanation of why the board is of that opinion; and</p> <p>(c) the length of service of each director.</p>	<p>Directors of Pental are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. The following Directors are considered to be independent; Mr Mark Hardgrave, Ms Kerrie Parker, Mr Jeff Miciulis and Mr Fred Harrison.</p> <p>Mr Charlie McLeish is Managing Director and not considered independent.</p> <p>Mr Harrison is considered to be independent despite the fact that his employer Richies Stores Pty Ltd invoiced the Group a total of</p>

	Best Practice Recommendation	Comment
2.	<i>Structure the board to add value</i>	
		<p>\$129,799.66 (including GST) relating to the Group's participation in various promotions, rebates, and trading terms during the financial year. All transactions were conducted at arm's length. The value of the above mentioned promotions, rebates and trading terms are not material to Mr Harrison as an employee of Richies Stores Pty Ltd, or Pental.</p> <p>The date of appointment and resignation of each Director is set out in the Directors' Report Section of this Annual Report.</p>
2.4	A majority of the board of a listed entity should be independent directors.	At the date of this report and during the period a majority of directors were independent directors.
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	The Chairman is an independent director. The Managing Director is not the Chairman.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	<p>The Company has an induction program for new directors.</p> <p>The company does not provide professional development opportunities for Directors. Given the current skill sets of each Director the Board considers that this is unnecessary.</p>



	Best Practice Recommendation	Comment
3.	<i>Instil a culture of acting lawfully, ethically and responsibly</i>	
3.1	A listed entity should articulate and disclose its values	Pental is dedicated to delivering quality, expertise and value in everything we make. Our products are designed to help families live better. Ours are trusted and loved brands that have been a part of Australians' lives for generations. We always act with dignity and respect.
3.2	A listed entity should:  (a) have a code of conduct for its directors, senior executives and employees; and  (b) disclose that code or a summary of it.	<p>The Company has a formal Code of Conduct, which applies to all Pental directors, employees, and contractors. A summary of this policy is available on the Company website within the Corporate Governance Section.</p> <p>The Company's Corporate Governance Section includes the Securities Trading Policy, which regulates dealings by directors, officers and employees in securities issued by the Company.</p>
3.3	A listed entity should:  (a) have and disclose a whistleblower policy; and  (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy.	<p>The Company has a Whistleblower Policy. The Policy, which encourages reporting of unethical, corrupt and illegal practices, and any breach of Pental's Code of Conduct, particularly concerning compliance concerns around the Competition and Consumer Act; the Australian Consumer Law, is also available on the company website within the Corporate Governance Section.</p> <p>The Company's Corporate Governance Section on its website includes a whistleblower policy.</p> <p>Any material incidents are encouraged to be reported to the company secretary who reports to the board in a timely manner.</p>
3.4	A listed entity should:  (a) have and disclose an anti-bribery and corruption policy; and  (b) ensure that the board or a committee of the board is informed of any material breaches of that policy.	<p>The Company's Corporate Governance Section on its website includes an anti-bribery and corruption policy.</p> <p>Any material incidents are encouraged to be reported to the company secretary who report to the board in a timely manner.</p>

	Best Practice Recommendation	Comment
4.	<i>Safeguard integrity in financial reporting</i>	
4.1	<p>The board of a listed entity should:</p> <p>(a) have an audit committee which:</p> <ol style="list-style-type: none"> <li>1. has at least three members, all of whom are executive directors and a majority of whom are independent directors; and</li> <li>2. is chaired by an independent director, who is not the chair of the board, and disclose</li> <li>3. the charter of the committee;</li> <li>4. the relevant qualifications and experience of the members of the committee; and</li> <li>5. in relation to each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> <p>(b) if it does not have an audit committee, disclose that fact and the processes it employs that independently verify and safeguard the integrity of its corporate reporting, including the processes for the appointment and removal of the external auditor and the rotation of the audit engagement partner.</p>	<p>The Board has an Audit and Risk Committee. The Audit and Risk Committee consisted of three members, all of whom are independent directors.</p> <p>The Chair of the Committee was and is not the Chair of the Board during the period.</p> <p>The names of the members of the Committee, details of their qualifications and experience and details of the number of meetings held during the period, are contained in the Directors' Report section of this Annual Report.</p> <p>The audit and Risk Committee operates under a Charter that is available on the Company website within the Corporate Governance Section.</p>
4.2	<p>The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that in their opinion, the financial records of the entity have been properly maintained and that financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.</p>	<p>The Board has obtained the relevant assurances and declarations from the management.</p>
4.3	<p>A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor</p>	<p>The Company currently does not release any periodic corporate report that is not audited or reviewed by an external auditor.</p>

	Best Practice Recommendation	Comment
5.	<i>Make timely and balanced disclosure</i>	
5.1	A listed entity should:  (a) have written policy for complying with its continuous disclosure obligations under the Listing Rules; and  (b) disclose that policy or a summary of it	The Company has in place a Continuous Disclosure Policy, which has been implemented across the Company. The Policy is available on the Corporate Governance section of the Company website.
5.2	A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made.	The Directors are notified of all material announcements promptly.
5.3	A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	The Company is compliant with this recommendation.





	Best Practice Recommendation	Comment
6.	<i>Respect the rights of shareholders</i>	
6.1	A listed entity should provide information about itself and its governance to investors via its website.	The Company provides information about itself and its governance on its website. All policies and charters concerning governance issues are located within a dedicated section headed Corporate Governance.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	The Company has in place a Shareholder Communication Policy, which promotes effective communication with shareholders. The policy is available on the Corporate Governance section of the Company website.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	The Company has in place a Shareholder Communication Policy, which promotes effective communication with shareholders. The Policy is available on the Corporate Governance section of the Company website.
6.4	A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	The Company is compliant with this recommendation.
6.5	A listed entity should give security holders the option to receive communication from, and send communications to, the entity and its security registry electronically.	The Company gives security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.
7.	<i>Recognise and manage risk</i>	
7.1	<p>The board of a listed entity should:</p> <p>(a) have a committee or committees to oversee risk, each of which:</p> <ol style="list-style-type: none"> <li>1. has at least three members, a majority of whom are independent directors; and</li> <li>2. is chaired by an independent director, and disclose:</li> <li>3. the charter of the committee;</li> <li>4. the members of the committee;</li> </ol>	The Audit and Risk Committee referred to in section 4 also oversees risk as part of its Charter.

	Best Practice Recommendation	Comment
7.	<i>Recognise and manage risk</i>	
	<p>5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) of it does not have a risk committee or committees that satisfy (a) above, disclose that fact and the processes it employs for overseeing the entity's risk management framework.</p>	
7.2	<p>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	<p>The Audit and Risk Committee reviews the Company's risk management framework annually and specific risks at each meeting. Key risks are referred to the Board periodically, and management reports on whether risk is being effectively managed.</p>
7.3	<p>A listed entity should disclose:</p> <p>(a) if it has an internal audit function, how the function is structured and what role it performs; or</p> <p>(b) if it does not have an internal audit function, that fact and the processes it employs for evaluating and continually improving the effectiveness of its risk management and internal control processes.</p>	<p>The Company does not have an internal audit function. The Board considers this unnecessary given the size of the Company's operations.</p> <p>The Audit and Risk Committee reviews the Company's risk management framework and risks generally. Where necessary the Company has requested external advisors to review particular operations to ensure internal controls are effective.</p>
7.4	<p>A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if does, how it manages or intends to manage those risks.</p>	<p>The Company does not have any economic, environmental and social sustainability risks over and above those of every commercial organisation, and not already disclosed to security holders.</p>

	Best Practice Recommendation	Comment
8.	<i>Remunerate fairly and responsibly</i>	
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ol style="list-style-type: none"> <li>1. has at least three members, a majority of whom are independent directors; and</li> <li>2. is chaired by an independent director, and disclose:</li> <li>3. the charter of the committee</li> <li>4. the members of the committee; and</li> <li>5. as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>The Board has established a Remuneration Committee. The Remuneration Committee operates under a Charter, which is available on the Company's website.</p> <p>Membership of the Committee, and details of meetings held during the period, are contained in the Directors' Report section. The Remuneration Committee consisted of four members, all of whom are independent directors.</p>
8.2	<p>A listed entity should separately disclose its policies and practices regarding the remuneration of non-executive directors and the remuneration of executive directors and other senior executives.</p>	<p>Remuneration policies are set out in the Remuneration Report section of this Annual Report.</p> <p>When thought desirable the Board utilises specialist third parties to benchmark executive and non-executive director remuneration.</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in this scheme; and</p> <p>(b) disclose that policy or a summary of it</p>	<p>The Company has established an Executive Variable Incentive Plan that may result in the issue of securities to executives. As those securities will be ordinary shares there is no policy on permitting participants to enter into transactions limiting the risks of participation scheme.</p>



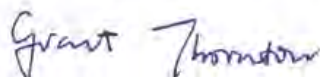
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Level 22 Tower 5  
Collins Square  
727 Collins Street  
Melbourne VIC 3008  
GPO Box 4736  
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## Auditor's Independence Declaration

### To the Directors of Pental Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the audit of Pental Limited for the year ended 26 June 2022, I declare that, to the best of my knowledge and belief, there have been:

- a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b no contraventions of any applicable code of professional conduct in relation to the audit.



Grant Thornton Audit Pty Ltd  
Chartered Accountants



S C Trivett  
Partner – Audit & Assurance

Melbourne, 18 August 2022

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ACN-130 913 594

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## Independent Auditor's Report

To the Members of Pental Limited

Report on the audit of the financial report

Grant Thornton Audit Pty Ltd

Level 22 Tower 5  
Collins Square  
727 Collins Street  
Melbourne VIC 3008  
GPO Box 4736  
Melbourne VIC 3001  
T +61 3 8320 2222

### Opinion

We have audited the financial report of Pental Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 26 June 2022, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

- a giving a true and fair view of the Group's financial position as at 26 June 2022 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the Corporations Regulations 2001.

### Basis for opinion

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

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

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of 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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ACN-130 913 594

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Key audit matter	How our audit addressed the key audit matter
<b>Carrying value of brand names – Note 17</b>	
<p>As at 26 June 2022, the Group carries indefinite life brand names of \$22.246 million. Accounting Standard AASB 136: <i>Impairment of Assets</i> requires indefinite life intangibles to be assessed for impairment, at least annually, or where external or internal impairment indicators are identified.</p> <p>An impairment is recorded when the recoverable amount of an asset exceeds its carrying value. The recoverable amount of these brand names have been determined using a 'relief from royalty' approach, which incorporates significant judgement, in particular, the estimation of future maintainable revenue and applying an appropriate royalty rate, discount rate and long-term growth rate, which inherently involves a high degree of estimation and judgement by management.</p> <p>This area was determined to be a key audit matter due to the abovementioned judgments in preparing a relief from royalty model for determining the recoverable amount in management's impairment assessments.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Documenting and assessing the processes and controls in place for management to prepare the relief from royalty model;</li> <li>• Assessing and challenging management's valuation methodology and the key assumptions applied;</li> <li>• Assessing the sensitivity analysis performed by management on key assumptions and performing independent sensitivity analysis;</li> <li>• Involving our valuation specialists to assess the relief from royalty model and evaluate the reasonableness of key assumptions, including the royalty rate, discount rate and long-term growth rate;</li> <li>• Assessing the reasonableness of the Board approved cash flow projections used in the relief from royalty model, as well as the Group's historical ability to forecast accurately; and</li> <li>• Assessing the appropriateness of disclosures within the financial report.</li> </ul>
<b>Business combination – Note 8</b>	
<p>On 1 September 2021, the Group acquired 100% of the shares in Hampers with Bite Pty Ltd for total consideration of \$27.658 million.</p> <p>Accounting Standard AASB 3: <i>Business Combinations</i> requires significant judgement and estimations to be made in relation to:</p> <ul style="list-style-type: none"> <li>• The fair value of purchase consideration, including any contingent consideration;</li> <li>• The fair value of assets and liabilities acquired, including separately identifiable intangibles assets; and</li> <li>• Evaluating the fair value of assets acquired during the provisional accounting period.</li> </ul> <p>This is a key audit matter due to the significant judgement required as part of the determination of estimates when accounting for a business combination.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Obtaining and reviewing the underlying sale and purchase agreements to understand key terms and conditions of the transaction;</li> <li>• Reviewing the work contained in the purchase price allocation valuation calculations, including a review of management's expert's valuation assessment, to determine whether: <ul style="list-style-type: none"> <li>- Identified intangible assets are appropriate;</li> <li>- Valuation methodologies applied are reasonable; and</li> <li>- Assumptions applied are reasonable compared with external benchmarks and industry knowledge;</li> </ul> </li> <li>• Reviewing work contained in the purchase price allocation valuation calculation, including involving our Corporate Finance team to determine the appropriateness of valuation methodologies and assumptions applied;</li> <li>• Testing the mathematical accuracy of the calculations; and</li> <li>• Assessing the appropriateness of disclosures within the financial report.</li> </ul>



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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 26 June 2022, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### Responsibilities of the Directors' for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability 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 have no realistic alternative but to do so.

#### Auditor's responsibilities for the audit of the financial report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: [http://www.auasb.gov.au/auditors\\_responsibilities/ar1\\_2020.pdf](http://www.auasb.gov.au/auditors_responsibilities/ar1_2020.pdf). This description forms part of our auditor's report.

#### Report on the remuneration report

##### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 14 to 20 of the Directors' report for the year ended 26 June 2022.

In our opinion, the Remuneration Report of Pental Limited, for the year ended 26 June 2022 complies with section 300A of the *Corporations Act 2001*.

#### Responsibilities

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

Grant Thornton Audit Pty Ltd  
Chartered Accountants

S C Trivett  
Partner – Audit & Assurance

Melbourne, 18 August 2022

# DIRECTORS' DECLARATION

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements and notes there to are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group;
- (c) in the Director's opinion the financial statement and notes there to are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as stated in note 2 to the financial statements; and
- (d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in note 13 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors



Mark Hardgrave  
Chairman  
Melbourne, 18 August 2022



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year (52 weeks) ended 26 June 2022

	Note	2022 \$'000	2021 \$'000
<b>Continuing Operations</b>			
Revenue from the sale of goods	4	117,432	124,940
Other revenue and income		151	201
Other gains and losses		19	275
Changes in inventory of finished goods and work in progress		(853)	7,368
Raw materials, consumables used and utilities		(59,120)	(90,243)
Employee benefits expense	7	(18,728)	(14,500)
Freight out and distribution expense		(12,074)	(7,222)
Marketing expenses		(5,273)	(2,259)
Occupancy expenses		(1,539)	(1,535)
Selling expenses		(1,092)	(1,050)
Repairs and maintenance expense		(1,010)	(1,149)
Other expenses		(3,231)	(2,828)
Acquisition related expense	8	(1,047)	-
Impairment of brand names	17	-	(348)
<b>Profit before finance costs, income tax, depreciation and amortisation (EBITDA)</b>		<b>13,635</b>	<b>11,650</b>
Depreciation and amortisation expense	7	(3,899)	(3,849)
<b>Profit before finance costs and income tax (EBIT)</b>		<b>9,736</b>	<b>7,801</b>
Finance costs	5	(189)	(121)
<b>Profit before tax</b>		<b>9,547</b>	<b>7,680</b>
Income tax expense	6	(3,180)	(2,317)
<b>Net Profit for the year</b>		<b>6,367</b>	<b>5,363</b>
<b>Profit Attributable to Members of the Parent Entity</b>		<b>6,367</b>	<b>5,363</b>
<b>Other comprehensive income</b>			
Items that may be classified subsequently to profit or loss: Loss on cash flow hedges taken to equity		(44)	(273)
Income tax relating to components of other comprehensive income		13	82
<b>Other comprehensive income for the year (net of tax)</b>		<b>(31)</b>	<b>(191)</b>
<b>Total comprehensive income for the year</b>		<b>6,336</b>	<b>5,172</b>
Profit attributable to equity holders of the parent		6,367	5,363
Total comprehensive income attributable to equity holders of the parent		6,336	5,172
<b>Earnings per share Attributable to the Members of the Parent Entity</b>			
Basic (cents per share)	9	3.89	3.94
Diluted (cents per share)	9	3.80	3.85

Notes to the financial statements are included on pages 68 to 107.

# CONSOLIDATED STATEMENT OF PROFIT OF FINANCIAL POSITION

As at 26 June 2022

	Note	26 June 2022 \$'000	27 June 2021 \$'000
<b>Current assets</b>			
Cash and cash equivalents	29 (a)	8,132	12,702
Trade and other receivables	10	17,395	14,096
Inventories	11	17,817	16,053
Other financial assets	12	23	66
Other assets	18	646	267
<b>Total current assets</b>		<b>44,013</b>	<b>43,184</b>
<b>Non current assets</b>			
Right-of-use assets	15	1,013	928
Property, plant and equipment	14	18,888	19,301
Goodwill	16	18,903	-
Intangible assets	17	22,463	12,181
<b>Total non-current assets</b>		<b>61,267</b>	<b>32,410</b>
<b>Total assets</b>		<b>105,280</b>	<b>75,594</b>
<b>Current liabilities</b>			
Trade and other payables	19	16,306	12,291
Borrowings		1,700	-
Other financial liabilities	20	89	81
Current tax payables	6	342	449
Lease liabilities	15	667	532
Contingent consideration	8	3,537	-
Provisions	22	2,977	2,613
<b>Total non-current liabilities</b>		<b>25,618</b>	<b>15,966</b>
<b>Non-current liabilities</b>			
Borrowings		2,125	-
Deferred tax liabilities	6	5,340	2,363
Lease liabilities	15	305	446
Provisions	22	80	72
<b>Total current liabilities</b>		<b>7,850</b>	<b>2,881</b>
<b>Total liabilities</b>		<b>33,468</b>	<b>18,847</b>
<b>Net assets</b>		<b>71,812</b>	<b>56,747</b>
<b>Equity</b>			
Issued capital	23	103,830	90,658
Reserves		390	248
Accumulated losses		(32,408)	(34,159)
<b>Total equity</b>		<b>71,812</b>	<b>56,747</b>

Notes to the financial statements are included on pages 68 to 107.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year (52 weeks) ended 26 June 2022

	Note	Issued capital \$'000	Hedging reserve \$'000	Equity settled employee benefits reserve \$'000	Retaining earnings \$'000	Total \$'000
Balance at 28 June 2020		90,658	238	65	(35,162)	55,799
Profit for the year		-	-	-	5,363	5,363
Loss on cash flow hedges		-	(238)	-	-	(273)
Deferred tax arising on hedges	6	-	82	-	-	82
<b>Total comprehensive income for the year</b>		-	(191)	-	5,363	5,172

## Transactions with shareholders

Dividend Payment	24(a)	-	-	-	(4,360)	(4,360)
Recognition of share-based payments		-	-	136	-	136
<b>Total transactions with shareholders</b>		-	-	136	(4,360)	(4,224)
Balance at 27 June 2021	23	90,658	47	201	(34,159)	56,747

Balance at 27 June 2021		90,658	47	201	(34,159)	56,747
Profit for the year		-	-	-	6,367	6,367
Loss on cash flow hedges		-	(44)	-	-	(44)
Deferred tax arising on hedges	6	-	13	-	-	13
<b>Total comprehensive income for the year</b>		-	(31)	-	6,367	6,336

## Transactions with shareholders

Shared issued as consideration		3,000	-	-	-	3,000
Placement of shares		10,466	-	-	-	10,466
Share issue cost		(420)	-	-	-	(420)
Income tax benefit on share issue costs		126	-	-	-	126
Dividend Payment	24(a)	-	-	-	(4,616)	(4,616)
Recognition of share-based payments		-	-	173	-	173
<b>Total transactions with shareholders</b>		13,172	-	173	(4,616)	8,729
Balance at 26 June 2022	23	103,830	16	374	(32,408)	71,812

Notes to the financial statements are included on pages 68 to 107.



# CONSOLIDATED STATEMENT OF CASH FLOWS

## For the year (52 weeks) ended 26 June 2022

	Note	26 June 2022 \$'000	27 June 2021 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		128,419	146,573
Payments to suppliers and employees		(113,943)	(126,787)
Interest on lease liabilities	15	(34)	(44)
Interest and other costs of finance paid		(155)	(77)
Income tax paid		(4,497)	(3,620)
Income tax refunds received		135	-
<b>Net cash provided by/ (used in) operation activities</b>	<b>29(b)</b>	<b>9,925</b>	<b>16,045</b>
<b>Cash flows from investing activities</b>			
Acquisition Costs - Expensed		(1,047)	-
Payments for plant and equipment	14	(2,085)	(1,837)
Payment for acquisitions (net of cash acquired)	8	(19,607)	-
Payments for intangible assets	17	(157)	(118)
<b>Net cash used in investing activities</b>		<b>(22,896)</b>	<b>(1,955)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share	23	10,466	-
Payment for share issue costs	23	(420)	-
Proceeds from Borrowings		8,500	-
Repayment of borrowings		(4,675)	-
Repayment of lease liabilities	15	(862)	(565)
Utilisation/(repayment) of supplier payment facility		8	(131)
Dividends paid	24	(4,616)	(4,360)
<b>Net cash used in financing activities</b>		<b>8,401</b>	<b>(5,056)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(4,570)</b>	<b>9,034</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>12,702</b>	<b>3,668</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>29(a)</b>	<b>8,132</b>	<b>12,702</b>

Notes to the financial statements are included on pages 68 to 107.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. General Information

Pental Limited, incorporated and domiciled in Australia, is a publicly listed company on the Australia Stock Exchange, limited by shares.

**Company Secretary**  
**Mr Oliver Carton**

### Principal Registered Office

Pental Limited  
Level 6, 390 St.Kilda Road  
Melbourne Victoria 3004  
Telephone: (03) 9251 2311  
Facsimile: (03) 9645 3001  
[www.pental.com.au](http://www.pental.com.au)

### Share Registry

Boardroom Pty Limited  
Grosvenor Place, Level 12,  
225 George Street, Sydney NSW 200  
Telephone within Australia:  
1300 737 760  
Telephone outside Australia: +61 2 9290 9600  
Facsimile: +61 2 9279 0664  
[www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

## 2. Significant Accounting Policies

### Statement of compliance

These financial statements are general purpose financial statement 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 consolidated financial statements, the Company is for a for-profit entity.

Accounting Standards include International Financial Reporting Standards as adopted in Australia ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the directors on 18 August 2022.

### Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on fair values of the consideration given in exchange for assets. All amounts are presented in Australia dollars, unless otherwise noted.

The Company is a company of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the Directors' Report and financial report are rounded off to the nearest hundred thousand dollars, unless otherwise indicated.

### Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgements estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

### Impairment of brand names

Determining whether brand names are impaired requires an estimation of recoverable amount, representing the higher of the fair value less costs to sell and the relief royalty method estimate of reasonable future cash flows. The estimation of the recoverable amount requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of brand names at 26 June 2022 was \$22.246 million (27 June 2021: \$12.006 million). Details of movements and impairment testing are set out in Note 17.

### Trade spend accounting judgement

Trade receivables are disclosed net of rebates payable. The Group has the legal right to offset such balances as they are with the same customers and it is the Group's intention to net settle any outstanding items. The main judgement related to accruals for customer rebates is the timing and extent to which temporary promotional activity has occurred prior to year-end. Customer rebates consist primarily of customer pricing allowances and promotional allowances, which are governed by agreements with our trade customers (retailers and distributors). Accruals are recognised under the terms of these agreements, to reflect the expected promotional activity and The Group's historical experience.

### Coronavirus (COVID-19) Pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the consolidated entity based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the consolidated entity operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the consolidated entity unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.



### Share-based payment transactions

The consolidated entity 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 the Binomial model taking into account the terms and conditions upon which the instruments were granted. 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. Refer to note 26 for further information.

### 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 consolidated entity 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.

The carrying amount of Goodwill at 26 June 2022 was \$18.903 million (27 June 2021: Nil). Details of movements and impairment testing are set in Note 16.

### Business combinations

As discussed in note 2, business combinations are initially accounted for on a provisional basis. The fair value of assets acquired, liabilities, and contingent liabilities assumed are initially estimated by the consolidated entity taking into consideration all available information at the reporting date. Fair value adjustments on the finalisation of the business combination accounting is retrospective, where applicable, to the period the combination occurred and may have an impact on the assets and liabilities, depreciation and amortisation reported. Refer to note 8 for further information.



# NOTES TO THE FINANCIAL STATEMENTS

## (CONT)

### 2. Significant Accounting Policies Cont.

#### Adoption of new and revised Accounting Standards

In the current year, the Group has not adopted any new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) as in the Group's judgement they are not relevant to its operations.

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been adopted by the Group for the annual reporting period ended 26 June 2022. The Group has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

#### Accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

##### (a) Basis of consolidation

The consolidated financial statement are prepared by combining the financial statements of all the entities that comprise the consolidated, being the Company (the parent entity) and its subsidiaries (referred to as "the Group" in these financial statements) as defined in Accounting Standard AASB 10 'Consolidated Financial Statements'. A list of subsidiaries appears in consolidated financial statements.

In preparing the consolidated financial statements, all inter-company balances and transactions, and unrealised profits arising within the Group are eliminated in full.

##### (b) Business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition

costs are expensed as incurred to profit or loss.

On the acquisition of a business, the consolidated entity the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the consolidated entity's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the consolidated entity remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an assets or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the acquisition-date, but only after a reassessment of the identification and measurement of the net assets required, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

## 2. Significant Accounting Policies Cont.

### (c) Foreign currency

The presentation and functional currency of the Group is Australian dollars

#### Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the end of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date.

Exchange differences are recognised in profit or loss in the period in which they arise except that:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer Note 25); and
- exchange differences on monetary items receivables from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translations reserve and recognised in profit or loss on disposal of the net investment.

### (d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified within operating cash flows.

### (e) Revenue

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Refer to Note 4 for further details on the accounting policy for revenue from the sale of goods.

### (f) Share based payment transactions

The Executive Variable Incentive Plan (EVIP) grants performance rights over shares in the Company to certain employees. The fair value of the performance rights granted under the EVIP is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and is spread recognised from grant date to vesting date. The fair value of the performance rights granted is measured using the binomial method, taking into account the terms and conditions upon which the performance rights were granted.



# NOTES TO THE FINANCIAL STATEMENTS

## (CONT)

### 2. Significant Accounting Policies Cont.

#### (g) Income tax

##### *Current tax*

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

##### *Deferred tax*

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

##### *Current and deferred tax for the period*

Current and deferred tax is recognised as an expense or income in profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

##### *Tax consolidation*

The Company and all its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. Pental Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group). Due to the existence of a tax funding arrangement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.

## 2. Significant Accounting Policies Cont.

### (h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

### (i) Financial assets

#### *Trade receivables*

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any expected credit losses. Trade receivables are disclosed net of rebates payable where the Group has the legal right to offset such balances as they are with the same customers and it is the Group's intention to net settle.

#### *Provision for Expected Credit Loss*

The Group applies the simplified approach to the measurement of expected credit losses, using the lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables are grouped based on credit risk characteristics and the days past due. A provision matrix is then determined based on historical credit loss rate for each group, adjusted for any material expected changes to the future credit risk for that group.

#### *Other financial assets*

For the accounting policy on derivatives – refer Note 2(r) and Note 25.

### (j) Inventories

Inventories are carried at a lower of cost and net realisable value.

Cost includes direct materials, direct labour, other direct variable costs and allocated production overheads necessary to bring inventories to their present location and condition, based on normal operating capacity of the production facilities.

#### *Manufacturing activities*

The cost of manufacturing inventories and work-in-progress are assigned on a first-in first-out basis. Costs arising from exceptional wastage are expensed as incurred.

#### *Net realisable value*

Net realisable value represents the estimated selling price for inventories less estimated costs of completion and costs

### (k) Property, plant and equipment

The carrying amount of property, plant and equipment is valued on a cost basis.

Depreciation is calculated on a straight-line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is shorter, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. Plant and equipment estimated useful life used in the calculation of depreciation is 3 to 20 years. Buildings are depreciated over a period of 30 years on a straight-line basis. Land is not depreciated.

### (l) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with arrangement of borrowings, foreign exchange differences net of hedged amounts on borrowings, including trade creditors and lease finance charges.

Ancillary costs incurred in connection with the arrangement of borrowings are capitalised and amortised over the life of the borrowings. Borrowing costs are expensed as incurred.

### (m) Intangible assets

#### *Brand names*

Brand names are not amortised as the Directors believe the brands have an indefinite useful life. Brand names with indefinite useful lives are tested for impairment annually and whenever there is an indication that the asset may be impaired. Brand names are recorded at fair value at the time of acquisition, less any impairment subsequently recorded.

#### *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.

#### *Computer Software*

All costs directly incurred in the purchase or development of major computer software or subsequent upgrades and material enhancements, which can be reliably measured and are not integral to a related asset, are capitalised as intangible assets. Costs capitalised include external direct costs of materials, services and travel. Costs incurred on computer maintenance or during the planning phase are expensed as incurred. Computer software is amortised over the period of time during which the benefits are expected to arise being 3 to 5 years.



# NOTES TO THE FINANCIAL STATEMENTS

## (CONT)

### 2. Significant Accounting Policies Cont.

#### (n) Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

#### (o) Employee benefits

##### *Short-term and long-term employee benefits*

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave, and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of employee benefits are measured as the present value of estimated future cash outflows to be made by the Group in respect of services provided by employees up to reporting date.

#### (p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that 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 reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

##### *Dividends*

A provision for dividends payable is recognised in the reporting period in which the dividends are declared, for the entire undistributed amount, regardless of the extent to which they will be paid in cash.

#### (q) Financial instruments issued by the company

##### *Debt and equity instruments*

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

##### *Transaction costs on the issue of equity instruments*

Transaction costs arising on the issue of equity instruments are recognised directly in equity as a reduction of the proceeds of the equity instruments to which the costs relate. Transaction costs are the costs that are incurred directly in connection with the issue of those equity instruments and which would not have been incurred had those instruments not been issued. Interest and dividends

## 2. Significant Accounting Policies Cont.

### *Interest and dividends*

Interest and dividends re classified as expenses or as distributions of profit consistent with the statement of financial position classification of the related debt or equity instruments or component parts of compound instruments.

### **(r) Derivative financial instruments**

The Group is exposed to changes in interest rates and foreign exchange rates from its activities. The Group uses forward foreign exchange contracts to hedge these risks. Derivative financial instruments are not held for speculative purposes.

The Group uses derivative financial instruments, being forward foreign currency contracts to hedge the risk associated with foreign currency fluctuations. Such derivatives are stated at fair value. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

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. For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

For derivatives that qualify for hedge accounting, the method for recognising gains and losses on changes in fair value depends on whether the derivative is classified as a fair value hedge or a cash flow hedge. Derivatives are classified as fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability and as cash flow hedges when they hedge exposure to variability in cash flows that are attributable to either a particular risk associated with a recognised asset or liability or to a forecast transaction. The Group documents at inception of the hedge the relationship between the hedging instruments (derivatives) and the hedged items, as well as the risk management objective and strategy for undertaking the hedge transaction.

The Group also documents, both at inception of the hedge and on an ongoing basis whether the derivatives that are used in the hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss for the year, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve and transferred to profit or loss when the hedged item affects profit or loss.

The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss. However, when the cash flow hedge relates to a forward foreign exchange contract to hedge a highly probable forecast transaction or firm commitment that results in a non-financial asset (e.g. inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the initial cost or carrying amount of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires, or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gains or losses on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the year.

### **(s) Financial year**

As allowed under Section 323D (2) of the Corporations Act 2001, the Directors have determined the financial year to be a fixed period of 52 calendar or 53 calendar weeks. For the period to 26 June 2022, the Group is reporting on the 52 week period that began 28 June 2021 and ended 26 June 2022. For the period to 27 June 2021, the Group is reporting on the 52 week period that began 29 June 2020 and ended 27 June 2021.



# NOTES TO THE FINANCIAL STATEMENTS

## (CONT)

### 3. Segment Information

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance is more specifically focused on the Group's three operating divisions

The Group is organised into three operating segments, consistent with management reporting provided to the Group's Managing Director (the chief operating decision maker), which is used to manage the business and allocate resources. The consolidated entity is organised on an international basis into the following reporting segments:

**Owned Brands:** The Group owns and manages a range of brands in the Australian and New Zealand markets including its flagship brands White King, Country Life, Jiffy, Janola and Sunlight. This segment's operations contain manufacturing, wholesale and management of these brands. The Group promotes these brands through advertising, social media, outdoor media and in-store activities.

**Contracted Brands:** The Group provides contract services including manufacturing and distribution to external brand owners. This includes manufacturing of private label products for retailers, contractually manufactured products to specification for external FMCG companies and distribution of products for Duracell batteries. The Group does not manage or promote these brands as it does not own them.

**Hampers with Bite:** The Group acquired an online gifting business Hampers with Bite Pty Ltd (HWB) effective as at 1 September 2021. HWB specialises in sourcing, assembling, and delivering gift hampers directly to consumers on behalf of both businesses and individual customers. The chief operating decision maker views this recently acquired business as a new segment given the nature of HWB operations is significantly different to the Group's existing business segments.



### 3. Segment Information Cont.

The Group's segment financial information is as per below:

	Owned Brands		Contracted Brands		Hampers With Bite		Total	
	26 Jun 2022 \$'000	27 Jun 2021 \$'000	26 Jun 2022 \$'000	27 Jun 2021 \$'000	26 Jun 2022 \$'000	27 Jun 2021 \$'000	26 Jun 2022 \$'000	27 Jun 2021 \$'000
<b>Segment Revenue</b>								
Sales revenue	54,973	52,268	30,810	72,672	31,649	-	117,432	124,940
<b>Segment Results</b>								
Underlying Profit before finance costs and income tax (EBIT)	6,181	5,493	(1,907)	2,656	6,509	-	10,783	8,149
Costs relating to acquisition of Hampers with Bite	(1,047)	-	-	-	-	-	(1,047)	-
Impairment of brandnames	-	(348)	-	-	-	-	-	(348)
Profit before finance costs and income tax (EBIT)	5,134	5,145	(1,907)	2,656	6,509	-	9,736	7,801
Finance costs							(189)	(121)
Profit before income tax							9,547	7,801
Income tax expense							(3,180)	(2,317)
Net profit for the period							6,367	5,363

Due to the similar and shared nature of products, customers, suppliers and facilities, a significant overlap exists between the assets and liabilities utilised by the reported segments. Segment assets and liabilities are, therefore, unable to be allocated to individual segments on a reasonable basis.

#### Geographical analysis

Summarised below is a geographical analysis of revenue based on the geographical location of the Group's customers:

	2022 \$'000	2021 \$'000
<b>Geographical sales</b>		
Australia	102,649	109,726
New Zealand	13,505	13,413
Asia	1,278	1,801
Total geographical sales	117,432	124,940



# NOTES TO THE FINANCIAL STATEMENTS

## (CONT)

### 4. Revenue

The Group generates revenue from the sale of goods on a point in time basis as follows:

	2022 \$'000	2021 \$'000
Revenue from the sale of goods	117,432	124,940

The Group's Top 2 customers – Customer A and Customer B, contributed \$20,700,500 (17.62% of total revenue) and \$17,057,039 (14.52% of total revenue) respectively to the Group's revenue for the year ended 26 June 2022. No other customer contributed more than 10% of the revenue for the year ending 26 June 2022.

#### Accounting policy for revenue from the sale of goods:

The Group manufactures, markets and distributes a range of products targeted at the household essential market in Australia, New Zealand and Asia. Revenue from the sale of goods is recognised when control of the goods has transferred, being when the goods are delivered to the customer, the customer has full discretion over the channel and price to sell the goods, and there is no unfulfilled obligation that could affect the customer's acceptance of the good. Delivery occurs when the goods have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the goods in accordance with the terms of the sale or the Group has objective evidence that all criteria for acceptance has been satisfied. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Goods are often sold with rebates and discounts related to trading terms and promotional activities ("Trade Spend"). Revenue from these sales is recognised net of the estimated value of Trade Spend. Accumulated experience is used to estimate and provide for Trade Spend, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. An accrual for Trade Spend is recognised in relation to sales made up to the end of the reporting period.

No element of financing is deemed present as the sales are made with typical credit terms of 30 to 60 days from invoice month end, consistent with market practice.

### 5. Finance Costs

	2022 \$'000	2021 \$'000
Interest on borrowings	101	21
Other borrowing costs	54	56
Interest on leases	34	44
<b>Total interest expense</b>	<b>189</b>	<b>121</b>



# NOTES TO THE FINANCIAL STATEMENTS

## (CONT)

### 6. Income Taxes

#### Income tax recognised in profit or loss

	2022 \$'000	2021 \$'000
<b>Tax expense comprises:</b>		
Current tax expense	3,072	2,735
Deferred tax expense	121	(420)
Adjustments recognised in relation to the current tax of prior years	(13)	2
<b>Total tax expense</b>	<b>3,180</b>	<b>2,317</b>

The prima facie income tax expense on pre-tax accounting profit reconciles to the income tax expense in the financial statements as follows:

	2022 \$'000	2021 \$'000
Profit from operations	9,547	7,680
Tax at the Australia tax rate of 30%	2,864	2,304
Non Deductible items	329	11
Adjustments recognised in relation to the current tax of prior years	(13)	2
<b>Total tax expense</b>	<b>3,180</b>	<b>2,317</b>

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

#### Income tax recognised in other comprehensive income

	2022 \$'000	2021 \$'000
<b>Deferred tax</b>		
<b>Arising on amounts recognised in other comprehensive income:</b>		
Changes in the fair value of cash flow hedges	13	82
	13	82

## 6. Income Taxes Cont.

### Deferred tax balances

Deferred tax assets/ (liabilities) arise from the following:

2022						
	Opening balance \$'000	Charged to income \$'000	Recognised in other comprehensive income \$'000	Additions through business combinations \$'000	Charged to equity \$'000	Closing Balance \$'000

### Deferred tax assets

Provision for expected credit losses	67	5	-	-	-	72
Provisions	851	(79)	-	137	-	909
Share based payments	60	52	-	-	-	112
Lease Liabilities	302	23	-	-	-	325
Inventory obsolescence	373	1	-	-	-	374
Accruals	58	3	-	-	-	61
Costs relating to issuance of shares	-	(25)	-	-	126	101
Other	-	5	-	-	-	5
	1,711	(15)	-	137	126	1,959

### Deferred tax liabilities

Property, plant and equipment	(82)	(199)	-	(60)	-	(341)
Leased Assets	(278)	(4)	-	-	-	(282)
Foreign currency items	(108)	98	13	-	-	3
Brandnames	(3,602)	-	-	(3,072)	-	(6,674)
Other	(4)	(1)	-	-	-	(5)
	(4,074)	(106)	13	(3,132)	-	(7,299)
Net deferred tax asset/ (liability)	(2,363)	(121)	13	(2,995)	126	(5,340)

## 6. Income Taxes Cont.

2021					
	Opening balance \$'000	Charged to income \$'000	Recognised in other comprehensive income \$'000	Charged to equity \$'000	Closing Balance \$'000

**Deferred tax assets**

Provision for expected credit losses	35	32	-	-	67
Provisions	751	100	-	-	851
Share based payments	-	60	-	-	60
Lease Liabilities	369	(67)	-	-	302
Inventory obsolescence	222	151	-	-	373
Accruals	60	(2)	-	-	58
	1,437	274	-	-	1,711

**Deferred tax liabilities**

Property, planet and equipment	(151)	69	-	-	(82)
Leased Assets	(351)	73	-	-	(278)
Foreign currency items	(91)	(99)	82	-	(108)
Brandnames	(3,706)	104	-	-	(3,602)
Other	(3)	(1)	-	-	(4)
	(4,302)	146	82	-	(4,074)
Net deferred tax asset/ (liability)	(2,865)	420	82	-	(2,363)



# NOTES TO THE FINANCIAL STATEMENTS

## (CONT)

### 6. Income Taxes Cont.

#### Current tax liabilities

	2022 \$'000	2021 \$'000
Income tax payable	342	449
	342	449

#### Tax consolidation

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group, and are therefore taxed as a single entity. The head entity within the tax-consolidated group is Pental Limited. The members of the tax-consolidated group are identified at Note 13.

#### Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Pental Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group. The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

### Unrecognised taxable temporary differences associated with investments and interests

In accordance with AASB112.81, there are no taxable temporary differences in relation to investments in subsidiaries for which deferred tax assets or liabilities have not been recognised.

### 7. Profit for the year

	2022 \$'000	2021 \$'000
<b>Expenses</b>		
Cost of goods sold	73,662	95,517
Depreciation: Property plant and equipment	2,888	3,169
Depreciation: Right-of-use assets	888	583
Amortisation: Software	123	97
Total depreciation and amortisation	3,899	3,849
<b>Employee benefits expense:</b>		
Post-employment benefits - defined contribution plans	1,471	1,125
Share based payments expense	173	137
Other employee benefits	17,084	13,238
	18,728	14,500

Cost of goods sold includes cost of products or raw materials, including inbound freight, direct labour costs for production and factory overhead expenses where applicable.

## 8. Business Combinations

### Summary of Acquisition

On 1 September 2021, the Group acquired 100% shares on issue of Hampers with Bite Pty Ltd, a leading provider of premium gift hampers directly to the consumers on behalf of businesses and individuals, for a total purchase consideration of \$27,658,164.

HWB was established in 2004 in Melbourne by 2 brothers – Nick and Rory Boyle. The business has since then seen significant growth, particularly in the previous 3 financial years after it emerged as one of the leading providers of gift hampers in the Australian market. HWB represents a transformational and strategically compelling acquisition with significant growth potential that can advance Pental's online channel which is a key strategy of Pental.

Details of the purchase consideration, net identifiable assets acquired, and goodwill on a provisional basis are as follows:

	\$'000
<b>Purchase consideration</b>	
Cash paid	21,121
Add: contingent consideration	4,000
Add: equity consideration	3,000
Less: completion working capital adjustment (receivable)	(463)
<b>Total purchase consideration</b>	<b>27,658</b>

Contingent consideration is payable to vendors subject to HWB achieving an agreed EBIT performance target range structured as per below:

- (a) Maximum amount of \$4.0 million will be payable upon HWB achieving EBIT of \$6.3 million or more for the 2022 financial year;
- (b) No consideration will be payable if HWB achieved an EBIT result below \$5.4 million for the 2022 financial year;
- (c) If HWB achieved an EBIT result above \$5.4 million but below \$6.3 million, the contingent consideration will be calculated by multiplying EBIT portion above \$5.4 million by a factor of 4.5.

Equity consideration is payable in form of 6,666,667 fully paid ordinary shares calculated by dividing \$3,000,000 by volume weighted average price of 5 days prior to acquisition which was \$0.45. Shares issued as a part of equity consideration will be subject to voluntary escrow until the conclusion of 2022 financial year.

The Group and vendors have agreed to offset completion working capital adjustment amount against contingent consideration payable to the Vendors.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONT)

### 8. Business Combinations Cont.

The acquired identifiable assets and assumed liabilities recognised as a result of the acquisition are as follows:

Acquired assets & assumed liabilities	Fair Value \$'000
Trade and other receivables	1,751
Cash and cash equivalents	1,515
Inventories	2,624
Plant & equipment	390
Right-of-use assets	844
Deferred tax assets associated with provisions	137
Intangibles – software	8
Prepayments	36
Intangibles – brandnames	10,240
Trade and other payables	(3,301)
Income tax liabilities	(1,202)
Provisions	(456)
Lease liabilities	(699)
Deferred tax liabilities associated with brandnames and plant & equipment	(3132)
<b>Net identifiable assets acquired</b>	<b>8,755</b>
Goodwill	18,903
<b>Net assets acquired</b>	<b>27,658</b>

#### (i) Acquired trade receivables

The fair value of acquired trade receivables is \$1,751,000. The gross contractual amount for trade receivables due is \$1,751,000, with no provision for doubtful debts recognised on acquisition.

#### (ii) Revenue and profit contribution

The acquired business contributed revenues of \$31,649,000 and Earnings before interest and tax of \$6,509,000 to the Group for the period from 1 September 2021 to 26 June 2022.

If the acquisition had occurred on 28 June 2021, consolidated pro-forma revenue and underlying earnings before interest and tax (excluding costs incurred associated with the acquisition) for the financial year ended 26 June 2022 would have been \$123,668,000 and \$11,975,000 respectively based on the actual results of the acquired business of the financial year ended 26 June 2022.

#### (iii) Acquisition-related costs

Acquisition-related costs of \$1,047,000 were disclosed as a significant item in profit or loss and in cash flows from investing activities in the statement of cash flows.

### 9. Earnings per share

	2022 Cents Per Share	2021 Cents Per Share
Basic earnings per share	3.89	3.94
Diluted earnings per share	3.80	3.85

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

	2022 \$'000	2021 \$'000
Net profit	6,367	5,363
Earnings used in the calculation of basic EPS	6,367	5,363
Earnings used in the calculation of diluted EPS	6,367	5,363

## 9. Earnings per share Cont.

	2022 No.	2021 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	163,673,347	136,250,633

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows.

	2022 No.	2021 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	163,673,347	136,250,633
Shares deemed to be issued for no consideration in respect of: performance rights over ordinary shares	3,887,060	2,988,143
Weighted average number of ordinary shares for the purposes of diluted earnings per share	167,560,407	139,238,776

#### Classification of securities as potential ordinary shares

Performance rights over ordinary shares in the Company granted under Executive Variable Incentive Plan (EVIP) during the reported and prior periods are deemed to be eligible to vest and treated as dilutive.

## 10. Trade and other receivables

	2022 No. \$'000	2021 No. \$'000
<b>Current</b>		
Trade receivables <sup>(i)</sup>	16,677	14,046
Other <sup>(ii)</sup>	958	274
Allowance for expected credit loss	(240)	(224)
	<b>17,395</b>	<b>14,096</b>

(i) The average credit period on sales of goods is approximately 60 days. No interest is charged on trade receivables. An allowance has been made for expected credit losses using a provision matrix based on historical credit loss rates. Trade receivables are recognised at amortised cost less provision for credit losses.

Before accepting any new customers, the Group will perform a credit check to assess the potential customer's credit quality and defines credit limits by customer. Limits are reviewed as necessary. Of the trade receivables balance at the end of the year \$13.895 million is due from top six customers (2021: \$10.202 million from top six customers) and these six customers account for 56.1% of total sales revenue for the year (2021: 77.1% from top six customers). There are no other customers who represent more than 5% of the total balance of trade receivables or total sales revenues from continuing operations for the year. The Group does not hold any collateral over these balances.

(ii) Other receivables generally arise from transactions outside the usual operating activities of the Group. These amounts are predominantly reimbursements sought from suppliers for rebates and payments made in advance to suppliers for goods subsequently reclassified as receivables. Collateral is generally not obtained.



# NOTES TO THE FINANCIAL STATEMENTS

## (CONT)

### 10. Trade and other receivables Cont.

#### Ageing of past due

	2022 \$'000	2021 \$'000
Overdue 31 to 60 days	283	144
Overdue 61 to 90 days	84	30
Overdue 91 days and beyond	251	231
<b>Total</b>	<b>618</b>	<b>405</b>

#### Movement in the allowance for expected credit losses

	2022 \$'000	2021 \$'000
Balance at the beginning of the year	224	116
Re-measurement of loss allowance	16	108
<b>Balance at the end of the year</b>	<b>240</b>	<b>224</b>

Under the expected credit loss methodology, the provision for impairment of receivables is the carrying value of maximum exposure to credit risk at the reporting date. At 26 June 2022, the amount of provision for expected credit losses was \$240 thousand (2021: \$224 thousand).

The amount of the expected credit losses is recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against the same line item.

### 11. Inventories

	2022 \$'000	2021 \$'000
Raw materials	7,227	4,071
Goods in transit	1,425	1,283
Finished goods	9,165	10,699
<b>Total</b>	<b>17,817</b>	<b>16,053</b>

### 12. Other financial assets

	2022 \$'000	2021 \$'000
<b>Current</b>		
Foreign currency forward contracts	23	66
<b>Total</b>	<b>23</b>	<b>66</b>



## 13. Subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest	
		2022 %	2021 %
Parent Entity			
Pental Limited <sup>(i)</sup>	Australia		
Controlled Entities			
Pental Products Pty Ltd <sup>(ii) (iii)</sup>	Australia	100%	100%
Hampers with Bite Pty Ltd <sup>(ii) (iii) (iv)</sup>	Australia	100%	-
HWB Pty Ltd. <sup>(ii) (iii) (iv) (v)</sup>	Australia	-	100%

(i) Pental Limited is the head entity within the tax-consolidated group.

(ii) These companies are members of the tax-consolidated group.

(iii) The wholly-owned subsidiary has entered into a deed of cross guarantee with Pental Limited pursuant to ASIC Class Order 98/1418 and it is relieved from the requirement to prepare and lodge an audited financial report.

(iv) Hampers with Bite Pty Ltd. joined the Group on 1 September 2021 as a result of business combinations disclosed in note 8.

(v) HWB Pty Ltd was registered in prior financial year as a potential vehicle corporation to acquire HWB assets in the event of an asset acquisition. This entity was deregistered during the reporting period as Hampers with Bite Pty Ltd was acquired through acquisition of its shares on issue.

The parent entity and all the controlled entities are party to the deed of cross guarantee therefore the consolidated statement of profit or loss and other comprehensive income and statement of financial position reflect the statement of profit or loss and other comprehensive income and statement of financial position of the parties to the deed of cross guarantee.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONT)

### 14. Property, plant and equipment

	Land \$'000	Building at costs \$'000	Plant equipment at cost \$'000	Construction in progress at cost \$'000	Total \$'000
<b>Gross carrying amount</b>					
Balance at 28 June 2020	1,732	5,628	36,057	544	43,961
Additions	-	-	947	890	1,837
Disposals	-	-	(1,546)	-	(1,546)
Transfer from capital works	-	-	544	(544)	-
<b>Balance at 27 June 2021</b>	<b>1,732</b>	<b>5,628</b>	<b>36,002</b>	<b>890</b>	<b>44,252</b>
Additions	-	-	298	1,787	2,085
Additions through business combinations	-	-	390	-	390
Transfer from capital works	-	-	890	(890)	-
<b>Balance at 26 June 2022</b>	<b>1,732</b>	<b>5,628</b>	<b>37,580</b>	<b>1,787</b>	<b>46,727</b>
<b>Accumulated depreciation</b>					
Balance at 28 June 2020	-	(552)	(22,775)	-	(23,327)
Depreciation expense	-	(192)	(2,978)	-	(3,170)
Disposals	-	-	1,546	-	1,546
<b>Balance at 27 June 2021</b>	<b>-</b>	<b>(744)</b>	<b>(24,207)</b>	<b>-</b>	<b>(24,951)</b>
Depreciation expense	-	(192)	(2,696)	-	(2,888)
<b>Balance at 26 June 2022</b>	<b>-</b>	<b>(926)</b>	<b>(26,903)</b>	<b>-</b>	<b>(27,839)</b>
<b>Net book value as at 27 June 2021</b>	<b>1,732</b>	<b>4,884</b>	<b>11,795</b>	<b>890</b>	<b>19,301</b>
<b>Net book value as at 26 June 2022</b>	<b>1,732</b>	<b>4,692</b>	<b>10,677</b>	<b>1,787</b>	<b>18,888</b>

## 15. Right-of-use assets and lease liabilities

### (a) Right-of-use Assets

The movements in the right-of-use assets for the reported period are as per below table:

	Property \$'000	Plant & Equipment \$'000	Total \$'000
Balance as at 28 June 2020	780	390	1,170
Additions	193	33	226
Add: Lease term extension	115	-	115
Add: Lease term extension	-	(12)	(12)
Depreciation charge for the year	(401)	(170)	(571)
Balance as at 27 June 2021	687	241	928
Additions through business combinations	844	-	844
Add: Lease term extension	129	-	129
Depreciation charge for the year	(722)	(166)	(888)
Balance as at 26 June 2022	938	75	1,013



# NOTES TO THE FINANCIAL STATEMENTS

## (CONT)

### 15. Right-of-use assets and lease liabilities Cont.

#### (b) Lease liabilities

The movements in the lease liabilities for the reported period and prior period are as per below table:

	2022 \$'000	2021 \$'000
Balance as start of the period	978	1,202
Additions through business combinations	699	-
Additions	-	226
Lease term extension	123	116
Interest incurred	34	44
Payments on lease liabilities	(862)	(610)
<b>Balance as at the end of the period</b>	<b>972</b>	<b>978</b>
Current lease liabilities	667	532
Non-current lease liabilities	305	446
<b>Balance as at the end of the period</b>	<b>972</b>	<b>978</b>

#### (c) Maturity Analysis

	Total \$'000
Within One Year	667
One to two years	196
Two to three years	122
Three to four years	-
<b>Total Contractual Undiscounted Cash Flows</b>	<b>985</b>
Discounting using the lessees incremental borrowing rate	(13)
<b>Balance as at 26 June 2022</b>	<b>972</b>

#### (d) Amount recognised in profit and loss

	Total \$'000
Depreciation expense on right-of-use assets (Includes lease contracts terminated)	888
Interest expense on lease liabilities	34

## 16. Goodwill

	2022 \$'000	2021 \$'000
Cost	93,681	74,778
Accumulated impairment losses	(74,778)	(74,778)
	18,903	-
<b>Gross carrying amount</b>		
Balance at beginning of financial year	74,778	74,778
Additions through business combinations	18,903	-
Balance at the end of financial year	93,681	74,778
<b>Accumulated impairment losses</b>		
Balance at beginning of financial year	74,778	74,778
Balance at the end of financial year	74,778	74,778

**Allocation of goodwill to cash-generating units and key assumptions**

Management has concluded that the Hampers with bite (HWB) business forms a new cash generating unit on the basis that the decision making and monitoring of the operations of the business unit are performed by the HWB senior leadership team; and the core assets will be operated separately to consumer products unit to generate the revenue of the acquired HWB business.

Goodwill acquired during the reported period has been fully allocated for impairment testing over the Hampers with bite cash generating unit. The recoverable amount of the HWB cash generating unit is determined based on a value in use calculation, which uses cash flow projections based on a financial budget approved by the Board, covering a five-year period and a discount rate (post-tax) of 10.0%. The cash flow has been extrapolated using a 3% growth rate including an inflation rate of 2.5%.

The Group has assessed the sensitivity of carrying amount of goodwill and determined that a 10% change in key assumptions of cash flow, growth rate, inflation rate and discount rate collectively or individually will not result in impairment to Goodwill.



# NOTES TO THE FINANCIAL STATEMENTS

## (CONT)

### 17. Other intangible assets

	Brand Names at cost	Software at cost \$'000	Total \$'000
<b>Gross carrying amount</b>			
Balance at 28 June 2020	19,000	2,095	21,095
Additions	-	118	118
Disposals	-	(843)	(843)
Balance at 27 June 2021	19,000	1,370	20,370
Additions	-	157	157
Additions through business combinations	10,240	8	10,248
Balance at 26 June 2022	29,240	1,535	30,775
<b>Accumulated Impairment/Amortisation</b>			
Balance at 28 June 2020	(6,646)	(1,941)	(8,587)
Amortisation expense	-	(97)	(97)
Disposals	-	843	843
Impairment	(348)	-	(348)
Balance at 27 June 2021	(6,994)	(1,195)	(8,189)
Amortisation expense	-	(123)	(123)
Balance at 26 June 2022	(6,994)	(1,318)	(8,312)
Net book value as at 27 June 2021	12,006	175	12,181
Net book value as at 26 June 2022	22,246	217	22,463

#### Brand names - Useful life assessment

The Group assesses its brand names as having indefinite useful lives. This assessment has reflected management's intention to continue to utilise the brand names within its portfolio for the foreseeable future.

Each period, the useful lives of the Group's brand names are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the assets.

The Group continues to believe that its remaining brand names have indefinite useful lives, as there is no foreseeable limit to the period over which they intend to utilise the brand names.

## 17. Other intangible assets Cont.

### Allocation of brandnames to cash generating units

	2022 \$'000	2021 \$'000
<b>Gross carrying amount of brandnames</b>		
Allocated to consumer products CGU	19,000	19,000
Allocated to Hampers With Bite CGU	10,240	-
Balance at the end of financial year	29,240	19,000
<b>Accumulated Impairment on brandnames</b>		
Allocated to consumer products CGU	(6,994)	(6,994)
Allocated to Hampers With Bite CGU	-	-
Balance at the end of financial year	(6,994)	(6,994)
<b>Carrying value of brandnames at end of financial year</b>		
Allocated to consumer products CGU	12,006	12,006
Allocated to Hampers With Bite CGU	10,240	-
Balance at the end of financial year	22,246	12,006

### Impairment testing - Indefinite life brand names

Indefinite life brand names 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. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's value in use and fair value less costs to sell. Brand names that have incurred an impairment in previous periods are reviewed for possible reversal of the impairment at the end of each reporting period.

The Group used 'relief from royalty' method for the purposes of impairment testing as at 26 June 2022.

The key assumptions used were as follows:

- An estimate of maintainable revenue with reference to the FY22 budget and historic financial performance, with due consideration given to the economic uncertainty associated with COVID-19.

- Royalty rates ranging between 2% - 4.5% (2021: 2% - 4.5%)
- Discount rate of 9.5% post-tax (2021: 9%)
- Long-term growth rates of between 0% - 3% (2021: 0% - 3%)
- An estimate of costs to sell equivalent to 2% of the estimated recoverable amount for each brand name.

The Group believes that the assumptions adopted in the 'relief from royalty' calculations reflect an appropriate balance between the Group's experience to date, the uncertainty associated with the COVID-19 pandemic, and expected future performance for each brand, as discussed in the Directors Report.

In the prior period, following a strategic review of its laundry brand portfolio, the Group recognised an impairment loss for full book value of "Huggie" brand of \$0.348 million (after tax \$0.244 million).



# NOTES TO THE FINANCIAL STATEMENTS

## (CONT)

### 18. Other Assets

	2022 \$'000	2021 \$'000
Prepayments	646	267

### 19. Trade and other Payables

	2022 \$'000	2021 \$'000
Trade payables	11,221	7,660
Trade spend liabilities	119	299
Sundry payables and accruals	4,966	4,332
	<b>16,306</b>	<b>12,291</b>

The average credit period on the purchases of goods ranges from 7 to 60 days. No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that, as often as possible, all payables are paid within a reasonable timeframe.

### 20. Other financial liabilities

	2022 \$'000	2021 \$'000
Current	89	81
Supplier payment facility	89	81

The Group utilised an American Express supplier payment facility during the reported period. As at the reporting date, the facility had a maximum limit of \$2.035 million of which \$0.089 million was utilised.

### 21. Banking facilities

#### Summary of financing arrangements

Facilities utilised at reporting date:	2022 \$'000	2021 \$'000
Multi option load facility		
Bank guarantee	326	177
Market rate loan facility	3,825	-
	<b>4,151</b>	<b>177</b>

Facilities not utilised at reporting date:	2022 \$'000	2021 \$'000
Multi option load facility		
Bank overdraft	1,820	1,820
Trade finance	5,854	6,000
Bank guarantee	-	3
	<b>7,674</b>	<b>7,823</b>
Multi option loan facility limit	<b>11,625</b>	<b>8,000</b>

## 21. Banking facilities Cont.

### Trade finance facility

The Group secured a new trade finance facility with the Commonwealth Bank of Australia (CBA) on 19 August 2021 that allows the Group to choose an appropriate type of funding facility to suit its business needs. The trade facility can be used as a bank overdraft, variable rate fully drawn advance, market rate loan, and/or contingent liability facility. The limit for this trade finance facility is \$8,000,000 (2021: \$8,000,000) of which \$7,674,000 (2021: \$7,823,000) remains unutilised as of 26 June 2022.

The trade finance facility attracts a line fee of 0.48% (2021: 0.49%) per annum calculated on facility limit regardless of being utilised. The trade finance facility bears various interest rates for various facilities as utilised in addition to line fee. The interest rates on utilisation range from minimum 2.271% usage fee on trade advance facility (reference rate of Bank Bill Swap Yield rate of 1.7910% as at 26 June 2022 plus margin of 0.48%) to maximum 4.41% on overdraft facility (reference rate of CBA Variable Corporate Overdraft Reference Rate of 7.83% as at 26 June 2022 minus a margin of 3.42%).

The financing arrangement is secured by the Group's assets through the first registered mortgage over its Shepparton property and first ranking fixed and floating charges over the Company and its subsidiaries (with corresponding cross guarantee). The facility expires on 30 June 2024.

### Market rate loan facility

Prior to the acquisition of Hampers with Bite Pty Ltd on 1 September 2021, the Group also secured a new 3-year market rate loan facility (limit of \$8,500,000) with CBA on 19 August 2021 to facilitate the acquisition of Hampers with Bite. As at the reporting date, \$3,825,000 remains utilised under the market rate loan facility after the Group made early repayments of \$3,400,000 during the period along with scheduled repayments of \$1,275,000. Any unutilised limit under this facility is unable to be drawn upon. This facility attracts a usage fee of 2.50% per annum (only on utilised portion) and interest rate is charged quarterly in line and with reference to Bank Bill Swap Yield rate (1.7910% as at 26 June 2022).

### Unsecured supplier payment facility

As at the reporting date, The Group also has alternative unsecured financing facilities with a limit of \$2.035 million to draw upon through American Express, if and when required. There are no restrictions of use associated with the supplier finance facility.



## 22. Provisions

	2022 \$'000	2021 \$'000
<b>Current</b>		
Employee benefits	2,800	2,584
Make good provision on leases	177	29
	<b>2,977</b>	<b>2,613</b>
<b>Non-current</b>		
Employee benefits	80	72
Make good provision on leases	80	72
	<b>3,057</b>	<b>2,685</b>

## Total Provisions

The provision for employee benefits represents annual leave, rostered days off and vested long service leave entitlements accrued by employees. The increase in the carrying amount of the provision for the current year results from more benefits being accrued than paid in the current year. The provision is discounted using high quality Australian corporate bond rates.



## 23. Issued capital

### (a) Fully paid ordinary shares

Date	Share Capital	Number of shares	Share issue price	\$'000
29 Jun 2020	Opening balance of ordinary shares, fully paid	136,250,633		90,658
27 Jun 2021	Balance at end of reporting period	136,250,633		90,658
28 Jun 2021	Opening balance of ordinary shares, fully paid	136,250,633		90,658
27 Aug 2021	Placement of shares - Tranche 1	13,770,928	\$0.38	5,233
01 Sep 2021	Ordinary shares issued as consideration for purchase of Hampers With Bite	6,666,666	\$0.45	3,000
22 Sep 2021	Share purchase plan	11,752,726	\$0.38	4,466
05 Oct 2021	Placement of shares - Tranche 2	2,018,547	\$0.38	767
	Transactions costs associated with shares issued			(420)
	Tax effect of share issue transaction costs recognised directly in equity			126
26 Jun 2022	Balance at the end of reporting period	170,459,500		103,830

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the company does not have a limited amount of authorised capital and issued shares do not have a par value.

## 24. Dividends

### (a) Recognised Amounts

	2022		2021	
	Cents per share	Total \$'000	Cents per share	Total \$'000
<b>Fully paid ordinary shares</b>				
Final dividend: Fully franked at 30% tax rate	1.60	2,400	1.50	2,044
Interim dividend: Fully franked at 30% tax rate	1.30	2,216	1.00	1,363
Special dividend: Fully franked at 30% tax rate	-	-	0.70	954
	<b>2.90</b>	<b>4,616</b>	<b>3.20</b>	<b>4,361</b>

### (b) Unrecognised Amounts

	2022		2021	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Final dividend	1.70	2,898	1.60	2,180
	<b>1.70</b>	<b>2,898</b>	<b>1.60</b>	<b>2,180</b>

In respect of the year (52 weeks) ended 26 June 2022, the Directors declared a full year fully franked final dividend of 1.7 cents per ordinary share, payable on 23 September 2022, with a record date of 5 September 2022 (2021: 1.60 cents per ordinary share).

	2022 \$'000	2021 \$'000
Adjusted franking account balance	22,727	20,249
Impact on franking account balance of dividends not recognised	1,242	934



# NOTES TO THE FINANCIAL STATEMENTS

## (CONT)

### 25. Financial Instruments

	2022 \$'000	2021 \$'000
<b>Fully paid ordinary shares</b>		
Cash and cash equivalents	8,132	12,702
Trade and other receivables (amortised cost)	17,395	14,096
Derivative instruments in designated hedge accounting relationships	23	66
<b>Financial liabilities</b>		
Trade and other payable (amortised cost)	16,306	12,291
Supplier payment facility	89	81

The carrying amount reflected in the statement of financial position represents the Group's maximum exposure to credit risk for financial assets.

The Group has significant credit risk exposure with the Woolworths Limited, Coles Group Ltd, Metcash Ltd, Costco, Foodstuffs (Auckland) Ltd and ALDI which represent 78.7% of trade receivables.

#### (c) Financial risk management objectives

The Group's finance function provides services to the business by monitoring and managing the financial risks relating to the operations through internal risk reports which analyse exposures by degree and magnitude of risk.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into forward foreign currency contracts to manage its exposure to foreign currency exchange rate fluctuations where it has entered into fixed price contracts.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial instruments is governed by the Group's policies approved by the Board of Directors. The Chief Financial Officer is responsible for managing the Group's treasury requirements in accordance with this policy.

#### (d) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk, including forward foreign currency contracts to manage its exposure to foreign currency exchange rate fluctuations (refer notes 25(c) and 25(e)).

#### (e) Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Where appropriate, exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts or by offsetting import and export currency exposures.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Currency of USA	-	-	1,119	306
Currency of New Zealand	3,114	2,600	776	805
Currency of Europe	-	-	-	-

## 25. Financial Instruments Cont.

### Forward foreign exchange contracts

The Group enters into forward foreign exchange contracts to hedge a proportion of anticipated sales and purchase commitments denominated in foreign currencies (principally US Dollars and New Zealand Dollars) expected in each month. The amount of anticipated future sales is forecast in light of current conditions in foreign markets, commitments from customers and experience.

The following table sets out the gross contract value to be received/paid under forward foreign currency contracts, the weighted average contracted exchange rates and settlement periods of outstanding contracts for the Group.

	Weighted average exchange rate		Foreign currency FC'000		Contract value \$'000		Fair value gain/(loss) \$'000	
	2022	2021	2022	2021	2022	2021	2022	2021
Buy USD - less than one year	-	0.7711	-	2,761	-	3,581	-	88
Buy USD - less than one year	1.0624	1.0820	600	3,450	565	3,189	23	(22)
							23	66

As at reporting date, the aggregate amount of unrealised gains/(losses) under forward foreign currency contracts relating to anticipated future contracts is \$0.023 million gain (2021: \$0.066 million gain). In the current year, these unrealised gains and losses have been deferred in the hedging reserve to the extent the hedge is effective.

### Foreign currency sensitivity analysis

The Group is mainly exposed to USD and NZD currencies. The following table details the Group's sensitivity to a 5 cent increase and decrease in the Australian dollar against the relevant foreign currencies. The analysis includes derivative instruments in designated hedge accounting relationships, all trade receivables and trade payables outstanding at year end.

	USD Impact		NZD Impact	
	2022	2021	2022	2021
Profit	118	28	99	83
Equity	-	248	7	102

# NOTES TO THE FINANCIAL STATEMENTS

## (CONT)

### 25. Financial Instruments Cont.

#### (f) Interest rate risk management

The Group has been exposed to interest rate risk during the period as it invests cash on call at floating interest rates and cash in short term deposits at fixed interest rates. The Directors consider that the Group's sensitivity to a reasonably possible change in interest rates would not have a material impact on profit or equity.

The following table details the Group's exposure to interest rate and liquidity risk. The table includes both interest and principal cash flows.

2022	Weighted average interest rate	Less than 1 month \$'000	1-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000	Total \$'000
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#### Financial assets

Variable interest rate instruments	-	8,132	-	-	-	-	8,132
Non-interest bearing	-	6,298	11,097	-	-	-	17,395
		14,430	11,097	-	-	-	25,527

#### Financial liabilities

Variable interest rate instruments <sup>(i)</sup>	4.19%	514	-	1,275	2,125	-	3,914
Non-interest bearing	-	8,137	11,706	-	-	-	16,306
		8,651	11,706	1,275	2,125	-	23,757

2021	Weighted average interest rate	Less than 1 month \$'000	1-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000	Total \$'000
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#### Financial assets

Variable interest rate instruments	-	12,702	-	-	-	-	8,132
Non-interest bearing	-	7,781	6,315	-	-	-	17,395
		20,483	6,315	-	-	-	25,527

#### Financial liabilities

Variable interest rate instruments <sup>(i)</sup>	-	81	-	-	-	-	81
Non-interest bearing	-	6,161	6,130	-	-	-	12,291
		6,242	6,130	-	-	-	12,372

(i) Includes American Express supplier payment facility which, if applicable, charges interest at the time of utilisation and bears no interest charges for repayments made within agreed time frame. The Group intends to repay the facility within agreed time frame.

## 25. Financial Instruments Cont.

### (g) Credit risk management

Credit risk management refers to the risk that a counter-party will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counter-parties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counter-parties are continuously monitored and the aggregate values of transactions concluded are spread amongst approved counter-parties. The Group measures credit risk on a fair value basis.

Trade accounts receivable consist of a number of customers supplying the retail sector in Australia, New Zealand and Asia. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantees are obtained.

The Group has significant credit risk exposure with the Woolworths Limited, Coles Group Ltd, Metcash Ltd, Foodstuffs (Auckland) Ltd and ALDI which represent 80.9% of trade receivables.

The credit risk on liquid funds and derivative financial instruments is limited because the counter-parties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking accounts of the value of any collateral obtained.

### (h) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group has a multi option loan facility with the Commonwealth Bank of Australia that allows the Group to choose the appropriate type of funding facility to suit its business needs under one interest rate. The facility expires 30 June 2024. As highlighted in Note 21, the Group also has alternative financing facilities to draw upon, if and when required. There are no restrictions of use associated with the supplier finance facility. The Group also has the option to early settle its outstanding receivables from its major customers (Coles, Woolworths and Costco) at a discounted value prior to the due date of such receivables. The discount varies depending on the maturity date of receivables, market interest rates and willingness of the customer to accept an early settlement.

### (i) Fair value of financial instruments

The directors consider that the carrying amounts of financial assets and liabilities recorded in the financial statements approximate their fair values. The fair values and net fair values of financial assets and liabilities are determined as follows:

- The fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- The fair value of other financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- The fair value of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices, which is a Level 2 fair value measurement. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.





# NOTES TO THE FINANCIAL STATEMENTS

## (CONT)

### 26. Share-Based Payments.

#### Executive Variable Incentive Plan (EVIP)

Under Pental's EVIP, executives and selected senior management employees are eligible for both a cash and equity incentive upon the achievement of certain Group level KPI's and personal KPIs set at the commencement of each financial year, weighted as follows:

- Fifty percent of both the cash and equity incentive KPIs relate to the achievement of a target EBIT for the financial year.
- The remaining fifty percent are based on specific KPIs relevant to the participants particular specialisation.
- In the event the Group fails to meet its annual financial performance criteria, the Board retains the discretion to award up to 50 percent of EVIP entitlements to recognise and reward executives for extraordinary efforts and achievements during the financial year.

#### Variable Incentive – cash

Variable cash incentive under EVIP is paid shortly after the release of audited full year results. The maximum amount of remuneration under the variable cash incentive plan ranges from 20 to 35 percent of the individual executive / senior management employee's total fixed remuneration.

#### Variable Incentive – equity

executives and align the rewards to the company's share price. The maximum amount of remuneration under the variable equity incentive plan varies from 30 to 40 percent of the individual executive / senior management employee's total fixed remuneration.

The variable equity incentive is delivered as Performance Rights (Rights), which are granted under the existing Executive Performance Rights Plan (Rights Plan) to enable the subsequent acquisition of the share component. The Rights will convert to ordinary shares after three years from the end of financial year of the grant date.

Rights will be granted on a face value basis using the last ten business days of the previous financial year Volume Weighted Average Price (VWAP). The variable equity incentive is based upon an assessment of performance against respective KPIs in the The variable equity incentive is designed to reward achievement of annual KPIs, assist the retention of key high performing year in which it is granted. If the performance criteria is not met within the financial year, the Rights are forfeited at the end of the same financial year.

The vesting of the Rights is conditional on:

- a). The executive satisfying Group level and personal performance criteria,
- b). The executive being employed by the Group on the vesting date; and
- c). Pental's VWAP share price for the last ten business days preceding the vesting date being equal to or greater than the VWAP for the preceding ten business days from the grant date.

In total, the Rights are held for four years from the grant date. The value to the executive / senior manager therefore is not at the grant date, rather at the vesting date which is three years from the end of financial year of the grant date.

Dividends are not payable on the Rights. Dividends are payable on ordinary shares after conversion of the Rights to ordinary shares.

In the event the Group fails to meet its annual financial performance criteria, the Board retains the discretion to award up to 50 percent of EVIP entitlements to recognise and reward executives for extraordinary efforts and achievements during the financial year.

#### EVIP – FY22 Performance

The following table contains details of total EVIP equity entitlements achieved by the executives and senior managers during the year:

	Grant Date	No. of Rights granted <sup>(i)</sup>	Share price at grant date	Exercise price	Expected volatility	Performance period	Risk free rate	Expected dividend yield	Fair value at grant date
Charlie McLeish	18/11/2021	267,000	\$0.4000	Nil	40%	4 years	1.38%	5%	\$0.189
Neil Godara	1/07/2021	102,000	\$0.4050	Nil	40%	4 years	0.72%	5%	\$0.190
Senior Managers	1/07/2021	389,000	\$0.4050	Nil	40%	4 years	0.72%	5%	\$0.190

(i) The executives & senior managers have been issued partial entitlements for 2022 financial year due to not meeting financial performance conditions.

As per Note 7, The vesting period expense recognised during the period was \$173 thousand (2021: \$136 thousand)

The following table contains details of total EVIP equity entitlements achieved by the executives and senior managers during the previous reporting period:

	Grant Date	No. of Rights granted	Share price at grant date	Exercise price	Expected volatility	Performance period	Risk free rate	Expected dividend yield	Fair value at grant date
Charlie McLeish	19/11/2020	636,000	\$0.410	Nil	51%	4 years	0.30%	7%	\$0.212
Neil Godara	1/07/2020	217,000	\$0.345	Nil	51%	4 years	0.40%	7%	\$0.157
Senior Managers	1/07/2020	760,000	\$0.345	Nil	51%	4 years	0.40%	7%	\$0.157

# NOTES TO THE FINANCIAL STATEMENTS

## (CONT)

### 26. Share-Based Payments Cont.

#### Share-based payments (Rights Plan)

All performance rights under the EVIP are issued pursuant to the Executive Performance Rights Plan (Rights Plan). Under the conditions of Rights Plan, Performance Rights are convertible to ordinary shares (with no exercise price) as at the vesting date which is 4 years from the grant date (or 3 years from the end of the financial year). All Rights issued are convertible to ordinary shares at no consideration, subject to achieving any performance or other vesting conditions.

The following table discloses changes in the Rights holdings of management personnel:

	Vesting Date	Balance at 27/6/2021	Rights granted No.	Rights vested No.	Rights forfeited No.	Rights lapsed No.	Balance at 26/6/2022
EVIP 2020	1/7/2023	1,625,000	-	-	-	-	1,625,000
EVIP 2021	1/7/2024	1,613,000	-	-	-	-	1,613,000
EVIP 2022	1/7/2025	-	1,516,000	-	758,000	-	758,000
							<b>3,996,000</b>

### 27. Key Management Personnel Compensation

The aggregate compensation of the key management personnel of the Group is set out below

	2022 \$'000	2021 \$'000
Short-term employee benefits	1,246,066	1,397,562
Long-term employee benefits	16,605	20,184
Share based payments	95,779	78,318
Termination benefits	0	-
Post-employment benefits	74,385	79,076
	<b>1,432,835</b>	<b>1,575,140</b>

### 28. Related Party Transactions

Mr Fred Harrison is the CEO of Ritchies. Mr Harrison's employer, Ritchies Stores Pty Ltd invoiced the Group a total of \$129,799.66 inclusive of GST (2021: \$266,239.93 inclusive of GST) relating to the Group's participation in various promotional activities and supplier trading terms during the financial year. All transactions were conducted at arm's length. As at the reporting date, the Group owed Ritchies Stores Pty Ltd \$18,022.90 (2021: \$106,288.84) in relation to above mentioned promotional activities and supplier trading terms.

#### Equity interests in subsidiaries

Details of interests in subsidiaries are set out in note 13.

Sales to and purchases from related parties in the normal course of business are made in arm's length transactions on normal terms and conditions.

## 29. Cash and Cash Equivalents

### (a) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

	2022 \$'000	2021 \$'000
Cash on hand and at bank	8,183	12,702
Cash and cash equivalents	8,183	12,702

### (b) Reconciliation of Profit for the year to net cash flows from operating activities

Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

	2022 \$'000	2021 \$'000
Profit/(Loss) for the year	6,367	5,363
Depreciation and amortisation expense	3,899	3,849
Impairment of brand name	348	348
Equity settled employee benefits expense	173	136
Acquisition related expenses (not operating in nature)	1,047	-

### Changes in net assets and liabilities, net of effects from acquisition of business: (Increase)/decrease

Trade and other receivables	(1,548)	6,037
Inventories	860	7,366
Other assets	(299)	308

### Increase/(decrease) in liabilities

Trade and other payables	619	(6,049)
Provisions and hedging reserve	(20)	102
Current and deferred tax liabilities	(1,328)	(1,415)
Other liabilities	154	-
<b>Net cash from operating activities</b>	<b>9,924</b>	<b>16,045</b>



### 30. Capital Expenditure Commitment

	2022 \$'000	2021 \$'000
Plant and equipment	4	404

The Group entered into various contracts to purchase equipment for the upgrade and modernisation of Shepparton manufacturing facility.

### 31. Contingent Liabilities

	2022 \$'000	2021 \$'000
Bank guarantees to third parties in respect of property lease obligations. The bank guarantees are held by the parent entity, Pental Limited.	325	117

To the best knowledge of the Directors aside from the Bank Guarantees disclosed, no other contingent liabilities exist for the reporting period ending 26 June 2022.

### 32. Remuneration of Auditors

#### Summary of financing arrangements

	2022 \$'000	2021 \$'000
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#### Auditor of the parent entity

Audit or review of the financial report	177,000	141,000
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#### Other services

Tax consulting	7,800	-
Due diligence services	-	46,187
Other services	-	10,000
	<b>184,800</b>	<b>197,187</b>

The auditor of Pental Limited is Grant Thornton in the reported period and the prior period.





# NOTES TO THE FINANCIAL STATEMENTS

## (CONT)

### 33. Parent Entity Information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to Note 2 for a summary of the significant accounting policies relating to the Group.

Financial Position	2022 \$'000	2021 \$'000
<b>Assets</b>		
Current assets	2	1
Non current assets	73,310	53,964
<b>Total assets</b>	<b>74,312</b>	<b>53,965</b>
<b>Liabilities</b>		
Current liabilities	5,524	469
Non current liabilities	2,125	-
<b>Total liabilities</b>	<b>7,649</b>	<b>469</b>
<b>Net Assets</b>	<b>66,663</b>	<b>53,496</b>
<b>Equity</b>		
Issued capital	103,830	90,658
Accumulated losses	(37,167)	(37,162)
<b>Total equity</b>	<b>66,663</b>	<b>53,496</b>
<b>Financial performance</b>		
Profit/(loss) for the year	4,613	4,360
Other comprehensive income	-	-
<b>Total comprehensive income/(loss)</b>	<b>4,613</b>	<b>4,360</b>

## 34. Subsequent events

### Dividends

In respect of the year (52 weeks) ended 26 June 2022 the Company will pay final fully franked dividend of 1.7 cents per ordinary share, payable to shareholders on 23 September 2022, with a record date of 5 September 2022.

Other than the above disclosures, there has not been any matter or circumstance occurring after the end of the financial period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.



# ADDITIONAL STOCK EXCHANGE INFORMATION

## AS AT 16TH AUGUST 2022

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

### Ordinary share capital

170,459,499 fully paid ordinary shares are held by 2,024 individual shareholders.

The voting rights attaching to the fully paid ordinary share, set out in clause 43 of the Company's Constitution are:

"Subject to any rights or restrictions attaching to any class of shares:

- (a) every member may vote;
- (b) on a show of hands every member has one vote;
- (c) on a poll every member has:
  - (i) for each fully paid share held by the member, one vote; and
  - (ii) for each partly paid share held by the member, a fraction of a vote equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited to) on the share."

### Performance rights

There are no voting rights attached to performance rights.

### On-market buy-back

There is no current on-market buy-back.

### Distribution of holders of equity securities

	Fully paid ordinary shares
1 - 1,000	247
1,001 - 5,000	608
5,001 - 10,000	272
10,001 - 100,000	744
100,001 and over	153
	2,024
Holding less than a marketable parcel	290

### Substantial shareholders

Ordinary Shareholders	Fully paid ordinary shares	
	Number of share for voting power	Percentage
Alan Johnstone <sup>(i)</sup>	35,330,769	20.73%
John Rostyn Homewood	26,920,000	15.79%
	62,250,769	36.52%

(i) Alan Johnstone has a relevant interest in Pental shares held by western park holdings Pty Ltd and PMSF company Pty Ltd <Penfold motors Burwood super fund>

# TWENTY LARGEST HOLDERS OF QUOTES EQUITY SECURITIES

Ordinary Shareholders	Fully paid ordinary share	
	Number	Percentage
JOHNOS HOLDINGS PTY LTD <JOHNOS HOLDINGS A/C>	31,603,617	18.54%
MR JOHN ROSTYN HOMEWOOD	26,920,000	15.79%
MR GARRY GEORGE JOHNSON	6,670,739	3.91%
NATIONAL NOMINEES LIMITED	3,989,320	2.34%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,782,830	2.22%
RATHVALE PTY LIMITED	3,406,557	2.00%
NICHOLAS PATRICK BOYLE	3,333,333	1.96%
RORY JOSEPH BOYLE	3,333,333	1.96%
BNP PARIBAS NOMS (NZ) LTD <DRP>	3,250,001	1.91%
P M S F COMPANY PTY LIMITED <PENFOLD MTR BURWOOD S/F A/C>	3,197,431	1.88%
DALLMOUNT PTY LTD <LABELMAKERS SUPER FUND A/C>	2,666,668	1.56%
W A PEATT PTY LTD <THE PEATT SUPER FUND A/C>	2,510,617	1.47%
DALLMOUNT CUSTODIANS PTY LTD	2,500,000	1.47%
BUDUVA PTY LTD	1,650,000	0.97%
DALLMOUNT PTY LTD <LABELMAKERS S/F A/C>	1,504,761	0.88%
MR JAMES GORDON MOFFATT	1,268,498	0.74%
BARKING DOG PTY LTD <NETTLEFOLD SUPER FUND A/C>	1,262,478	0.74%
BNP PARIBAS NOMS PTY LTD <DRP>	1,118,072	0.66%
SPORRAN LEAN PTY LTD <SPORRAN LEAN S/F A/C>	1,110,000	0.65%
TERRY CLANCY SUPERANNUATION PTY LTD <TERRY CLANCY S/FUND A/C>	959,307	0.56%
	106,037,562	62.21%



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**DIRECTORS**

Mark Hardgrave  
Charlie McLeish  
Kerrie Parker  
Jeff Miciulis  
Fred Harrison

**COMPANY SECRETARY**

Oliver Carton

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**AUDITORS**

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**SECURITIES EXCHANGE LISTING**

Pental Limited (PTL) shares are listed on the Australia  
Securities Exchange (ASX)

**WEBSITE**

[www.pental.com.au](http://www.pental.com.au)

**ABN**

29 091 035 353