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# CONNECTING WITH OUR BRANDS

ANNUAL REPORT 2021



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# Connecting our brands with a future proof focus

For over 60 years, our iconic, proudly Australian brands have been a trusted household staple in all areas of the home. With the current environment highlighting the need for brands to offer their customers integrity, sustainability and convenience, Pental's reputation as a company that is 100% committed to investing in Australia's growth stands us in good stead for the future.

While 2020 was a challenging year, it reinforced the ability and agility of our business to grow through innovation and develop the clear connectivity between our brands and our customers.

Success in the post-Covid landscape demands diversification in sales channels, and we have responded by fast-tracking a clear, structured e-commerce growth strategy to further connect our brands with new markets and reinforce our relationships with existing customers.



VELVET



HAMPERS WITH BITE





## Our ability to leverage new markets to drive growth combined with Pental's enviable brand recognition now gives us the power to connect customers with their brands on a much broader scale.



### TRANSFORMATIVE ACQUISITIONS

Hampers With Bite (HWB) are hamper and gifting specialists, who have delivered exceptional growth in the e-commerce space. Pental's acquisition of HWB allows us immediate and direct reach to customers through a proven revenue stream of targeted e-commerce channels.



### STRONG GROWTH WITH STRATEGIC PURPOSE

A key strategic objective of expanding the e-commerce sales channel is to drive volume, revenue and margins of existing and newly developed products.



### ENHANCING CUSTOMER CONNECTION AND CONVENIENCE THROUGH NEW REVENUE STREAMS

Leveraging HWB's existing online channel allows Pental's suite of products and bundle packs to be cross sold to increase reach and visibility. Pental will also be adopting a subscription model for select products to be sold direct to customers, further increasing brand loyalty.



### COMMITTED TO GROWTH THROUGH INVESTMENT

Our ongoing commitment to supporting our own trusted brands such as White King, Janola, Country Life and Softly is reflected with strong above the line investment.



### POWERED BY PARTNERSHIPS

With a proven track record in strategic distribution partnerships, we will continue to explore additional partnership opportunities.



### PRODUCT INNOVATION DRIVEN BY A SUSTAINABLE PURPOSE

Products with a unique point of difference have long been a strength of Pental and the company was successful in executing the launch of many new innovative products during the year.

Our product innovation pipeline has a particular focus on sustainability and we're making advances in assessing the viability of more sustainable, environmentally friendly raw materials.



### EXPANDING DISTRIBUTION

Leveraging our production strength and available capacity, Pental continues to explore and expand its offering of contractually manufactured products including private label products for leading retailers.



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# Thinking Forward



# Bondi Soap making waves in luxury e-commerce

In a year in which the consumer was firmly focused on creating a safe, healthy home environment, Pental responded with the launch of luxury, high-end health and wellness products for the home.

The new Bondi Soap range will play a vital role in leveraging and expanding our e-commerce strategy, targeting discerning online shoppers who are actively seeking out Australian-made, all-natural, organic products.

With sustainable packaging and an ethical manufacturing profile, the Bondi Soap range includes individual and boxed Hand & Body Washes, Body Bars, Hand Sanitisers, Room Air Fresheners, Pillow & Linen Sprays and Soy Candles. The lucrative gift market is catered for with a selection of gift boxes for family & friends and corporate clients.





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# Hungry for growth: the Hampers With Bite story

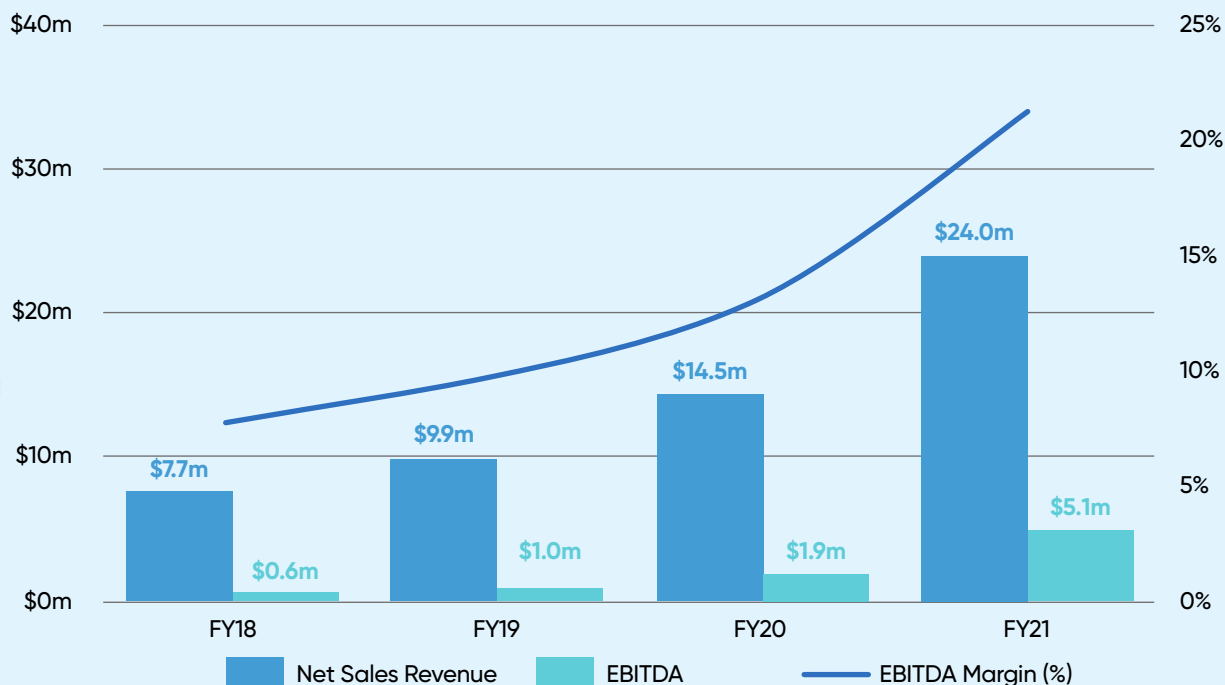
The acquisition of Hampers With Bite (HWB) was a synergistic move that will greatly accelerate Pental's push into online channels and increase opportunities to cross-sell its products and bundles.

Considered a transformative acquisition for Pental, HWB's efficient distribution capabilities, delivery options and proven expertise in e-commerce aligns with our strategy to deepen relationships with a broader customer base, expand product offerings and provide more convenient product delivery options.

## ADDING A BITE OF BONDI TO THE MIX

As a luxury product tailored to the gift market, Pental's newly launched Bondi Soap range is the ideal fit for cross-selling through the HWB platform and will greatly accelerate the profile of the new brand.

### HWB FINANCIAL PERFORMANCE



HWB has grown from a ~\$10m revenue business in FY19 to a ~\$24m revenue business in FY21<sup>1</sup>. The HWB business has delivered strong EBITDA Margin growth as it continues to build scale.

<sup>1</sup>Based on unaudited FY21 financial and other data provided by HWB



# HAMPERS WITH BITE

**\$24.0m**  
Revenue<sup>1</sup>

**\$5.1m**  
EBITDA<sup>1</sup>

**2004**  
Founded

Melbourne  
**HQ**



**+134,000**  
Email  
Subscribers<sup>1</sup>

**54%**  
Repeat  
Customers<sup>1</sup>

**+4,200**  
B2B  
Customers<sup>1</sup>

**+60%**  
Own  
Branded  
Sales<sup>1</sup>

<sup>1</sup> Key Corporate Customers



TELSTRA

RioTinto



QANTAS



nab

Coca-Cola



Commonwealth Bank

ANZ

Officeworks



TOYOTA

# View from the top: developments driving our future proof focus

## Exclusive Distribution

### Exclusive Bleach Distribution Agreement with Major Retailer

Pental has successfully negotiated to be the sole supplier of bleach to Australia's largest retailer

White King Bleach to be ranged in major hardware retailer commencing September 2021

### New Jiffy Firelighter Products

Two new Jiffy Firelighter variants ranged in major grocery retailers commencing July 2021

Pental is now the number one supplier of firelighters across all major grocery retailers

## Expanded Range

### New White King Toilet Gel Range

Pental has developed new improved Toilet Gel Cleaners. These products have been ranged in major grocery retailers.

Scheduled to promote the new range at half price across FY22

## Product Innovation



Maintaining our position as Australia's leader in household goods and FMCG drives our vision for growth through product innovation, investment and greater connectivity with our partners and customers through diversified sales channels.



#### New Product Launch

### New White King Stain Remover Range

White King Stain Remover is a new product produced in Shepparton and has been ranged in major Supermarkets

### New Softly Range

Re-launch of Softly range in June 2021

Two new variants currently being rolled out into major grocery retailers

Three new variants will be presented for ranging in FY22

#### Relaunch of Expanded Range



#### Innovative Bundles

### Bundle packs being developed

White King's new bundle buys will deliver more convenience and value to the customer

Distribution through HWB channels and major retailers

Promotion of new range begins September 21

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## Innovation

Embracing New Ideas

Dare to be different  
Challenge the status quo  
Encourage fresh ways of working  
Maximise consumer insights

*pental*

## Core Values



## Customers

Heart of our business

Build trusted and recognised brands  
Develop lasting relationships  
Responsive to their needs  
Provide outstanding value  
Pride in delivering the best products on time







## Safety

### #1 Priority

Zero harm objective  
Proactive in hazard identification  
Maintain clean and safe equipment



## People

### Trust & Development

Compassion, honesty and consistency  
Empower, trust and support others  
Encourage positive can-do attitudes  
Work as one team, communication  
Foster personal growth and career development, success



## Quality

### Quality Control

Build trusted and recognised brands  
Develop lasting relationships  
Responsive to their needs  
Provide outstanding value  
Pride in delivering the best products on time

# Chairman's Report

**On behalf of the board and the Pental team, I am pleased to present Pental's Annual Report for the year ended 27 June 2021.**

It was pleasing that in a year of great uncertainty and disruption Pental was able to build upon the momentum of 2020 and delivered yet another strong performance for the financial year 2021.

We have delivered three successive years of strong bottom-line performance due to our continuous focus on growth through both Pental and our agency brands. Our underlying profit after tax<sup>1</sup> for FY21 increased by 11.7% from last year, and we also grew our statutory profit by 6.9% to \$5.4 million from \$5.0 million in FY20.



We **grew** our underlying **profit** after tax by **11.7%** to **\$5.6 million**



<sup>1</sup> Refer to table on page 27 for a reconciliation of underlying profit to statutory profit.



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# Chairman's Report (CONT)

Prior year comparison to the March to June period is distorted by the consumer response to COVID-19 which created unprecedented market demand in household cleaning products. As we entered FY21, the market had stabilised, supply chains had been reinstated and we saw the return of deep price promotions across many segments. The success of the plans and marketing strategies the Company implemented towards the end of FY20 drove our revenue up significantly on the prior year for the first 8 months of FY21.

During the financial year, Jiffy revenue grew by 44.4% in FY21 compared to FY20 supported by the Company's launch of two new innovative scented firelighter products. When excluding the COVID-19 market impacts over the first 8 months White King branded sales grew by a healthy 11.9%, despite that fact that Pental did not participate in deep price promotions during that period. Pleasingly during the same period, Country Life revenue also grew by 11%.

Revenues from the New Zealand operation for FY21 were down 6.5% in New Zealand Currency (8% in Australian currency after conversion) compared to the prior period. There were repeated disruptions to

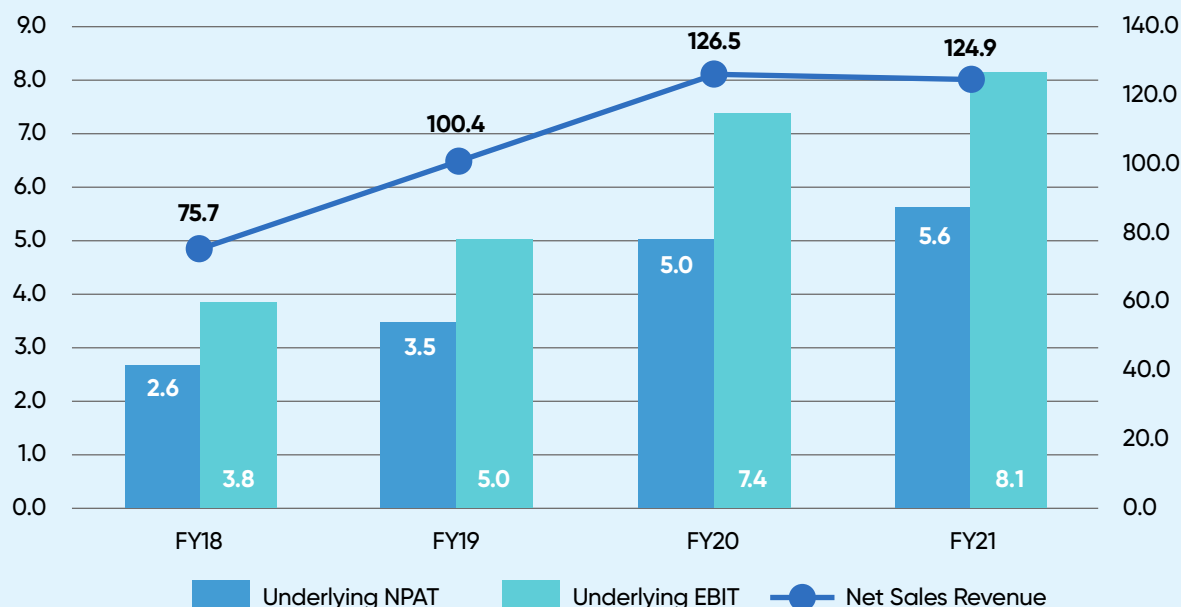
the supply chain predominantly due to COVID-19 which caused shipping delays to the New Zealand market. These delays stretched shipment durations from 2 weeks to 16 weeks in some cases. As a consequence, Pental experienced various prolonged stock outages during the year and has since increased the level of safety stock in New Zealand on key lines to mitigate this risk.

Pental's export market revenue deteriorated during FY21, predominantly due to the tense political environment between Australia and China. We saw Chinese distributors and sub-distributors take a very cautious approach to any imports from Australia. As a result, our export revenue fell \$0.5 million to \$1.8 million, we do however remain optimistic about the export segment as international relations improve.

Despite distributorship agreement changes that took effect at the start of May 2021 Duracell performed very strongly compared to the previous financial year with revenue up 24.0% compared to FY20 and included the expansion into more profitable channels which translated into improved profit margins.

## REVENUE AND UNDERLYING PROFIT OVER LAST 4 YEARS (\$'M)

(Unaudited Non-IFRS data)



## DIVIDEND

The board has declared a fully franked final dividend of 1.6 cents per share payable to shareholders on 24 September 2021, with a record date of 6 September 2021. This takes total dividends for the year to 2.6 cents per share. Excluding a special dividend of 0.7 cents per share paid last year, this represents a 18.18% increase on the prior year's dividend of 2.2 cents, with a payout ratio of 63.2% of net profit after tax.



## DURACELL & HWB ACQUISITION

As announced to the market in February 2021, following a successful partnership over the previous two and a half years, Pental agreed to Duracell changing the existing distribution agreement. This will see Duracell Australia directly manage and supply some of the major retail chains in the Australian market effective 10th May 2021. Pental will continue to supply a wide range of channels and continues to see a great potential for strong growth opportunities. Pental estimates the impact of these changes will free up approximately \$9 million cash tied in Duracell related working capital and a reduction in its annual EBITDA of approximately \$3m.

As conveyed in the last Annual Report, Pental has been actively searching and assessing various strategically suitable acquisition options. With \$9m freed up in cash and no debt, Pental has found itself in a strong position to execute a strategic acquisition. We are therefore pleased to advise that we have signed a conditional agreement to purchase 100% of the issued capital in Hampers with Bite Pty Ltd (HWB).

HWB is a Melbourne-based online hamper and gifting specialist. Its range of premium hampers and gifts at affordable prices are targeted 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 has grown from an approximately \$10 million<sup>1</sup> revenue business in FY19 to an approximately \$24 million<sup>1</sup> revenue business in FY21 with an expected EBIT of \$5.0 million<sup>1</sup>. We believe this acquisition brings many opportunities to Pental through online channel customer base, improved scale, e-commerce expertise, revenue synergies and new product capabilities.

Please refer to the Company's market announcement dated 20 August 2021 for further details in relation to this acquisition. Using HWB's FY21 performance as a guide<sup>1</sup>, we expect the HWB acquisition to fully offset the annualised impact from the change in our Duracell agreement and deliver an additional \$2 million of EBITDA to Pental Group.



## LOOKING FORWARD

With continuing core business growth and new product and market offerings, Pental is very excited about its future.

The Company is well positioned to reap rewards for its strong brand recognition reinforced by its ability to leverage new markets and direct reach to consumers through an e-commerce channel provided by the acquisition of HWB.

The commitment to support our own trusted brands such as White King, Janola, Country Life and Softly is reflected with ongoing strong above the line investment. Pental also has a proven track record in strategic distribution partnerships and we will continue to explore additional partnership opportunities.

Pental pursues a product innovation pipeline with a particular focus on sustainability. Pental is making advances in assessing the viability of alternative raw materials and packaging that are sustainable and environmentally friendly. Products with a unique point of difference have long been a strength for Pental and the company was successful in executing the launch of many new innovative products during the year. This included two variants of Jiffy scented firelighters, White King toilet gels with additional stain removing capability, enzyme-based stain removers for laundry and specialised laundry cleaning products, the latter under its Softly brand.

Leveraging its production strength and available capacity, The Company continues to explore and expand its offering of contractually manufactured products including private label products for leading retailers.

Pental is exploring and investigating distribution opportunities in other Asian markets given challenges in exports to China.

We will continue delivering on our five strategic priorities:

1. Driving sales growth through key brands
2. Developing new products and channels
3. Expand export markets
4. New projects and acquisitions
5. Continuous manufacturing improvements

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

On behalf of the Board, I sincerely thank our people for their committed efforts during the year, especially our operations team at our Shepparton facilities who for the last 18 months have successfully navigated an unprecedented tough environment to deliver our customers and shareholders a great result. We again thank our shareholders, suppliers and customers for their ongoing loyalty and support.

Mark Hardgrave  
Chairman

<sup>1</sup> Based on unaudited FY21 financial and other data provided by HWB

# Directors' Report

The directors of Pental Limited submit herewith the annual financial report of the company for the year (52 weeks) ended 27 June 2021. 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). He is also a director on the board of Forbidden Foods Limited (ASX: FFF). Previously, Mark held a directorship in Wingara AG Ltd (ASX: WNR) from March 2018 to June 2020

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 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

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 each profile.



**Mr Fred Harrison**

*Non-Executive  
Independent Director*

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

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

Appointed Director 28 August 2019  
Member of Remuneration Committee.





### 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 Committee



### Ms Kerrie Parker

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

Kerrie Parker is currently the CFO at Deakin University and during her career has worked in CFO roles with Golden Circle Limited, GM Finance Amcor Fibre Packaging and CFO and Managing Director 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 and government, 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  
Chairman of Audit Committee and Member  
of Remuneration Committee.

## RETIRED DIRECTOR



### Mr John Etherington AM

*B.Ec, FCA, FAICD  
Non-Executive Independent Director  
Resigned*

John is a former senior partner of Deloitte, where he held both senior leadership positions and provided audit and advisory services to public, private and not for profit organisations, with a particular specialisation on rapidly-growing Australian-listed entities. He is also currently a non-executive director on a range of private and not for profit organisations.

Appointed Director 2 April 2013.  
Chairman of Audit Committee and Member of Remuneration Committee.  
Resigned 31 March 2021

# 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	100,000	-	-
Charlie McLeish	14,500	-	1,321,000
Kerrie Parker	-	-	-
Jeff Miciulis	800,000	-	-
Fred Harrison	250,000	-	-

## SHARE OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT

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

## PRINCIPAL ACTIVITIES

The principal activities of the Group during the course of the financial year were the manufacturing and distribution of personal care and home products.



**Mr Oliver Carton**

*B Juris LL.B  
Company Secretary*

### Experience and Responsibilities

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.



Underlying  
EBIT increased  
by **10%**



# Directors' Report (CONT)

## COMPANY OVERVIEW - TRUSTED BRANDS THAT GET THE JOB DONE

Pental Limited is a trusted manufacturer and distributor of personal, household and commercial products across Australia, New Zealand and Asia. The Company is based in Australia and has 127 full time equivalent employees at reporting date.

The Company manages a portfolio of leading brands, which are household names in Australia and New Zealand - it is a branded market leader and the largest local manufacturer of bar soaps, liquid bleach and firelighter cubes.

The Company 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 of:

- 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**
- **COUNTRY LIFE AND VELVET IN AUSTRALIA**
- **SOFTLY IN AUSTRALIA AND NEW ZEALAND**
- **LITTLE LUCIFER IN AUSTRALIA AND NEW ZEALAND**
- **JANOLA AND SUNLIGHT IN NEW ZEALAND**
- **JIFFY IN AUSTRALIA**

Personal Care	Household cleaning	Laundry	Fire Needs	Kitchen
  	 		 	

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 opportunities around e-commerce platforms and other overseas markets to expand our business.



## REVIEW OF OPERATIONS

### Financial performance highlights

	FY21 <sup>(i)</sup>	FY20 <sup>(i)</sup>	Change	
	\$'000	\$'000	\$'000	%
Net sales revenue	124,940	126,460	(1,520)	-1.2% ↓
Underlying EBITDA	11,998	11,972	26	0.2% ↑
Underlying EBITDA margin on net sales	9.6%	9.5%		0.1% ↑
Depreciation & Amortisation	(3,849)	(4,576)	727	-15.9% ↑
Underlying EBIT	8,149	7,396	753	10.2% ↑
Underlying EBIT margin on net sales	6.5%	5.8%		0.7% ↑
Underlying net profit after tax	5,607	5,019	588	11.7% ↑
Reported profit after tax	5,363	5,019	344	6.9% ↑

### Shareholder metrics

Basic EPS – cents per share	3.94	3.68	0.26	7.1% ↑
Underlying Basic EPS – cents per share <sup>(iii)</sup>	4.12	3.68	0.44	12.0% ↑
Total Dividends declared – cents per share	2.60	2.90	-0.30	-10.3% ↓

### Cashflow and capital management

Working Capital <sup>(iv)</sup>	17,858	25,405	(7,547)	-29.7% ↑
Net Cash/(Debt)	12,702	3,668	9,034	246.3% ↑
Cash flows from operating activities	16,045	8,505	7,540	88.7% ↑
EBITDA conversion to operating cash	134%	71%		63% ↑
Gearing <sup>(v)</sup>	0.0%	0.0%		

(i) Unaudited Non-IFRS financial table

(ii) FY 21 EBITDA adjusted for non cash brand impairment refer to reconciliation on page 27.

(iii) Underlying Basic EPS represents underlying net profit after tax divided by the number of ordinary shares on issue during FY 21 and FY 20 of 136,250,633 used in the calculated of reported EPS

(iv) Receivables plus inventory less trade and other payables

(v) Net debt (Net of cash and financial liabilities) to equity.

Underlying  
EPS increased  
by **12%**

# Directors' Report (CONT)

## Financial Performance

- Net sales revenue was marginally down by 1.2% compared to prior period, with the decrease experienced predominantly in the last 4 months of the financial year as significant demand and favourable market conditions created in FY20 due to the first wave of the COVID-19 pandemic did not recur in FY21. Duracell distribution agreement changes also took effect at the start of May 2021 which impacted revenue for the last 2 months of the financial year.
- Net sales revenue in Australia was in line with prior year at \$109.7 million (2020: \$109.6million) despite favourable market conditions experienced in the prior year subsiding early in FY21. Demand for cleaning and personal care products stabilised early in the year combined with reinstated supply chains of competitors. Pental maintains a strong hold in market share across many segments including White King in liquid bleach segment, Jiffy in firelighters and Softly in wool wash segments maintaining their number one position<sup>2</sup>. Duracell branded products delivered strong net sales growth of 24% in Australia compared to the prior period, despite having lower sales for the last two months of the financial year due to changes in its distribution agreement.
- Net sales revenue in New Zealand was down \$1.0 million compared to last year (in New Zealand dollars) or 6.5%. New Zealand ports faced unprecedented challenges posed by COVID-19 related disruptions leading to significant shipping delays. These delays resulted in several occasions of out of stocks for Pental's products causing lost sales. In response, Pental has increased its stock holding in New Zealand on key lines to avoid such outcomes in the short term. Pental's share in the New Zealand market in several categories such as Toilet, Household Cleaning and Dish Wash remains strong.
- Exports to Asia were down by \$0.5 million or 21.6% compared to prior year. China makes up for a significant portion of Asian territory sales for Pental. Political relations between Australia and China have been tense in the last 12 months with the introduction of tariffs on various Australian exports. Whilst no tariffs have been introduced on Pental's product range, these conditions have forced China based distributors and sub distributors to take a cautious approach to any imports from Australia, resulting in subdued sales through this channel.

<sup>2</sup>Source: IRI Scan, AU Weighted Grocery, Dollars, MAT 27/06/2021

Underlying EBIT (Earnings Before Interest and Tax) of \$8.149 million was \$0.753 million (or 10.2%) higher compared to last year after adjusting reported EBIT for non-cash impairment charge of \$0.348 million (\$0.244 million net of tax) on brand names. On a reported basis, EBIT grew by 5.5% compared to prior year (FY21: \$7.801 million vs FY20: \$7.396 million).

Pental achieved net profit after tax (NPAT) of \$5.363 million, which was 6.9% higher compared to NPAT for FY20. On an underlying basis, after adjusting reported NPAT for non-cash impairment charge of \$0.244 million net of tax on brand names, NPAT grew by 11.7% compared to prior year.

- 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".

**Inventory cover  
reinstated to  
adequate levels  
following June  
2020 depletions**





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

	FY21 <sup>(i)</sup>	FY20 <sup>(i)</sup>	% Change
Statutory & underlying profit comparison to prior period	\$'000	\$'000	
<b>Underlying EBITDA</b>	<b>11,998</b>	<b>11,972</b>	<b>0.2%</b>
Depreciation and amortisation	(3,849)	(4,576)	
<b>Underlying EBIT</b>	<b>8,149</b>	<b>7,396</b>	<b>10.2%</b>
Financial costs	(121)	(175)	
<b>Underlying profit before tax</b>	<b>8,028</b>	<b>7,221</b>	<b>11.2%</b>
Underlying income tax expense	(2,421)	(2,202)	
<b>Underlying net profit after tax</b>	<b>5,607</b>	<b>5,019</b>	<b>11.7%</b>
<b>Significant items (net of tax):</b>			
Impairment of brandnames (net of tax)	(244)	-	
<b>Reported profit after tax</b>	<b>5,363</b>	<b>5,019</b>	<b>6.9%</b>

(i) Unaudited Non-IFRS financial table

- Pental continued its focus on labour efficiencies and utilisation improvements to drive production costs down. As a result, both efficiency and utilisation factors improved compared to prior year, leading to a 1.7% improvement in labour recovery.
- Energy and utility costs dropped by 13.4% compared to last year, as the Group was able to review and source favourable energy prices following significant increases experienced in the prior few years.
- The Group experienced a significantly deteriorated insurance market with limited capacity available at significantly increased premium rates compared to prior year. These insurance market conditions were driven by recent loss-making events including natural disasters like bushfires and COVID-19. As a result, the Group's insurance premiums increased by more than 100%. Insurance costs for the reported period were \$1.23 million compared to \$0.55 million in prior period.
- Freight and distribution expenses for the reported period were \$0.78 million or 9.74% less than the prior period, which was predominantly a result of less volumes being shipped compared to prior year. As a ratio to gross sales revenue, the percentage of freight and distribution costs dropped from 4.23% in the prior period to 4.15% in the reported period, reflecting tight management of transport utilisation and controls on price pressures.

### Shareholder metrics

- The total dividend for the 2021 financial year is 2.6 cents per ordinary share (2020: 2.9 cents), representing a payout ratio of 63.2% of the full-year NPAT (2020: 78.7% of the underlying NPAT) and consists of:
  - Interim fully franked dividend of 1.0 cents per ordinary share, which was paid on 26 March 2021;
  - Proposed final fully franked dividend of 1.60 cents per ordinary share, payable to shareholders on 24 September 2021, with a record date of 6 September 2021.

### Cash generation and capital management

Net cash provided by operating activities was \$16.045 million (2020: Net cash provided by operating activities \$8.505 million) representing a strong cash conversion of EBITDA at 133.7%. However, net cash provided by operating activities includes approximately \$8.0 million freed up in working capital due to changes in the Duracell distribution agreement, with an estimated \$1.0 million further expected to be released early in the next financial year due to payment terms with some of the channels. Excluding the impact of Duracell working capital, it represents a healthy cash conversion of EBITDA ratio at 67%. 61.2% after paying substantial income tax relating to FY20 profits (total tax liabilities including deferred taxes reduced by \$1.415 million during the reported period).

Net working capital (receivables, inventories less trade and other payables) of \$17.858 million was lower than last year by \$7.354 million, predominantly due to changes in the Duracell distribution agreement effective start of May 2021. Inventory holding for manufactured products were increased to normal levels by approximately \$1.0 million following their depletion in the last quarter of the previous financial year.

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

Capital investment of \$1.955 million was marginally lower than prior year (2020: \$2.079 million). Major capital investment initiatives undertaken during FY21 year included upgrade of its fire protection systems at the Shepparton facilities. The Group undertook this project with the objective of significantly mitigating the risk of fire at the plant by implementing upgraded fire hydrant systems as well as implementing automatic fire sprinkler systems. These initiatives are also expected to represent Pental as a lower risk client in a further deteriorating insurance market.

The Company's closing net cash position of \$12.7 million was debt free. Please refer to Note 27 (a) to the financial statements for details.

# Directors' Report (CONT)

## Impact of COVID 19

The Group experienced a healthy uplift in demand for its strong anti-bacterial cleaning and personal care products in the prior period. The Group noted that whilst this demand has subsided since then, it expects a healthy level of demand will remain in the market for strong cleaning and hygiene products.

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 debt free as at the reporting date with a healthy cash balance of \$12.7 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, the Directors and management assess this risk as manageable due to the Group's reliance on local sources for a majority of its raw materials. The Group has been stringently following government issued guidelines to mitigate risks associated with spread of novel coronavirus in the workplace.

## Strategic Objectives: The Five Key Pillars

Pental's core brands are recognisable by consumers when conducting their daily shopping in supermarkets and convenience stores across both Australia and New Zealand. Pental's strategy supports its vision to be a leading supplier of shelf stable (non-food) products to its chosen markets through delivering quality, innovation and sustainability to the satisfaction of customer needs while enhancing shareholder value.

Our strategy has five pillars as detailed below. These five pillars support growth and are matched by our strategy to establish new partnerships and distributorships that will complement our product range, expertise, and leverage our infrastructure while expanding into new channels.

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

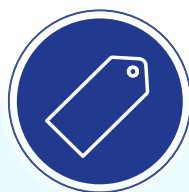


### 1. Driving sales growth through key brands

We are investing in product innovation, 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.

We also 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 spent the past 12 months developing a brand of products for the e-commerce sales channel. This new brand, Bondi Soap, will be launched through Pental's new online shopping channel early in the new financial year. This new brand is a premium range of high-quality products targeting house proud consumers who are prepared to pay top premium prices for top end premium presented products.



### 2. Developing new products and channels

The combination of a trusted name with an innovative idea encourages loyal consumers to stay with their preferred brands while tempting other consumers to switch. Pental's commitment to innovation ensures we continue to grow and protect our brands.

Pental is constantly reviewing the sales performance of each product ensuring we are supplying our consumers high quality and value for spend products.

The strategy to manufacture all products here in Australia is well on track with the latest development of the White King stain lift remover now manufacturing in Shepparton and not imported. We now manufacture 99% of our product range in Australia and New Zealand.

White King's new range of Australian-made disinfectant products have been received very positively by our customers and consumers. This new range is 99.9% effective on germs which has been a major consumer need since the start of the COVID 19 pandemic. The Group also launched a renewed formulation of toilet cleaners with additional capability to remove stains.

Pental also developed a range of new innovative, first to the market products in scented firelighters launched under its Jiffy brand. Pental also launched two new products under the Softly brand during the reported period to target specialised laundry cleaning segment.

The year saw further alignment between Pental's brands and the Australian Made Campaign. All new products packaging designs across the four major brands were updated to include the green and gold Australian Made logo. The on-pack logo reinforces Pental's commitment to provide Australian consumers with high quality, affordable, locally manufactured consumer products.





### 3. Expand export markets

Pental's strong market presence in New Zealand across several categories continues to be leveraged to support export growth.

We enjoy a strong partnership with our Auckland-based sales and distribution agent. This growth was achieved through both product innovation and increased field support at store level.

We are continuing to update the Janola packaging and the introduction of new products for the New Zealand market.

China and Vietnam are the other priority markets for export growth. Pental has formed strong alliances with distributors in both markets. The Company is also exploring opportunities in South Korea and Indonesia.



### 4. New Projects and acquisitions

Our commitment for further growth includes entering new sales channels.

As such, Pental has been actively searching and assessing various strategically suitable acquisition options and identified 'Hampers with Bite' (HWB) as a perfect fit for acquisition. HWB provides customers with the option of creating their own hamper or simply purchasing one of HWB's pre-designed hampers online. HWB has grown from an approximately \$10 million<sup>1</sup> revenue business in FY19 to an approximately \$24 million<sup>1</sup> revenue business in FY21 with an expected EBIT of \$5.0 million<sup>1</sup>. We believe this acquisition brings many opportunities to Pental through an online channel customer base, improved scale, e-commerce expertise, revenue synergies and new product capabilities.

The year saw Pental's products being launched into Bunnings stores for further range extensions. Bunnings presents an opportunity for Pental to develop and extend its range of core brands into new channels to reach new consumers.

During the year Pental increased its emphasis on developing growth within the Pharmacy channel with outstanding results, achieving 100% growth on the previous year.



### 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 have focused on improving productivity and line efficiency through labour reduction initiatives and CAPEX strategies to reduce changeover times, increased line availability and ongoing preventative maintenance programs.

The installation of a new filling line at Pental's Shepparton manufacturing site is enabling the production and development of products that are more earth friendly and sustainable for the market.

Pental takes pride in its agility and flexibility to scale up as demand levels fluctuate. As a result of capital investment and increased demand this year, increased production is being achieved in the soap plant, delivering cost reductions and supporting future growth of single bar soaps for supply in both local and export markets.

We have enhanced preventative maintenance with further development in computerised maintenance management systems (CMMS) and predictive tools and technologies.

<sup>1</sup> Based on unaudited FY21 financial and other data provided by HWB

# 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.

New entrants into Pental's market segment have the potential to cause market disruption across ours and competitors' brands as they bid to secure shelf space. This disruption has the potential to erode revenues. 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 when suppliers need to recover rising input costs through prices rises and this impacts 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 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 the Shepparton 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

As announced to the market on 20 August 2021, the Group entered into a conditional agreement to acquire Hampers with Bite Pty Ltd through acquisition of 100% of its shares. The acquisition is expected to be funded through a combination of cash at bank, shares issued to Vendors, capital raised through placement of shares and a share purchase plan. Refer to ASX announcement dated 20 August 2021 for further details.

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 (52 weeks) ended 27 June 2021 an interim fully franked dividend of 1.0 cent per ordinary share was paid on 25 March 2021. The directors have declared the payment of a final fully franked dividend of 1.6 cents per ordinary share, payable to shareholders on 24 September 2021, with a record date of 6 September 2021. The total dividend for the FY21 financial year of 2.6 cents per share represents a payout ratio of 63.2% of net profit after tax (i.e. before significant non cash items).

In the prior year ended 28 June 2020, the total dividend paid was 2.9 cents per ordinary share including a special dividend of 0.7 cents per share, representing a payout ratio of 78.7% of net profit after tax.

## ENVIRONMENTAL REGULATIONS

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

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

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

Pental continues to be focussed on working with authorities and waste service providers to implement sustainable solutions.

Environmental performance is reported monthly to the Site Management Group and the Board.

## SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

There were no unissued shares under 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.

## 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 - FY21	23 August 2021
FY21 Annual Financial Report	23 August 2021
Deadline for nomination as Director	30 September 2021
Annual Report and Notice of Annual General Meeting	19 October 2021
Annual General Meeting	18 November 2021



## 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, 12 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	12	12	4	4	2	2
Kerrie Parker <sup>(i)</sup>	5	5	2	2	1	-
Jeff Miciulis	12	12	4	4	2	2
Fred Harrison	12	12	-	-	2	2
Charlie McLeish	12	12	-	-	-	-
John Etherington <sup>(ii)</sup>	9	9	3	3	1	1

(i) Kerrie Parker was appointed as a non-executive director on 1 February 2021.

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

### 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 30 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 30 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

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

### Auditor's independence declaration

The auditor's independence declaration is included on page 52 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:

<b>Mark Hardgrave</b>	<i>Non-executive Independent Chairman</i>
<b>Charlie McLeish</b>	<i>Managing Director and Chief Executive Officer</i>
<b>Jeff Miciulis</b>	<i>Non-executive Independent Director</i>
<b>Fred Harrison</b>	<i>Non-Executive Independent Director</i>
<b>Kerrie Parker</b>	<i>Non-executive Independent Director (commencement date, 1 February 2021)</i>
<b>John Etherington AM</b>	<i>Non-executive Independent Director (resignation date, 31 March 2021)</i>
<b>Neil Godara</b>	<i>Chief Financial Officer</i>

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.

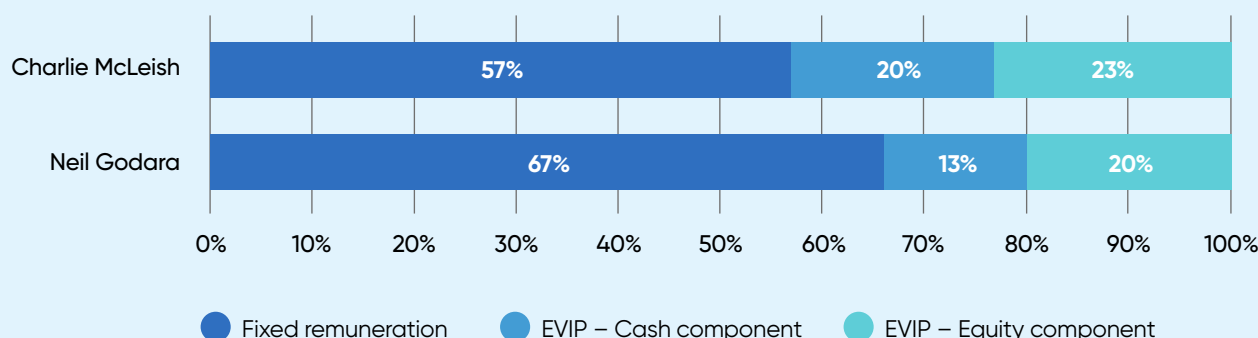
The various elements of the executive remuneration structure serve various purposes as listed below:

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.

## EXECUTIVE REMUNERATION STRUCTURE



### Non-executive members of the board

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

### KEY TERMS OF EXECUTIVE EMPLOYMENT CONTRACTS

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

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

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

Executive Name	Term of agreement	Total fixed remuneration including superannuation	Eligibility to participate in EVIP	Notice of termination
Charlie McLeish	On-going	\$550,000	Eligible	The period of notice required by the Group to terminate the employment is twelve months without cause and the notice required by Mr McLeish is four months.
Neil Godara	On-going	\$250,000	Eligible	The period of notice required by either the Group or Mr Godara to terminate the employment without cause is one month.



## Relationship between the remuneration policy and company performance

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

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

The following tables set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2021. 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.

	27 June 2021 <sup>1</sup> \$'000	28 June 2020 <sup>1</sup> \$'000	30 June 2019 <sup>1</sup> \$'000	1 July 2018 <sup>1</sup> \$'000	2 July 2017 <sup>1</sup> \$'000
Gross sales	174,213	188,994	153,986	108,427	117,660
Net profit/(loss) before tax	7,680	7,221	2,756	(26,824)	8,343
Net profit/(loss) after tax	5,363	5,019	1,921	(27,839)	5,850
Underlying net profit after tax	5,607	5,019	3,451	2,602	5,962

<sup>1</sup> Underlying net profit after tax has been adjusted to exclude brand impairment for FY21: \$348 thousand, FY19: \$2,185 thousand, goodwill impairment for FY18: \$29,446 thousand, ACCC penalty for FY18: \$700 thousand, ACCC legal costs for FY18: \$421 thousand & FY17: \$160 thousand, and their respective income tax impact (FY21: \$104 thousand, FY19: \$655 thousand, FY18: \$126 thousand, FY17: \$48 thousand).

	27 June 2021	28 June 2020	30 June 2019	1 July 2018	2 July 2017
Share price at start of year	\$0.34	\$0.288	\$0.280	\$0.595	\$0.575
Share price at end of year	\$0.415	\$0.34	\$0.288	\$0.280	\$0.595
Interim dividend (cents) per share <sup>1</sup>	1.00	0.70	0.70	0.60	1.15
Special dividend (cents) per share <sup>1,2</sup>	-	0.70	-	-	-
Final dividend (cents) per share <sup>1,2</sup>	1.60	1.50	1.30	0.90	2.10
Basic earnings/(loss) cents per share	3.94	3.68	1.41	(20.43)	4.29
Diluted earnings/(loss) cents per share	3.85	3.64	1.41	(20.43)	4.18

<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:

2021	Short-term employee benefits			Long-term employee benefits	Post-employment benefits	Share-based payments	Total
	Salary & fees <sup>(i)</sup> \$	Bonus \$	Non-Monetary <sup>(ii)</sup> \$	Long service leave <sup>(iii)</sup> \$	Superannuation \$	Rights \$	
Non Executive Directors							
Mark Hardgrave	109,589	-	-	-	10,411	-	120,000
Jeff Miciulis	73,059	-	-	-	6,941	-	80,000
Fred Harrison	73,059	-	-	-	6,941	-	80,000
Kerrie Parker <sup>(iv)</sup>	30,441	-	-	-	2,892	-	33,333
John Etherington <sup>(v)</sup>	54,795	-	-	-	5,205	-	60,000
Total Directors	340,943	-	-	-	32,390	-	373,333
Executives							
Charlie McLeish	568,747	192,500	6,600	16,382	24,996	60,937	870,162
Neil Godara	235,336	50,000	3,436	3,802	21,690	17,381	331,645
Total Executives	804,083	242,500	10,036	20,184	46,686	78,318	1,201,807
Total Remuneration	1,145,026	242,500	10,036	20,184	79,076	78,318	1,575,140

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

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

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

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

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





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

2020	Short-term employee benefits			Post-employment benefits	Share-based payments	Total \$
	Salary & fees \$	Bonus \$	Non-Monetary <sup>(vi)</sup> \$	Superannuation \$	Rights \$	
Non Executive Directors						
Mark Hardgrave <sup>(i)</sup>	82,192	-	-	7,808	-	90,000
John Etherington	63,927	-	-	6,073	-	70,000
Jeff Miciulis	63,927	-	-	6,073	-	70,000
Fred Harrison <sup>(ii)</sup>	60,883	-	-	5,784	-	66,667
Peter Robinson <sup>(iii)</sup>	45,662	-	-	4,338	-	50,000
John Rishworth <sup>(iv)</sup>	9,132	-	-	868	-	10,000
Total Directors	325,723	-	-	30,944	-	356,667
Executives						
Charlie McLeish <sup>(v)</sup>	475,004	175,000	6,198	24,996	27,229	708,427
Neil Godara	198,630	43,500	7,522	18,870	8,864	277,386
Total Executives	673,634	218,500	13,720	43,866	36,093	985,813
Total Remuneration	999,357	218,500	13,720	74,810	36,093	1,342,480

(i) Mark Hardgrave was appointed non-executive chairman on 31 December 2019.

(ii) Fred Harrison was appointed non-executive director on 28 August 2019.

(iii) Peter Robinson retired as non-executive chairman on 31 December 2019.

(iv) John Rishworth resigned as non-executive director on 28 August 2019.

(v) Charlie McLeish was appointed as managing director on 6 April 2020. He was Chief Executive Officer until that date.

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

### 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 \$266,239.93 inclusive of GST (2020: \$236,351.88 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 \$106,288.84 (2020: \$36,300) 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 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 year in which it is granted. If the performance criteria are not met within the financial year, the Rights lapse at the end of the same financial year.

The vesting of the Rights is conditional on:

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

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

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

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

Percentage of total fixed remuneration:	
Charlie McLeish	Up to 40%
Neil Godara	Up to 30%





## EVIP – FY21 PERFORMANCE

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

2021	% of EVIP achieved	EVIP – cash component \$	EVIP – Equity component at face value \$	VWAP <sup>(i)</sup> used to calculate number of Rights \$	Number of Rights issued <sup>(ii)</sup>
<b>Executives</b>					
Charlie McLeish	100%	192,500	220,000	0.3458	636,000
Neil Godara	100%	50,000	75,000	0.3458	217,000
		<b>242,500</b>	<b>295,000</b>		<b>853,000</b>

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

Source – Commonwealth Securities Limited.

(ii) Number of Rights have been rounded to nearest thousand.

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

	Grant Date	No. of Rights granted	Share price at grant date <sup>(iii)</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>	19/11/2020	636,000	\$0.4100	Nil	51%	0.30%	7%	\$0.212	\$134,832
Neil Godara	01/07/2020	217,000	\$0.3458	Nil	51%	0.40%	7%	\$0.157	\$34,069

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

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

Source – Commonwealth Securities Limited.

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

2020	% of EVIP achieved	EVIP – cash component \$	EVIP – Equity component \$	VWAP <sup>(i)</sup> used to calculate number of Rights \$	Number of Rights issued <sup>(ii)</sup>
<b>Executives</b>					
Charlie McLeish	100%	175,000	200,000	0.2921	685,000
Neil Godara	100%	43,500	65,250	0.2921	223,000
		<b>218,500</b>	<b>265,250</b>		<b>908,000</b>

(i) Volume Weighted Average Price (VWAP) based on closing share price of last 10 business days of financial year 2019 and volume traded on each day in that period.

Source – Commonwealth Securities Limited.

(ii) Number of Rights have been rounded to nearest thousand.

The fair value of the Rights granted were measured using Monte Carlo method. The following table contains relevant inputs to measure the fair value of the Rights as at grant date of 1 July 2019:

	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	685,000	\$0.2921	Nil	45.95%	0.94%	5.52%	\$0.159	\$108,915
Neil Godara	223,000	\$0.2921	Nil	45.95%	0.94%	5.52%	\$0.159	\$35,457

(i) Volume Weighted Average Price (VWAP) based on closing share price of last 10 business days of financial year 2019 and volume traded on each day in that period.

Source – Commonwealth Securities Limited. (iv) Number of Rights have been rounded to nearest 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 performance rights holdings of management personnel:

	Grant Date	Vesting Date	Balance at 28/06/2020 No.	Rights granted No.	Rights vested No.	Rights forfeited No.	Rights lapsed No.	Balance at 27/6/2021 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

## 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 at 30/6/2019	Net change other <sup>(i)</sup>	Balance <sup>(v)</sup> at 28/6/2020	Net change other <sup>(i)</sup>	Balance <sup>(v)</sup> at 27/6/2021
<b>Non-Executive Directors</b>					
Mark Hardgrave	-	100,000	100,000	-	100,000
Fred Harrison	-	250,000	250,000	-	250,000
Kerrie Parker <sup>(iii)</sup>	-	-	-	-	-
Jeff Miciulis	800,000	-	800,000	-	800,000
John Etherington <sup>(iii)</sup>	160,000	-	160,000	(160,000)	-
Peter Robinson <sup>(iv)</sup>	4,210,927	(4,210,927)	-	-	-
John Rishworth <sup>(iv)</sup>	13,208	(13,208)	-	-	-
<b>Executives</b>					
Charlie McLeish <sup>(v)</sup>	14,500	-	14,500	-	14,500
Neil Godara <sup>(v)</sup>	-	-	-	-	-

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

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

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

(iv) Mr Robinson and Mr Rishworth retired as directors during the previous financial year.

(v) Both Mr McLeish and Mr Godara have been issued performance rights under the Executive Variable Incentive Plan (EVIP).

(vi) 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, no share options are on issue as at the date of this report.

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

On behalf of the Directors



**Mark Hardgrave**

Chairman

Melbourne, 23 August 2021

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# 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
1.	<b>Lay solid foundations for management and oversight</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> <ul style="list-style-type: none"> <li>(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;</li> <li>(b) disclose that policy or a summary of it; and</li> <li>(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: <ul style="list-style-type: none"> <li>(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</li> <li>(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.</li> </ul> </li> </ul>	<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 27 June 2021, there were 29 (28 June 2020, 36) women employed representing 22.66% (28 June 2020, 24.49%) of total employees. There were no female senior executives as at the reporting date (28 June 2020: None).</p> <p>There was one female on the Board of Directors (28 June 2020, None).</p> <p>The Company's Corporate Governance Section on its website includes the Company's 2020 Workplace Gender Equality public report and the corresponding compliance notice issued to the company on the 22<sup>nd</sup> July 2020.</p>
1.6	<p>A listed entity should:</p> <ul style="list-style-type: none"> <li>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</li> <li>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ul>	<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.</p>
1.7	<p>A listed entity should:</p> <ul style="list-style-type: none"> <li>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</li> <li>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</li> </ul>	<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:</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 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	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.	Pental does not have a board skills matrix. The names and details of Directors in office at the date of this Annual Report, including skills, experience, term of office and expertise, are included in the Directors' Report Section of this Annual Report.
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. (Mr John Etherington was also considered independent who retired as a director on 31 March 2021)</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 \$266,239.93 (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	A majority of the board of a listed entity should be independent directors.	At the date of this report and during the period a majority of directors were independent directors.



	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>(b) 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
4.	<b>Safeguard integrity in financial reporting</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.

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# 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> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) 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>The board or a committee of the board should:</p> <p>(a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and</p> <p>(b) disclose, in relation to each reporting period, whether such a review has taken place.</p>	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.</b>	<b><i>Remunerate fairly and responsibly</i></b>	
8.1	<p>The board of a listed entity should:</p> <p>(a) have a remuneration committee which:</p> <ol style="list-style-type: none"> <li>(1) has at least three members, a majority of whom are independent directors; and</li> <li>(2) is chaired by an independent director, and disclose:</li> <li>(3) the charter of the committee;</li> <li>(4) the members of the committee; and</li> <li>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</li> </ol> <p>(b) if it does not have a remuneration committee, disclose that fact and the processes it employs for setting the level and composition of remuneration for directors and senior executives and ensuring that such remuneration is appropriate and not excessive.</p>	<p>The Board has established a Remuneration Committee. The Remuneration Committee operates under a Charter, which is available on the Company's website.</p> <p>Memberships of the Committee, and details of meetings held during the period, are contained in the Directors' Report section.</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>Remuneration policies are set out in the Remuneration Report section of this Annual Report.</p> <p>When thought desirable the Board utilises specialist third parties to benchmark executive and non-executive director remuneration.</p>
8.3	<p>A listed entity which has an equity-based remuneration scheme should:</p> <p>(a) have a policy on whether participants are permitted to enter into transactions (whether through the use of derivatives or otherwise) which limit the economic risk of participating in 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 27 June 2021, 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, 23 August 2021

Grant Thornton Audit Pty Ltd ACN 130 913 594  
a subsidiary or related entity of Grant Thornton Australia Ltd ABN 41 127 556 389

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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 27 June 2021, 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 27 June 2021 and of its performance for the year ended on that date; and
- b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

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

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

#### Key audit matters

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

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## Key audit matter

## How our audit addressed the key audit matter

### Carrying value of brand names – Note 15

As at 27 June 2021, the Group carries indefinite life brand names of \$12,006,076. AASB 136 *Impairment of Assets*, requires indefinite life intangibles to be assessed for impairment, at least annually, or where external or internal impairment indicators are identified.

An impairment is recorded when the recoverable amount of an asset exceeds its carrying value. The recoverable amount of these brand names has 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.

The estimation involved is made further complex by the uncertainties associated with the COVID-19 pandemic's impact on the macroeconomic factors underlying the assumptions used in the relief from royalty model.

This area was determined to be a key audit matter due to the abovementioned judgments involved in preparing a relief from royalty model for determining recoverable amount in management's impairment assessments.

Our procedures included, amongst others:

- Documenting and assessing the processes and controls in place for management to prepare the relief from royalty model;
- Assessing and challenging management's valuation methodology and key assumptions applied;
- Assessing the sensitivity analysis performed by management on key assumptions and performing independent sensitivity analysis (including the possible impacts of COVID-19);
- Involving our valuation specialists to assess the relief from royalty model and evaluate the reasonableness of key assumptions including the royalty rate, discount rate and long-term growth rate;
- 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
- Assessing the appropriateness of disclosures within the financial report.

### 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 27 June 2021, but does not include the financial report and our auditor's report thereon.

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

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

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

### Responsibilities of the Directors for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the 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: [https://www.auasb.gov.au/auditors\\_responsibilities/ar1\\_2020.pdf](https://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 34 to 42 of the Directors' report for the year ended 27 June 2021.

In our opinion, the Remuneration Report of Pental Limited, for the year ended 27 June 2021 complies with section 300A of the *Corporations Act 2001*.

### Responsibilities

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

Grant Thornton Audit Pty Ltd  
Chartered Accountants

S C Trivett  
Partner – Audit & Assurance

Melbourne, 23 August 2021



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## 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 12 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, 23 August 2021

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# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year (52 weeks) ended 27 June 2021

	Note	2021 \$'000	2020 \$'000
<b>Continuing Operations</b>			
Revenue from the sale of goods	4	124,940	126,460
Other revenue and income		201	92
Other gains and losses		275	(159)
Changes in inventory of finished goods and work in progress		7,368	(642)
Raw materials, consumables used and utilities		(90,243)	(82,401)
Employee benefits expense	7	(14,500)	(14,553)
Freight out and distribution expense		(7,222)	(8,001)
Marketing expenses		(2,259)	(2,576)
Occupancy expenses		(1,535)	(854)
Selling expenses		(1,050)	(1,404)
Repairs and maintenance expense		(1,149)	(1,141)
Other expenses		(2,828)	(2,849)
Impairment of brand names	15	(348)	-
<b>Profit before finance costs, income tax, depreciation and amortisation (EBITDA)</b>		<b>11,650</b>	<b>11,972</b>
Depreciation and amortisation expense	7	(3,849)	(4,576)
<b>Profit before finance costs and income tax (EBIT)</b>		<b>7,801</b>	<b>7,396</b>
Finance costs	5	(121)	(175)
<b>Profit before tax</b>		<b>7,680</b>	<b>7,221</b>
Income tax expense	6	(2,317)	(2,202)
<b>Net Profit for the year</b>		<b>5,363</b>	<b>5,019</b>
<b>Profit Attributable to Members of the Parent Entity</b>		<b>5,363</b>	<b>5,019</b>
<b>Other comprehensive income</b>			
Items that may be classified subsequently to profit or loss:			
Gain/(loss) on cash flow hedges taken to equity		(273)	366
Income tax relating to components of other comprehensive income		82	(110)
Other comprehensive income for the year (net of tax)		(191)	256
<b>Total comprehensive income for the year</b>		<b>5,172</b>	<b>5,275</b>
Profit attributable to equity holders of the parent		5,363	5,019
Total comprehensive income attributable to equity holders of the parent		5,172	5,275
<b>Earnings per share Attributable to the Members of the Parent Entity</b>			
Basic (cents per share)	8	3.94	3.68
Diluted (cents per share)	8	3.85	3.64

Notes to the financial statements are included on pages 62 to 89.



# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 27 June 2021

	Note	27 June 2021 \$'000	28 June 2020 \$'000
<b>Current assets</b>			
Cash and cash equivalents	27(a)	12,702	3,668
Trade and other receivables	9	14,096	20,133
Inventories	10	16,053	23,419
Other financial assets	11	66	340
Other assets	16	267	301
<b>Total current assets</b>		<b>43,184</b>	<b>47,861</b>
<b>Non-current assets</b>			
Right-of-use assets	14	928	1,170
Property, plant and equipment	13	19,301	20,634
Intangible assets	15	12,181	12,508
<b>Total non-current assets</b>		<b>32,410</b>	<b>34,312</b>
<b>Total assets</b>		<b>75,594</b>	<b>82,173</b>
<b>Current liabilities</b>			
Trade and other payables	17	12,291	18,340
Other financial liabilities	18	81	212
Current tax payables	6	449	1,362
Lease liabilities	14	532	456
Provisions	20	2,613	2,254
<b>Total current liabilities</b>		<b>15,966</b>	<b>22,624</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	6	2,363	2,865
Lease liabilities	14	446	746
Provisions	20	72	139
<b>Total non-current liabilities</b>		<b>2,881</b>	<b>3,750</b>
<b>Total liabilities</b>		<b>18,847</b>	<b>26,374</b>
<b>Net assets</b>		<b>56,747</b>	<b>55,799</b>
<b>Equity</b>			
Issued capital	21	90,658	90,658
Reserves		248	303
Accumulated losses		(34,159)	(35,162)
<b>Total equity</b>		<b>56,747</b>	<b>55,799</b>

Notes to the financial statements are included on pages 62 to 89.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year (52 weeks) ended 27 June 2021

	Note	Issued capital \$'000	Hedging reserve \$'000	Equity settled employee benefits reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 30 June 2019		90,658	(18)	-	(37,456)	53,184
Profit for the year		-	-	-	5,019	5,019
Gain on cash flow hedges		-	366	-	-	366
Deferred tax arising on hedges	6	-	(110)	-	-	(110)
Total comprehensive income for the year		-	256	-	5,019	5,275
Dividend Payment	22(a)	-	-	-	(2,725)	(2,725)
Recognition of share based payments		-	-	65	-	65
<b>Balance at 28 June 2020</b>		<b>90,658</b>	<b>238</b>	<b>65</b>	<b>(35,162)</b>	<b>55,799</b>
Balance at 28 June 2020		90,658	238	65	(35,162)	55,799
Profit for the year		-	-	-	5,363	5,363
Loss on cash flow hedges		-	(273)	-	-	(273)
Deferred tax arising on hedges	6	-	82	-	-	82
Total comprehensive income for the year		-	(191)	-	5,363	5,172
Dividend Payment	22(a)	-	-	-	(4,360)	(4,360)
Recognition of share based payments		-	-	136	-	136
<b>Balance at 27 June 2021</b>		<b>90,658</b>	<b>47</b>	<b>201</b>	<b>(34,159)</b>	<b>56,747</b>

Notes to the financial statements are included on pages 62 to 89.



# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year (52 weeks) ended 27 June 2021

	Note	2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		146,573	138,666
Payments to suppliers and employees		(126,787)	(128,228)
Interest on lease liabilities	14	(44)	(59)
Interest and other costs of finance paid		(77)	(116)
Income tax paid		(3,620)	(1,758)
<b>Net cash provided by operating activities</b>	<b>27(b)</b>	<b>16,045</b>	<b>8,505</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment	13	(1,837)	(1,990)
Payments for intangible assets	15	(118)	(89)
<b>Net cash used in investing activities</b>		<b>(1,955)</b>	<b>(2,079)</b>
<b>Cash flows from financing activities</b>			
Repayment of lease liabilities	14	(565)	(491)
(Repayment)/utilisation of supplier payment facility		(131)	212
Dividends paid	22	(4,360)	(2,725)
<b>Net cash used in financing activities</b>		<b>(5,056)</b>	<b>(3,004)</b>
<b>Net increase in cash and cash equivalents</b>		<b>9,034</b>	<b>3,422</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>3,668</b>	<b>246</b>
<b>Cash and cash equivalents at the end of the financial year</b>	<b>27(a)</b>	<b>12,702</b>	<b>3,668</b>

Notes to the financial statements are included on pages 62 to 89.



# 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

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Facsimile: (03) 9645 3001  
www.pental.com.au

### Share Registry

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Telephone outside Australia: +61 2 9290 9600  
Facsimile: +61 2 9279 0664  
www.boardroomlimited.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 Australian equivalents to International Financial Reporting Standards ('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 23 August 2021.

### 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 relief from royalty method estimate of reasonable future cash flows. 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 27 June 2021 was \$12.006 million (28 June 2020: \$12.354 million). Details of movements and impairment testing are set out in Note 15.

### 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 our historical experience.

## Adoption of new and revised Accounting Standards

### *Configuration or Customisation Costs in a Cloud Computing Arrangement (IAS 38 Intangible Assets)*

During the financial year the International Financial Reporting Interpretations Committee IFRIC identified that various approaches to customisation and configuration costs for cloud computing arrangements were utilised by companies depending on internal policy. These policies varied from expensing all costs in full to capitalisation of all costs in full, with most entities taking a more nuanced approach in their capitalisation policy and differentiating between expenditure with different underlying fact patterns.

The Agenda Decision requires that management capitalise those elements of expenditure that meet the definition of an "Intangible Asset" as defined by AASB 138 Intangible Assets and recognise any additional amounts as an expense as the entity benefits from the expenditure – either by applying AASB 138 or applying another accounting standard.

The impact of this decision has not had a material impact on the consolidated entity's financial statements.

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.

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

## 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 12 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) 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 23); 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.

### (c) Goods and services tax

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

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

### (d) 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.

### (e) 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 only in the period it was granted. The fair value of the performance rights granted is measured using Monte Carlo method, taking into account the terms and conditions upon which the performance rights were granted.

### (f) 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).

# NOTES TO THE FINANCIAL STATEMENTS (CONT)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT)

### *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, and investments in subsidiaries are recognised and derecognised on trade date where purchase or sale of an investment or a loan and receivable is under a contract whose terms require delivery of the asset within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs. Subsequent to initial recognition, investments are measured at cost.

### *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 group 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 23.

**(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 30 years on a straight line basis. Land is not depreciated.

**(l) Borrowing costs**

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

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

**(m) Intangible assets***Brand names*

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

*(n) 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.

**(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.

# NOTES TO THE FINANCIAL STATEMENTS (CONT)

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT)

### (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 27 June 2021, the Group is reporting on the 52 week period that began 29 June 2020 and ended 27 June 2021. For the period to 28 June 2020, the Group is reporting on the 52 week period that began 1 July 2019 and ended 28 June 2020.

### 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 two operating divisions

The Group is organised into two 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.

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

	Owned Brands		Contracted Brands		Total	
	27 Jun 2021 \$'000	28 Jun 2020 \$'000	27 Jun 2021 \$'000	28 Jun 2020 \$'000	27 Jun 2021 \$'000	28 Jun 2020 \$'000
<b>Segment Revenue</b>						
Sales revenue	52,268	59,832	72,672	66,628	124,940	126,460
<b>Segment Results</b>						
Profit before finance costs and income tax (EBIT)	5,145	6,507	2,656	889	7,801	7,396
Finance costs					(121)	(175)
Profit before income tax					7,680	7,221
Income tax expense					(2,317)	(2,202)
Net profit for the period					5,363	5,019

Due to the similar and shared nature of products, customers, suppliers and facilities, a significant overlap exists between the assets and liabilities utilised by both 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:

	2021 \$'000	2020 \$'000
Geographical sales		
Australia	109,726	109,578
New Zealand	13,413	14,586
Asia	1,801	2,296
<b>Total geographical sales</b>	<b>124,940</b>	<b>126,460</b>



# NOTES TO THE FINANCIAL STATEMENTS (CONT)

## 4. REVENUE

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

	2021 \$'000	2020 \$'000
Revenue from the sale of goods	124,940	126,460

The Group's Top 6 customers (Woolworths Limited, Coles Group Ltd, Metcash Ltd, Foodstuffs (Auckland) Ltd, Costco Wholesale Corporation and Battery Specialists Group) generated 77.1% of the Group's revenue for the year ended 27 June 2021 (2020: 79.5% from top six customers - Woolworths Limited, Coles Group Ltd, Metcash Ltd, Foodstuffs (Auckland) Ltd, Costco Wholesale Corporation and Battery Specialists Group).

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

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

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

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

## 5. FINANCE COSTS

	2021 \$'000	2020 \$'000
Interest on borrowings	21	76
Other borrowing costs	56	40
Interest on leases	44	59
<b>Total interest expense</b>	<b>121</b>	<b>175</b>

## 6. INCOME TAXES

### Income tax recognised in profit or loss

	2021 \$'000	2020 \$'000
<b>Tax expense comprises:</b>		
Current tax expense	2,735	2,841
Deferred tax expense	(420)	(589)
Adjustments recognised in relation to the current tax of prior years	2	(50)
<b>Total tax expense</b>	<b>2,317</b>	<b>2,202</b>

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

	2021 \$'000	2020 \$'000
Profit from operations	7,680	7,221
Tax at the Australian tax rate of 30%	2,304	2,166
Non Deductible items	11	86
Adjustments recognised in relation to the current tax of prior years	2	(50)
<b>Income tax expense</b>	<b>2,317</b>	<b>2,202</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

	2021 \$'000	2020 \$'000
<b>Deferred tax</b>		
Arising on amounts recognised in other comprehensive income:		
Changes in the fair value of cash flow hedges	82	(110)
	<b>82</b>	<b>(110)</b>

## Deferred tax balances

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

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

### Deferred tax assets

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

### Deferred tax liabilities

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



## NOTES TO THE FINANCIAL STATEMENTS (CONT)

### 6. INCOME TAXES (CONT)

2020				
Opening balance \$'000	Charged to income \$'000	Recognised in other comprehensive income \$'000	Charged to equity \$'000	Closing Balance \$'000

#### Deferred tax assets

Provision for expected credit losses	9	26	-	-	35
Provisions	674	77	-	-	751
Lease Liabilities	-	369	-	-	369
Foreign currency items	4	(4)	-	-	-
Inventory obsolescence	174	48	-	-	222
Accruals	4	56	-	-	60
	865	572	-	-	1,437

#### Deferred tax liabilities

Property, plant and equipment	(500)	349	-	-	(151)
Leased Assets	-	(351)	-	-	(351)
Foreign currency items	-	19	(110)	-	(91)
Brand names	(3,706)	-	-	-	(3,706)
Other	(3)	-	-	-	(3)
	(4,209)	17	(110)	-	(4,302)
<b>Net deferred tax asset / (liability)</b>	<b>(3,344)</b>	<b>589</b>	<b>(110)</b>	<b>-</b>	<b>(2,865)</b>

#### Current tax liabilities

	2021 \$'000	2020 \$'000
Income tax payable	449	1,362
	<b>449</b>	<b>1,362</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 12.

#### 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:

	2021 \$'000	2020 \$'000
<b>Expenses</b>		
Cost of goods sold	95,517	96,246
Depreciation: Property, plant and equipment	3,169	3,942
Depreciation: Right-of-use assets	583	552
Amortisation: Software	97	82
<b>Total depreciation and amortisation</b>	<b>3,849</b>	<b>4,576</b>
<b>Employee benefits expense:</b>		
Post-employment benefits – defined contribution plans	1,125	1,057
Share based payments expense	137	65
Other employee benefits	13,238	13,431
	<b>14,500</b>	<b>14,553</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. EARNINGS PER SHARE

	2021 Cents Per Share	2020 Cents Per Share
Basic earnings per share	3.94	3.68
Diluted earnings per share	3.85	3.64

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

	2021 \$'000	2020 \$'000
Net profit	5,363	5,019
Earnings used in the calculation of basic EPS	5,363	5,019
Earnings used in the calculation of diluted EPS	5,363	5,019

	2021 No.	2020 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	136,250,633	136,250,633

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

	2021 No.	2020 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	136,250,633	136,250,633
Shares deemed to be issued for no consideration in respect of:		
- performance rights over ordinary shares	2,988,143	1,625,000
<b>Weighted average number of ordinary shares for the purposes of diluted earnings per share</b>	<b>139,238,776</b>	<b>137,875,633</b>

### Classification of securities as potential ordinary shares

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

## NOTES TO THE FINANCIAL STATEMENTS (CONT)

### 9. TRADE AND OTHER RECEIVABLES

Current	2021 \$'000	2020 \$'000
Trade receivables <sup>(i)</sup>	14,046	20,170
Other <sup>(ii)</sup>	274	79
Allowance for expected credit losses	(224)	(116)
	<b>14,096</b>	<b>20,133</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 \$10.202 million is due from top six customers (2020: \$14.971 million from top six customers) and these six customers account for 77.1% of total sales revenue for the year (2020: 79.5% 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.

#### Ageing of past due

	2021 \$'000	2020 \$'000
Overdue 31 to 60 days	144	581
Overdue 61 to 90 days	30	41
Overdue 91 days and beyond	231	12
<b>Total</b>	<b>405</b>	<b>634</b>

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

	2021 \$'000	2020 \$'000
Balance at the beginning of the year	116	30
Re-measurement of loss allowance	108	86
<b>Balance at the end of the year</b>	<b>224</b>	<b>116</b>

Under the expected credit loss methodology, the provision for impairment of receivables is the carrying value of maximum exposure to credit risk at the reporting date. At 27 June 2021, the amount of provision for expected credit losses was \$224 thousand (2020: \$116 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.

### 10. INVENTORIES

	2021 \$'000	2020 \$'000
Raw materials	4,071	4,551
Goods in transit	1,283	4,927
Finished goods	10,699	13,941
	<b>16,053</b>	<b>23,419</b>

### 11. OTHER FINANCIAL ASSETS

	2021 \$'000	2020 \$'000
<b>Current</b>		
Foreign currency forward contracts	66	340
	<b>66</b>	<b>340</b>

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## NOTES TO THE FINANCIAL STATEMENTS (CONT)

### 12. SUBSIDIARIES

Name of subsidiary	Country of incorporation	Ownership interest	
		2021 %	2020 %
Parent Entity			
Pental Limited (i)	Australia		
Controlled Entities			
Pental Products Pty Ltd (ii) (iii)	Australia	100%	100%
HWB Pty Ltd (ii) (iii)	Australia	100%	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.

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.



### 13. 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 30 June 2019	1,732	5,628	34,379	235	41,974
Additions	-	-	1,446	544	1,990
Disposals	-	-	(3)	-	(3)
Transfer from capital works	-	-	235	(235)	-
<b>Balance at 28 June 2020</b>	<b>1,732</b>	<b>5,628</b>	<b>36,057</b>	<b>544</b>	<b>43,961</b>
Additions	-	-	947	890	1,837
Disposals	-	-	(1,546)	-	(1,546)
Transfer from capital works	-	-	544	(544)	-
<b>Balance at 27 June 2021</b>	<b>1,732</b>	<b>5,628</b>	<b>36,002</b>	<b>890</b>	<b>44,252</b>
<b>Accumulated depreciation</b>					
Balance at 30 June 2019	-	(360)	(19,026)	-	(19,386)
Depreciation expense	-	(192)	(3,750)	-	(3,942)
Disposals	-	-	1	-	1
<b>Balance at 28 June 2020</b>	<b>-</b>	<b>(552)</b>	<b>(22,775)</b>	<b>-</b>	<b>(23,327)</b>
Depreciation expense	-	(192)	(2,978)	-	(3,170)
Disposals	-	-	1,546	-	1,546
<b>Balance at 27 June 2021</b>	<b>-</b>	<b>(744)</b>	<b>(24,207)</b>	<b>-</b>	<b>(24,951)</b>
Net book value as at 28 June 2020	1,732	5,076	13,282	544	20,634
<b>Net book value as at 27 June 2021</b>	<b>1,732</b>	<b>4,884</b>	<b>11,795</b>	<b>890</b>	<b>19,301</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT)

### 14. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

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

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

	Property \$'000	Plant & Equipment \$'000	Total \$'000
Balance as at 1 July 2019	1,152	478	1,630
Additions	-	112	112
Less: lease contract terminated	-	(20)	(20)
Depreciation charge for the year	(372)	(180)	(552)
<b>Balance as at 28 June 2020</b>	<b>780</b>	<b>390</b>	<b>1,170</b>
Additions	193	33	226
Add: Lease term extension	115	-	115
Less: Lease contract terminated	-	(12)	(12)
Depreciation charge for the year	(401)	(170)	(571)
<b>Balance as at 27 June 2021</b>	<b>687</b>	<b>241</b>	<b>928</b>

#### (b) Lease liabilities

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

	2021 \$'000	2020 \$'000
Balance at start of the period	1,202	1,601
Additions	226	111
Lease term extension	116	-
Interest incurred	44	59
lease contract terminated	-	(20)
Payments on lease liabilities	(610)	(549)
<b>Balance as at end of the period</b>	<b>978</b>	<b>1,202</b>
Current lease liabilities	532	456
Non-current lease liabilities	446	746
<b>Balance as at end of the period</b>	<b>978</b>	<b>1,202</b>



## (c) Maturity Analysis

	Total \$'000
Within One Year	532
One to two years	354
Two to three years	73
Three to four years	54
Four to five years	-
<b>Total Contractual Undiscounted Cash Flows</b>	<b>1,013</b>
Discounting using the lessees incremental borrowing rate	(35)
<b>Balance as at 27 June 2021</b>	<b>978</b>

## (d) Amount recognised in profit and loss

	Total \$'000
Depreciation expense on right-of-use assets (Includes lease contracts terminated)	583
Interest expense on lease liabilities	44



# NOTES TO THE FINANCIAL STATEMENTS (CONT)

## 15. OTHER INTANGIBLE ASSETS

	Brand Names at cost \$'000	Software at cost \$'000	Total \$'000
<b>Gross carrying amount</b>			
Balance at 1 July 2019	19,000	2,006	21,006
Additions	-	89	89
<b>Balance at 28 June 2020</b>	<b>19,000</b>	<b>2,095</b>	<b>21,095</b>
Additions	-	118	118
Disposals	-	(843)	(843)
<b>Balance at 27 June 2021</b>	<b>19,000</b>	<b>1,370</b>	<b>20,370</b>
<b>Accumulated Impairment/Amortisation</b>			
Balance at 1 July 2019	(6,646)	(1,859)	(8,505)
Amortisation expense	-	(82)	(82)
<b>Balance at 28 June 2020</b>	<b>(6,646)</b>	<b>(1,941)</b>	<b>(8,587)</b>
Amortisation expense	-	(97)	(97)
Disposals	-	843	843
Impairment	(348)	-	(348)
<b>Balance at 27 June 2021</b>	<b>(6,994)</b>	<b>(1,195)</b>	<b>(8,189)</b>
Net book value as at 28 June 2020	12,354	154	12,508
<b>Net book value as at 27 June 2021</b>	<b>12,006</b>	<b>175</b>	<b>12,181</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 continue 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.

### Impairment testing - Indefinite life brand names

Indefinite life brand names are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's value in use and fair value less costs to sell. Brand names that have incurred an impairment in previous periods are reviewed for possible reversal of the impairment at the end of each reporting period.

The Group used 'relief from royalty' method for the purposes of impairment testing as at 27 June 2021.

The key assumptions used were as follows:

- An estimate of maintainable revenue with reference to the FY22 budget and historic financial performance, with due consideration given to the economic uncertainty associated with COVID-19.
- Royalty rates ranging between 2% - 4.5% (2020: 2% - 4.5%)
- Discount rate of 10% post-tax (2020: 10%)
- Long term growth rates of between 0% - 3% (2020: 0% - 3%)
- An estimate of costs to sell equivalent to 2% of the estimated recoverable amount for each brand name.

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

## 15. OTHER INTANGIBLE ASSETS (CONT)

Following a strategic review of its laundry brand portfolio, the Group recognised an impairment loss for full book value of "Huggie" brand of \$0.348 million (after tax \$0.244 million). Whilst the high quality "Huggie" branded products will continue to be offered to consumers through alternative channels, the Group has made a strategic decision to consolidate its multiple offerings of laundry products under its power brand "Softly" in major grocery channels.

The Group did not recognise any impairment losses in the prior period.

## 16. OTHER ASSETS

	2021 \$'000	2020 \$'000
Prepayments	267	301

## 17. TRADE AND OTHER PAYABLES

	2021 \$'000	2020 \$'000
Trade payables	7,660	11,354
Trade spend liabilities	299	122
Sundry payables and accruals	4,332	6,864
	<b>12,291</b>	<b>18,340</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.

## 18. OTHER FINANCIAL LIABILITIES

	2021 \$'000	2020 \$'000
<b>Current</b>		
Supplier payment facility	81	212
	<b>81</b>	<b>212</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 \$4.3 million of which \$0.081 million was utilised.

## 19. BANKING FACILITIES

	2021 \$'000	2020 \$'000
<b>Summary of financing arrangements</b>		
<b>Facilities utilised at reporting date:</b>		
Multi option loan facility		
- Bank Guarantee	177	177
	<b>177</b>	<b>177</b>

### Facilities not utilised at reporting date:

Multi option loan facility		
- Bank overdraft	1,820	4,810
- Trade finance	6,000	-
- Bank Guarantee	3	13
	<b>7,823</b>	<b>4,823</b>
<b>Multi option loan facility limit</b>	<b>8,000</b>	<b>5,000</b>

### Multi option loan facility

Following the expiry of its multi-option facility with ANZ bank on 31 October 2020, the Group secured a new multi option loan facility with the Commonwealth Bank of Australia (CBA) that allows the Group to choose the appropriate type of funding facility to suit its business needs. The multi option facility can be used as a bank overdraft, variable rate fully drawn advance, cash advance, standby letter of credit/guarantee and/or trade finance facility.

The multi option facility has a facility limit of \$8,000,000 (2020: \$5,000,000 with ANZ bank). The multi option facility bears various interest rates for various facilities as utilised. The interest rates range from minimum 0.49% on trade finance facility to maximum 7.68% on overdraft facility plus a line fee of 0.48% as at 27 June 2021 (2020: 0.94% plus a line fee of 0.8%). 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 31 October 2024.

### Unsecured supplier payment facility

As at the reporting date, The Group also has alternative unsecured financing facilities with a limit of \$4.3 million to draw upon through American Express, if and when required. There are no restrictions of use associated with the supplier finance facility.



# NOTES TO THE FINANCIAL STATEMENTS (CONT)

## 20. PROVISIONS

	2021 \$'000	2020 \$'000
<b>Current</b>		
Employee benefits	2,584	2,225
Make good provision on lease	29	29
	<b>2,613</b>	<b>2,254</b>
<b>Non-current</b>		
Employee benefits	72	139
	<b>72</b>	<b>139</b>
<b>Total Provisions</b>	<b>2,685</b>	<b>2,393</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.

## 21. ISSUED CAPITAL

### (a) Fully paid ordinary shares

	2021 No.	2020 No.
<b>Share Capital</b>		
Opening balance of ordinary shares, fully paid	136,250,633	136,250,633
Balance at end of financial year	136,250,633	136,250,633
<b>Fully paid ordinary shares</b>	<b>\$'000</b>	<b>\$'000</b>
Balance at beginning of financial year	90,658	90,658
Balance at end of financial year	90,658	90,658

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.

## 22. DIVIDENDS

### (a) Recognised Amounts

	2021		2020	
	Cents per Share	Total \$'000	Cents per Share	Total \$'000
<b>Fully paid ordinary shares</b>				
Special dividend: Fully franked at 30% tax rate	0.70	954	-	-
Final dividend: Fully franked at 30% tax rate	1.50	2,044	1.30	1,771
Interim dividend: Fully franked at 30% tax rate	1.00	1,363	0.70	954
	<b>3.20</b>	<b>4,361</b>	<b>2.00</b>	<b>2,725</b>

### (b) Unrecognised Amounts

	2021		2020	
	Cents per Share	Total \$'000	Cents per Share	Total \$'000
Final dividend	1.60	2,180	1.50	2,044
Special dividend	-	-	0.70	954
	<b>1.60</b>	<b>2,180</b>	<b>2.20</b>	<b>2,998</b>

In respect of the year (52 weeks) ended 27 June 2021, the Directors declared a full year fully franked final dividend of 1.6 cents per ordinary share, payable on 24 September 2021, with a record date of 6 September 2021 (2020: 1.50 cents per ordinary share).

In the prior period, the Directors also declared a fully franked special dividend of 0.7 cents per ordinary share payable on 7 August 2020 with a record date of 31 July 2020.

	2021 \$'000	2020 \$'000
Adjusted franking account balance	20,249	18,496
Impact on franking account balance of dividends not recognised	934	1,285

## 23. 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 21), 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 19 for details of the banking facility.

### 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

	2021 \$'000	2020 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	12,702	3,668
Trade and other receivables (amortised cost)	14,096	20,133
Derivative instruments in designated hedge accounting relationships	66	340
<b>Financial liabilities</b>		
Trade and other payables (amortised cost)	12,291	18,340
Supplier payment facility	81	212

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

The Group has significant credit risk exposure with the Woolworths Limited, Coles Group Ltd, Metcash Ltd, Costco, Foodstuffs (Auckland) Ltd and Battery Specialists Groups which represent 72.6% 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 23(c) and 23(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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Currency of USA	-	-	306	337
Currency of New Zealand	2,600	3,726	805	728
Currency of Europe	-	-	-	1

## NOTES TO THE FINANCIAL STATEMENTS (CONT)

### 23. 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	
	2021	2020	2021	2020	2021	2020	2021	2020
Buy USD – less than one year	0.7711	0.6924	2,761	1,510	3,581	2,181	88	7
Sell NZD – less than one year	1.0820	1.0197	3,450	7,200	3,189	7,061	(22)	333
							<b>66</b>	<b>340</b>

As at reporting date, the aggregate amount of unrealised gains/(losses) under forward foreign currency contracts relating to anticipated future contracts is \$0.066 million gain (2020: \$0.340 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	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Profit	28	43	83	137
Equity	248	79	102	170

#### (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.

2021	Weighted average interest rate	Less than 1 month \$'000	1-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000	Total \$'000
<b>Financial assets</b>							
Variable interest rate instruments	-	12,702	-	-	-	-	12,702
Non-interest bearing	-	7,781	6,315	-	-	-	14,096
		<b>20,483</b>	<b>6,315</b>	-	-	-	<b>26,798</b>

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

2020	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	0.24%	3,668	-	-	-	-	3,668
Non-interest bearing	-	10,798	9,335	-	-	-	20,133
		<b>14,466</b>	<b>9,335</b>	-	-	-	<b>23,801</b>

<b>Financial liabilities</b>							
Variable interest rate instruments <sup>(i)</sup>	-	212	-	-	-	-	212
Non-interest bearing	-	9,271	9,069	-	-	-	18,340
		<b>9,483</b>	<b>9,069</b>	-	-	-	<b>18,552</b>

<sup>(i)</sup> Relates to 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)

### 23. 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, Foodstuffs (Auckland) Ltd and Battery Specialists Groups which represent 72.6% 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 31 October 2024. As highlighted in Note 19, 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.

#### (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.



## 24. 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.

### 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 year in which it is granted. If the performance criteria is not met within the financial year, the Rights lapse at the end of the same financial year.

The vesting of the Rights is conditional on:

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

In total, the Rights are held for four years from the grant date. The value to the executive / 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.

### EVIP – FY21 Performance

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

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

As per Note 7, the vesting period expense recognised during the period was \$136 thousand (2020: \$65 thousand)



## NOTES TO THE FINANCIAL STATEMENTS (CONT)

### 24. SHARE-BASED PAYMENTS (CONT)

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

	Grant date	No. of Rights granted	Share price at grant date <sup>(i)</sup>	Exercise price	Expected volatility	Performance period	Risk free rate	Expected dividend yield	Fair value at grant date
EVIP 2020	1 July 2019	1,625,000	\$0.2921	Nil	45.95%	4 years	0.94%	5.52%	\$0.159

#### 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 28/6/2020 No.	Rights granted No.	Rights vested No.	Rights forfeited No.	Rights lapsed No.	Balance at 27/6/2021 No.
EVIP 2020	1/7/2023	1,625,000	-	-	-	-	1,625,000
EVIP 2021	1/7/2024	-	1,613,000	-	-	-	1,613,000
							<b>3,238,000</b>

### 25. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2021 \$	2020 \$
Short-term employee benefits	1,397,562	1,231,577
Long-term employee benefits	20,184	
Share based payments	78,318	36,093
Termination benefits	-	-
Post-employment benefits	79,076	74,810
	<b>1,575,140</b>	<b>1,342,480</b>

## 26. 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 \$266,239.93 inclusive of GST (2020: \$236,351.88 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 \$106,288.84 (2020: \$36,300) in relation to abovementioned promotional activities and supplier trading terms.

### Equity interests in subsidiaries

Details of interests in subsidiaries are set out in note 12.

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.

## 27. 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:

	2021 \$'000	2020 \$'000
Cash on hand and at bank	12,702	3,668
<b>Cash and cash equivalents</b>	<b>12,702</b>	<b>3,668</b>

## 27. CASH AND CASH EQUIVALENTS (CONT)

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

	2021 \$'000	2020 \$'000
Profit/(Loss) for the year	5,363	5,019
Depreciation and amortisation expense	3,849	4,576
Impairment of brand names	348	-
Loss on disposal of assets	-	1
Equity settled employee benefits expense	136	65

#### Changes in net assets and liabilities, net of effects from acquisition of businesses:

##### (Increase)/decrease in assets:

Trade and other receivables	6,037	(2,516)
Inventories	7,366	(642)
Other assets	308	(373)

##### Increase/(decrease) in liabilities and reserves:

Trade and other payables	(6,049)	1,323
Provisions and hedging reserve	102	531
Current and deferred tax liabilities	(1,415)	547
Other liabilities	-	(26)
<b>Net cash from operating activities</b>	<b>16,045</b>	<b>8,505</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONT)

### 28. CAPITAL EXPENDITURE COMMITMENT

	2021 \$'000	2020 \$'000
Plant and equipment	404	309

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

### 29. CONTINGENT LIABILITIES

	2021 \$'000	2020 \$'000
(a) Bank guarantees to third parties in respect of property lease obligations. The bank guarantees are held by the parent entity, Pental Limited.	177	177

To the best knowledge of the Directors aside from the Bank Guarantees disclosed, no other contingent liabilities exist for the reporting period ending 27 June 2021.

### 30. REMUNERATION OF AUDITORS

	2021 \$	2020 \$
<b>Auditor of the parent entity</b>		
Audit or review of the financial report	141,000	227,000
<b>Other services</b>		
- Tax compliance	-	12,500
- Tax consulting	-	8,400
- Due diligence services	46,187	-
- Other services	10,000	7,100
	<b>197,187</b>	<b>255,000</b>

The auditor of Pental Limited is Grant Thornton in the reported period. The auditor for the group in prior period was Deloitte Touche Tohmatsu.



## 31. 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	2021 \$'000	2020 \$'000
<b>Assets</b>		
Current assets	1	1
Non current assets	53,964	54,877
<b>Total assets</b>	<b>53,965</b>	<b>54,878</b>
<b>Liabilities</b>		
Current liabilities	469	1,382
Non current liabilities	-	-
<b>Total liabilities</b>	<b>469</b>	<b>1,382</b>
Net Assets	53,496	53,496
<b>Equity</b>		
Issued capital	90,658	90,658
Accumulated losses	(37,162)	(37,162)
<b>Total equity</b>	<b>53,496</b>	<b>53,496</b>
<b>Financial performance</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
Profit/(loss) for the year	4,360	2,725
Other comprehensive income	-	-
<b>Total comprehensive income/(loss)</b>	<b>4,360</b>	<b>2,725</b>

## 32. SUBSEQUENT EVENTS

### Acquisition

As announced to the market on 20 August 2021, the Group entered into a conditional agreement to acquire Hampers with Bite Pty Ltd through acquisition of 100% of its shares. The acquisition is expected to be funded through a combination of cash at bank, shares issued to Vendors, capital raised through placement of shares and a share purchase plan. Refer to ASX announcement dated 20 August 2021 for further details.

### Dividends

In respect of the year (52 weeks) ended 27 June 2021 the Company will pay final fully franked dividend of 1.6 cents per ordinary share, payable to shareholders on 24 September 2021, with a record date of 6 September 2021.

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

# ADDITIONAL STOCK EXCHANGE INFORMATION

As at 19 August 2021

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

136,250,633 fully paid ordinary shares are held by 1,872 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	245
1,001 – 5,000	637
5,001 – 10,000	293
10,001 – 100,000	598
100,001 and over	99
	1,872
Holding less than a marketable parcel	257

## Substantial shareholders

Ordinary shareholders	Fully paid ordinary shares	
	Number of shares for voting power	Percentage
Alan Johnstone (i)	31,330,769	22.99%
John Rostyn Homewood	20,740,000	15.22%
	<b>52,070,769</b>	<b>38.21%</b>

Alan Johnstone has a relevant interest in Pental shares held by western park holdings pty ltd, PMSF company pty ltd <Penfold motors burwood super fund> and Aurisch investments pty ltd



## Twenty largest holders of quoted equity securities

Ordinary shareholders	Fully paid ordinary shares	
	Number	Percentage
1 JOHNOS HOLDINGS PTY LTD <JOHNOS HOLDINGS A/C>	27,603,617	20.26%
2 MR JOHN ROSTYN HOMEWOOD	20,740,000	15.22%
3 MR GARRY GEORGE JOHNSON	6,670,739	4.90%
4 BNP PARIBAS NOMS (NZ) LTD <DRP>	5,675,001	4.17%
5 J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,782,830	2.78%
6 MR JAMES GORDON MOFFATT	3,300,000	2.42%
7 P M S F COMPANY PTY LIMITED <PENFOLD MTR BURWOOD S/F A/C>	3,197,431	2.35%
8 RATHVALE PTY LIMITED	2,959,759	2.17%
9 DALLMOUNT PTY LTD <LABELMAKERS SUPER FUND A/C>	2,666,668	1.96%
10 DALLMOUNT CUSTODIANS PTY LTD	2,500,000	1.83%
11 W A PEATT PTY LTD <THE PEATT SUPER FUND A/C>	2,367,567	1.74%
12 DALLMOUNT PTY LTD <LABELMAKERS S/F A/C>	1,504,761	1.10%
13 VANWARD INVESTMENTS LIMITED	1,182,719	0.87%
14 SPORRAN LEAN PTY LTD <SPORRAN LEAN S/F A/C>	1,160,000	0.85%
15 BUDUVA PTY LTD	1,150,000	0.84%
16 BARKING DOG PTY LTD <NETTLEFOLD SUPER FUND A/C>	1,133,530	0.83%
17 BNP PARIBAS NOMS PTY LTD <DRP>	902,066	0.66%
18 DIXSON TRUST PTY LIMITED	855,000	0.63%
19 MRS JOY DOROTHY JOHNSTONE	834,092	0.61%
20 TERRY CLANCY SUPERANNUATION PTY LTD <TERRY CLANCY S/FUND A/C>	760,359	0.56%
	<b>90,946,139</b>	<b>66.75%</b>



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*pental*

#### **Directors**

Mark Hardgrave  
Charlie McLeish  
Kerrie Parker  
Jeff Miciulis  
Fred Harrison

#### **Company Secretary**

Oliver Carton

#### **Registered Office**

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#### **Auditors**

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Collins Square,  
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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