



pental

# POWERING CONNECTIONS

2023 ANNUAL REPORT



VELVET



HAMPERS WITHBITE



THE AUSTRALIAN COUNTRY LIFE



AIM



VITALE WELLNESS



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# Chairman's Report

Dear shareholders,

**On behalf of the board and the Pental team, I am pleased to present Pental's Annual Report for the year (53 weeks) ended 2 July 2023 (FY23).**

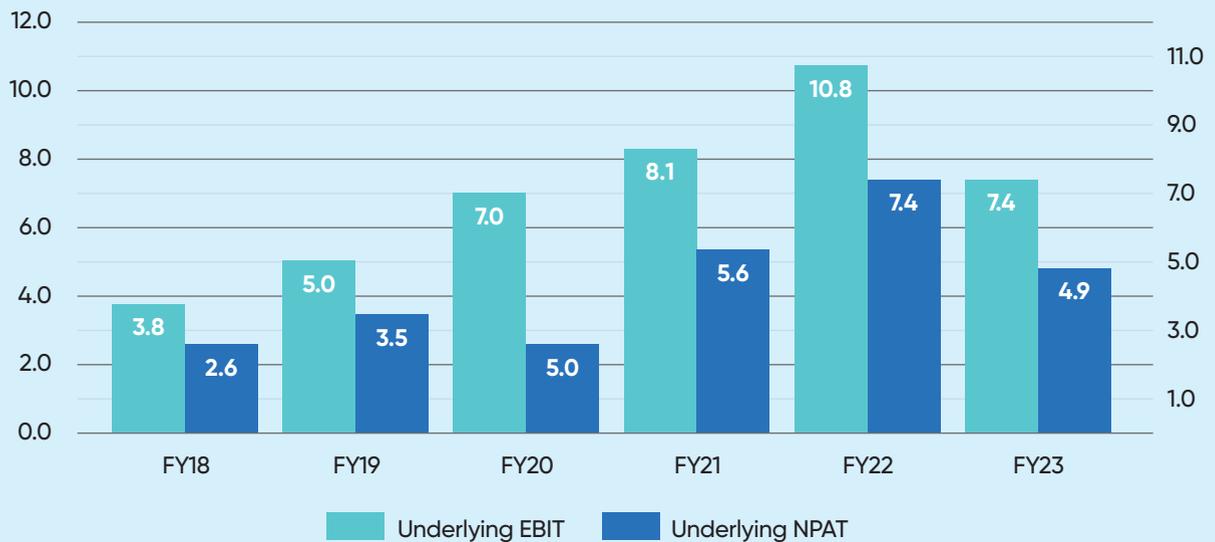
It was evident in FY23 that the macroeconomic environment was rapidly changing with 10 cash rate increases by the Reserve Bank of Australia between July 22 and June 23 in response to high inflation levels. The impact of these unprecedented economic measures was felt across the whole economy which significantly impacted discretionary spending among other things.

Under these challenging economic conditions, the Group delivered net profit after tax (NPAT) of \$4.890 million for FY23 compared to \$6.367 million in FY22 on a statutory basis. On an underlying basis<sup>1</sup>, NPAT for FY23 was \$4.908 million compared to \$7.414 million for FY22.





**PROFITABILITY OVER PREVIOUS 6 YEARS (\$'MILLIONS)**



FY23 underlying EBIT result at \$7.438 million (FY22: \$10.783 million) was marginally short of market guidance provided by the Group in November 2022. The total underlying EBIT result was a combination of Retail Business (Owned brands + Contracted Brands) underlying EBIT of \$5.061 million which increased by \$0.782 million or 18.27% compared to prior year, and Hampers with Bite (HWPB) underlying EBIT of \$2.377 million which decreased by \$4.133 million or 63.5% compared to FY22.

<sup>1</sup> Refer to table on page 17 for a reconciliation of underlying profit to statutory profit.

# Chairman's Report (CONT)

## PENTAL RETAIL BUSINESS

Pental Retail Business delivered underlying EBIT of \$5.061 million which was a pleasing growth of 18.27% compared to previous comparative period (PCP) underlying EBIT of \$4.280 million.

The growth in a challenging market was a testament to the strength of our retail brands led by White King, combined with our strategic and tactical measures taken during the financial year. Our owned brands sales revenue grew by 4.43% whilst our contracted brands revenue also grew by 8.76%.

Through our strong promotional plans, strategic product development and a clear communication strategy, we ensured our brands continued to enjoy a strong position in the marketplace. Pental's owned brands revenue grew by 4.43% in a tough market impacted by reduction in household spend. The growth was led by our powerhouse cleaning brand White King which grew 5.4% compared to prior year. Pleasingly, White King toilet gels maintained 2 rankings (number 1 and 3) in the top 3 selling SKUs in manual toilet segment across the grocery market<sup>2</sup>. For our leading personal care brand, Country Life, revenue also grew by 9.2% compared to previous financial year.

Revenue from the New Zealand operations (owned brands) for FY23 was marginally down by 1.2% in New Zealand currency (3.5% in Australian currency after conversion) compared to the prior period predominantly due to repeated disruptions to the supply chain at the port of Auckland. Pleasingly, the second half i.e. January to June 2023 performance in New Zealand was strong and revenue from owned brands grew by 4.83% during this period.

Pental's export market delivered small growth of 6.3% as traders and distributors in China generally remained cautious of importing Australian manufactured goods due to uncertain political relationships between the two countries. We remain optimistic about the export segment as international relations steadily improve.

Contracted brands revenue increased by \$2.700 million or 8.76% in FY23 driven by renewal of private label manufacturing agreements (up 9.21%) across bar soaps and bleach. Following challenges with climbing raw material prices in FY22, the Group strategically reviewed its contracts prior to renewal to ensure sustainable profitability from such contracts.

Duracell (including its industrial brand Procell) revenue grew by a healthy 12.88% compared to prior. Duracell remains a key part of Pental's portfolio of product offerings.

<sup>1</sup> Refer to table on page 17 for a reconciliation of underlying profit to statutory profit.

<sup>2</sup> Source: IRI data MAT 23/07/23

## HAMPERS WITH BITE

As referred to in the ASX announcement dated 15 December 2022, HWB faced tough market conditions in FY23 following a very successful FY22 due to multiple factors including a fully open hospitality industry and significant inflationary pressures on discretionary spending. However, the Group remains positive about the outlook of HWB. HWB revenue for FY23 was \$24.344 million compared to \$31.649 million for FY22, down 23.08% compared to FY22<sup>1</sup>. HWB successfully managed its cost base in response to downturn in demand and remained profitable for the financial year.

HWB successfully enhanced its website during the financial year with multiple added functionalities including multi-shipping and add-ons. The enhancements have led to an improvement in conversion rates compared to last year as well as average order value lifting by approximately 10% compared to PCP. HWB increased its email database by 44,000 during the financial year and added more than 10,000 in mobile opt-in contacts. Over 50,000 units of Pental produced brand Vitale Wellness products were sold since the launch in July 2022.

HWB continues to increase focus on other annual events outside of Christmas and will target these occasions with carefully curated premium product offerings, to increase revenues outside of the Christmas period.



## DIVIDEND

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

The board has continued this trend and declared a fully franked final dividend of 1.0 cents per share payable to shareholders on 6 October 2023, with a record date of 18 September 2023. This takes total dividends for the year to 2.30 cents per share. This represents a payout ratio of 79.9% of underlying net profit after tax excluding significant items.

### DIVIDEND (CENTS PER SHARE) PAID OVER LAST 6 YEARS



\*includes special dividend of 0.7 cents per share



# Chairman's Report (CONT)

## LOOKING FOWARD

Whilst FY23 proved to be a challenging period for the e-commerce business, we were pleased with the growth Pental's Retail Business was able to deliver to further strengthen our market leading brands. 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 flagship brand White King.
2. Developing a full calendar of gifting events for the Hampers with Bite business.
3. Developing a diversified portfolio of gifting in the e-commerce sales channel to complement hampers.
4. Continue to explore additional strategically suitable acquisition opportunities.
5. Continuous operational improvements at both the Shepparton and Maidstone operations sites.

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*

Mark Hardgrave  
Chairman



# Directors' Report

The directors of Pental Limited submit herewith the annual financial report of the company for the year (52 weeks) ended 2 July 2023. 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 Deputy Vice-Chancellor, University Services 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 \$1.3 billion.

Appointed Director 28 August 2019  
Member of Remuneration Committee.

Each of the directors held office during the financial year and as at the date of this report, unless otherwise noted above.

All directorships of other listed companies held by directors in the three years immediately before the end of the financial year are indicated above under "experience and responsibilities".

# Directors' Report (CONT)

## DIRECTORS' 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.

Directors	Fully paid ordinary shares Number	Share options Number	Unvested Performance rights Number
Mark Hardgrave	363,158	-	-
Charlie McLeish	84,595	685,000	903,000
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.



### 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.





# Directors' Report (CONT)

## PRINCIPAL ACTIVITIES

The Group consists of two fully owned subsidiaries which 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 principal activities of the second subsidiary, Hampers with Bite Pty Ltd, are to market, assemble and distribute affordable premium gift hampers across consumers and businesses Australia wide.

## 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.

The Group 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 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 state of Victoria, Australia.

The Group is based in Australia and has 153 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.

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
- COUNTRY LIFE AND VELVET IN AUSTRALIA
- LITTLE LUCIFER IN AUSTRALIA AND NEW ZEALAND
- JIFFY IN AUSTRALIA
- HAMPERS WITH BITE IN AUSTRALIA

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

Pental is expanding distribution throughout Asia, through developing products and pack sizes that are suitable for these new markets. The Company currently exports into China, Vietnam and Thailand.

This has been achieved mainly through creating partnerships with strategically aligned distributors. We are also exploring various opportunities to maximise recently acquired e-commerce platform of HWB to expand our business.

## REVIEW OF OPERATIONS

	FY23 <sup>(i)</sup>	FY22 <sup>(i)</sup>	Change	
	\$'000	\$'000	\$'000	%
Traditional business revenue (i.e. excluding HWB)	90,917	85,783	5,134	6.0%
Hampers with Bite (HWB) revenue <sup>(ii)</sup>	24,344	31,649	(7,305)	(23.1%)
<b>Total Revenue</b>	<b>115,261</b>	<b>117,432</b>	<b>(2,171)</b>	<b>(1.8%)</b>
<b>Underlying EBITDA</b>	<b>11,245</b>	<b>14,682</b>	<b>(3,437)</b>	<b>(23.4%)</b>
<i>EBITDA margin on net sales</i>	9.8%	12.5%		(2.7%)
Depreciation & Amortisation	(3,807)	(3,899)	92	(2.4%)
<b>Underlying EBIT</b>	<b>7,438</b>	<b>10,783</b>	<b>(3,345)</b>	<b>(31.0%)</b>
<i>EBIT margin on net sales</i>	6.5%	9.2%		(2.7%)
Financial costs	(367)	(189)	(178)	(94.2%)
<b>Underlying profit before tax</b>	<b>7,071</b>	<b>10,594</b>	<b>(3,523)</b>	<b>(33.3%)</b>
Income tax expenses	(2,164)	(3,180)	1,017	32.0%
<b>Underlying Profit after tax</b>	<b>4,908</b>	<b>7,414</b>	<b>(2,507)</b>	<b>(33.8%)</b>
<i>Underlying basic EPS (cents)</i>	2.88	4.73	(1.85)	(39.1%)
One off/significant expenses after tax	(18)	(1,047)	1,029	(98.3%)
<b>Reported net profit after tax</b>	<b>4,890</b>	<b>6,367</b>	<b>(1,478)</b>	<b>(23.2%)</b>
<i>Reported basic EPS (cents)</i>	2.87	3.89	(1.02)	(26.2%)
<i>Dividend (cents per share)</i>	2.30	3.00	(0.70)	(23.3%)
	<b>June 23<sup>(i)</sup></b>	<b>June 22<sup>(i)</sup></b>		
	<b>\$'000</b>	<b>\$'000</b>		
Working Capital <sup>(iii)</sup>	20,984	18,906	2,078	11.0%
Cash <sup>(iv)</sup>	4,836	8,132	(3,296)	(40.5%)
Borrowings <sup>(iv)</sup>	(5,177)	(3,825)	(1,352)	100.0%
Gearing <sup>(v)</sup>	7%	5%		

(i) Unaudited non-IFRS financial table

(ii) HWB figures for FY22 reflect only Pental ownership i.e. from 1 September 2021 to 26 June 2022

(iii) Receivables plus inventory less trade and other payables

(iv) Trade advance of \$3,052K treated as borrowings for purposes of calculating gearing

(v) Debt to equity

# Directors' Report (CONT)

## Financial Performance

Sales revenues for the Group were \$115.261 million, down 1.8% from the prior period. The decrease was primarily caused by a decrease in HWB sales.

### Owned Brands Segment

For Owned Brands, segment revenue was \$57.408 million compared with \$54.973 million last year, an increase of 4.43%. Growth was largely driven by Australia (up 7.6%), offset by New Zealand (down 1.2% in NZD and 5.4% in AUD) markets supported by marginal increases in exports to Asia.

Country Life (up 7.8%), White King (up 5.2%), and Softly (up 12.1%) were the key growth drivers in Australia. Pental continues to enjoy a strong hold in market share across many segments including:

- i. White King Toilet Gel with Added Stain remover Lemon is the #1 Sku in the Manual Toilet Segment
- ii. White King Toilet Gel with Added Stain remover Euca is the #3 Sku in the Manual Toilet Segment
- iii. White King Mould and Soap Scum is the #1 sku in the Bathroom Segment
- iv. White King Lemon 2.5L and White King Regular 2.5L beaches are the #1 and #2 Skus in the Liquid Bleach Segment
- v. Jiffy Firelighters 24pk is the #1 Sku in the Firelighter Segment
- vi. Country Life Fresh Linen 5pk is the #6 sku in the highly competitive Bar Soap Segment

Through the financial year, the Group launched a number of innovative products:

- i. White King 4 in 1 Multi-Purpose Cleaner (non-bleach)
- ii. White King In-Cistern Block Bright White
- iii. Softly Active Laundry Liquid
- iv. Country Life Daintree Breeze Soap

Net sales revenue in New Zealand was marginally down by 1.18% (in NZD before conversion to AUD, 3.5% in AUD after currency conversion) compared to prior period. However, the decline was predominantly recorded in the first half of the financial year driven by supply chain challenges stemming from port congestion leading to shipping delays. Pleasingly, New Zealand reverted to 4.83% (in NZD, like for like) revenue growth in the second half. Pental's share in the New Zealand market in several key categories such as Toilet, Household Cleaning and Dish Wash remains strong. Pental was successful in achieving incremental ranging of 2 Janola and 1 Sunlight branded products across major New Zealand Grocery.

Exports to Asia were \$1.324 million which increased by \$0.078 million or 6.3% compared to prior year. China comprises a significant portion of Asian territory sales for Pental. China based distributors and sub distributors continue to take a cautious approach to any imports from Australia as a result of tense political relations between the two countries, resulting in subdued sales through this channel.

### Contracted Brands Segment

Contracted brands revenue increased by \$2.700 million or 8.76% in FY23 driven by renewal of private label manufacturing agreements (up 9.21%) across bar soaps and bleach. Duracell revenue grew by a healthy 12.88% compared to prior. Duracell remains a key part of Pental's portfolio of product offerings.

### Hampers with Bite Segment

As referred to in the ASX announcement dated 15 December 2022, HWB faced tough market conditions in FY23 following a very successful FY22 due to multiple factors including a fully open hospitality industry and significant inflationary pressures on discretionary spending. However, the Group remains positive about the outlook of HWB. HWB revenue for FY23 was \$24.344 million compared to \$31.649 million for FY22, down 23.08% compared to FY22<sup>1</sup>.

HWB successfully enhanced its website during the financial year with multiple added functionalities including multi-shipping and add-ons. The enhancements have led to an improvement in conversion rates compared to last year as well as average order value lifting by approximately 10% compared to PCP. HWB increased its email database by 44,000 during the financial year and added more than 10,000 in mobile opt-in contacts. Over 50,000 units of Pental produced brand Vitale Wellness products were sold since the launch in July 2022.

HWB continues to increase focus on other annual events outside of Christmas and will target these occasions with carefully curated premium product offerings, to increase revenues outside of the Christmas period.

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 since late FY 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 \$7.438 million was \$3.345 million (or 31.0%) lower compared to last year after adjusting reported EBIT for \$0.025 million in one-off costs relating to implementation of new ERP system at HWB. FY22 underlying EBIT was \$10.783 million after adjusting reported EBIT by \$1.047 million in costs relating to the acquisition of HWB. On a statutory basis, EBIT reduced by 23.9% compared to prior year (FY23: \$7.413 million vs FY22: \$9.736 million).

On a statutory basis, Pental achieved net profit after tax (NPAT) of \$4.890 million, which was 23.2% lower compared to reported NPAT for FY22

- 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:

Statutory & underlying profit comparison to prior period	FY23 <sup>(i)</sup>	FY22 <sup>(i)</sup>	% Change
	\$'000	\$'000	
<b>Underlying profit after tax</b>	<b>4,908</b>	<b>7,414</b>	<b>-33.80%</b>
One off/significant expenses after tax <sup>(ii)</sup>	(18)	(1,047)	
<b>Reported profit after tax</b>	<b>4,890</b>	<b>6,367</b>	<b>-23.2%</b>
Income tax expense	2,156	3,180	
Finance and borrowings costs	367	189	
<b>Reported EBIT</b>	<b>7,413</b>	<b>9,736</b>	<b>-23.9%</b>
One off/significant expenses before tax <sup>(ii)</sup>	25	1,047	
<b>Underlying EBIT</b>	<b>7,438</b>	<b>10,783</b>	<b>-31.0%</b>
Depreciation and amortisation	3,807	3,899	
<b>Underlying EBITDA</b>	<b>11,245</b>	<b>14,682</b>	<b>-23.4%</b>

(i) Unaudited Non-IFRS financial table

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

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

In first half of FY23, 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). These raw material prices generally stabilised in second half of FY23. Pental strategically substituted suitable raw materials to mitigate the impact of high inflation on some raw materials whilst maintaining highest of quality in its products.

Whilst the international shipping availability and pricing progressively improved during the financial year, the Group continued to face challenges in domestic market due to inflationary and driver shortage pressures. 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 \$0.713 million or 9.8% although revenue grew by 6.2% during the same period.

### Shareholder metrics

The total dividend for the 2023 financial year is 2.3 cents per ordinary share (2022: 3.0 cents), representing a payout ratio of 79.9% of the full-year underlying NPAT1 (2022: 69.0% of the underlying NPAT) and consists of:

- Interim fully franked dividend of 1.3 cents per ordinary share, which was paid on 22 March 2023;
- Proposed final fully franked dividend of 1.0 cents per ordinary share, payable to shareholders on 6 October 2023, with a record date of 18 September 2023.



# Directors' Report (CONT)

## Cash generation and capital management

Net cash provided by operating activities was \$6.334 million (2022: Net cash provided by operating activities \$9.924 million), the reduction mainly attributable to HWB revenue decline.

Net working capital (receivables, inventories less trade and other payables) of \$20.984 million was higher than last year by \$2.078 million, predominantly due to lower creditors driven by substituted raw materials which required higher inventory levels due to long lead times. The Group maintained a healthy level of inventory cover as at reporting date.

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

Capital expenditure for the financial year was \$1.544 million compared to \$2.250 million for FY22.

The Company's closing net cash position of \$1.784 million with a debt of \$2.125 million reflected a low gearing as at reporting date. Please refer to Note 29 (a) to the financial statements for details.

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

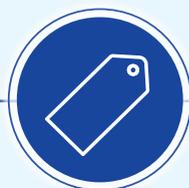


### 1. Driving sales growth through key brands

Pental prides itself on investing in product innovation, support 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 4.43% over the course of 2023 financial year. The growth was pleasingly driven by expansion of White King, Softly and Country Life brands.



### 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 over 95% 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 explore opportunities in the Australian and New Zealand markets to find new avenues to strategically grow sales. Because of this ongoing persistence we have achieved preferred supplier status to a major hardware channel customer. The early performance of our products through this channel are very encouraging. Pental is developing new innovative products to maximise both its supply chain and manufacturing efficiencies. We also launched a range of new products in existing channels including a non-bleach multipurpose cleaner in both the supermarket and pharmacy channel.

The e-Commerce channel Team at HWB have developed a new gifting website under the Smilesip Brand.

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.



### Impact of COVID 19

The Directors believe COVID 19 will not have a material impact on the Group's ability to continue as a going 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 \$1.784 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.



#### 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 New Zealand based sales and distribution agent. NZ sales were in decline due to both supply chain issues and aggressive competitor activity. Both our power brands Janola and Sunlight performed strongly in New Zealand market and enjoy a significant share of their respective categories.

Asia remains a key part of our growth ambitions despite the disappointing sales performance in the last 3 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

Pental is targeting growth through both product innovation, marketing strategies and continuous market research on finding suitable acquisitions to complement its organic growth.



#### 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 and further improvement of a new filling line at Pental's Shepparton manufacturing site over last 2 years has enabled the production and development of products that are more earth friendly and sustainable for the market. The Group has been able to successfully bring manufacturing of its New Zealand Sunlight dishwash liquid range inhouse taking full control of its supply chain and quality. 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 three financial years in upgrading the infrastructure at its Shepparton plant mainly through the upgrade of its fire protection systems, chemical management, chemical segregation, and traffic management improvement initiatives with safety of our team being our primary focus.

# Directors' Report (CONT)

## OPERATIONAL RISKS

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.

Similarly, HWB operates in a competitive e-commerce segment which is also subject to fluctuations in consumer demand and preferences. Pental strives to continually refresh its offering to consumers based on consumer trends, value and quality to generate demand.

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.

**Distributorship agreement:** Pental currently has distributorship agreements with Berkshire Hathaway which allows Pental to distribute "Duracell" and "Procell" branded batteries in agreed consumer channels. These agreements in aggregate account for a material portion of Pental's operating margins. These distributorship agreements are typically renegotiated and renewed every three years and include provisions that allow the contracts to be terminated on a performance or no-cause basis with short notice period. Pental proactively manages the performance of its distributorship agreements through joint business plans and monthly business reviews.

**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.

**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 DEVELOPMENTS

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.



# Directors' Report (CONT)

## SUBSEQUENT EVENTS

In respect of the year (53 weeks) ended 2 July 2023 the Company will pay final fully franked dividend of 1.0 cents per ordinary share, payable to shareholders on 6 October 2023, with a record date of 18 September 2023.

There has not been any other 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 (53 weeks) ended 2 July 2023 an interim fully franked dividend of 1.3 cent per ordinary share was paid on 22 March 2023. The directors have declared the payment of a final fully franked dividend of 1.0 cents per ordinary share, payable to shareholders on 6 October 2023, with a record date of 18 September 2023. The total dividend for the FY23 financial year of 2.3 cents per share represents a payout ratio of 79.9% of net profit after tax (excluding significant non-operating costs).

In the prior year ended 26 June 2022, the total dividend paid was 3.0 cents per ordinary share, representing a payout ratio of 69.0% of net profit after tax (i.e. before HWB acquisition costs).

## 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 1,625,000 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 except for exercisable options referred above.

## 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

Lodgement of Appendix 4E - FY22

FY22 Annual Financial Report

Deadline for nomination as Director

Annual Report and Notice of Annual General Meeting

Annual General Meeting

### DATE

31 August 2023

31 August 2023

29 September 2023

27 November 2023

30 November 2023

## 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	4	2	2
Kerrie Parker	13	13	4	4	2	2
Jeff Miciulis	13	13	4	3	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 (including Independence Standards) 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 42 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.



# 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**

*Non-executive Independent Chairman*

**Fred Harrison**

*Non-executive Independent Director*

**Charlie McLeish**

*Managing Director and Chief Executive Officer*

**Kerrie Parker**

*Non-executive Independent Director*

**Jeff Miciulis**

*Non-executive Independent Director*

**Neil Godara**

*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 upon 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

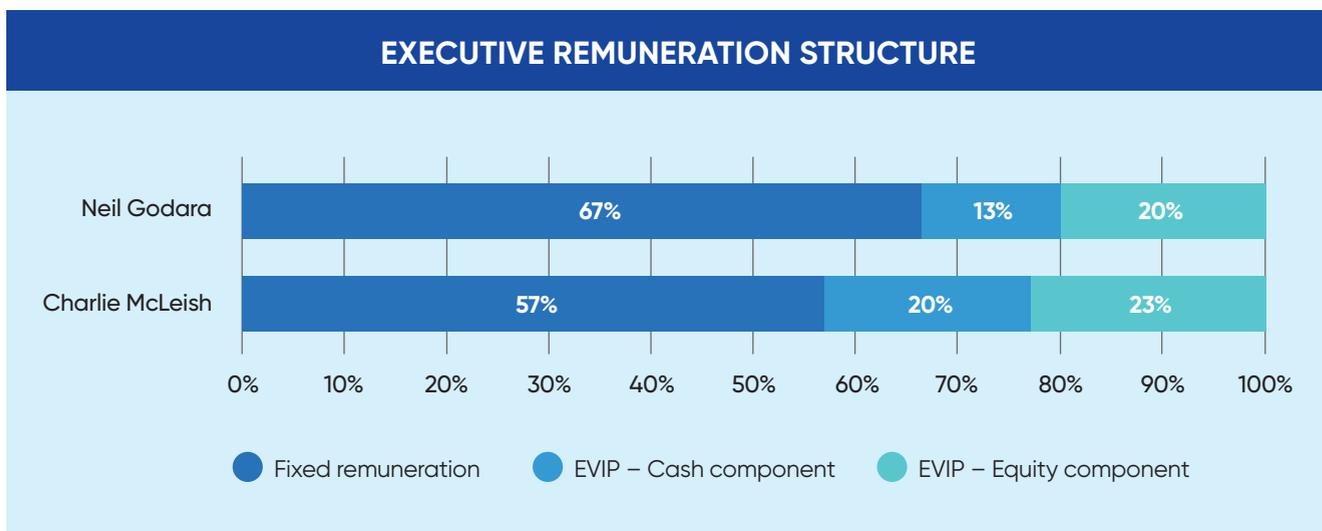
developed and approved by the Board. Executive packages are reviewed annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries and of comparable size. The performance of executives is measured 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. Group earnings before interest and tax (EBIT) targets together with pre-determined key performance indicators within the executive's area of specialisation	30% of total fixed remuneration (at face value) for the Chief Financial Officer 40% of total fixed remuneration (at face value) for the Managing Director and Chief Executive Officer.

# Remuneration report – Audited (CONT)

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.



### 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	\$300,160	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 2023. 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.

	2 July 2023 <sup>1</sup> \$'000	26 June 2022 <sup>1</sup> \$'000	27 June 2021 <sup>1</sup> \$'000	28 June 2020 <sup>1</sup> \$'000	30 June 2019 <sup>1</sup> \$'000
Sales revenue	115,261	117,432	124,940	126,460	100,446
Net profit/(loss) before tax	7,046	9,547	7,680	7,221	2,756
Net profit/(loss) after tax	4,890	6,367	5,363	5,019	1,921
Underlying net profit after tax	4,908	7,414	5,607	5,019	3,451

<sup>1</sup> Underlying net profit after tax has been adjusted to exclude costs relating to the implementation of ERP system at HWB for FY23: \$25 thousand, HWB acquisition for FY22: \$1,047 thousand, brand impairment for FY21: \$348 thousand, FY19: \$2,185 thousand and related income tax (FY23: 7 thousand, FY22: NIL, FY21: \$104 thousand, FY19: \$655 thousand).

	2 July 2023	26 June 2022	27 June 2021	28 June 2020	30 June 2019
Share price at start of year	\$0.415	\$0.415	\$0.34	\$0.288	\$0.280
Share price at end of year	\$0.317	\$0.415	\$0.415	\$0.34	\$0.288
Interim dividend (cents) per share <sup>1</sup>	1.30	1.30	1.00	0.70	0.70
Special dividend (cents) per share <sup>1,2</sup>	-	-	-	0.70	-
Final dividend (cents) per share <sup>1,2</sup>	1.00	1.70	1.60	1.50	1.30
Basic earnings/(loss) cents per share	2.87	3.89	3.94	3.68	1.41
Diluted earnings/(loss) cents per share	2.77	3.80	3.85	3.64	1.41

<sup>1</sup> Franked to 100% at 30% corporate income tax rate.

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



# 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:

2023	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 \$	
<b>Non Executive Directors</b>							
Mark Hardgrave	126,697	-	-	-	13,303	-	140,000
Jeff Miciulis	72,398	-	-	-	7,602	-	80,000
Fred Harrison	80,000	-	-	-	-	-	80,000
Kerrie Parker	78,100	-	-	-	1,900	-	80,000
<b>Total Directors</b>	<b>357,195</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,805</b>	<b>-</b>	<b>380,000</b>
<b>Executives</b>							
Charlie McLeish	522,482	-	6,776	8,702	27,500	73,553	639,013
Neil Godara	272,499	-	6,695	6,862	27,500	22,226	335,782
<b>Total Executives</b>	<b>794,981</b>	<b>-</b>	<b>13,471</b>	<b>15,564</b>	<b>55,000</b>	<b>95,779</b>	<b>974,795</b>
<b>Total Remuneration</b>	<b>1,152,176</b>	<b>-</b>	<b>13,471</b>	<b>15,564</b>	<b>77,805</b>	<b>95,779</b>	<b>1,354,795</b>

(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 Long service leave <sup>(iii)</sup>	Post-employment benefits	Share-based payments	Total
	Salary & fees <sup>(i)</sup>	Bonus	Non-Monetary <sup>(ii)</sup>		Superannuation	Rights	
	\$	\$	\$	\$	\$	\$	\$
<b>Non Executive Directors</b>							
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
<b>Total Directors</b>	<b>336,364</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23,636</b>	<b>-</b>	<b>360,000</b>
<b>Executives</b>							
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
<b>Total Executives</b>	<b>798,064</b>	<b>98,000</b>	<b>13,638</b>	<b>16,605</b>	<b>50,749</b>	<b>95,779</b>	<b>1,072,835</b>
<b>Total Remuneration</b>	<b>1,134,428</b>	<b>98,000</b>	<b>13,638</b>	<b>16,605</b>	<b>74,385</b>	<b>95,779</b>	<b>1,432,835</b>

(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.

### 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 \$62,766.80 inclusive of GST (2022: \$129,799.66 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 \$7,770.54 (2022: \$18,022.90) in relation to abovementioned promotional activities and supplier trading terms.

### 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.

# Remuneration report – Audited (CONT)

## 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 exercisable Options at NIL exercise price 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:

- 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 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.



## EVIP – FY23 PERFORMANCE

The executives, Mr McLeish and Mr Godara were issued 560,000 and 214,000 rights, respectively on 1st July 2022. The executives have forfeited all EVIP entitlements for 2023 financial year due to not meeting financial performance conditions.

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 <sup>(iii)</sup> \$	EVIP – Equity component at face value \$	VWAP <sup>(i)</sup> used to calculate number of Rights \$	Number of Rights issued <sup>(ii) (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
		<b>98,000</b>	<b>152,000</b>		<b>369,000</b>

(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 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:

2022	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.

## 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 performance or other vesting conditions.

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

	Grant Date	Vesting Date	Balance at 26/06/2022 No.	Rights granted No.	Rights vested No.	Rights forfeited No.	Rights lapsed No.	Balance at 2/7/2023 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	267,000	-	-	-	-	267,000
Neil Godara	1/7/2021	1/7/2025	102,000	-	-	-	-	102,000
Charlie McLeish	17/11/2022	1/7/2026	-	560,000	-	560,000	-	-
Neil Godara	1/7/2022	1/7/2026	-	229,000	-	229,000	-	-

## KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS

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

	Balance 27/6/2021	Net change other <sup>(i)</sup>	Balance <sup>(v)</sup> 26/6/2022	Net change other <sup>(i)</sup>	Balance <sup>(iii)</sup> 2/7/2023
<b>Non-Executive Directors</b>					
Mark Hardgrave	100,000	263,158	363,158	-	363,158
Fred Harrison	250,000	197,368	447,368	-	447,368
Kerrie Parker	-	77,000	77,000	-	77,000
Jeff Miciulis	800,000	200,000	1,000,000	-	1,000,000
<b>Executives</b>					
Charlie McLeish <sup>(ii)</sup>	-	84,595	84,595	-	84,595
Neil Godara <sup>(ii)</sup>	-	-	-	-	-

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

(ii) Both Mr McLeish and Mr Godara have been issued performance rights under the Executive Variable Incentive Plan (EVIP) in previous financial years.

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

## KEY MANAGEMENT PERSONNEL SHARE OPTION HOLDINGS

Other than the performance rights holdings disclosed previously, below options have vested since meeting vesting criteria and can be exercised to convert to shares at Nil cost by the option holders:

	Grant Date	Vesting Date	Balance 26/06/2022 No.	Rights vested No.	Options Exercised No.	Options lapsed No.	Balance at 2/7/2022 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

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, 31 August 2023



# 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 [www.pental.com.au](http://www.pental.com.au) 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 meeting its corporate governance obligations.

	BEST PRACTICE RECOMMENDATION	COMMENT
<b>1.</b>	<b><i>Lay solid foundations for management and oversight</i></b>	
1.1	<p>A listed entity should disclose:</p> <ul style="list-style-type: none"> <li>(a) the respective roles and responsibilities of its board and management; and</li> <li>(b) those matters expressly reserved to the board and those delegated to management.</li> </ul>	<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 a strategic direction, 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, codes 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:</p> <ul style="list-style-type: none"> <li>(a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and</li> <li>(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.</li> </ul>	<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 selection 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
1.3	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 chair, on all matters to do with 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 which includes requirements for 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 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> <p>(1) 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</p> <p>(2) 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 that Act.</p>	<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 provides 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 2 July 2023, there were 62 (26 June 2022, 55) women employed representing 38.5% (26 June 2022, 35.26%) of total employees. There were no female senior executives as at the reporting date (26 June 2022: None).</p> <p>There was one female on the Board of Directors (26 June 2022, one).</p> <p>The Company's Corporate Governance Section on its website includes the Company's 2022 Workplace Gender Equality public report.</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for 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>	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 to carry out an internal process of evaluation during the current period.
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for 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>

# Corporate Governance Statement (CONT)

	BEST PRACTICE RECOMMENDATION	COMMENT
<b>2.</b>	<b>Structure the board to add value</b>	
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:               <ol style="list-style-type: none"> <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> </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 functions 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 necessary to fulfil its obligations.</p>
2.2	<p>A listed entity should have and disclose 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>A skills matrix has been published at the Company website. Further, 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 generally has directors with appropriate skills, experience and expertise for a business such as Pental's, and will address skills requirements on an ongoing basis.</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 judgment. 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 Ritchies Stores Pty Ltd invoiced the Group a total of \$62,766.80 (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 abovementioned promotions, rebates and trading terms are not material to Mr Harrison as an employee of Ritchies 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	<p>A majority of the board of a listed entity should be independent directors.</p>	<p>At the date of this report and during the period a majority of directors were independent directors.</p>

	BEST PRACTICE RECOMMENDATION	COMMENT
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.	The Company has an induction program for new directors. 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.
<b>3. Instil a culture of acting lawfully, ethically and responsibly</b>		
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: <ul style="list-style-type: none"> <li>(a) have a code of conduct for its directors, senior executives and employees; and</li> <li>(a) disclose that code or a summary of it.</li> </ul>	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.  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.
3.3	A listed entity should: <ul style="list-style-type: none"> <li>(a) have and disclose a whistleblower policy; and</li> <li>(b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy</li> </ul>	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.  The Company's Corporate Governance Section on its website includes a whistleblower policy.  Any material incidents are encouraged to be reported to the company secretary who reports to the board in a timely manner.
3.4	A listed entity should: <ul style="list-style-type: none"> <li>(a) have and disclose an anti-bribery and corruption policy; and</li> <li>(b) ensure that the board or a committee of the board is informed of any material breaches of that policy.</li> </ul>	The Company's Corporate Governance Section on its website includes an anti-bribery and corruption policy.  Any material incidents are encouraged to be reported to the company secretary who reports to the board in a timely manner.



# Corporate Governance Statement (CONT)

	BEST PRACTICE RECOMMENDATION	COMMENT
<b>4.</b>	<b><i>Safeguard integrity in financial reporting</i></b>	
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 non-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,</li> </ol> <p>and disclose:</p> <ol style="list-style-type: none"> <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 which 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 the 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
<b>5.</b>	<b><i>Make timely and balanced disclosure</i></b>	
5.1	A listed entity should: <ul style="list-style-type: none"> <li>(a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and</li> <li>(b) disclose that policy or a summary of it.</li> </ul>	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.
<b>6.</b>	<b><i>Respect the rights of shareholders</i></b>	
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 communications 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.

# Corporate Governance Statement (CONT)

	BEST PRACTICE RECOMMENDATION	COMMENT
<b>7.</b>	<b><i>Recognise and manage risk</i></b>	
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; 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 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>	The Audit and Risk Committee referred to in section 4 also oversees risk as part of its Charter.
7.2	<p>(a) The board or a committee of the board should: 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>	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.
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 that this is 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	A listed entity should disclose whether it has any material exposure to economic, environmental and social sustainability risks and, if it does, how it manages or intends to manage those risks.	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.

	BEST PRACTICE RECOMMENDATION	COMMENT
<b>8. Remunerate fairly and responsibly</b>	<p>8.1 The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ul 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:                             <ul style="list-style-type: none"> <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> </ul> </li> </ul> <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>Memberships 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>
<p>8.2 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>	
<p>8.3 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 the 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 risk of participation in the scheme.</p>	






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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 2 July 2023, 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, 31 August 2023

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## Independent Auditor's Report

### To the Members of Pental Limited

#### Report on the audit of the financial report

##### 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 2 July 2023, 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 2 July 2023 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.

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## 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.

Key audit matter	How our audit addressed the key audit matter
<h3>Carrying value of brand names – Note 17</h3>	
<p>As at 2 July 2023, 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 amounts 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, including the royalty rate and growth rate;</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 reasonableness of the discount rate applied;</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>
<h3>Valuation of goodwill – Note 16</h3>	
<p>As at 2 July 2023, the Group carries goodwill of \$18.903 million which relates to the acquisition of Hampers with Bite.</p> <p>Goodwill is required to be assessed for impairment annually by management as prescribed by Accounting Standard AASB 136 <i>Impairment of Assets</i>.</p> <p>Management tests the cash-generating unit for impairment by comparing its carrying amount to the recoverable amount determined by the higher of its fair value less costs to sell and its value in use.</p> <p>This area is a key audit matter due to the high degree of management judgement and estimation required in determining the recoverable amount of the cash-generating unit.</p>	<p>Our procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Documenting and assessing the processes and controls related to the assessment of goodwill impairment;</li> <li>• Assessing management's determination of cash-generating units based on the nature of the business and how independent cash flows are generated;</li> <li>• Assessing management's impairment assessment for compliance with AASB 136 and evaluating the reasonableness of key assumptions through sensitivity analysis, including discount rate, growth rate and forecast assumptions;</li> <li>• Considering the appropriateness of management's forecast by comparing the forecast cash flows to the actual growth rates achieved historically and assessing reasonableness of the underlying assumptions;</li> <li>• Involving our valuation specialists to assess management's model and evaluate the reasonableness of key assumptions including the discount rate and long-term growth rate; 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 2 July 2023, 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

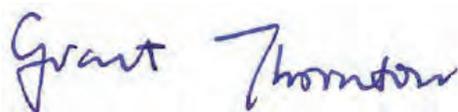
#### Opinion on the remuneration report

We have audited the Remuneration Report included in pages 24 to 32 of the Directors' report for the year ended 2 July 2023.

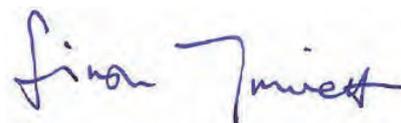
In our opinion, the Remuneration Report of Pental Limited, for the year ended 2 July 2023 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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



Grant Thornton Audit Pty Ltd  
Chartered Accountants



S C Trivett  
Partner – Audit & Assurance

Melbourne, 31 August 2023

# 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 thereto 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 statements and notes thereto 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, 31 August 2023



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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year (53 weeks) ended 2 July 2023

	Note	2023 \$'000	2022 \$'000
<b>Continuing Operations</b>			
Revenue from the sale of goods	4	115,261	117,432
Other revenue and income		223	151
Other gains and losses		(90)	19
Changes in inventory of finished goods and work in progress		849	(853)
Raw materials, consumables used and utilities		(62,894)	(59,120)
Employee benefits expense	7	(18,165)	(18,728)
Freight out and distribution expense		(12,069)	(12,074)
Marketing expenses		(4,661)	(5,273)
Occupancy expenses		(1,432)	(1,539)
Selling expenses		(1,245)	(1,092)
Repairs and maintenance expense		(1,039)	(1,010)
Other expenses		(3,493)	(3,231)
Acquisition related expenses	8	-	(1,047)
Costs relating implementation of ERP system		(25)	-
<b>Profit before finance costs, income tax, depreciation and amortisation (EBITDA)</b>		<b>11,220</b>	<b>13,635</b>
Depreciation and amortisation expense	7	(3,807)	(3,899)
<b>Profit before finance costs and income tax (EBIT)</b>		<b>7,413</b>	<b>9,736</b>
Finance costs	5	(367)	(189)
<b>Profit before tax</b>		<b>7,046</b>	<b>9,547</b>
Income tax expense	6	(2,156)	(3,180)
<b>Net Profit for the year</b>		<b>4,890</b>	<b>6,367</b>
<b>Profit Attributable to Members of the Parent Entity</b>		<b>4,890</b>	<b>6,367</b>
<b>Other comprehensive income</b>			
Items that may be classified subsequently to profit or loss: Profit/(loss) on cash flow hedges taken to equity		178	(44)
Income tax relating to components of other comprehensive income		(54)	13
Other comprehensive income/(loss) for the year (net of tax)		124	(31)
<b>Total comprehensive income for the year</b>		<b>5,014</b>	<b>6,336</b>
Profit attributable to equity holders of the parent		4,890	6,367
Total comprehensive income attributable to equity holders of the parent		5,014	6,336
<b>Earnings per share Attributable to the Members of the Parent Entity</b>			
Basic (cents per share)	9	2.87	3.89
Diluted (cents per share)	9	2.77	3.80

Notes to the financial statements are included on pages 52 to 84.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 2 July 2023

	Note	2 July 2023 \$'000	26 June 2022 \$'000
<b>Current assets</b>			
Cash and cash equivalents	29(a)	1,784	8,132
Trade and other receivables	10	15,469	17,395
Inventories	11	18,647	17,817
Other financial assets	12	201	23
Current tax receivable	6	523	-
Other assets	18	940	646
<b>Total current assets</b>		<b>37,564</b>	<b>44,013</b>
<b>Non-current assets</b>			
Right-of-use assets	15	2,105	1,013
Property, plant and equipment	14	17,451	18,888
Goodwill	16	18,903	18,903
Intangible assets	17	22,447	22,463
<b>Total non-current assets</b>		<b>60,906</b>	<b>61,267</b>
<b>Total assets</b>		<b>98,470</b>	<b>105,280</b>
<b>Current liabilities</b>			
Trade and other payables	19	13,132	16,306
Borrowings		1,700	1,700
Other financial liabilities	20	54	89
Current tax payables	6	-	342
Lease liabilities	15	751	667
Contingent consideration	8	-	3,537
Provisions	22	2,730	2,977
<b>Total current liabilities</b>		<b>18,367</b>	<b>25,618</b>
<b>Non-current liabilities</b>			
Borrowings		425	2,125
Deferred tax liabilities	6	6,347	5,340
Lease liabilities	15	1,368	305
Provisions	22	84	80
<b>Total non-current liabilities</b>		<b>8,224</b>	<b>7,850</b>
<b>Total liabilities</b>		<b>26,591</b>	<b>33,468</b>
<b>Net assets</b>		<b>71,879</b>	<b>71,812</b>
<b>Equity</b>			
Issued capital	23	103,830	103,830
Reserves		681	390
Accumulated losses		(32,632)	(32,408)
<b>Total equity</b>		<b>71,879</b>	<b>71,812</b>

Notes to the financial statements are included on pages 52 to 84.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year (53 weeks) ended 2 July 2023

	Note	Issued capital \$'000	Hedging reserve \$'000	Equity settled employee benefits reserve \$'000	Retained earnings \$'000	Total \$'000
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
Total comprehensive income for the year		-	(31)	-	6,367	6,336
<b>Transactions with shareholders</b>						
Shares issued as consideration		3,000	-	-	-	3,000
Placement of shares		10,466	-	-	-	10,466
Share issue costs		(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>		<b>13,172</b>	<b>-</b>	<b>173</b>	<b>(4,616)</b>	<b>8,729</b>
<b>Balance at 26 June 2022</b>		<b>103,830</b>	<b>16</b>	<b>374</b>	<b>(32,408)</b>	<b>71,812</b>
Balance at 26 June 2022		103,830	16	374	(32,408)	71,812
Profit for the year		-	-	-	4,890	4,890
Gain on cash flow hedges		-	178	-	-	178
Deferred tax arising on hedges	6	-	(54)	-	-	-54
Total comprehensive income for the year		-	124	-	4,890	5,014
<b>Transactions with shareholders</b>						
Dividend Payment	24(a)	-	-	-	(5,114)	(5,114)
Recognition of share based payments		-	-	167	-	167
<b>Total transactions with shareholders</b>		<b>-</b>	<b>-</b>	<b>167</b>	<b>(5,114)</b>	<b>(4,947)</b>
<b>Balance at 2 July 2023</b>		<b>103,830</b>	<b>140</b>	<b>541</b>	<b>(32,632)</b>	<b>71,879</b>

Notes to the financial statements are included on pages 52 to 84.

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year (53 weeks) ended 2 July 2023

	Note	2023 \$'000	2022 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		131,240	128,419
Payments to suppliers and employees		(122,435)	(113,943)
Interest on lease liabilities	15	(48)	(34)
Interest and other costs of finance paid		(319)	(155)
Income tax paid		(2,057)	(4,497)
Income tax refunds received		-	135
<b>Net cash provided by/(used in) operating activities</b>	<b>29(b)</b>	<b>6,381</b>	<b>9,925</b>
<b>Cash flows from investing activities</b>			
Acquisition costs - expensed		-	(1,047)
Payments for plant and equipment	14	(1,387)	(2,085)
Payment for acquisitions (net of cash acquired)	8	(3,537)	(19,607)
Payments for intangible assets	17	(96)	(157)
<b>Net cash used in investing activities</b>		<b>(5,020)</b>	<b>(22,896)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	23	-	10,466
Payment for share issue costs	23	-	(420)
Proceeds from Borrowings		-	8,500
Repayment of borrowings		(1,700)	(4,675)
Repayment of lease liabilities	15	(860)	(862)
Utilisation/(repayment) of supplier payment facility		(35)	8
Dividends paid	24	(5,114)	(4,616)
<b>Net cash used in financing activities</b>		<b>(7,709)</b>	<b>8,401</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(6,348)</b>	<b>(4,570)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>8,132</b>	<b>12,702</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>29(a)</b>	<b>1,784</b>	<b>8,132</b>

Note to the financial statements are included on pages 52 to 84.

# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

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

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

### Principal Registered office

Pental Limited  
Level 17, 390 St. Kilda Road  
Melbourne Victoria 3004  
Telephone: (03) 9251 2311  
Facsimile: (03) 9645 3001  
www.pental.com.au

### Share Registry

Automic Group  
Suite 5, Level 12/530 Collins Street,  
Melbourne VIC 3000  
Telephone: 1300 288 664  
www.automicgroup.com.au

## 2. SIGNIFICANT ACCOUNTING POLICIES

### Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law. The financial statements comprise consolidated financial statements of the consolidated entity (the "Group"). For the purposes of preparing the consolidated financial statements, the Company is 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 31 August 2023.

### 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 the fair values of the consideration given in exchange for assets. All amounts are presented in Australian 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 judgments and key sources of estimation uncertainty

In the application of the Group's accounting policies, management is required to make judgments, 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 value-in-use. The Group uses 'relief from royalty' method for the purposes of estimating the fair value less costs to sell. The estimation of 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 2 July 2023 was \$22.246 million (26 June 2022: \$22.246 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.

### 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 Monte-Carlo 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.

### Net realisable value of inventories

The net realisable value 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 impairment

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 2 July 2023 was \$18.903 million (26 June 2022: 18.903 million). Details of movements and impairment testing are set out 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.

### 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 early adopted by the Group for the annual reporting period ended 2 July 2023. 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 statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, 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 Note 13 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

In preparing the consolidated financial statements, all intercompany 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 non-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 assesses 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 asset 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT)

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any 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 acquired, 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.

### (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 date 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 receivable 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 translation 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:

- i. 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
- ii. 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 Monte-Carlo method, taking into account the terms and conditions upon which the performance rights were granted.

### (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.

#### **(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 the 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 necessary to make the sale. Net realisable value is determined on the basis of each inventory line's normal selling pattern.

#### **(k) Property, plant and equipment**

The carrying amount of property, plant and equipment is valued on the 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 the 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 up to 30 years on a straight line basis. Land is not depreciated.

# NOTES TO THE FINANCIAL STATEMENTS (CONT)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT)

### (l) Finance costs

Finance 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.

### (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 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.

### (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. An impairment loss for goodwill is never reversed.

### (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

Interest and dividends are 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 2 July 2023, the Group is reporting on the 53 week period that began 27 June 2022 and ended 2 July 2023. 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.

## 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:** 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT)

## 3. SEGMENT INFORMATION

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

Owned Brands		Contracted Brands		Hampers with Bite		Total	
2 Jul 2023 \$'000	26 Jun 2022 \$'000	2 Jul 2023 \$'000	26 Jun 2022 \$'000	2 Jul 2023 \$'000	26 Jun 2022* \$'000	2 Jul 2023 \$'000	26 Jun 2022 \$'000

### Segment Revenue

<b>Sales revenue</b>	<b>57,408</b>	<b>54,973</b>	<b>33,509</b>	<b>30,810</b>	<b>24,344</b>	<b>31,649</b>	<b>115,261</b>	<b>117,432</b>
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### Segment Results

<b>Underlying profit before finance costs and income tax (EBIT)</b>	<b>6,169</b>	<b>6,181</b>	<b>(1,108)</b>	<b>(1,907)</b>	<b>2,377</b>	<b>6,509</b>	<b>7,438</b>	<b>10,783</b>
Costs relating to acquisition of Hampers with Bite							-	(1,047)
Costs relating to implementation of ERP system							(25)	-
<b>Profit before finance costs and income tax (EBIT)</b>							<b>7,413</b>	<b>9,736</b>
Finance costs							(367)	(189)
<b>Profit before income tax</b>							<b>7,046</b>	<b>9,547</b>
Income tax expense							(2,156)	(3,180)
<b>Net profit for the period</b>							<b>4,890</b>	<b>6,367</b>

\* HWB financial information for prior period reflects data from 1 September 2021 i.e. the date of acquisition to 26 June 2022.

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:

	2023 \$'000	2022 \$'000
<b>Current</b>		
Australia	100,694	102,649
New Zealand	13,083	13,505
Other regions	1,484	1,278
<b>Total geographical sales</b>	<b>115,261</b>	<b>117,432</b>

## 4. REVENUE

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

	2023 \$'000	2022 \$'000
Revenue from the sale of goods	115,261	117,432

The Group's Top 2 customers contributed \$25,875,401 (22.45% of total revenue) and \$17,590,426 (15.26% of total revenue) respectively to the Group's revenue for the year ended 2 July 2023. No other customer contributed more than 10% of the revenue for the year ending 2 July 2023.

### 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 goods. 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. FINANCIAL COSTS

	2023 \$'000	2022 \$'000
Interest on borrowings	280	101
Other borrowing costs	39	54
Interest on leases	48	34
<b>Total interest expense</b>	<b>367</b>	<b>189</b>

## 6. INCOME TAXES

### Income tax recognised in profit or loss

	2023 \$'000	2022 \$'000
<b>Tax expense comprises:</b>		
Current tax expense	1,221	3,072
Deferred tax expense	953	121
Adjustments recognised in relation to the current tax of prior years	(18)	(13)
<b>Total tax expense</b>	<b>2,156</b>	<b>3,180</b>

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

	2023 \$'000	2022 \$'000
Profit from operations	7,046	9,547
Tax at the Australian tax rate of 30%	2,114	2,864
Non Deductible items	60	329
Adjustments recognised in relation to the current tax of prior years	(18)	(13)
<b>Income tax expense</b>	<b>2,156</b>	<b>3,180</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

	2023 \$'000	2022 \$'000
<b>Deferred tax</b>		
Arising on amounts recognised in other comprehensive income:		
Changes in the fair value of cash flow hedges	(54)	13
	<b>(54)</b>	<b>13</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONT)

## 6. INCOME TAXES (CONT)

### Deferred tax balances

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

	2023			
	Opening balance \$'000	Charged to income \$'000	Recognised in other comprehensive income \$'000	Closing Balance \$'000
<b>Deferred tax assets</b>				
Provision for expected credit losses	72	4	-	76
Provisions	909	(62)	-	847
Share based payments	112	50	-	162
Lease Liabilities	325	364	-	689
Inventory obsolescence	374	(4)	-	370
Accruals	61	(11)	-	50
Costs relating to issuance of shares	101	(25)	-	76
Other	5	3	-	8
	1,959	319	-	2,278
<b>Deferred tax liabilities</b>				
Property, plant and equipment	(341)	(952)	-	(1,293)
Leased Assets	(282)	(350)	-	(632)
Foreign currency items	3	25	(54)	(26)
Brand names	(6,674)	-	-	(6,674)
Other	(5)	5	-	-
	(7,299)	(1,272)	(54)	(8,625)
<b>Net deferred tax asset / (liability)</b>	<b>(5,340)</b>	<b>(953)</b>	<b>(54)</b>	<b>(6,347)</b>

## Deferred tax assets

2022					
Opening balance \$'000	Charged to income \$'000	Recognised in other comprehen- sive 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)
<b>Net deferred tax asset / (liability)</b>	<b>(2,363)</b>	<b>(121)</b>	<b>13</b>	<b>(2,995)</b>	<b>126</b>	<b>(5,340)</b>

# NOTES TO THE FINANCIAL STATEMENTS (CONT)

## 6. INCOME TAXES (CONT)

	2023 \$'000	2022 \$'000
<b>Current tax assets</b>		
Income tax refund receivable	523	-
	<b>523</b>	<b>-</b>

	2023 \$'000	2022 \$'000
<b>Current tax liabilities</b>		
Income tax payable	-	342
	<b>-</b>	<b>342</b>

### 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

(a) Profit for the year has been arrived at after charging the following expenses:

	2023 \$'000	2022 \$'000
<b>Expenses</b>		
Cost of goods sold	75,925	73,662
Depreciation: Property, plant and equipment	2,823	2,888
Depreciation: Right-of-use assets	872	123
Amortisation: Software	112	123
<b>Total depreciation and amortisation</b>	<b>3,807</b>	<b>3,899</b>
<b>Employee benefits expense:</b>		
Post-employment benefits – defined contribution plans	1,500	1,471
Share based payments expense	167	173
Other employee benefits	16,498	17,084
	<b>18,165</b>	<b>18,728</b>

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

In the previous financial year, 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.

Details of the purchase consideration, net identifiable assets acquired, and goodwill 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 was payable to vendors subject to HWB achieving an agreed FY22 EBIT performance target. HWB exceeded the EBIT performance target and the full earnout amount of \$4.0 million was paid to Vendors in August 2022 after adjusting by \$0.463 million (i.e. net amount of \$3.537 million) for final working capital adjustments.

## 8. BUSINESS COMBINATIONS (CONT)

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

	Fair Value \$'000
<b>Acquired assets &amp; assumed liabilities</b>	
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	(3,132)
<b>Net identifiable assets acquired</b>	<b>8,755</b>
Goodwill	18,903
<b>Net assets acquired</b>	<b>27,658</b>

(i) 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

	2023 Cents Per Share	2022 Cents Per Share
Basic earnings per share	2.87	3.89
Diluted earnings per share	2.77	3.80

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

	2023 Cents Per Share	2022 Cents Per Share
Net profit	4,890	6,367
Earnings used in the calculation of basic EPS	4,890	6,367
Earnings used in the calculation of diluted EPS	4,890	6,367

	2023 No.	2022 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	170,459,499	163,673,347

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.

	2023 No.	2022 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	170,459,499	163,673,347
Shares deemed to be issued for no consideration in respect of:		
- performance rights & unexercised options over ordinary shares	5,828,288	3,887,060
<b>Weighted average number of ordinary shares for the purposes of diluted earnings per share</b>	<b>176,287,787</b>	<b>167,560,407</b>

### Classification of securities as potential ordinary shares

Performance rights (vested and unvested) 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT)

### 10. TRADE AND OTHER RECEIVABLES

	2023 \$'000	2022 \$'000
<b>Current</b>		
Trade receivables <sup>(i)</sup>	15,829	16,677
Other <sup>(ii)</sup>	(106)	958
Allowance for expected credit losses	(254)	(240)
	<b>15,469</b>	<b>17,395</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 \$12.560 million is due from top five customers (2022: \$13.895 million from top six customers) and these five customers account for 59.45% of total sales revenue for the year (2022: 56.1% 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.

	2023 \$'000	2022 \$'000
<b>Ageing of past due</b>		
Overdue 31 to 60 days	132	283
Overdue 61 to 90 days	33	84
Overdue 91 days and beyond	399	251
<b>Total</b>	<b>564</b>	<b>618</b>

	2023 \$'000	2022 \$'000
<b>Movement in the allowance for expected credit losses</b>		
Balance at the beginning of the year	240	224
Re-measurement of loss allowance	14	16
<b>Balance at the end of the year</b>	<b>254</b>	<b>240</b>

To determine the impairment allowance under the simplified approach, trade receivables are grouped based on their due date. Impairment losses are then calculated based on a weighted average of expected credit losses, with the weightings being based on the respective probabilities of default. At 2 July 2023, the amount of provision for expected credit losses was \$254 thousand (2022: \$240 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

	2023 \$'000	2022 \$'000
Raw materials	5,310	7,227
Work in progress	7	-
Goods in transit	1,196	1,425
Finished goods	12,134	9,165
	<b>18,647</b>	<b>17,817</b>

### 12. OTHER FINANCIAL ASSETS

	2023 \$'000	2022 \$'000
<b>Current</b>		
Foreign currency forward contracts	201	23
	<b>201</b>	<b>23</b>

## 13. SUBSIDIARIES

Name of subsidiary	Country of incorporation	Ownership interest	
		2023 %	2022 %
<b>Parent Entity</b>			
Pental Limited (i)	Australia		
<b>Controlled Entities</b>			
Pental Products Pty Ltd (ii) (iii)	Australia	100%	100%
Hampers with Bite Pty Ltd (ii) (iii) (iv)	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.

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 reflects 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	Buildings at cost \$'000	Plant and equipment at cost \$'000	Construction in progress at cost \$'000	Total \$'000
<b>Gross carrying amount</b>					
Balance at 28 June 2021	1,732	5,628	36,002	890	44,252
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>
Additions	-	-	1,157	230	1,387
Disposals	-	-	(209)	-	(209)
Transfer from capital works	-	-	1,787	(1,787)	-
<b>Balance at 2 July 2023</b>	<b>1,732</b>	<b>5,628</b>	<b>40,315</b>	<b>230</b>	<b>47,905</b>
<b>Accumulated depreciation</b>					
Balance at 27 June 2021	-	(744)	(24,207)	-	(24,951)
Depreciation expense	-	(192)	(2,696)	-	(2,888)
<b>Balance at 26 June 2022</b>	<b>-</b>	<b>(936)</b>	<b>(26,903)</b>	<b>-</b>	<b>(27,839)</b>
Depreciation expense	-	(191)	(2,633)	-	(2,824)
Eliminated on disposal of assets	-	-	209	-	209
<b>Balance at 2 July 2023</b>	<b>-</b>	<b>(1,127)</b>	<b>(29,327)</b>	<b>-</b>	<b>(30,454)</b>
Net book value as at 26 June 2022	1,732	4,692	10,677	1,787	18,888
<b>Net book value as at 2 July 2023</b>	<b>1,732</b>	<b>4,501</b>	<b>10,988</b>	<b>230</b>	<b>17,451</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
<b>Balance as at 27 June 2021</b>	<b>687</b>	<b>241</b>	<b>928</b>
Additions	844	-	844
Add: Lease term extension	129	-	129
Less: lease contract terminated	-	-	-
Depreciation charge for the year	(722)	(166)	(888)
<b>Balance as at 26 June 2022</b>	<b>938</b>	<b>75</b>	<b>1,013</b>
Additions	1,012	687	1,699
Add: Lease term extension	265	-	265
Depreciation charge for the year	(755)	(117)	(872)
<b>Balance as at 2 July 2023</b>	<b>1,460</b>	<b>645</b>	<b>2,105</b>

### (b) Lease liabilities

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

	2023 \$'000	2022 \$'000
Balance as start of the period	972	978
Additions through business combinations	-	699
Additions	1,694	-
Lease term extension	265	123
Interest incurred	48	34
Payments on lease liabilities	(860)	(862)
<b>Balance as at end of the period</b>	<b>2,119</b>	<b>972</b>
Current lease liabilities	751	667
Non-current lease liabilities	1,368	305
<b>Balance as at end of the period</b>	<b>2,119</b>	<b>972</b>



## 16. GOODWILL

	2023 \$'000	2022 \$'000
Cost	93,681	93,681
Accumulated impairment losses	(74,778)	(74,778)
	18,903	18,903
<b>Gross carrying amount</b>		
Balance at beginning of financial year	93,681	74,778
Additions through business combinations	-	18,903
Balance at end of financial year	93,681	93,681
<b>Accumulated impairment losses</b>		
Balance at beginning of financial year	74,778	74,778
Balance at end of financial year	74,778	74,778

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

In prior period, management concluded that the Hampers with bite (HWB) business formed 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 prior 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 (Target EBITDA) approved by the Board, covering a five-year period. A pre-tax cash flow effect has been taken using a post-tax discount rate (WACC) of 13.5% (2022: 9.5%). The cash flow has been extrapolated using a 3% (2022: 3%) growth rate including an inflation rate of 3.0% (2022: 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 and discount rate collectively or individually will result in a material impairment to Goodwill. Management prepared a multi-scenario weighted probability approach based on potential outcomes and each outcome is as probable as each other. On a weighted average basis, no impairment is indicated.

WACC rate used	Headroom / (Impairment) of Goodwill		
	90% of Target EBITDA \$'000	Target EBITDA \$'000	110% of Target EBITDA \$'000
13.0%	(1,458)	2,010	5,477
13.5%	(2,834)	476	3,786
14.0%	(4,085)	(919)	2,247

## NOTES TO THE FINANCIAL STATEMENTS (CONT)

### 17. OTHER INTANGIBLE ASSETS

	Brand Names at cost \$'000	Software at cost \$'000	Total \$'000
<b>Gross carrying amount</b>			
Balance at 27 June 2021	19,000	1,370	20,370
Additions	-	157	157
Addition through business combinations	10,240	8	10,248
<b>Balance at 26 June 2022</b>	<b>29,240</b>	<b>1,535</b>	<b>30,775</b>
Additions	-	96	96
<b>Balance at 2 July 2023</b>	<b>29,240</b>	<b>1,631</b>	<b>30,871</b>
<b>Accumulated Impairment/Amortisation</b>			
Balance at 27 June 2021	(6,994)	(1,195)	(8,189)
Amortisation expense	-	(123)	(123)
<b>Balance at 26 June 2022</b>	<b>(6,994)</b>	<b>(1,318)</b>	<b>(8,312)</b>
Amortisation expense	-	(112)	(112)
<b>Balance at 2 July 2023</b>	<b>(6,994)</b>	<b>(1,430)</b>	<b>(8,424)</b>
Net book value as at 26 June 2022	22,246	217	22,463
<b>Net book value as at 2 July 2023</b>	<b>22,246</b>	<b>201</b>	<b>22,447</b>

#### 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.



## Allocation of brandnames to cash generating units

	2023 \$'000	2022 \$'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	10,240
Balance at end of financial year	29,240	29,240
<b>Accumulated Impairment on brandnames</b>		
Allocated to consumer products CGU	(6,994)	(6,994)
Allocated to Hampers with Bite CGU	-	-
Balance at 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	10,240
Balance at end of financial year	22,246	22,246

## 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 estimating the fair value less costs to sell as at 2 July 2023.

The key assumptions used were as follows:

- An estimate of maintainable revenue with reference to the FY24 budget and historic financial performance, with due consideration given to the economic uncertainty associated with COVID-19.
- Royalty rates ranging between 2% - 5% (2022: 2% - 5%)
- Discount rate of 10% post-tax (2022: 9.5%)
- Long term growth rates of between 0% - 3% (2022: 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 and expected future performance for each brand, as discussed in the Directors Report.

## 18. OTHER ASSETS

	2023 \$'000	2022 \$'000
Prepayments	940	646

## 19. TRADE AND OTHER PAYABLES

	2023 \$'000	2022 \$'000
Trade payables	9,855	11,221
Trade spend liabilities	84	119
Sundry payables and accruals	3,193	4,966
	<b>13,132</b>	<b>16,306</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.

## NOTES TO THE FINANCIAL STATEMENTS (CONT)

### 20. OTHER FINANCIAL LIABILITIES

	2023 \$'000	2022 \$'000
<b>Current</b>		
Supplier payment facility	54	89
	<b>54</b>	<b>89</b>

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 \$3 million of which \$0.054 million was utilised.

### 21. BANKING FACILITIES

	2023 \$'000	2022 \$'000
<b>Summary of financing arrangements</b>		
<b>Facilities utilised at reporting date:</b>		
Multi option loan facility		
- Bank guarantee	326	326
- Trade advance Facility	3,052	-
- Market rate loan facility	2,125	3,825
	<b>5,503</b>	<b>4,151</b>

#### Facilities not utilised at reporting date:

Multi option loan facility		
- Bank overdraft	4,500	1,820
- Trade advance facility	122	5,854
- Bank guarantee	-	-
	4,622	7,674
<b>Multi option loan facility limit</b>	<b>10,125</b>	<b>11,825</b>

#### Trade finance facility

The Group secured a 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 (2022: \$8,000,000) of which \$4,622,000 (2022: \$7,674,000) remains unutilised as of 2 July 2023.

The trade finance facility attracts a line fee of 0.48% (2022: 0.48%) 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 4.5445% usage fee (2022: 2.271%) on trade advance facility (reference rate of Bank Bill Swap Yield rate of 4.0645% as at 2 July 2023 plus margin of 0.48%) to maximum 7.66% (2022: 4.41%) on overdraft facility (reference rate of CBA Variable Corporate Overdraft Reference Rate of 11.08% as at 2 July 2023 minus a margin of 3.42%). The financing arrangement is secured by the Group's assets through 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.

The financial covenants that must be complied with applicable to bank facilities are:

- (i) Leverage Ratio is to be equal to or less than 2.0 times;
- (ii) Working Capital Ratio to be greater than or equal to 1.50 times; and
- (iii) Debt Service Cover Ratio to be greater than or equal to 1.50 times

The Group complied with all bank covenants during the period.

#### Market rate loan facility

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, \$2,125,000 remains utilised under the market rate loan facility after the Group made principal repayments of \$1,700,000 during the reported period. 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 (4.0645% as at 2 July 2023, 1.7910% as at 26 June 2022). The facility expires on 30 June 2024.

#### Unsecured supplier payment facility

As at the reporting date, The Group also has alternative unsecured financing facilities with a limit of \$3 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

	2023 \$'000	2022 \$'000
<b>Current</b>		
Employee benefits	2,553	2,800
Make good provision on leases	177	177
	<b>2,730</b>	<b>2,977</b>
<b>Non-current</b>		
Employee benefits	84	80
	84	80
	<b>2,814</b>	<b>3,057</b>

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
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
<b>26 Jun 2022</b>	<b>Balance at end of reporting period</b>	<b>170,459,500</b>	<b>-</b>	<b>103,830</b>
27 June 2022	Opening balance of ordinary shares, fully paid	170,459,500	-	103,830
<b>2 July 2023</b>	<b>Balance at end of reporting period</b>	<b>170,459,500</b>	<b>-</b>	<b>103,830</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT)

### 23. ISSUED CAPITAL (CONT)

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.

#### (a) Options

As at 2 July 2023, the Company had 1,625,000 Options on issue as a result of Performance Rights issued on 1 July 2019 vesting on 1 July 2023, exercisable on a 1:1 basis for entitled ordinary shareholders at NIL exercise price. The Options expire on 1 July 2029 and carry no rights to dividends and voting.

The Company had no outstanding Options as at the end of previous reporting period.

### 24. DIVIDENDS

#### (a) Recognised Amounts

	2023		2022	
	Cents per Share	Total \$'000	Cents per Share	Total \$'000
<b>Fully paid ordinary shares</b>				
Final dividend: Fully franked at 30% tax rate	1.70	2,898	1.60	2,400
Interim dividend: Fully franked at 30% tax rate	1.30	2,216	1.30	2,216
	<b>3.00</b>	<b>5,114</b>	<b>2.90</b>	<b>4,616</b>

#### (b) Unrecognised Amounts

	2023		2022	
	Cents per Share	Total \$'000	Cents per Share	Total \$'000
Final dividend	1.00	1,705	1.70	2,898
	<b>1.00</b>	<b>1,705</b>	<b>1.70</b>	<b>2,898</b>

In respect of the year (53 weeks) ended 2 July 2023, the Directors declared a full year fully franked final dividend of 1.0 cent per ordinary share, payable on 6 October 2023, with a record date of 18 September 2023 (2022: 1.70 cents per ordinary share).

	2023 \$'000	2022 \$'000
Adjusted franking account balance	22,498	22,727
Impact on franking account balance of dividends not recognised	731	1,242

### 25. FINANCIAL INSTRUMENTS

#### (a) Capital risk management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of cash, occasional short term deposits, and equity attributable to equity holders of the parent, comprising issued capital (as disclosed in note 23), reserves and retained earnings/(accumulated losses).

Operating cash flows and a multi option bank facility are used in combination as required to maintain and expand the Group's assets, as well as to make the routine outflows of payables, tax, dividends and pay for other financial instruments. Refer to Note 21 for details of the banking facility.

## 25. FINANCIAL INSTRUMENTS (CONT)

### Gearing ratio

The Board of Directors reviews the capital structure on an ongoing basis. As a part of this review the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group will balance its overall capital structure through the payment of dividends, new share issues, and the issue or repayment of debt to execute its strategic plans. The Group was effectively debt free, in a net cash position (cash net of borrowings, overdrafts and other financial liabilities) in both the current and prior financial year.

### (b) Categories of financial instruments

	2023 \$'000	2022 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	4,836	8,132
Trade and other receivables (amortised cost)	15,469	17,395
Derivative instruments in designated hedge accounting relationships	201	23
<b>Financial liabilities</b>		
Trade and other payables (amortised cost)	13,132	16,306
<b>Multi-option banking facility utilised:</b>		
- Trade advance facility	3,052	-
- Market rate loan facility	2,125	3,825
American Express supplier payment facility	54	89

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 and Foodstuffs (Auckland) Ltd which combined represent 81.19% 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	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Currency of USA	-	-	736	1,119
Currency of New Zealand	1,683	3,114	830	776
Currency of Europe	-	-	1	-
Currency of Fiji	2	-	-	-

## NOTES TO THE FINANCIAL STATEMENTS (CONT)

### 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	
	2023	2022	2023	2022	2023	2022	2023	2022
Buy USD – less than one year	0.6817	-	4,380	-	6,425	-	150	-
Sell NZD – less than one year	1.0797	1.0624	4,800	600	4,446	565	51	23
							<b>201</b>	<b>23</b>

As at reporting date, the aggregate amount of unrealised gains/(losses) under forward foreign currency contracts relating to anticipated future contracts is \$0.210 million gain (2022: \$0.023 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		EUR Impact		FJD Impact	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Profit	61	118	40	99	-	-	-	-
Equity	439	-	197	7	-	-	-	-

#### **(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.

2023	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
<b>Financial assets</b>							
Variable interest rate instruments	-	4,836	-	-	-	-	4,836
Non-interest bearing	-	7,885	7,652	133	-	-	15,670
		<b>12,721</b>	<b>7,652</b>	<b>133</b>	<b>-</b>	<b>-</b>	<b>20,506</b>
<b>Financial liabilities</b>							
Variable interest rate instruments <sup>(i)</sup>	5.11%	3,106	425	1,275	425	-	5,231
Non-interest bearing	-	6,566	6,566	-	-	-	13,132
		<b>9,672</b>	<b>6,991</b>	<b>1,275</b>	<b>425</b>	<b>-</b>	<b>18,363</b>

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
<b>Financial assets</b>							
Variable interest rate instruments	-	8,132	-	-	-	-	8,132
Non-interest bearing	-	6,298	11,097	-	-	-	17,395
		<b>14,430</b>	<b>11,097</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>25,527</b>
<b>Financial liabilities</b>							
Variable interest rate instruments <sup>(i)</sup>	4.19%	514	-	1,275	2,125	-	3,914
Non-interest bearing	-	8,137	11,706	-	-	-	19,843
		<b>8,651</b>	<b>11,706</b>	<b>1,275</b>	<b>2,125</b>	<b>-</b>	<b>23,757</b>

<sup>(i)</sup> 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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT)

## 25. FINANCIAL INSTRUMENTS (CONT)

### (g) Credit risk management

Credit risk management refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties 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 counterparties are continuously monitored and the aggregate values of transactions concluded are spread amongst approved counterparties. 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 and Foodstuffs (Auckland) Ltd which combined represent 81.19% of trade receivables.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties 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.



## 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

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 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 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 upto 50 percent of EVIP entitlements to recognise and reward executives for extraordinary efforts and achievements during the financial year.

## 26. SHARE-BASED PAYMENTS (CONT)

### EVIP – FY23 Performance

The executives, Mr McLeish and Mr Godara and senior managers were issued a total of 2,150,000 rights on 1st July 2022. All participants have forfeited all EVIP entitlements for 2023 financial year due to not meeting financial performance conditions.

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 <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	1/7/2021	102,000	\$0.4050	Nil	40%	4 years	0.72%	5%	\$0.190
Senior managers	1/7/2021	389,000	\$0.4050	Nil	40%	4 years	0.72%	5%	\$0.190

<sup>(i)</sup> The executives & senior managers were 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 \$167 thousand (2022: \$173 thousand)

### 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 28/6/2022 No.	Rights granted No.	Rights vested No.	Rights forfeited No.	Rights lapsed No.	Balance at 27/6/2023 No.
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	758,000	-	-	62,000	-	696,000
EVIP 2023	1/7/2026	-	2,090,000	-	2,090,000	-	-
							<b>2,309,000</b>

## 27. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2023 \$	2022 \$
Short-term employee benefits	1,165,647	1,246,066
Long-term employee benefits	15,564	16,605
Share based payments	95,779	95,779
Termination benefits	0	0
Post-employment benefits	77,805	74,385
	<b>1,354,795</b>	<b>1,432,835</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 \$62,766.80 inclusive of GST (2022: \$129,799.66 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 \$7,770.54 (2022: \$18,022.90) in relation to abovementioned 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:

	2023 \$'000	2022 \$'000
Cash on hand and at bank	4,836	8,183
Overdraft / trade advance facility utilised	(3,052)	-
<b>Cash and cash equivalents</b>	<b>1,784</b>	<b>8,183</b>

## 29. CASH AND CASH EQUIVALENTS (CONT)

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

	2023 \$'000	2022 \$'000
Profit/(Loss) for the year	4,890	6,367
Depreciation and amortisation expense	3,807	3,899
Equity settled employee benefits expense	167	173
Acquisition related expenses (not operating in nature)	-	1,047
<b>Changes in net assets and liabilities, net of effects from acquisition of businesses:</b>		
<b>(Increase)/decrease in assets:</b>		
Trade and other receivables	1,926	(1,548)
Inventories	(830)	860
Current and deferred tax assets	(523)	-
Other assets	(472)	(299)
<b>Increase/(decrease) in liabilities and reserves:</b>		
Trade and other payables	(3,174)	619
Provisions and hedging reserve	(122)	(20)
Current and deferred tax liabilities	665	(1,328)
Other liabilities	47	155
<b>Net cash from operating activities</b>	<b>6,381</b>	<b>9,925</b>



### 30. CAPITAL EXPENDITURE COMMITMENT

	2023 \$'000	2022 \$'000
Plant and equipment	66	4

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

### 31. CONTINGENT LIABILITIES

	2023 \$'000	2022 \$'000
(a) Bank guarantees to third parties in respect of property lease obligations. The bank guarantees are held by the parent entity, Pental Limited.	326	326

To the best knowledge of the Directors aside from the Bank Guarantees disclosed, no other contingent liabilities exist for the reporting period ending 2 July 2023.

### 32. REMUNERATION OF AUDITORS

	2023 \$	2022 \$
<b>Auditor of the parent entity</b>		
Audit or review of the financial report	188,096	177,000
<b>Other services</b>		
- Tax consulting	79,857	7,800
	<b>267,953</b>	<b>184,800</b>

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

### 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	2023 \$'000	2022 \$'000
<b>Assets</b>		
Current assets	499	2
Non current assets	68,291	74,310
<b>Total assets</b>	<b>68,790</b>	<b>74,312</b>
<b>Liabilities</b>		
Current liabilities	1,700	5,524
Non current liabilities	425	2,125
<b>Total liabilities</b>	<b>2,125</b>	<b>7,649</b>
<b>Net Assets</b>	<b>66,665</b>	66,663
<b>Equity</b>		
Issued capital	103,830	103,830
Accumulated losses	(37,165)	(37,167)
<b>Total equity</b>	<b>66,665</b>	<b>66,663</b>
<b>Financial performance</b>		
	2023 \$'000	2022 \$'000
Profit/(loss) for the year	5,114	4,613
Other comprehensive income	-	-
<b>Total comprehensive income/(loss)</b>	<b>5,114</b>	<b>4,613</b>

### 34. SUBSEQUENT EVENTS

#### Dividends

In respect of the year (53 weeks) ended 2 July 2023 the Company will pay final fully franked dividend of 1.0 cents per ordinary share, payable to shareholders on 6 October 2023, with a record date of 18 September 2023.

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.

# PREMIUM GIFTS - WITH - UNBEATABLE VALUE



# HAMPERS WITH BITE

# ADDITIONAL STOCK EXCHANGE INFORMATION

As at 24 August 2023

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 1,984 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	241
1,001 – 5,000	577
5,001 – 10,000	261
10,001 – 100,000	735
100,001 and over	170
	1,984
Holding less than a marketable parcel	302

## Substantial shareholders

Ordinary shareholders	Fully paid ordinary shares	
	Number of shares for voting power	Percentage
Alan Johnstone (i)	35,635,140	20.91%
John Rostyn Homewood	30,260,000	17.75%
	<b>65,895,140</b>	<b>38.66%</b>

<sup>(i)</sup> 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 quoted equity securities

Ordinary shareholders	Fully paid ordinary shares	
	Number	Percentage
1 JOHNOS HOLDINGS PTY LTD <JOHNOS HOLDINGS A/C>	31,603,617	18.54%
2 MR JOHN ROSTYN HOMEWOOD	30,260,000	17.75%
3 MR GARRY GEORGE JOHNSON	6,670,739	3.91%
4 RATHVALE PTY LIMITED	4,042,057	2.37%
5 J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,782,830	2.22%
6 BNP PARIBAS NOMS(NZ) LTD <DRP>	3,250,001	1.91%
7 P M S F COMPANY PTY LIMITED <PENFOLD MTR BURWOOD S/F A/C>	3,197,431	1.88%
8 DALLMOUNT PTY LTD <LABELMAKERS SUPER FUND A/C>	2,666,668	1.56%
9 W A PEATT PTY LTD <THE PEATT SUPER FUND A/C>	2,641,918	1.55%
10 DALLMOUNT PTY LTD <LABELMAKERS S/F A/C>	2,504,761	1.47%
11 BUDUVA PTY LTD	1,650,000	0.97%
12 J & P CHICK PTY LIMITED <J & P CHICK PTY LTD S/F A/C>	1,516,000	0.89%
13 DALLMOUNT CUSTODIANS PTY LTD	1,500,000	0.88%
14 BARKING DOG PTY LTD <NETTLEFOLD SUPER FUND A/C>	1,362,478	0.80%
15 MRS NIRMAL KAUR GHUMMAN	1,160,000	0.68%
16 BNP PARIBAS NOMS PTY LTD <DRP>	1,058,184	0.62%
17 SUNSTAR AUSTRALIA PTY LTD	980,357	0.58%
18 TERRY CLANCY SUPERANNUATION PTY LTD <TERRY CLANCY S/FUND A/C>	959,307	0.56%
19 SKYLEVI PTY LTD <SUPERFUN SUPER FUND A/C>	956,753	0.56%
20 DIXSON TRUST PTY LIMITED	933,948	0.55%
	<b>102,697,049</b>	<b>60.25%</b>



### **Directors**

Mark Hardgrave  
Charlie McLeish  
Kerrie Parker  
Jeff Miciulis  
Fred Harrison

### **Company Secretary**

Oliver Carton

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### **Shareholder enquiries: Share Register**

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### **Auditors**

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Telephone: +61 3 8320 2222

### **Securities Exchange Listing**

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

### **Website**

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

### **ABN**

29 091 035 353