Pental Limited
ACN 091 035 353
ABN 29 091 035 353
Level 6, 390 St Kilda Road
Melbourne Victoria 3004
Tel: (03) 9251 2311
www.pental.com.au

APPENDIX 4D

HALF YEAR FINANCIAL REPORT FOR THE HALF YEAR ENDED 26 DECEMBER 2021

Reporting period	**Comparative period**
Half year - 26 weeks (28 June to 26 December 2021)	Half year - 26 weeks (29 June to 27 December 2020)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results	$'000	% change increase/ (decrease)
Revenue from ordinary activities	66,375	2.70%
Profit from ordinary activities after tax attributable to members	4,239	46.73%
Net profit for the period attributable to members	4,239	46.73%

Dividend	Record Date	Payment Date	Amount per security	Franked amount per security
Interim dividend – FY2022	28 February 2022	23 March 2022	1.30¢	1.30¢
Interim dividend – FY2021	1 March 2021	24 March 2021	1.00¢	1.00¢

Net tangible assets backing (NTA backing)	26 December 2021	27 December 2020
Net tangible assets per ordinary security	21.80¢	34.34¢

Other information regarding the accounts

The information contained in this Appendix 4D is based on financial statements, which have been subject to review by Grant Thornton.

For additional Appendix 4D disclosures, refer to the accompanying Media Release, Investor presentation, Director's Report and the Financial Report for the half year ended 26 December 2021.

PENTAL LIMITED

ACN 091 035 353

Financial report

For the half year (26 weeks) ended 26 December 2021

Contents	**Page**

Directors' report

The directors of Pental Limited submit herewith the financial report of Pental Limited (the Company) and its subsidiaries (the Group) for the half year (26 weeks) ended 26 December 2021. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' report as follows:

The names of the directors of the Company during or since the end of the half year are:

Name	
Mr Mark Hardgrave Non-Executive Independent Director	Appointed Non-Executive Director 1 May 2019 Appointed Chairman on 31 December 2019
Mr Jeff Miciulis Non-Executive Independent Director	Appointed Non-Executive Director on 5 March 2019
Mr Fred Harrison Non-Executive Independent Director	Appointed Non-Executive Director on 28 August 2019
Ms Kerrie Parker Non-Executive Independent Director	Appointed Non-Executive Director on 1 February 2021
Mr Charles McLeish Managing Director	Appointed CEO 1 January 2014 Appointed Managing Director 6 April 2020

Financial Performance

Net profit after tax for the 26 week period ended 26 December 2021 was $4.239 million, up 46.7% from the previous comparable period (PCP) ending 27 December 2020. Underlying EBIT (Earnings Before Interest and Tax) of $7.555 million was up 78.3% on the PCP.

	H1, FY22 (i) $'000	H1, FY21 (i) $'000	Change $'000	 %
Net Sales Revenue	**66,375**	**64,632**	**1,743**	**2.7%**
Underlying EBITDA	**9,513**	**6,113**	**3,400**	**55.6%**
EBITDA margin on net sales	*14.3%*	*9.5%*		*4.8%*
Depreciation & Amortisation	(1,958)	(1,875)	(83)	4.4%
Underlying EBIT	**7,555**	**4,238**	**3,317**	**78.3%**
EBIT margin on net sales	*11.4%*	*6.6%*		*4.8%*
Finance costs	(85)	(70)	(15)	(21.4%)
Underlying profit before tax	**7,470**	**4,168**	3,302	79.2%
Income tax expense	(2,198)	(1,279)	(919)	(71.9%)
Underlying Profit after tax	**5,272**	**2,889**	**2,383**	**82.5%**
Underlying basic EPS (cents)	*3.36*	*2.12*	*1.24*	58.5%
HWB acquisition related costs (net of tax)	(1,033)	-	(1,033)	(100.0%)
Reported net profit after tax	**4,239**	**2,889**	**1,350**	**46.7%**
Reported basic EPS (cents)	*2.70*	*2.12*	*0.58*	27.4%
Interim dividend (cents per share)	*1.30*	*1.00*	*0.30*	30.0%
	Dec 21 (i) $'000	**Jun 21 (i) $'000**		
Working Capital (ii)	14,561	17,858	(3,297)	(18.5%)
Cash	12,917	12,702	215	1.7%
Borrowings	(4,675)	Nil	(4,675)	100.0%
Gearing (iii)	7%	Nil		

(i) Unaudited non-IFRS financial table
(ii) Receivables plus inventory less trade and other payables
(iii) Net debt to equity

- **Revenue:** Net sales revenue for H1 FY22 of $66.375 million increased from the PCP by $1.743 million or 2.7%, comprising:
  - **Hampers with Bite (HWB):** This business was acquired by the Group effective 1 September 2021. HWB maintained a strong growth momentum compared to prior year[1] and delivered a net sales revenue of $24.987 million for the 4 months of trading under Pental ownership. Pleasingly, this 4 month revenue performance was higher than entire financial year revenue performance in FY21 of $23.853 million[1]. The growth was underpinned by a strong Christmas season across both B2B and B2C channels.
  - **Owned Brands** Net sales revenue was down by 3.29% at $25.901 million compared to PCP. The revenue decline was primarily attributed to domestic market during first quarter as the business cycled through COVID 19 driven high demand period in the previous financial year. The revenue growth trend for the domestic business recovered in Q2 FY22, increasing on the PCP by 4.38%.

    Despite facing some supply issues due to COVID-19 driven international shipping constraints to New Zealand, the NZ market performed strongly for Pental during the period and net sales revenue (for owned brands only) increased by 12.1% (or 9.63% in NZD i.e. before conversion to AUD).

    Asia sales (owned brands only) were $0.485 million for the reported period (PCP: $0.703 million) as Pental's distributors in Asia continue to face challenges due to COVID-19 driven disruptions as well as an unpredictable political environment between Australia and China.
  - **Contracted Brands** revenue of $15.487 million was down on the PCP by $22.364 million or 59.08% predominantly impacted by changes to the Duracell distributorship agreement that took effect in May 2021.

- **Underlying net profit after tax** (i.e. excluding costs relating to the HWB acquisition) of $5.272 million increased by $2.383 million, up 82.5% compared to the PCP of $2.889 million. Reported net profit after tax increased by 46.7% to $4.239 million.

- **Underlying basic earnings per share (EPS)** of 3.36 cents grew from the PCP by 58.5%. Reported EPS was 2.70 cents which was 27.4% higher than the PCP.
- **Interim fully franked dividend** declared of 1.3 cents per share (up 30% compared to December 2020: 1.0 cent per share)
- **Strong balance sheet** with effectively no net debt (cash on hand in excess of borrowings) and capacity to fund the Company's strategy of growth through acquisitions, agency agreements, innovation & market expansion.
- **Working capital** was down by $3.297 million compared to June 2021, predominantly due to reduction in Duracell related working capital unwinding following changes to the agreement in May 2021.

- **Cash flow from operating activities** was strong at $10.557 million compared to the PCP of $3.300 million.

- The Group raised $10.046 million in share capital through a placement and share purchase plan in order to fund the HWB acquisition. The Group paid $19.566 million in cash (net of cash acquired at completion) as part consideration to acquire HWB.
- The Group also amended its debt facilities to access $8.5 million in funds required to facilitate the acquisition of HWB. Strong cash flow from operations enabled the Group to repay a significant portion ($3.825 million) of HWB acquisition related borrowings.
- The Company's total cash balance increased by $0.215 million compared to the June 2021 balance date as a final dividend of $2.400 million for FY21 was paid during the reported period. The Group remains effectively net debt free as at the reporting date (cash in excess of borrowings and financial liabilities).

Review of Operations

Hampers with Bite
In line with Pental's strategy outlined in previous annual reports, and as announced to the market on 20th August 2021, the Group entered an agreement to acquire the Hampers with Bite business on 20 August 2021. Following a successful capital raise of $5.2 million through Tranche 1 of the placement announced on 20 August 2021, the Group completed the acquisition on 1 September 2021. The Group raised a further $5.233 million through Tranche 2 of the placement and a share purchase plan (SPP). In total, the Group raised $10.046 million (net of costs) in order to facilitate its acquisition of HWB.

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

[1] Includes unaudited pre-acquisition figures for HWB sourced from historical management reporting.

online. Prior to acquisition by the Group, HWB grew from an approximately $10 million revenue with an EBIT of approximately $1 million EBIT business in FY19[1] to an approximately $24 million revenue business in FY21[1] with an EBIT of approximately $5 million.

HWB has continued its strong growth trajectory into FY22, recording revenue of $31.552 million for the 6 months ending 26 December 2021[1] compared with $18.477 million during the PCP[1], an increase of 70.76%. Under Pental's ownership, from 1 September to 26 December 2021, HWB delivered strong revenue of $24.987 million with an EBIT contribution of $6.290 million, underpinned by a strong Christmas season across both B2B and B2C channels.

The Group continues to target key events outside of the Christmas season in order to pursue growth in other months of the year. The Group is also targeting a range of personal care products manufactured at its Shepparton facilities to be included in new hamper offerings in 2022.

Consumer products business

Domestic: As disclosed in the ASX announcement made on 16 December 2021, Pental has experienced more stable demand in the FMCG segment following the initial wave of COVID-19 outbreaks during late FY20 and early FY21. Non-Grocery channels were negatively impacted in H1 FY22 due to multiple outbreaks and lockdowns across Victoria and New South Wales. As a result of these factors, Pental's sales in Australia for owned brands (excluding HWB) were impacted by 14.93% in the first quarter of FY22. The revenue trend recovered in the second quarter and sales were up on the PCP by 4.38%. Pental retains a positive outlook for sales performance of its consumer products business in H2 FY22, to be supported by its recently launched e-commerce channel and commencement of product supply into a major hardware channel which was delayed due to multiple lockdowns.

Exports: New Zealand net sales revenue increased by 12.1% compared to the PCP (measured in AUD) as Pental's key brands continue to perform strongly in the New Zealand market in key categories i.e. bleach, cleaners and manual dishwash.

Expansion into Asia continues to lag due to COVID-driven disruptions to small distributors and an unpredictable and tense political environment between Australia and China. Owned brand sales into Asia were $0.485 million in H1 FY22, compared to $0.703 million in H1 FY21.

Contracted Brands: As outlined in the 2021 Annual Report and ASX announcement on 16 December 2021, Pental's contracted private label and distributorship sales were down by 59.08%, predominantly due to changes in the Duracell distributorship agreement which took effect in May 2021.

Cost of sales: Pental has been impacted by rising input costs of approximately $1.5 million in H1 FY22 due to a sharp and significant rise in the price of commodities used as raw materials in its manufacturing. Tallow and vegetable noodles, which are used in Pental's soap products, have been most severely impacted by increasing prices, further escalated by petroleum by-product paraffin (used in firelighters), international freight and a weaker Australian dollar. Pental has implemented a price recovery strategy which includes appropriate substitution of raw materials where possible as well as strategic price increases through which the Company expects to recover these higher costs of production with effect from early H2 FY22.

During the period Pental continued to invest heavily in supporting its key Australian-made power brands, White King and Country Life, through both social media and on-shelf advertising. Pental also continues to invest in developing new products with unique points of difference. As a result, Pental launched a premium soap brand, "Bondi Soap", in September 2021. Pental has also developed and launched a range of bundle packs under its White King, Country Life and Velvet brands through its website.

Manufacturing: In line with its manufacturing continuous improvement strategy**,** the Group has been focusing on labour and line efficiencies by undertaking proactive preventative maintenance on its plant, minimising downtimes and interruptions to the production lines. As a result, Pental's manufacturing plant at its Shepparton facilities continues to improve machine reliability, labour and line efficiencies.

Capital Projects: As outlined in its FY21 Annual Report, Pental has invested approximately $1.6 million across FY21 and FY22 towards enhancing its fire protection systems at its Shepparton facilities. These enhancements include installation of an automated sprinkler system at the manufacturing facilities and upgrade of the hydrant system to meet and exceed insurers' standards. This investment will not only ensure a high standard of safety for Pental's workforce but will also assist with sourcing insurance in a very challenging insurance market. The insurance market in Australia has deteriorated significantly in the last 18-24 months, following multiple global risk events including Victorian bushfires, Californian bushfires and COVID-19, all of which drove significant losses for insurers. Pental experienced a steep increase in insurance premiums at the December 2020 renewal, as the pool of insurers shrunk due to more insurers

[1] Includes unaudited pre-acquisition figures for HWB sourced from historical management reporting.

seeking to de-risk their portfolios away from high-fire risk businesses. The Group is pleased to report a significant annual reduction of approximately $0.5 million in its insurance premiums effective as of 1 December 2021 upon renewal.

Marketing: H1 FY22 saw a committed focus on promoting Pental's core brands across multiple digital platforms, utilising static, animated and video creative. Since July 2020, the Group has garnered more than 25 million impressions while reaching more than 14 million highly targeted Australian consumers via paid advertising, programmatic displays and consumer promotions. Traditional outdoor advertising also complemented the digital activity with White King and Country Life featuring on billboards and FM radio nationally.

The Hampers with Bite H1 FY22 marketing initiatives continued under Pental's ownership, resulting in sales exceeding all expectations. HWB performed without disruptions despite the challenges posed by COVID-19. Strategic advertising ensured both the B2B and B2C channels both achieved significant sales growth.

Impact of COVID-19

As disclosed in the Group's FY21 Annual Report, Pental experienced a healthy uplift in demand for its strong anti-bacterial cleaning and personal care products during the first wave of the COVID-19 pandemic across March 2020 to September 2020. Whilst the demand has subsided from its peak since then, the Group expects that in the long run, a healthy level of demand will remain in the market for strong cleaning and hygiene products.

As explained in the Review of Operations, Pental has experienced a sharp and significant rise in some raw material prices due to the underlying COVID-19 impact on those industries. The Company has implemented a strategic price recovery plan in H2 FY22 to support long term sustainable margins.

The Directors believe COVID-19 will not have a material impact on the Group's ability to continue as a going concern. The Group is effectively net debt free as at the reporting date, with a healthy cash balance of $12.910 million supported by an additional banking facility of $16.5 million of which $4.675 remains drawn as at the reporting date.

Outlook

Following a trading update provided to the market on 16 December 2021, Pental is pleased to report better than expected H1 FY22 profitability. The Group now expects that FY22 full year EBIT will be in the range of $10.5 million to $11.0 million. The Group will continue to execute its key strategic objectives:

1. Ensure full price recovery on all commodity and freight costs increases incurred in the first half
2. Driving sales growth through key brands in both the e-commerce and traditional sales channels
3. Developing new products for both the Hamper and traditional sales channels
4. Developing a full year calendar of events in the e-commerce sales channels
5. Continue to explore additional acquisition opportunities
6. Develop and grow the Bunnings and other potential partnerships
7. Continuous manufacturing improvement at the Shepparton operations

Dividend

In respect of the half year (26 weeks) ended 26 December 2021, the Company will pay an interim fully franked dividend of 1.3 cents per ordinary share, payable to shareholders on 23 March 2022, with a record date of 28 February 2022.

Auditor's independence declaration

The auditor's independence declaration is included on page 5 of the half year financial report.

Rounding off of amounts

The company is a company of the 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 Director's report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the Directors

Mark Hardgrave
Chairman
Melbourne, 18 February 2022

Collins Square, Tower 5
727 Collins Street
Melbourne VIC 3008

Correspondence to:
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

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 review of Pental Limited for the half-year ended 26 December 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 review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Simon Trivett

S C Trivett
Partner – Audit & Assurance

Melbourne, 18 February 2022

Grant Thornton

Collins Square, Tower 5
727 Collins Street
Melbourne VIC 3008

Correspondence to:
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Review Report

To the Members of Pental Limited

Report on the review of the half-year financial report

Conclusion

We have reviewed the accompanying half-year financial report of Pental Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated condensed statement of financial position as at 26 December 2021, and the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed statement of cash flows for the half-year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Pental Limited does not comply with the *Corporations Act 2001* including:

(a) giving a true and fair view of the Group's financial position as at 26 December 2021 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibility for the half-year financial report

The Directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 26 December 2021 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

Simon Trivett

S C Trivett
Partner – Audit & Assurance

Melbourne, 18 February 2022

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(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.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors

M WHardgrave

Mark Hardgrave
Chairman
Melbourne, 18 February 2022

Condensed consolidated statement of profit or loss and other comprehensive income for the half year ended 26 December 2021

		Consolidated	
		Half year ended	
		26 Dec 2021 $'000	27 Dec 2020 $'000
Sales revenue	2	66,375	64,632
Other revenue and income		88	76
Other gains and (losses)		16	140
Changes in inventories of finished goods and work in progress		(1,352)	(4,446)
Raw materials, consumables used and utilities		(31,184)	(38,164)
Employee benefits expense		(10,945)	(7,779)
Freight and distribution expense		(6,839)	(3,686)
Marketing expense		(3,108)	(1,382)
Repairs and maintenance expense		(517)	(520)
Selling expense		(543)	(559)
Other expenses		(2,478)	(2,199)
HWB acquisition costs		(1,033)	-
Profit before finance costs, income tax, depreciation and amortisation (EBITDA)		**8,480**	**6,113**
Depreciation and amortisation expense		(1,958)	(1,875)
Profit before finance costs and income tax (EBIT)		**6,522**	**4,238**
Finance costs		(85)	(70)
Profit before income tax		**6,437**	**4,168**
Income tax expense		(2,198)	(1,279)
Net profit for the period		**4,239**	**2,889**
Profit Attributable to Members of the Parent Entity		**4,239**	**2,889**
Other comprehensive gain/(loss)			
Items that may be reclassified subsequently to profit or loss			
Gain/(loss) on cash flow hedges taken to equity		6	(259)
Income tax relating to other comprehensive gain/(loss)		(2)	78
Other comprehensive gain/(loss) for the period, net of tax		4	(181)
Total comprehensive income for the period		**4,243**	**2,708**
Earnings per share			
Basic (cents per share)		2.70	2.12
Diluted (cents per share)		2.63	2.07

Notes to the condensed consolidated financial statements are included on pages 13 to 18.

Condensed consolidated statement of financial position as at 26 December 2021

	Note	Consolidated 26 Dec 2021 $'000	Consolidated 27 Jun 2021 $'000
Current Assets			
Cash and cash equivalents	5(a)	12,917	12,702
Trade and other receivables		14,010	14,096
Inventories		17,324	16,053
Other financial assets		76	66
Other		1,152	267
Total Current Assets		**45,479**	**43,184**
Non-Current Assets			
Property, plant and equipment		19,680	19,301
Right-of-use assets		1,404	928
Goodwill	6	18,865	-
Other intangible assets	6	22,485	12,181
Total Non-Current Assets		**62,434**	**32,410**
Total Assets		**107,913**	**75,594**
Current Liabilities			
Trade and other payables		16,773	12,291
Borrowings		1,700	-
Current tax payables		1,283	449
Provisions		6,773	2,613
Lease liabilities		822	532
Other financial liabilities		-	81
Total Current Liabilities		**27,351**	**15,966**
Non-Current Liabilities			
Borrowings		2,975	-
Deferred tax liabilities		5,161	2,363
Lease liabilities		514	446
Provisions		81	72
Total Non-Current Liabilities		**8,731**	**2,881**
Total Liabilities		**36,082**	**18,847**
Net Assets		**71,831**	**56,747**
Equity			
Issued capital		103,830	90,658
Reserves		321	248
Accumulated losses		(32,320)	(34,159)
Total Equity		**71,831**	**56,747**

Notes to the condensed consolidated financial statements are included on pages 13 to 18.

Condensed consolidated statement of changes in equity for the half year ended 26 December 2021

	Issued capital $'000	Hedging reserve $'000	Equity Settled Employee Benefits Reserve $'000	Accumulated losses $'000	Total $'000
Balance at 28 June 2020	**90,658**	**238**	**65**	**(35,162)**	**55,799**
Profit for the period	-	-	-	2,889	2,889
Other comprehensive loss	-	(181)	-	-	(181)
Total comprehensive income/(loss) for the period	-	(181)	-	2,889	2,708
Recognition of share based payments	-	-	79	-	79
Dividend payment	-	-	-	(2,998)	(2,998)
Balance at 27 December 2020	**90,658**	**57**	**144**	**(35,271)**	**55,588**
Profit for the period	-	-	-	2,474	2,474
Other comprehensive loss	-	(10)	-	-	(10)
Total comprehensive income/(loss) for the period	-	(10)	-	2,474	2,464
Recognition of share based payments	-	-	57	-	57
Dividend payment	-	-	-	(1,362)	(1,362)
Balance at 27 June 2021	**90,658**	**47**	**201**	**(34,159)**	**56,747**
Profit for the period	-	-	-	4,239	4,239
Other comprehensive loss	-	4	-	-	4
Total comprehensive income/(loss) for the period	-	4	-	4,239	4,243
Issue of ordinary shares related to business combinations	3,000	-	-	-	3,000
Issue of ordinary shares	10,466	-	-	-	10,466
Recognition of share based payments	-	-	69	-	69
Share issue costs	(420)	-	-	-	(420)
Income tax on Share Issue Costs	126	-	-	-	126
Dividend payment	-	-	-	(2,400)	(2,400)
Balance at 26 December 2021	**103,830**	**51**	**270**	**(32,320)**	**71,831**

Notes to the condensed consolidated financial statements are included on pages 13 to 18.

Condensed consolidated statement of cash flows for the half year ended 26 December 2021

		Consolidated	
		Half year ended	
	Note	26 Dec 2021 $'000	27 Dec 2020 $'000
Cash flows from operating activities			
Receipts from customers		74,374	77,224
Payments to suppliers and employees		(61,230)	(71,669)
Interest and other costs of finance paid		(69)	(46)
Interest on lease liabilities		(15)	(24)
Income tax paid		(2,503)	(2,185)
Net cash provided by operating activities	5(b)	10,557	3,300
Cash flows from investing activities			
Payment for property, plant and equipment		(1,462)	(774)
Payment for other intangible assets		(125)	(42)
Payment for acquisition of Hampers with Bite (net of cash)		(19,566)	-
Payment for costs relating to acquisition of Hampers with Bite		(1,033)	-
Net cash used in investing activities		(22,186)	(816)
Cash flows from financing activities			
Proceeds from issue of share capital		10,466	-
Payment for share issue costs		(420)	-
Repayment of lease liabilities		(393)	(280)
Repayment of supplier payment facility		(84)	(129)
Proceeds from borrowings		8,500	-
Repayment of borrowings		(3,825)	-
Dividends paid		(2,400)	(2,998)
Net cash used in financing activities		11,844	(3,407)
Net increase/(decrease) in cash and cash equivalents		215	(923)
Cash and cash equivalents at the beginning of the period		12,702	3,668
Cash and cash equivalents at the end of the period		**12,917**	**2,745**

Notes to the condensed consolidated financial statements are included on pages 13 to 18.

Notes to the condensed consolidated financial statements

1. Significant accounting policies

Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*.

The half year report does not include notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 27 June 2021 and any public announcements made by Pental Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

Basis of preparation

The condensed consolidated 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 half year ended 26 December 2021 comprised of a 26 week period from 28 June to 26 December 2021 (2020: 26 week period from 29 June to 27 December 2020).

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Group's 2021 annual financial report for the financial year ended 27 June 2021, except for the impact of the adoption of the new and revised accounting policies' discussed below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

Adoption of new and revised Accounting Standards

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

2. Segment information

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

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

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

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

2. Segment information (continued)

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

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

	Owned Brands		Contracted Brands		Hampers with Bite		Total	
	26 Dec 2021 $'000	27 Dec 2020 $'000	26 Dec 2021 $'000	27 Dec 2020 $'000	26 Dec 2021 $'000	27 Dec 2020 $'000	26 Dec 2021 $'000	27 Dec 2020 $'000
Segment Revenue								
Sales revenue	**25,901**	**26,781**	**15,487**	**37,851**	**24,987**	**-**	**66,375**	**64,632**
Segment Results								
Underlying Profit before finance costs and income tax (EBIT)	**2,362**	**2,803**	**(1,097)**	**1,435**	**6,290**	**-**	**7,555**	**4,238**
Costs relating to acquisition of Hampers with Bite							(1,033)	-
Profit before finance costs and income tax (EBIT)							**6,522**	**4,238**
Finance costs							(85)	(70)
Profit before income tax							**6,437**	**4,168**
Income tax expense							(2,198)	(1,279)
Net profit for the period							**4,239**	**2,889**

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

Geographical analysis

The Group's business activities are based in Australia and encompass the manufacturing, marketing and distribution of goods targeted at the household essentials market in Australia, New Zealand and Asia.

The Group's segment revenue is geographically as follows:

	26 Dec 2021 $'000	27 Dec 2020 $'000
Geographical sales		
Australia	59,061	57,056
New Zealand	6,828	6,774
Asia	486	802
Total geographical sales	66,375	64,632

3. Dividends paid and proposed

	26 Dec 2021 $'000	27 Dec 2020 $'000
Dividends paid on ordinary shares during the half year		
Final fully franked dividend for FY2021: 1.6 cents (FY2020: 1.5 cents)	2,400	2,044
Special fully franked dividend for FY2020: 0.7 cents	-	954
Dividends declared on ordinary shares – unrecognised amounts		
Interim fully franked dividend for FY2022: 1.3 cents (FY2021: 1.0 cents)	2,216	1,363

4. Fair value measurements

The only financial assets or financial liabilities carried at fair value are foreign currency contracts.

The fair value of the foreign currency contracts at 26 December 2021 was a financial asset of $74 thousand (27 June 2021: financial asset of $66 thousand). The movement in this asset of $4 thousand (net of tax) has been recorded as a comprehensive loss and transferred to the hedging reserve.

The directors consider that the carrying amount of other financial assets and financial liabilities recorded in the financial statements approximate their fair values.

5. Cash and cash equivalents

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash includes balance of trade finance facility, overdraft facility, cash on hand and at bank. 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:

	26 Dec 2021 $'000	27 Jun 2021 $'000
Cash and bank balances	14,134	12,702
Trade finance facility utilised	(1,217)	-
Net Cash and Cash Equivalents	12,917	12,702

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

	26 Dec 2021 $'000	27 Dec 2020 $'000
Profit for the reported period	4,239	2,889
Depreciation and amortisation expense	1,958	1,875
Provision for equity settled employee benefits reserve	69	79
Payment for costs relating to acquisition of Hampers with Bite (non-operating costs)	1,033	-
Changes in net assets and liabilities, net of effects from acquisition of businesses:		
(Increase)/decrease in assets:		
Trade and other receivables	1,911	4,545
Inventories	1,352	(4,446)
Other assets	(892)	(510)
Increase/(decrease) in liabilities:		
Trade and other payables	982	(212)
Provisions	211	67
Current and deferred tax liabilities	(306)	(987)
Net cash from operating activities	**10,557**	**3,300**

6. Business Combination

Summary of Acquisition

On 1 September 2021, the Group acquired 100% shares on issue of Hampers with Bite Pty Ltd, a leading provider of premium gift hampers directly to the consumers on behalf of businesses and individuals, for a total purchase consideration of $27,755,730.

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

As at the date of this report, the Group is yet to reach final agreement with the sellers of HWB on completion accounts working capital adjustments. The directors do not expect any material impact from the final agreement. The figures disclosed in this report are prepared on a provisional basis subject to formal valuation of some assets and liabilities and outcome of final working capital adjustments with the sellers of HWB.

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

Purchase consideration	**$'000**
Cash paid	21,121
Add: contingent consideration	4,000
Add: equity consideration	3,000
Less: completion working capital adjustment (receivable)	(365)
Total purchase consideration	**27,756**

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

Purchase consideration	**Fair Value $'000**
Trade and other receivables	1,825
Cash and cash equivalents	1,555
Inventories	2,624
Plant & equipment	390
Right-of-use assets	780
Deferred tax assets associated with provisions	117
Intangibles – software	9
Intangibles – brandnames	10,240
Trade and other payables	(3,504)
Income tax liabilities	(1,109)
Provisions	(329)
Lease liabilities	(635)
Deferred tax liabilities associated with brandnames	(3,072)
Net identifiable assets acquired	**8,891**
Goodwill	18,865
Net assets acquired	**27,756**

(i) Acquired trade receivables

The fair value of acquired trade receivables is $1,825,000. The gross contractual amount for trade receivables due is $1,825,000, with no provision for doubtful debts recognised on acquisition.

(ii) Revenue and profit contribution

The acquired business contributed revenues of $24,987,000 and Earnings before interest and tax of $6,290,000 to the Group for the period from 1 September 2021 to 26 December 2021.

If the acquisition had occurred on 28 June 2021, consolidated pro-forma revenue and underlying earnings before interest and tax (excluding costs incurred associated with the acquisition) for the half year ended 26 December 2021 would have been $72,939,000[1] and $9,005,000[1] respectively based on the actual results of the acquired business of the six months ended 26 December 2021.

[1] includes unaudited figures from pre-acquisition period

6. Business Combination (continued)

(iii) Acquisition-related costs

Acquisition-related costs of $1,033,000 were disclosed as a significant item in profit or loss and in cash flows from investing activities in the statement of cash flows.

7. Earnings per share

	Dec 2021 Cents Per Share	Dec 2020 Cents Per Share
Basic earnings per share	2.70	2.12
Diluted earnings per share	2.63	2.07

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

	Dec 2021 $'000	Dec 2020 $'000
Net profit	4,239	2,889
Earnings used in the calculation of basic EPS	4,239	2,889
Earnings used in the calculation of diluted EPS	4,239	2,889

	Dec 2021 No.	Dec 2020 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	156,887,194	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.

	Dec 2021 No.	Dec 2020 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	156,887,194	136,250,633
Shares deemed to be issued for no consideration in respect of:		
- performance rights over ordinary shares	4,318,242	3,220,275
Weighted average number of ordinary shares for the purposes of diluted earnings per share	161,205,436	139,470,908

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.

8. Issued capital

Fully paid ordinary shares

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

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

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

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

9. Subsequent events

- Declaration of the dividend disclosed in note 3

Other than the disclosure above, there has not been any matter or circumstance occurring subsequent to 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.