Pental Limited
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APPENDIX 4D

HALF YEAR FINANCIAL REPORT FOR THE HALF YEAR ENDED 25 DECEMBER 2022

Reporting period	Comparative period
Half year - 26 weeks	Half year - 26 weeks
(27 June to 25 December 2022)	(28 June to 26 December 2021)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results	$'000	% change increase/ (decrease)
Revenue from ordinary activities	64,357	(3.04%)
Profit from ordinary activities after tax attributable to members	3,357	(20.81%)
Net profit for the period attributable to members	3,357	(20.81%)

Dividend	Record Date	Payment Date	Amount per security	Franked amount per security
Interim dividend – FY2023	27 February 2023	22 March 2023	1.30¢	1.30¢
Interim dividend – FY2022	28 February 2022	23 March 2022	1.30¢	1.30¢

Net tangible assets backing (NTA backing)	25 December 2022	26 December 2021
Net tangible assets per ordinary security	22.05¢	21.80¢

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 25 December 2022.

PENTAL LIMITED

ACN 091 035 353

Financial report
For the half year (26 weeks) ended 25 December 2022

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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 25 December 2022. 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 25 December 2022 (HY 23) was $3.357 million, marginally better than market guidance of $3.1 million (refer to announcement released to ASX on 15 December 2022). However, underlying NPAT result was down 36.3% from the previous comparable period (PCP) ending 26 December 2021 (HY 22). Underlying EBIT (Earnings Before Interest and Tax) of $4.967 million was down 34.3% on the PCP.

	HY 23 (i) **$'000**	**HY 22 (i)** **$'000**	**Change** **$'000**	 **%**
Traditional business revenue (i.e. excluding HWB)	44,197	41,388	2,809	6.8%
Hampers with Bite (HWB) revenue (ii)	20,160	24,987	(4,827)	(19.3%)
Total Revenue	**64,357**	**66,375**	**(2,018)**	**(3.0%)**
Underlying EBITDA	**6,819**	**9,513**	**(2,694)**	**(28.3%)**
EBITDA margin on net sales	*10.6%*	*14.3%*		*(3.7%)*
Depreciation & Amortisation	(1,852)	(1,958)	106	(5.4%)
Underlying EBIT	**4,967**	**7,555**	**(2,588)**	**(34.3%)**
EBIT margin on net sales	*7.7%*	*11.4%*		*(3.7%)*
Finance costs	(151)	(85)	(66)	(77.6%)
Underlying profit before tax	**4,816**	**7,470**	(2,654)	(35.5%)
Income tax expense	(1,459)	(2,198)	739	33.6%
Underlying Profit after tax	**3,357**	**5,272**	**(1,915)**	**(36.3%)**
Underlying basic EPS (cents)	*1.97*	*3.36*	*(1.39)*	(41.4%)
HWB acquisition related costs (net of tax)	-	(1,033)	1,033	(100.0%)
Reported net profit after tax	**3,357**	**4,239**	**(882)**	**(20.8%)**
Reported basic EPS (cents)	*1.97*	*2.70*	*(0.73)*	(27.0%)
Dividend (cents per share)	*1.30*	*1.30*	-	0.0%
	Dec 22 (i) **$'000**	**Jun 22 (i)** **$'000**		
Working Capital (iii)	20,205	18,906	1,299	6.9%
Cash	5,309	8,132	(2,823)	(34.7%)
Borrowings	(2,975)	(3,825)	850	100.0%
Gearing (iv)	4%	5%		

(i) Unaudited non-IFRS financial table
(ii) HWB figures for HY22 reflect only Pental ownership i.e. from 1 September 2021 to 26 December 2021
(iii) Receivables plus inventory less trade and other payables
(iv) Debt to equity

- **Revenue:** Net sales revenue for HY 23 of $64.357 million dropped from the PCP by $2.018 million or 3.0%, comprising:
    - **Owned Brands** Net sales revenue was up by 2.5% compared to PCP at $26.547 million. The revenue increase was driven by domestic market (up 5.9%) where the Company's flagship brand White King performed strongly (up 9.5%) along with Softly (up 10.9%).

      The increase in domestic market revenue was partially offset by the New Zealand market where the net sales revenue decreased by 12.3% (or 7.88% in NZD i.e. before conversion to AUD). The New Zealand market faced significant supply chain challenges led by staff shortages and absenteeism coupled with multiple port congestions.

      Asia sales (owned brands only) increased marginally at $0.604 million for the reported period (PCP: $0.485 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 $17.650 million was up on the PCP by $2.163 million or 14.0% as both contract manufacturing and Duracell distributorship revenues increased compared to PCP.
- **Hampers with Bite (HWB):** As announced to the ASX on 15 December 2022, HWB faced challenging market conditions in HY23 compared to PCP. The business has traditionally been focused on the Christmas period, with the bulk of orders being fulfilled in November and December. With a full open economy many businesses appeared to have reverted to alternative employee recognition rewards including hospitality rather than gifting which has been used extensively during COVID. This was not the case in HY22 when many companies were opting to reward employees through gifting. In B2C market, consumer spending on discretionary items such as gifting also appear to have been impacted due to rapid tightening of economic policies. As such, order fulfilment for November and December was lower than PCP and the reported revenue for HWB under Pental ownership was below PCP by approximately 19.3% at $20.160 million (on the full 6-month period, revenue is down 36% on pro forma PCP).
- **Underlying net profit after tax** of $3.357 million decreased by $1.915 million, down 36.3% compared to the PCP of $5.272 million (i.e. excluding costs relating to the HWB acquisition in PCP). Reported net profit after tax decreased by 20.8% compared to PCP.
- **Underlying basic earnings per share (EPS)** of 1.97 cents dropped compared to the PCP by 41.4%. Statutory EPS was 27% lower than PCP.
- **Interim fully franked dividend** declared of 1.3 cents per share (in line with HY22)
- **Strong balance sheet** maintained 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 up by $1.3 million compared to June 2022, predominantly due to build up of inventories in FMCG business to prepare for Christmas shutdowns.
- **Cash flow from operating activities** remained strong at $4.927 million compared to the PCP of $10.557 million.

- The Group paid $3.537 million related to the acquisition of HWB which was a combination of $4 million earnout offset by completion working capital adjustments in favour of the Group of $0.463 million
- The Group made principal repayments of $0.850 million against borrowings relating to HWB acquisition during the reported period bringing total borrowings down to $2.975 million.
- The Company's total cash balance decreased by $2.8 million compared to the June 2022 balance date as a final dividend of $2.898 million for FY22 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

Consumer products business

Domestic: As disclosed in the ASX announcement made on 15 December 2022, Pental has experienced a stable and healthy demand for its products in the FMCG segment. Its flagship brand White King has performed strongly during the reported period and net sales increased by 9.5% compared to PCP. The strong performance was led by its White King branded toilet gels and cleaners supported by a full 6-month performance in a major hardware retailer. Pental's laundry brand Softly also performed strongly compared to PCP and revenue was up by 10.9% compared to HY22. Firelighters sales were in line with last year. Pental retains a positive outlook for sales performance of its consumer products business in H2 FY23, supported by its strong brands recognition, innovative product offering and a strategic promotional program.

Exports: New Zealand net sales revenue decreased by 7.33% compared to the PCP (when measured in NZD, 12.3% down in AUD). Whilst Pental's key brands continue to perform strongly in the New Zealand market in key categories i.e. bleach, cleaners and manual dishwash, supply chain issues at the port of Auckland (congestions and staff shortages) impacted supply of its Shepparton produced Janola branded products into the local NZ market.

Expansion into Asia continues to be slow due to COVID-driven disruptions to small distributors and the unpredictable tense political environment between Australia and China. However, owned brand sales into Asia improved marginally to $0.620 million in HY23, compared to $0.485 million in HY22.

Contracted Brands: Pental's contracted brands segment performed strongly in HY23 following a challenging FY22 when raw material prices increased significantly. Contracted brands revenue for HY23 increased compared to HY22 by 14.0%. This was a result of growth in its contract manufacturing business through new tenders supported by strong performance of Duracell Batteries in Costco and B2B channels.

Hampers with Bite

As referred to in the ASX announcement dated 15 December 2022, HWB faced tough market conditions in HY23 following a very successful FY22 due to multiple factors including a fully open hospitality industry and significant inflationary pressures on discretionary spending. However, the Group remains positive about the outlook of H2. HWB successfully enhanced its website during H1 with multiple added functionalities including multi-shipping and add-ons. The enhancements have led to an improvement in conversion rates compared to last year as well as average order value lifting by approximately 10% compared to pcp. HWB increased its email database by 34,000 during H1 and added more than 10,000 in mobile opt-in contacts. Over 30,000 units of Pental produced brand Vitale Wellness products were sold since the launch in July.

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

Cost of sales: Whilst the commodity market continues to be volatile due to multiple global and local macro-economic factors, Pental has experienced a more stable raw material market in HY23 compared to HY22. Key raw materials i.e., Tallow (used in Soaps) and Paraffin (used in firelighters) have stabilised although at higher price levels than 2 years ago. Australian dollar improved against USD relieving pressures on international shipping. The Group continues to negotiate its raw material costs in partnership with key suppliers and in consultation with industry experts to hedge its exposures where possible. The Group aims to mitigate increased costs through efficiency improvements and employee engagement.

Manufacturing: Pental's core strength is its manufacturing capability which is the key to success for its own brands and its strategy to grow contract manufacturing in the relevant categories. The Group continued to invest into its continuous improvement initiatives and preventative maintenance program. These initiatives ensure Pental maintains its production plants in a safe, reliable, and efficient state all year around.

Marketing: Pental continued committed focus on its key brand White King during HY23 through innovative product promotions 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. White King has maintained its top ranking[1] in Bleach, number 2 in bathroom cleaners[1] and 2 of the top 4 selling toilet gels[1] within the Australian grocery channel.

HWB marketing initiatives are centred around the improvements of key metrics through the nurturing retention strategy of B2B clients and optimising the growth potential of our large B2C customer base. As a result of Hampers With Bite achieved:

- Average order value increase by approximately 20% to $177
- Add-on functionality launched in FY22 saw in excess of 4,700 transactions.
- More than 21,000 units of Pental produced Vitale Wellness branded products were sold as part of the hampers range.
- Multi-ship functionality added to website which enabled improved conversion rates as well as increased average order value
- HWB maintains an active email subscriber list of more than 215K
- 45% increase in B2B client retention rate through peak competitive period

[1]Source: IRI AU Grocery Scan Dollar Share -MAT To 04/12/22

Impact of COVID-19

As disclosed in the Group's FY22 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 from March 2020 to September 2020. Whilst the demand has subsided from its peak since then, the Group has experienced a stable base in HY23 compared to HY22 and expects that in the long run, 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 effectively net debt free as at the reporting date, with a healthy cash balance of $5.309 million supported by an additional banking facility of $8 million and unsecured finance facility of additional $2 million.

Outlook

Following the trading update provided to the market on 15 December 2022, Pental is pleased to report marginally better than expected HY23 profitability. The Group expects that the full financial year 2023 underlying EBIT profit result will be in the range of $7.5 million to $8.5 million subject to any significant changes in the marketplace – a decrease in the range of 30% and 21% compared to FY22 underlying EBIT of $10.783 million. The Group will continue to execute its key strategic objectives:

1. Driving sales growth through key brands in both the e-commerce and traditional sales channels
2. Developing new products for both the Hamper and traditional sales channels
3. Developing a full year calendar of events in the e-commerce sales channels
4. Continue to explore additional acquisition opportunities.
5. Develop and grow the Bunnings and other potential partnerships.
6. Continuous manufacturing improvement at the Shepparton operations

Dividend

In respect of the half year (26 weeks) ended 25 December 2022, the Company will pay an interim fully franked dividend of 1.3 cents per ordinary share, payable to shareholders on 22 March 2023, with a record date of 27 February 2023.

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

M WHardgrave

Mark Hardgrave
Chairman
Melbourne, 16 February 2023

Grant Thornton

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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 review of Pental Limited for the half-year ended 25 December 2022, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

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

Grant Thornton Audit Pty Ltd
Chartered Accountants

S C Trivett
Partner – Audit & Assurance

Melbourne, 16 February 2023

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Independent Auditor's Review Report

To the Members of Pental Limited

Report on 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 25 December 2022, 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 25 December 2022 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 25 December 2022 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 Audit Pty Ltd
Chartered Accountants

S C Trivett
Partner – Audit & Assurance

Melbourne, 16 February 2023

Directors' declaration

The directors declare that:

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

Mark Hardgrave
Chairman
Melbourne, 16 February 2023

Condensed consolidated statement of profit or loss and other comprehensive income for the half year ended 25 December 2022

		Consolidated	
		Half year ended	
		25 Dec 2022 $'000	26 Dec 2021 $'000
Sales revenue	2	64,357	66,375
Other revenue and income		89	88
Other gains and (losses)		45	16
Changes in inventories of finished goods and work in progress		4,213	(1,352)
Raw materials, consumables used and utilities		(38,128)	(31,184)
Employee benefits expense		(9,805)	(10,945)
Freight and distribution expense		(6,879)	(6,839)
Marketing expense		(3,412)	(3,108)
Repairs and maintenance expense		(480)	(517)
Selling expense		(604)	(543)
Other expenses		(2,577)	(2,478)
HWB acquisition costs		-	(1,033)
Profit before finance costs, income tax, depreciation and amortisation (EBITDA)		**6,819**	**8,480**
Depreciation and amortisation expense		(1,852)	(1,958)
Profit before finance costs and income tax (EBIT)		**4,967**	**6,522**
Finance costs		(151)	(85)
Profit before income tax		**4,816**	**6,437**
Income tax expense		(1,459)	(2,198)
Net profit for the period		**3,357**	**4,239**
Profit Attributable to Members of the Parent Entity		**3,357**	**4,239**
Other comprehensive gain/(loss)			
Items that may be reclassified subsequently to profit or loss			
Gain/(loss) on cash flow hedges taken to equity		(140)	6
Income tax relating to other comprehensive gain/(loss)		42	(2)
Other comprehensive gain/(loss) for the period, net of tax		(98)	4
Total comprehensive income for the period		**3,259**	**4,243**
Earnings per share			
Basic (cents per share)		1.97	2.70
Diluted (cents per share)		1.91	2.63

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

Condensed consolidated statement of financial position as at 25 December 2022

	Note	Consolidated 25 Dec 2022 $'000	26 Jun 2022 $'000
Current Assets			
Cash and cash equivalents	5(a)	5,309	8,132
Trade and other receivables		13,745	17,395
Inventories		22,019	17,817
Other financial assets		-	23
Other		626	646
Total Current Assets		**41,699**	**44,013**
Non-Current Assets			
Property, plant and equipment		17,974	18,888
Right-of-use assets		1,217	1,013
Goodwill	6	18,903	18,903
Other intangible assets	6	22,454	22,463
Total Non-Current Assets		**60,548**	**61,267**
Total Assets		**102,247**	**105,280**
Current Liabilities			
Trade and other payables		15,559	16,306
Borrowings		1,700	1,700
Current tax payables		1,329	342
Provisions		3,135	2,977
Lease liabilities		766	667
Other financial liabilities		658	89
Contingent consideration		-	3,537
Total Current Liabilities		**23,147**	**25,618**
Non-Current Liabilities			
Borrowings		1,275	2,125
Deferred tax liabilities		5,055	5,340
Lease liabilities		423	305
Provisions		68	80
Total Non-Current Liabilities		**6,821**	**7,850**
Total Liabilities		**29,968**	**33,468**
Net Assets		**72,279**	**71,812**
Equity			
Issued capital		103,830	103,830
Reserves		398	390
Accumulated losses		(31,949)	(32,408)
Total Equity		**72,279**	**71,812**

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 25 December 2022

	Issued capital $'000	Hedging reserve $'000	Equity Settled Employee Benefits Reserve $'000	Accumulated losses $'000	Total $'000
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**
Profit for the period	-	-	-	2,128	2,128
Other comprehensive loss	-	(35)	-	-	(35)
Total comprehensive income/(loss) for the period	-	(35)	-	2,128	2,093
Recognition of share based payments	-	-	104	-	104
Dividend payment	-	-	-	(2,216)	(2,216)
Balance at 26 June 2022	**103,830**	**16**	**374**	**(32,408)**	**71,812**
Profit for the period	-	-	-	3,357	3,357
Other comprehensive loss	-	(98)	-	-	(98)
Total comprehensive income/(loss) for the period	-	(98)	-	3,357	3,259
Recognition of share based payments	-	-	106	-	106
Dividend payment	-	-	-	(2,898)	(2,898)
Balance at 26 December 2021	**103,830**	**(82)**	**480**	**(31,949)**	**72,279**

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 25 December 2022

		Consolidated	
		Half year ended	
	Note	25 Dec 2022 $'000	26 Dec 2021 $'000
Cash flows from operating activities			
Receipts from customers		75,832	74,374
Payments to suppliers and employees		(70,045)	(61,230)
Interest and other costs of finance paid		(136)	(69)
Interest on lease liabilities		(16)	(15)
Income tax paid		(708)	(2,503)
Net cash provided by operating activities	5(b)	4,927	10,557
Cash flows from investing activities			
Payment for property, plant and equipment		(474)	(1,462)
Payment for other intangible assets		(51)	(125)
Payment for acquisition of Hampers with Bite (net of cash)		(3,537)	(19,566)
Payment for costs relating to acquisition of Hampers with Bite		-	(1,033)
Net cash used in investing activities		(4,062)	(22,186)
Cash flows from financing activities			
Proceeds from issue of share capital		-	10,466
Payment for share issue costs		-	(420)
Repayment of lease liabilities		(392)	(393)
Utilisation/(repayment) of supplier payment facility		452	(84)
Proceeds from borrowings		-	8,500
Repayment of borrowings		(850)	(3,825)
Dividends paid		(2,898)	(2,400)
Net cash used in financing activities		(3,688)	11,844
Net increase/(decrease) in cash and cash equivalents		(2,823)	215
Cash and cash equivalents at the beginning of the period		8,132	12,702
Cash and cash equivalents at the end of the period		**5,309**	**12,917**

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 26 June 2022 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 25 December 2022 comprised of a 26 week period from 27 June to 25 December 2022 (2021: 26 week period from 28 June to 26 December 2021).

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 2023 annual financial report for the financial year ended 26 June 2022, 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	
	25 Dec 2022 $'000	26 Dec 2021 $'000	25 Dec 2022 $'000	26 Dec 2021 $'000	25 Dec 2022 $'000	26 Dec 2021* $'000	25 Dec 2022 $'000	26 Dec 2021 $'000
Segment Revenue								
Sales revenue	**26,547**	**25,901**	**17,650**	**15,487**	**20,160**	**24,987**	**64,357**	**66,375**
Segment Results								
Underlying Profit before finance costs and income tax (EBIT)	**2,181**	**2,362**	**(621)**	**(1,097)**	**3,407**	**6,290**	**4,967**	**7,555**
Costs relating to acquisition of Hampers with Bite							-	(1,033)
Profit before finance costs and income tax (EBIT)							**4,967**	**6,522**
Finance costs							(151)	(85)
Profit before income tax							**6,437**	**6,437**
Income tax expense							(1,459)	(2,198)
Net profit for the period							**3,357**	**4,239**

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

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:

	25 Dec 2022 $'000	26 Dec 2021 $'000
Geographical sales		
Australia	57,652	59,061
New Zealand	6,041	6,828
Asia	664	486
Total geographical sales	64,357	66,375

3. Dividends paid and proposed

	25 Dec 2022 $'000	26 Dec 2021 $'000
Dividends paid on ordinary shares during the half year		
Final fully franked dividend for FY2022: 1.7 cents (FY2021: 1.6 cents)	2,898	2,400
Dividends declared on ordinary shares – unrecognised amounts		
Interim fully franked dividend for FY2023: 1.3 cents (FY2022: 1.3 cents)	2,216	2,216

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 25 December 2022 was a financial liability of $117 thousand (26 June 2022: financial asset of $23 thousand). The movement in this asset of $98 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:

	25 Dec 2022 $'000	26 Jun 2022 $'000
Cash and bank balances	5,309	8,183
Net Cash and Cash Equivalents	5,309	8,183

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

	25 Dec 2022 $'000	26 Dec 2021 $'000
Profit for the reported period	3,357	4,239
Depreciation and amortisation expense	1,852	1,958
Provision for equity settled employee benefits reserve	106	69
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	3,650	1,911
Inventories	(4,202)	1,352
Other assets	43	(892)
Increase/(decrease) in liabilities:		
Trade and other payables	(747)	982
Provisions	49	211
Current and deferred tax liabilities	702	(306)
Other liabilities	117	-
Net cash from operating activities	**4,927**	**10,557**

6. Business Combination
Summary of Acquisition

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

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)	(463)
Total purchase consideration	**27,658**

Contingent consideration was payable to vendors subject to HWB achieving an agreed FY22 EBIT performance target. HWB exceeded the EBIT performance target and the full earnout amount of $4.0 million was paid to Vendors in August 2022 after adjusting by $0.463 million for final working capital adjustments.

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	1,751
Cash and cash equivalents	1,515
Inventories	2,624
Plant & equipment	390
Right-of-use assets	844
Deferred tax assets associated with provisions	137
Intangibles – software	8
Prepayments	36
Intangibles – brandnames	10,240
Trade and other payables	(3,301)
Income tax liabilities	(1,202)
Provisions	(456)
Lease liabilities	(699)
Deferred tax liabilities associated with brandnames	(3,132)
Net identifiable assets acquired	**8,755**
Goodwill	18,903
Net assets acquired	**27,658**

(i) 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 2022 Cents Per Share	Dec 2021 Cents Per Share
Basic earnings per share	1.97	2.70
Diluted earnings per share	1.91	2.63

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

	Dec 2022 $'000	Dec 2021 $'000
Net profit	3,357	4,239
Earnings used in the calculation of basic EPS	3,357	4,239
Earnings used in the calculation of diluted EPS	3,357	4,239

	Dec 2022 No.	Dec 2021 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	170,459,499	156,887,194

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 2022 No.	Dec 2021 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	170,459,499	156,887,194
Shares deemed to be issued for no consideration in respect of:		
- performance rights over ordinary shares	5,585,055	4,318,242
Weighted average number of ordinary shares for the purposes of diluted earnings per share	176,044,554	161,205,436

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
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**
27 Jun 2022	Opening balance of ordinary shares, fully paid	170,459,500		103,830
25 Dec 2022	**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.