BEYOND 2018

pental ANNUAL REPORT

Cleaning is easy with White King

CONTENTS

CHAIRMAN'S REVIEW

On behalf of the Directors of Pental Ltd (the Company) and its controlled entity (Pental and the Group), I am pleased to present the 2018 Annual Report.

In the 2018 financial year, new entrants in Pental's market segments caused significant disruption in the Australian retail landscape in which Pental's products compete.

Gross sales of $108.427 million were down 7.8% or $9.233 million on prior year, or 5.9% or $6.853 million excluding the 53rd trading week in FY17. Trade spend of $32.760 million was 0.7% higher than prior year (FY 17 Trade spend $32.536 million). The ratio of trade spend to gross sales increased by 2.5% to 30.2% compared to the prior year of 27.7%. This represents a significant increase of 9.0% in ratio of trade spend to gross sales.

Investing to defend its market share and shelf space in the Household cleaners (Toilet) and Laundry (Liquid bleach) categories has allowed Pental to retain positions in the top 3 Aztec rankings *

- **White King Power Toilet Gels, 700ml**
    - Lemon – FY18 2nd position, FY17 1st position
    - Eucalyptus – FY18 3rd position, FY17 2nd position
- **White King Liquid Bleach Lemon**
    - 2.5 litre – FY18 1st position, FY17 1st position
    - 1.5 litre – FY 18 2nd position, FY17 2nd position

*Aztec ranking report summary AUD$, FY 18 = MAT to 24/06/18 and FY 17 = MAT to 25/06/17

In response to the sustained change in market conditions, Pental reduced headcount across the business in the second half of the year. The annualised savings of approximately $1.0 million will be fully realised in FY19.

Pental maintains a focus on expenditure control while improving manufacturing efficiencies. Profit delivery projects to the value of $0.401 million were achieved across various supply chain and manufacturing facility initiatives in FY18.

Asia continues to be important to our strategic vision. Expansion into Asia continues to grow, albeit slower than anticipated. Sales for FY18 were $1.909 million (FY17 $1.838 million). The group's realignment of our distribution network into the region during FY18 has simplified and strengthen our position and will provide significant growth opportunities in the future.

Pental remains focused on driving long term profitable growth and generating solid total shareholder returns. Whilst business fundamentals remain strong, the Board and executive leadership team took the opportunity to review the five strategic pillars for growth in March 2018. The review and realignment of Pental's strategic objectives has allowed the Group to be in a stronger position to respond to the external pressures and aggressive retail market environment in which its products compete in.

White King Lemon 2.5L bleach maintains #1 position in the market for FY18.

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CHAIRMAN'S REVIEW

Financial performance

As stated in market updates made throughout the 2018 financial year, in order for Pental to effectively compete, the Group invested in marketing and price matching initiatives to protect and defend its markets share and shelf space. These difficult trading conditions have resulted in a decline in Pental's profitability in FY18 compared to FY17.

The Group's underlying net profit after tax[1] was $2.602 million for the year compared to $5.962 million in FY17. Whilst the underlying EBIT[2] of $3.783 million was disappointing, it was in line with the estimated underlying EBIT reported in the ASX market trading update made by the Group on the 31 May 2018.

On a reported basis, the Group's net loss after tax was $27.839 million for the year. The reported statutory result was impacted by certain significant items including the non-deductible ACCC Penalty ($0.700 million) and related legal fees ($0.295 million, net of tax) which were outlined in the market updates made throughout the year. In addition, the Group has recognised an impairment of $29.446 million related to goodwill, which is a non-cash, non-deductible expense arising from the impact of the sustained change in market conditions on the Group.

Notwithstanding the impairment of goodwill, impairment testing for the Group's brand names continues to support their recoverability, which reinforces the strength and health of Pental's brands in the current disruptive market environment.

	FY18 (i) $'000	FY17 (i) $'000	% Change
Underlying EBITDA	**7,342**	**11,923**	-38.4%
Depreciation and amortisation	(3,559)	(3,376)	
Underlying EBIT	**3,783**	**8,547**	-55.7%
Finance costs	(40)	(44)	
Underlying profit before tax	**3,743**	**8,503**	-56.0%
Underlying income tax expense	(1,141)	(2,541)	
Underlying net profit after tax	**2,602**	**5,962**	-56.4%
Significant items (net of tax):			
Impairment of goodwill(ii)	(29,446)	-	
ACCC Penalty and Costs(iii)	(995)	(112)	
Reported (loss) / profit after tax	**(27,839)**	**5,850**	-100.0%

(i) Unaudited non-IFRS financial table (ii) Impaired of goodwill is not tax deductible (iii) Penalty of $700 thousand is not tax deductible

Following the approval by shareholders at the November 2016 Annual General Meeting, Pental exercised its option to buy back the Shepparton property on 3 July 2017. The total acquisition cost inclusive of purchase price, stamp duty and related costs was $7.312 million. Settlement of the property was completed on 2 August 2017.

Pental's cash position continues to remain positive, with cash generated from operations of $7.310 million and net cash of $7.045 million at the end of the financial year.

The Board has recommended payment of a fully franked final year dividend of 0.90 cents per ordinary share. This brings the total dividend for the financial year to 1.50 cents per share (FY17: 3.25 cents per share), representing a payout ratio of 78.5% on underlying net profit after tax. (2017: 74.3%).

[1] Underlying profit after tax represents reported statutory profit after tax adjusted for significant items (net of related tax effect) as referred to above. Refer to the table on this page for reconciliation between underlying and reported statutory net profit after tax.

[2] Underlying EBIT represents profit before finance costs, income tax and significant items as referred to above. Refer to the table on this page for reconciliation between underlying EBIT and reported statutory net profit after tax.

Looking forward

The price deflationary domestic retail market environment in which Pental's products compete in, is expected to continue into the foreseeable future.

Pental continues to investigate other initiatives to increase sales revenues and improve profitability. With the success of the Unilever distribution partnership with the Pears Brand, Pental has embarked upon investigating opportunities with other well established and recognised imported brands and products. Expansion of the distribution segment of our business is a key element in our future growth strategy.

Pental has also invested in sales field support to further strengthen the presence of our products in store and on shelf.

The Pental product innovation pipeline has always been strong, demonstrated by the superior performance and efficacy of our products, and is evolving to expand our product offering into new categories.

Pental will commence in conjunction with key customers to execute its brand realignment strategy. The brand realignment strategy will focus on creating a power brand and sub brands within the household laundry liquid wash segment.

To further realise growth opportunities within Asia, Pental is in the final stages of negotiating partnership agreements with large established distributors in China and Vietnam.

Continuous improvement initiatives driving increased efficiencies and costs down and out of the business remains a priority. The annualised benefit of the restructure that occurred in the second half of FY18 will be realised in FY19. At the Shepparton manufacturing site, the current 20 plus year old boiler which runs on gas will be replaced by 4 smaller boilers, significantly reducing the gas usage on the site.

The directors would like to thank all of our employees for their commitment and contribution during the year, and in particular our executives and senior leadership teams within the business who have used their extensive experience to navigate the dramatically changed market conditions. We also thank our shareholders, suppliers and customers for their ongoing loyalty and support.

Peter Robinson
Chairman

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 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.	**Lay solid foundations for management and oversight**	
1.1	A listed entity should disclose: (a) the respective roles and responsibilities of its board and management; and (b) those matters expressly reserved to the board and those delegated to management.	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 Chief Executive Officer. The responsibilities of the Board, which are reserved for the Board and not delegated to management, include: • Oversight of the business and affairs of the Company; • Establishment of control and accountability systems; • Establishment with management of a strategic direction, supporting strategies and operating performance objectives; • Appointing the Chief Executive Officer (CEO) and any Executive Director; and • Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance. The Board Charter is available on the Company's website.
1.2	A listed entity should: (a) undertake appropriate checks before appointing a person, or putting forward to security holders a candidate for election, as a director; and (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.	The Board has not established a Nominations Committee given the size of 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. 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.

CORPORATE GOVERNANCE STATEMENT

	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	A listed entity should: (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 the entity's progress in achieving them; (b) disclose that policy or a summary of it; and (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: (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 (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.	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. 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. As at 1 July 2018, there were 31 (2 July 2017, 29) women employed representing 24.5% (2 July 2017, 21.82%) of total employees, including a 1 female senior executive CEO -1 (2 July 2017, CEO -1, 0). There was one female on the Board of Directors (2 July 2017, 1 female director). The Company's Corporate Governance Section includes the Company' 2018 Workplace Gender Equality public report and the corresponding compliance notice issued to the company on the 12th July 2018.
1.6	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	The Company does not have a formal policy for the periodic evaluation of the Board. The Board does not consider that a formal policy is necessary given the size of the Board and operations of the Company.
1.7	A listed entity should: (a) have and disclose a process for periodically evaluating the performance of its senior executives; and (b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.	The Board is responsible for assessing the performance of the Chief Executive Officer. The Chief Executive Officer is responsible for assessing the performance of all executives within the Company, in conjunction with the Board. Key performance indicators are set annually, and appraisals are conducted at least biannually for all Pental employees. A performance evaluation for the CEO and all executives has taken place during the year under the process disclosed.

CORPORATE GOVERNANCE STATEMENT

	BEST PRACTICE RECOMMENDATION	COMMENT
2.	**Structure the board to add value**	
2.1	The board of a listed entity should: (a) have a nomination committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (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 (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.	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.
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	A listed entity should disclose: (a) the names of the directors considered by the board to be independent directors; (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 (c) the length of service of each director.	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 Peter Robinson, Mr John Rishworth, Ms Kimberlee Wells and Mr John Etherington. Mr Mel Sutton is not considered to meet the test of independence as he has provided material consultancy services to the Group during the previous three years. Ms Wells is considered to be independent despite the fact that her employer TBWA Group invoiced services valued at $81,840 during the period, as the value of service is not material to Ms Wells as an employee of TBWA Group, or Pental. The date of appointment of each Director is set out in the Directors' Report Section of this Annual Report.
2.4	A majority of the board of a listed entity should be independent directors.	At the date of this report and during the period a majority of directors were independent directors.
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	The Chairman is an independent director. The Chief Executive Officer 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.

	BEST PRACTICE RECOMMENDATION	COMMENT
3.	**Promote ethical and responsible decision-making**	
3.1	A listed entity should: (a) have a code of conduct for its directors, senior executives and employees; and (b) disclose that code or a summary of it.	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. During the period, the Company adopted 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 includes the Securities Trading Policy, which regulates dealings by directors, officers and employees in securities issued by the Company.
4.	**Safeguard integrity in financial reporting**	
4.1	The board of a listed entity should: (a) have an audit committee which: (1) has at least three members, all of whom are non-executive directors and a majority of whom are independent directors; and (2) is chaired by an independent director, who is not the chair of the board, and disclose: (3) the charter of the committee; (4) the relevant qualifications and experience of the members of the committee; and (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 (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.	The Board has established an Audit Committee. The Audit Committee consisted of four members, the majority of whom are independent directors. The Chair of the Committee was and is not the Chair of the Board during the period. 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. The Audit and Risk Committee operates under a Charter which is available on the Company website within the Corporate Governance Section.
4.2	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.	The Board has obtained the relevant assurances from management.
4.3	A listed entity that has an AGM should ensure that its external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.	The external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.

CORPORATE GOVERNANCE STATEMENT

	BEST PRACTICE RECOMMENDATION	COMMENT
5.	**Make timely and balanced disclosure**	
5.1	A listed entity should: (a) have a written policy for complying with its continuous disclosure obligations under the Listing Rules; and (b) disclose that policy or a summary of it.	The Company has in place a Continuous Disclosure Policy, which has been implemented across the Company. The Policy is available on the Corporate Governance section of the Company website.
6.	**Respect the rights of shareholders**	
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 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.

	BEST PRACTICE RECOMMENDATION	COMMENT
7.	**Recognise and manage risk**	
7.1	The board of a listed entity should: (a) have a committee or committees to oversee risk, each of which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (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 (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.	The Audit Committee referred to in section 4 also oversees risk as part of its Charter.
7.2	The board or a committee of the board should: (a) review the entity's risk management framework at least annually to satisfy itself that it continues to be sound; and (b) disclose, in relation to each reporting period, whether such a review has taken place.	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	A listed entity should disclose: (a) if it has an internal audit function, how the function is structured and what role it performs; or (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.	The Company does not have an internal audit function. The Board considers that this is unnecessary given the size of the Company's operations. 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.
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
8.	**Remunerate fairly and responsibly**	
8.1	The board of a listed entity should: (a) have a remuneration committee which: (1) has at least three members, a majority of whom are independent directors; and (2) is chaired by an independent director, and disclose: (3) the charter of the committee; (4) the members of the committee; and (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 (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.	The Board has established a Remuneration Committee. The Remuneration Committee operates under a Charter, which is available on the Company's website. Memberships of the Committee, and details of meetings held during the period, are contained in the Directors' Report section.
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.	Remuneration policies are set out in the Remuneration Report section of this Annual Report. When thought desirable the Board utilises specialist third parties to benchmark executive and non-executive director remuneration.
8.3	A listed entity which has an equity-based remuneration scheme should: (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 (b) disclose that policy or a summary of it.	The Company has established an Executive Performance Rights 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.

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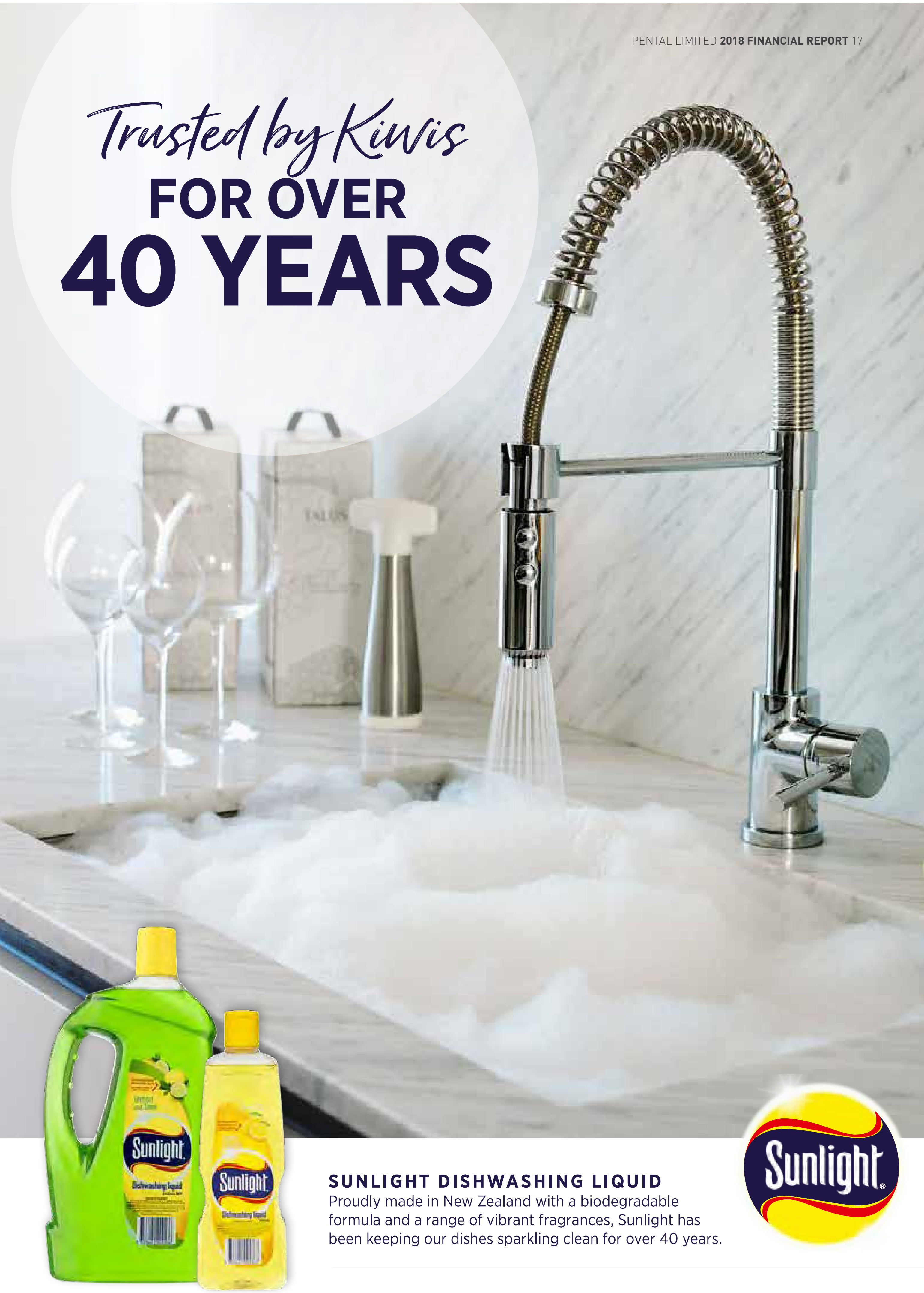

SUNLIGHT DISHWASHING LIQUID

Proudly made in New Zealand with a biodegradable formula and a range of vibrant fragrances, Sunlight has been keeping our dishes sparkling clean for over 40 years.

DIRECTOR'S REPORT

The directors of Pental Limited submit herewith the annual financial report of the company for the year (52 weeks) ended 1 July 2018. 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 Peter Robinson
B.Eco (Mon)
Non-Executive Independent Chairman

Peter has a wealth of experience in the manufacturing sector within Australia and internationally. He was the Chief Executive of ACI Packaging Group and Vice President of Owens-Illinois Inc, the parent company of ACI Packaging Group. Previous roles include Chief Operating Officer and Director of BTR Nylex Limited, and General Manager of Bowater Scott, where he held substantial marketing roles.

Appointed Director on 29 November 2002.
Appointed Chairman on 5 March 2009.
Member of the Audit Committee and Chairman of Remuneration Committee.

Mr Mel Sutton
B.Com
Non-Executive Vice-Chairman

Mel has extensive experience and a diverse background across a number of key sectors, including food-production, wholesale and retail; facility services; apparel and footwear - wholesale and retail; consumer goods - beverage; and sporting goods - wholesale and retail. Mel was CEO and a Managing Director of Nike Pacific, Globe International, Colorado Group and a Divisional Chief Executive of George Weston Foods Limited and Spotless Group. Previous roles also include senior executive positions with Lion Nathan and Foster's.

Mel is currently the CEO of Associated Retailers Limited, a Member owned Retail Co Operative which operates across a number of key categories, including Toys, Sport, Fishing, Camping and Textiles, clothing and Footwear.

Appointed Director on 2 October 2013.
Member of Audit Committee and Member of Remuneration Committee.

Mr John Rishworth
Non-Executive Independent Director

John has worked in the Fast Moving Consumer Goods sector for over 30 years. He held significant senior positions within Woolworths before founding his own successful retail brokerage business in 1987. Since selling that business he has taken on a number of consultancy assignments within the retail sector.

Appointed Director on
9 September 2004.
Member of Audit Committee and Member of Remuneration Committee.

Mr John Etherington B.Ec, FCA, FAICD
Non-Executive Independent Director

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 public and private organisations.

Appointed Director on
2 April 2013.
Chairman of Audit Committee and Member of Remuneration Committee.

Ms Kimberlee Wells
Non-Executive Independent Director

Kimberlee has spent her career building the brands of large blue-chip organisations including ANZ, NAB, Medibank, Qantas and Myer. She has written countless digital transition strategies for her clients and works in almost daily partnership with the digital pioneers of our time including Google and Facebook. Kimberlee also lectures with RMIT University, the Australian Direct Marketing Institute and other industry bodies.

Kimberlee is currently the CEO of Whybin\TBWA Group Melbourne - a tier one global advertising and digital agency. Previous roles included senior management positions with BBDO, Wunderman and M&C Saatchi.

Appointed Director on
19 November 2015.
Member of Remuneration Committee.

The above named directors held office during the whole of the financial year and since the end of the financial year.

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

DIRECTORS' REPORT

DIRECTORS' SHAREHOLDINGS

The following table sets out each director's relevant interest in shares and options in shares of the company or a related body corporate as at the date of this report.

Directors	Fully paid ordinary shares Number	Share Options Number
Peter Robinson	4,210,927	–
Mel Sutton	–	–
John Rishworth	13,207	–
John Etherington	160,000	–
Kimberlee Wells	–	–

SHARE OPTIONS GRANTED TO DIRECTORS AND SENIOR MANAGEMENT

During and since the end of the financial year no share options were granted to directors or senior management, however senior management were issued Rights pursuant to the Executive Performance Rights Plan as detailed in the Remuneration Report.

Mr Oliver Carton
B Juris LL.B
Company Secretary

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

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

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.

COMPANY OVERVIEW - TRUSTED BRANDS THAT GET THE JOB DONE

Pental Limited has a portfolio of leading brands, which are household names in Australia and New Zealand. We are a branded market leader and the largest local manufacturer of bar soaps, liquid bleach and firelighter cubes.

Pental has grown through a focussed dedication to customer service, efficiency and quality. This foundation makes Pental a trusted manufacturer and distributor of personal, household and commercial products across Australia and New Zealand with a growing presence in Asia.

For more than 60 years we have worked hard to stay true to our Australian heritage, investing in our manufacturing plant in Shepparton, Victoria.

There are four distinctive production plants at the Shepparton site, comprising:

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

Pentals Core Brands

Personal Care	Household Cleaning	Laundry	Fire needs	Kitchen
THE AUSTRALIAN COUNTRY LIFE	White King	Softly	Little Lucifer Firelighters	Sunlight
Velvet Since 1900	Janola		Jiffy Firelighters	

Pental most recognised brands include:

- White King in Australia;
- Softly in Australia and New Zealand;
- Janola and Sunlight in New Zealand;
- Country Life and Velvet in Australia;
- Little Lucifer in Australia and New Zealand;
- Jiffy in Australia;

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.

Pental continues to expand into the commercial and industrial channels.

We continue to expand our distribution throughout Asia, through developing products and pack sizes that are suitable for these new markets. The Group continues to invest and expand presence in China, Vietnam and Thailand.

This has been achieved mainly through creating partnerships with strategically aligned distributors. We are also exploring opportunities around the e-commerce platform.

We will continue to investigate and explore other overseas markets to expand our business.

Recently, we have strengthened the research and development technical team at our manufacturing facility recruiting chemists that specialise in the products and categories we develop for our markets.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

	FY18 (i)	FY17 (i)	Change	
	$'000	$'000	$'000	%
Underlying financial perfomance				
Gross Sales	**108,427**	117,660	(9,233)	-7.8%
Trade spend rebates & discounts	**(32,760)**	(32,536)	(224)	-0.7%
Net Sales Revenue *Trade spend to gross sales*	**75,667** ***30.2%***	82,124 *27.7%*	(9,457)	-11.1% *-2.5%*
Underlying EBITDA *EBITDA to gross sales*	**7,342** ***6.8%***	11,923 *10.1%*	(4,581)	-38.4% *-3.3%*
Depreciation & Amortisation	**(3,559)**	(3,376)	(183)	-5.4%
Underlying EBIT *EBIT to gross sales*	**3,783** ***3.5%***	8,547 *7.3%*	(4,764)	-55.7% *-3.8%*
Underlying net profit after tax	**2,602**	5,962	(3,360)	-56.4%
Reported Profit after tax	**(27,839)**	5,850	(33,689)	-100.0%
Shareholder metrics				
Basic EPS - cents per share	**(20.43)**	4.29		-100.0%
Underlying Basic EPS - cents per share (iii)	**1.91**	4.38		-56.4%
Total Dividends declared - cents per share	**1.50**	3.25		-53.8%
Cashflow and capital management				
Working Capital (ii)	**14,003**	16,668	(2,665)	16.0%
Net Cash/(Debt)	**7,045**	11,660	(4,615)	-39.6%

(i) Unaudited non-IFRS financial table
(ii) Receivables plus inventory less trade and other payables
(iii) Underlying Basic EPS represents underlying net profit after tax dividend by the number of ordinary shares on issue during FY18 and FY17 of 136,250,633 used in the calculated of reported basic EPS.

Underlying financial performance

- Gross sales of $108.427 million were down 7.8% or $9.233 million on prior year, or 5.9% or $6.853 million excluding the 53rd trading week in FY17.
- The domestic retail market in which the Company's products compete in Australia has seen some dramatic changes in FY18. As a direct result the Company's gross sale were down 9.2% or $8.706 million on last year, or $7.3% or $6.782 million excluding the 53rd trading week in FY17.
- New Zealand market share in several categories such as Toilet, Household Cleaning and Dish Wash remains solid. Gross sales revenue in NZD$ were down $0.124 million on prior year or 0.56%. Excluding the 53rd trading week in FY17 gross sales revenue in NZD$ were up $0.329 million or 1.5%.
- Expansion into Asia continues to grow, albeit slower than anticipated. Gross sales increased marginally on FY 17 by $0.071 million to $1.909 million in FY18. The Group is in the final stages of finalising partnership agreements with large established distributors based in China and Vietnam.
- Trade spend (rebates, promotional activities and discounts) represented 30.2% of gross sales in FY18 compared to 27.7% in FY17. The Group's market announcements during FY18 consistently noted the highly disruptive market place caused by new entrants and the Group's strategic decision to defend its market share and shelf space particularly in the laundry and toilet (household cleaners) categories. As a result of this decision trade spend investment increased significantly on the prior year comparative period on a lower gross sales revenue base.
- Net sales revenue (gross sales minus trade spend) of $75.667 million was down 11.1 % or $9.457 million on last year, or 9.2% excluding the 53rd trading week in FY17.
- Underlying EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation and significant items) of $7.342 million was $4.581 million (or 38.4%) down on prior year. Underlying EBIT (Earnings before Interest and Tax and significant items) of $3.783 million was $4.764 million (or 55.7%) down on prior year excluding non-operating significant items below:
    - ACCC related expenses: ACCC Penalty $0.700 million, ACCC legal costs $0.421 million and $0.160 million in the prior year - refer "Proceedings Against the Company" section of the Directors' Report,
    - Impairment of goodwill (non-cash item) $29.446 million, refer to Note 14 "Goodwill" in the notes to the financial statements section.
- Underlying results exclude the effect of non-operating items that are unrelated to the underlying performance of the business. 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 have been presented with reference to the Australian Securities and Investment Commission Regulatory Guide 230 "Disclosing non-IFRS financial information".

DIRECTORS' REPORT

A reconciliation between reported statutory profit and underlying profit is presented below:

	FY17 (i) $'000	FY16 (i) $'000	% Change
Underlying EBITDA	**7,342**	**11,923**	-38.4%
Depreciation and amortisation	(3,559)	(3,376)	
Underlying EBIT	**3,783**	**8,547**	-55.7%
Finance costs	(40)	(44)	
Underlying profit before tax	**3,743**	**8,503**	-56.0%
Underlying income tax expense	(1,141)	(2,541)	
Underlying net profit after tax	**2,602**	**5,962**	-56.4%
Significant items (net of tax):			
Impairment of goodwill (ii)	(29,446)	-	
ACCC Penalty Costs (iii)	(995)	(112)	
Reported (loss) / profit after tax	**(27,839)**	5,850	-100.0%

(i) Unaudited non-IFRS financial table (ii) Impaired of goodwill is not tax deductible (iii) Penalty of $700 thousand is not tax deductible

- While underlying EBIT was predominately driven by the disruptive domestic sales market, operational costs continued to be driven down:
  - o occupancy expenses decreased by $0.599 million, driven predominantly by the acquisition of the Shepparton site that was settled on 2nd August 2017.
  - o the decrease in tallow, a commodity based raw material used in Country Life soaps.
  - o profit delivery project savings of $0.576 million, with $0.401 million achieved across various supply chain and the manufacturing facility initiatives and $0.175 million in sales and marketing.

  However, these significant savings were offset by:
  - o increases in utility costs. The cost of electricity increased by 10% on the prior period whilst the cost of gas increased by 126% on the prior period.
  - o freight out and distribution costs to gross sales increased by 0.15% to 5.57%, driven predominately by increase in off location storage costs (freight costs as a % of gross sales remain in line with FY17). The increase in cost as a % of gross sales was offset by lower sales volume which contributed to the favourable expense movement of $0.336 million or 5.27% on the prior year.
  - o repairs and maintenance increased by $0.130 million on the prior year driven by an increased focus on preventative maintenance work carried out through the year.
  - o an increase in depreciation and amortisation of $0.183 million, $0.170 million attributable to the acquisition of the Shepparton site on 2nd of August 2017.
- The consolidated net profit after tax and before goodwill impairment for the year (52 weeks) ended 1st July 2018 was $1.607 million (2018: $5.850 million). The consolidated net loss including goodwill impairment was $27.839 million.

Shareholder metrics

- Reported statutory basic loss per share of 20.43 cents decreased from earning per share of 4.29 cents in 2017. On an underlying basis, (excluding significant items) basic earnings per share was 1.91 cents, a decrease of 2.47 cents compared to underlying basic earnings per share in the prior period of 4.38 cents.
- The total dividend for the 2018 financial year is 1.50 cents per ordinary share, representing 78.5% (2017: 74.3%) of the full-year underlying net profit after tax and consists of :
  - Interim fully franked dividend of 0.60 cents per ordinary share, which was paid 28 March 2018; and
  - Proposed final fully franked dividend of 0.90 cents per ordinary share, payable to shareholders on 28 September 2018, with a record date of 10 September 2018.

Cash generation and capital management

Operating cash flow of $7.310 million increased by $0.695m on last year, due to lower taxes paid in the current year compared to FY 17 and reduced working capital more than offsetting the reduction in operating profit.

Net working capital (receivables, inventories less trade and other payables) of $14.003 million was lower than prior year by $2.665 million. Inventory of $10.970 million increased by 6.5% or $0.673 million on FY 17, represented by a $0.200 million increase in critical engineering spares and $0.415 million in finished goods inventory net of stock obsolesce provisions.

The net debtors and creditors position improved by $3.338 million compared to the prior year due to the combination of a reduction in sales revenue and in the receivable days outstanding.

Capital investment of $8.246 million increased by $5.180 million on last year. The major capital investment initiatives undertaken during the FY 18 year included the acquisition of the Shepparton property which was settled on 2nd August 2017 for $7.312 million and $0.435 million invested in the soap plant. The soap plant investment focused on line integration and increasing production output to deliver cost reductions and support future growth of single bar soaps for supply in both local and export markets.

The Company's closing net cash position of $7.045 million with no debt will allow it to capitalise on future profit opportunities as they arise.

DIRECTORS' REPORT

STRATEGIC OBJECTIVES & ACTIVITIES - FIVE KEY PILLARS TO DRIVE GROWTH

Pental's vision is to be a leading supplier of shelf stable (non-food) products to its chosen markets built around a reputation of delivering quality, innovation and sustainability to the satisfaction of customer needs whilst enhancing shareholder value.

Pental remains focused on what we believe are the highest-value opportunities for driving long-term profitable growth and generating solid total shareholder returns.

The five strategic pillars to drive growth were reviewed by the Board and the executive leadership team in March 2018. The review and realignment of Pentals strategic objectives ensures that the company is well placed to face the external pressures within the aggressive and highly competitive retail market that Pental's product categories compete in.

A review of FY18 outcomes and progress follows:

Strategic Objective	Outcomes and progress in FY18
Driving Sales Growth • Defending our position • Investing in Field Support • Promotional Effectiveness • Review Product Contributions • Building Strong Trade Support	FY18 has seen dramatic changes in the Domestic Market Place, with Consumers trained to purchase General Household Products on Half Price Promotional Activity. This has brought about One Brand Erosion, with Consumers now having as many as 3 Brands in their shopping repertoire of preferred products. This switching of brands has placed a lot more emphasis on Manufacturers and Suppliers to place product and packaging Innovation as their most important point of difference to attract and maintain Customer Loyalty. Brand alone does not hold Loyalty anymore as different manufacturers and Brands are on deep price promotion each week. Consistent with market announcements made throughout FY18, in order to effectively compete in the dramatically changed domestic retail trading conditions in which Pentals products compete in, Pental invested heavily in marketing and price matching initiatives to protect and defend its market share and shelf space.

Strategic Objective	Outcomes and progress in FY18
Develop New Products and Sales Channels • Launch New Products	• White King Abrasive Bathroom Wipes were developed throughout the year, hitting Retail shelves in July 2018. White King's tough new bathroom wipes showcase scratch-free nodules meaning even the toughest stains or dried on soap scum is no match for White King. The wipes are impregnated with a bleach free solution the kills 99.99% of Germs, smell great and leaves your whole bathroom hygienically clean. Competitively priced to provide consumers with great value, the White King Abrasive Bathroom Wipes will be an important contributor to the growth of the brand within the Household Cleaning Category in FY19. • White King's range of Australian Made Toilet Gels have been a huge success in FY18. The Eucalyptus and Lemon variants remain the 2nd and 3rd best selling products on the market. The portfolio as a whole maintained 17.5% Dollar Share of the Manual Toilet Cleaning Segment. That strength is set to continue in FY19 with the incremental ranging of a new Citrus variant, launching into Coles (June 2018) and Metcash (Feb 2019). • White King's In-Bowl and In-Cistern Toilet products were re-launched in a resealable upright pouch pack. This Segment first format enables consumers to lock in the freshness when storing their remaining In-cistern block or seal away the germs of their used Toilet Cage. The all new packaging format also provided White King with a valuable point of difference from its competitors. • The re-launch of Huggie's Time Saving range of Fabric Softeners enjoyed a steady start in Independent Retailers. The new Huggie Easy Iron, Huggie Quick Dry and Huggie Fast Cycle Fabric Softeners demonstrate Pental's commitment to innovation and high-quality Australian products • Little Lucifer's foodie positioning was further solidified with the range of 2 Ready-To-Use Smoking Wood Chips products in July 2017. The Ready-To-Use format combined Australians love of BBQ with emerging American food trends. • Similarly, the Jiffy brand, in the fire needs category, was repositioned as the "outdoor living" firelighter brand, where Jiffy is the Number 1 selling product in grocery firelighters*. The July 2017 Launch of the Jiffy Firesticks, a product, with a smaller footprint making them ideal for camping, was a step in the right direction for this much loved brand.

DIRECTORS' REPORT

Strategic Objective	Outcomes and progress in FY18
• Fill the new product ideas (ideation) pipeline	• FY18 saw the development of an in-depth product pipeline with strategic focus on the Categories Pental's products compete in. The groundwork carried out in FY18 has laid the foundation for a large scale push to enter major Segments such as Multi-Purpose Cleaners, Automatic Dish Wash, Preimmunised Bar Soaps and Specialised Fabric Care. • Complementing the push into new, major Segments is the re-development and improvement of Pental's products in existing segments, ensuring Pental remains at the forefront of quality and innovation. FY19 will see the re-launch of all new Toilet Cleaning products within the In-Bowl and In-Cistern Segments as well as Capital works to improve and bring innovation to our Toilet Gels. • FY18 delivered clear, strategic direction for Pental's two Personal Care Brands. Market research was conducted and centred around re-positioning, strategic direction and product development. This enabled the development of strategically focused Velvet and Country Life Brand Plans for FY19 and beyond. The FY19 release of Premium bar soaps and the re-development of the Brand's two core ranges will greatly improve brand presence, re-invigorate current consumer perceptions, attract new consumers and increase profitability. All this will be achieved whilst maintaining of quality that remains synonymous with Pental's two heritage Brands. Aligning to both Category and Consumer trends, the new product development with feature fresh new fragrances, value added inclusions, a unique, modern shape and exciting packaging.
• Brand Protection	• FY17 saw White King commence its biggest Brand Refresh in 4 years aligning it with today's consumer expectations, market trends, new packaging technologies and the changing dynamic of the broader FMCG industry. The packaging refresh uses vibrant colour, simplified features and benefits and fragrance cues to position the Brand as 'your everyday powerful clean'. The new look and feel provides strong shelf presence ensuring our products are eye catching and have great impact at the point of purchase. • FY18 saw further alignment between Pental's Brands and the Australian Made Campaign. 16 new products across 4 brands were updated to include the green and gold logo. The on pack logo reinforces our commitment to provide Australian consumers with high quality, affordable, locally manufactured consumer good. • Mass Reach Marketing Campaigns were actioned throughout FY18 for the White King, Little Lucifer and Sunlight Brands. These campaigns supported the launch of new product development (NPD) as well as featured core products ensuring a halo effect was achieved across the broader product mix. • Little Lucifer Firelighters and Wood Chips appeared on Network 10's My Market Kitchen and Ben's Menu. Featured in over 15 different recipe segments then amplified via social media the Little Lucifer campaign resulted in a combined reach of over 5 million targeted Australians. • Sunlight launched into the Automatic Dish Wash Segment with the release of Tri-layered Dish Wash Tablets and a Machine Cleaning tablet. Digital and Print based campaigns, utilising Bauer's mass reach titles (NZ Woman's Weekly and NZ Woman's Day) and an effective social media amplification strategy saw Sunlight Branded products reach 1.2M New Zealanders. • White King's commitment to the 2017 Woolworths Spring Cleaning campaign secured in-store sales activations such as off-location displays and shelf ticketing. It also provided point of purchase marketing assets and catalogue exposure. The campaign enjoyed a strong Sales ROI while continuing a healthy relationship with a key customer.

Strategic Objective	Outcomes and progress in FY18
• Grow Margin Contribution	• Cost of Good reduction initiatives have been identified throughout FY18 and will form the base of a number of profit delivery projects in FY19. • New Policy and Procedure standards pertaining to Margin Contribution expectations have been put in place to ensure all divisions of Pental are focused on driving GM Growth.
Value Added Projects • Creating Partnerships • Brand Consolidation • New Technology • New Agencies • New Segments	• Pental has commenced the Brand Consolidation Strategy in conjunction with key customers ensuring the overall Brand revenue is not compromised. This strategy incorporates improving both product formulations and packaging designs. • We have recruited two Industrial Chemist to the Pental technical Team. This team is focusing on the best available technology to improve the performance and efficacy of our Products. • The expansion of the Product Innovation pipeline will give Pental the opportunity to expand its products into New Categories.

Strategic Objective	Outcomes and progress in FY18
Export Market • Grow New Zealand • China Strategy • Vietnam	Pental continues the strong partnership with our Auckland based sales and distribution agent. After one year of planning and one year of testing the market, Pental is in the final stages of finalising partnership agreements with large established Distributors based in China and Vietnam. Pental is actively exploring opportunities in neighbouring regions.

Strategic Objective	Outcomes and progress in FY18
Manufacturing Continuous Improvement • Cost Savings • CAPEX to drive business growth • Delivering on Quality Products • Enhance preventative maintenance processes	Manufacturing continuous improvement focused on improving labour and line efficiency through labour reduction strategies, CAPEX initiatives, reduced change over times increasing line availability time, and preventative maintenance programs. Supply chain and procurement initiatives focused on replacing road freight with expanding rail networks on the eastern seaboard, re-negotiating sea freight costs for exports and working closely with raw material and packaging suppliers on cost reduction opportunities to offset inflationary impact of rising commodity prices. Capital investment completed in the soap plant focused on line integration and increasing production output to deliver cost reductions and support future growth of single bar soaps for supply in both local and export markets. Integration of quality management system for both manufactured and purchased products completed with focus on providing high quality products delivered first time. Preventative maintenance processes have improved with further development in computerised maintenance management systems (CMMS) and predictive tools and technologies being deployed to enhance an already robust system.

As the five pillars remain the cornerstone of our approach in organically growing the business, we also continue to search for new partnerships, distributorships and acquisitions that will complement the Company's product range/expertise, and scope to leverage its infrastructure and/or provide the ability to expand into new channels.

OPERATIONAL RISKS

There are a number of operational risks, both specific to Pental and of a general nature, 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 such as tallow and/or sustainable palm noodles used in some soap products, and the price of resin affecting the cost of bottles. The specific material business risks faced by the Group and how the Group manages these risks are set out below:

- **Competition:** The majority of Pental's branded products are sold in supermarkets in Australia and New Zealand, which are dominated by two major participants in Australia. These retailers continue to aggressively review their product mix and move towards their own or private label products. This has the potential to lead to the delisting of Pental's branded products by one or both of those retailers, which could cause a significant drop in sales of any product delisted. The two major participants continue to engage in an aggressive campaign for market share, primarily through product price reductions and private label diversification. The current price deflationary retail market environment does not allow Pental to pass on price rises, despite rising input costs, thus impacting margins. New entrants in Pental's market segments has also caused significant disruption in the Australian and New Zealand retail landscape, exacerbating the already aggressive competitive retail market environment in which Pental competes in. Pental has made a strategic decision to invest in and defend its market share and shelf position in two key product categories. The investment through promotional activity impacts margin. This situation is not expected to change in the short to medium term. 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;
- **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 lead to material adverse changes to Pental's operational and financial performance. Pental is continually refining its sourcing arrangements and has in many instances dual sourcing arrangements that facilitates in reducing this risk;
- **Supply chain:** Pental has established an extensive and reliable supply chain that allows it to procure and deliver products to customers in a timely and efficient manner. Disruption to any 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, shows that Pental is able to effectively manage this risk;
- **Loss of key personnel:** Pental's future success depends to a significant extent on the retention of key personnel, in particular its management team. These individuals have extensive experience in, and knowledge of the market Pental operates in and Pental's business. 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 has reviewed the organisational structure of the business and will continue to do so to ensure the best people are retained, whilst investing in developing other key people in the business; and
- **Damage to Pental's brands:** the reputation and value associated with Pental's brand names could be adversely impacted by a number of factors including failure to provide customers with the quality of products they expect and 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 processes and systems, and proactive tracking and management of any disputes, minimises this risk.

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.

SUBSEQUENT EVENTS

Pental continues to investigate other initiatives to increase sales revenues. With the success of the Unilever distribution partnership with the Pears Brand, Pental has embarked upon investigating opportunities with other well established and recognised imported brands and products.

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

DIVIDENDS

In respect of the year (52 weeks) ended 1 July 2018 an interim fully franked dividend of 0.60 cents per ordinary share was paid on 28 March 2018, and the directors have declared the payment of a final fully franked dividend of 0.90 cents per ordinary share, payable to shareholders on 28 September 2018, with a record date of 10 September 2018. The total dividend for the FY18 financial year of 1.50 cents per share represents a payout ratio of 78.5% of net profit after tax and before significant items.

In the prior year ended 2 July 2017, the total dividend paid was 3.25 cents per ordinary share, representing a payout ratio of 74.3% of net profit after tax and before significant items.

ENVIRONMENTAL REGULATIONS

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

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

SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

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

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the company paid a premium in respect of a contract insuring the directors of the company (as named above), the company secretary, Oliver Carton, and all executive officers of the company and of any related body corporate against a liability incurred by such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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

DIRECTORS' REPORT

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.

	Board of Directors		Audit Committee		Remuneration Committee	
Directors	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**
Peter Robinson	12	10	4	3	2	0
Mel Sutton	12	11	4	3	2	2
John Rishworth	12	11	4	3	2	2
John Etherington	12	11	4	4	2	2
Kimberlee Wells	12	10	–	-	2	2

PROCEEDINGS AGAINST THE COMPANY

On 13 December 2016 ACCC commenced proceedings concerning claims made by Pental on the packaging for its White King Bathroom Flushable Wipes and on its websites that the wipes were flushable and/or that they disintegrate like toilet paper, which the ACCC alleged to be false, misleading or deceptive conduct.

The product packaging was inherited by Pental from a major international company with a long history of selling consumer products. Accordingly, Pental held the belief that the labelling and packaging of the White King Bathroom Wipes were in conformity with all relevant legal requirements.

The ACCC issued proceedings despite Pental's proactive approach in removing the claims of concern to the ACCC and the fact that other larger multinational companies continued to sell similar products labelled as 'flushable' but were not subject to the same proceedings.

On the 9th and 10th April 2018 the Federal Court heard the matter and, on the 10th April, handed down its determination on penalty. The penalty imposed was $700,000. Pental was also required to pay ACCC's costs of $195,000.

In addition to the penalty and incurring the ACCC's costs, Pental has agreed to the implementation of an ACCC Compliance program to monitor Pental's compliance with Australian Consumer Law.

The penalty and the ACCC's costs are included in the 2018 financial year statutory result and do not impact the company's underlying performance.

There are no other proceedings being brought against the company.

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 31 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 31 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit and Risk 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 42 of the annual report.

ROUNDING OFF OF AMOUNTS

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

REMUNERATION REPORT – AUDITED

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

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

Peter Robinson
Non-Executive
Independent Chairman

Mel Sutton
Non-Executive
Vice Chairman

John Rishworth
Non-Executive
Independent Director

John Etherington
Non-Executive
Independent Director

Kimberlee Wells
Non-Executive
Independent Director

Charlie McLeish
Chief Executive Officer

REMUNERATION POLICY

The remuneration policy of Pental Limited has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific short-term and long-term 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 and directors to run and manage the Group as well as create goal congruence between directors, executives and shareholders.

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

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the Board. Executive packages are reviewed annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries. The performance of executives is measured regularly against agreed criteria 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 performance criteria. Executives are also entitled to participate in a performance rights plan.

The directors and 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 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 at the 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 performance rights plan or an option scheme, within the last five years.

Key terms of employment contracts

Mr Charlie McLeish is employed by the Company under an ongoing contract. The period of notice required by either party to terminate the contract is twelve months without cause. Mr McLeish is entitled to receive a maximum yearly bonus of 35 per cent of his base salary plus superannuation. He is also entitled to participate in the Executive Performance Rights Plan (Rights Plan) as a long-term incentive, which is aligned to the Company's performance.

Ms Josephine De Marino is employed by the Group under an ongoing contract which may be terminated on one months' notice by either the Company or the executive.
Ms De Martino is entitled to receive a maximum yearly bonus of 25 per cent of her base salary plus superannuation and is also entitled to participate in the Executive Performance Rights Plan.

REMUNERATION REPORT – AUDITED

RELATIONSHIP BETWEEN THE REMUNERATION POLICY AND COMPANY PERFORMANCE

The remuneration policy has been tailored to increase goal congruence between shareholders, directors and executives. This has been achieved through a performance-based bonus system based on key performance indicators.

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2018. 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.

	1 July 2018	2 July 2017	26 June 2016[2]	28 June 2015[2]	29 June 2014[2]
	$'000	$'000	$'000	$'000	$'000
Gross sales	108,427	117,660	109,980	111,150	109,376
Net profit/(loss) before tax	(26,824)	8,343	8,218	7,035	7,338
Net profit/(loss) after tax	(27,839)	5,850	5,628	5,087	5,336
Underlying net profit after tax[1]	2,602	5,962	5,628	5,087	5,336

[1] Underlying net profit after tax has been adjusted to exclude goodwill impairment (FY18: $29,446 thousand, FY17: Nil), ACCC penalty (FY18: $700 thousand, FY 17: Nil), ACCC legal costs (FY18: $421 thousand, FY17: $160 thousand), and their respective income tax impact (FY18: $126 thousand, FY17: $48 thousand). Refer to page 24 for a reconciliation between underlying net profit after tax and reported net (loss) / profit after tax.
[2] No significant expense adjustments have been reflected in FY16, FY15 and FY14 underlying net profit after tax.

	1 July 2018	2 July 2017	26 June 2016	28 June 2015	29 June[4] 2014
Share price at start of year [4]	$0.595	$0.575	$0.44	$0.033	$0.020
Share price at end of year	$0.280	$0.595	$0.575	$0.44	$0.033
Interim dividend (cents) per share [1, 3]	0.60	1.15	1.00	0.85	-
Final dividend (cents) per share [1, 2, 3]	0.90	2.10	1.95	1.80	0.12
Basic (loss)/earnings cents per share [3]	(20.43)	4.29	4.13	4.08	0.34
Diluted (loss)/earnings cents per share [3]	(20.43)	4.18	4.04	4.02	0.33

[1] Franked to 100% at 30% corporate income tax rate.
[2] Declared after the balance date and not reflected in the financial statements of that year.
[3] On 1 December 2014, ordinary shares and options on issue were consolidated on the basis of 15 to 1.
[4] Information provided is prior to the 1 December 2014 share consolidation on the basis of 15 to 1.

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

2018	Short-term employee benefits			Post-employment benefits	Termination benefits	Share-based payments	
	Salary & fees $	Bonus $	Non-monetary(i) $	Super-annuation $	Lump Sum(iv) $	Rights $	Total $
Non Executive Directors							
Peter Robinson	91,324	–	–	8,676	–	–	100,000
Mel Sutton	73,059	–	–	6,941	–	–	80,000
John Rishworth	54,795	–	–	5,205	–	–	60,000
John Etherington	54,795	–	–	5,205	–	–	60,000
Kimberlee Wells	60,000	–	–	-	–	–	60,000
Total Directors	**333,973**	**–**	**–**	**26,027**	**–**	**–**	**360,000**
Executives							
Charlie McLeish	413,980	-	6,464	24,996	–	4,480	449,920
Albert Zago(ii)	74,872	-	3,164	4,696	94,637	(31,173)	146,196
Josephine De Martino(iii)	184,760	-	3,137	17,552	–	-	205,449
Total Executives	**673,612**	**-**	**12,765**	**47,244**	**94,637**	**(26,693)**	**801,565**
Total Remuneration	**1,007,585**	**-**	**12,765**	**73,271**	**94,637**	**(26,693)**	**1,161,565**

(i) Non-monetary benefits include car parking & motor vehicle toll tags.
(ii) Albert Zago's employment was ceased on 27 September 2017. As a result all share-based payments were forfeited.
(iii) Josephine De Martino was appointed as a Chief Financial Officer on 2nd October 2017.
(iv) Lump sum includes payment in lieu of notice period, balance of accrued leave entitlements paid out on termination and applicable superannuation.

Correlated with the performance of the company, no bonuses will be paid in FY18 (as presented in the table).

REMUNERATION REPORT – AUDITED

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

2017	Short-term employee benefits			Post-employment benefits	Share-based payments	
	Salary & fees $	Bonus $	Non-monetary[i] $	Superannuation $	Rights $	Total $
Non Executive Directors						
Peter Robinson	91,325	–	–	8,676	–	100,001
Mel Sutton	73,060	–	–	6,941	–	80,001
John Rishworth	54,795	–	–	5,205	–	60,000
John Etherington	54,795	–	–	5,205	–	60,000
Kimberlee Wells	60,000	–	–	-	–	60,000
Total Directors	**333,975**	**–**	**–**	**26,027**	**–**	**360,002**
Executives						
Charlie McLeish	392,694	40,000	5,873	34,997	22,061	495,625
Albert Zago	298,335	12,500	6,946	18,783	13,142	349,706
Total Executives	**691,029**	**52,500**	**12,819**	**53,780**	**35,203**	**845,331**
Total Remuneration	**1,025,004**	**52,500**	**12,819**	**79,807**	**35,203**	**1,205,333**

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

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Ms Wells' employer TBWA Group invoiced services valued at $81,840 during the period (2017: $0). The value of service is not material to Ms Wells as an employee of TBWA Group, or Pental.

In the prior year, a director related entity of Mr Sutton was paid $8,600 plus GST for consultancy services provided to the Group.

SHARE-BASED PAYMENTS (RIGHTS PLAN)

The Company has an Executive Performance Rights Plan (Rights Plan) to provide Long Term Incentives (LTI) that are aligned to the Group's long-term strategy. LTI will be provided as Performance Rights granted at the commencement of the relevant three year performance period. The Rights Plan was introduced on 18 December 2014 and provides selected executives with a means of acquiring conditional Rights to acquire an ordinary share in Pental subject to the terms of the Plan, once milestones are met.

The Rights issued and converting Rights to ordinary shares are at no consideration.

The Board may also offer options under the Rights Plan, whereby the option will have an exercise price, whilst the Right does not. There were no options granted during the 2018 year (2017: nil).

The vesting of the Rights is conditional on:

a) the executive being employed by the Pental Group on the vesting date; and

b) Pental's earnings per share for the financial year prior to the vesting date exceeding the target rate; thereafter a percentage of the Rights will vest based on achieving the following strategic targets:

- Gross sales revenue growth (40% weighting of Rights)
- Earnings before interest and tax (EBIT) margin (40% weighting of Rights)
- Acquired business EBIT margin (20% weighting of Rights).

Under the Rights Plan, the executives can receive the following annualised remuneration from the vesting of performance rights:

	Percentage of fixed remuneration by achieving:		
	Threshold Targets	**Strategic Targets**	**Stretch Strategic Targets**
Charlie McLeish	12.5%	25.0%	50.0%

Details of performance Rights over ordinary shares in the Company that were granted in the current year to key management personnel are set out in the following table:

	Grant Date	Vesting Date	Minimum earnings per share target	Rights granted during 2018	Fair Value per Right at grant date	Fair value of rights granted
			Cents	No.	$	$
Charlie McLeish	3 July 2017	1 July 2020	4.93	211,765	0.5246	111,092

The Rights are forfeited upon the earliest of the following:

a) if the employee ceases employment with the Group;

b) the Board determines the vesting conditions have not been satisfied; or

c) expiry date, being up to seven years after the grant date of the Rights.

REMUNERATION REPORT – AUDITED

The following factors were used in determining the fair value of the performance rights granted:

Grant Date	Vesting Date	Fair value per Right	Exercise Price	Price of shares on grant date	Estimated volatility %	Risk free Interest Rate %	Dividend Yield
		$	$	$	%	%	%
3 July 2017	1 July 2020	0.5246	-	0.6050	53.88	1.95	4.76

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

	Grant Date	Vesting Date	Balance at 2/7/2017	Rights granted	Rights vested	Rights forfeited	Rights lapsed	Balance at 1/7/2018
			No.	No.	No.	No.	No.	No.
Charlie McLeish (ii)	18/12/2014	3/7/2017	740,741	–	–	–	740,741	–
Albert Zago (ii)	18/12/2014	3/7/2017	444,444	–	–	–	444,444	–
Charlie McLeish	1/7/2015	1/7/2018	1,007,813	–	–	–	1,007,813	–
Albert Zago (i)	1/7/2015	1/7/2018	596,756	–	–	596,756	–	-
Charlie McLeish (ii)	1/7/2016	1/7/2019	209,302	–	–	–	–	209,302
Albert Zago (i)	1/7/2016	1/7/2019	125,581	–	–	125,581	–	–
Charlie McLeish	3/7/2017	1/7/2020	–	211,765	–	–	–	211,765

(i) Mr Zago departed 27th September 2017 forfeiting his Performance Rights.
(ii) Rights held by Mr McLeish and Mr Zago lapsed during the period as a result of the related performance conditions not being achieved.

There were no share options granted during the 2018 year (2017: nil).

KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS

Fully paid ordinary shares of Pental Limited held by key management personnel:

	Balance at 26/6/16	Options exercised	Net change other (i)	Balance at 2/7/17	Options exercised	Net change other (i)	Balance(iv) at 1/7/18
Non-Executive Directors							
Peter Robinson	3,972,926	–	-	3,972,926	–	238,001	4,210,927
Mel Sutton	-	–	-	-	–	-	-
John Rishworth	13,207	–	-	13,207	–	-	13,207
John Etherington	-	–	160,000	160,000	–	-	160,000
Kimberlee Wells	-	–	-	-	–	-	-
Executives							
Charlie McLeish	–	–	–	–	–	–	–
Albert Zago (ii)	–	–	–	–	–	–	–
Josephine De Martino (iii)	–	–	–	–	–	–	–

(i) Net change other relates to shares purchased and sold during the financial year.
(ii) Mr Zago departed on 27th September 2017 and did not hold any shares on his departure date.
(iii) Josephine de Martino was appointed as a Chief Financial Officer on 2nd October 2017
(iv) 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

Number of share options of Pental Limited held by key management personnel:

- During the financial year, no options were granted or exercised by key management personnel (2017: nil).
- Mr McLeish has been offered rights under an Executive Performance Rights Plan. No equity or options under the Company performance rights plan were issued to Mr McLeish or Mr Zago (former CFO, departed 27th September 2017 forfeiting his Performance Rights) during the 2018 and 2017 financial years.
- Ms De Martino (incoming CFO, commenced 2nd October 2017) having successfully completed the 6 month probationary period is eligible to be invited to participate in the Company's Long-Term Incentive Programme (LTIP) from the 1st July 2018.

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

Peter Robinson
Chairman

Melbourne, 24 August 2018

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX: 111
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

Board of Directors
Pental Limited
Level 6, 390 St Kilda Road
MELBOURNE, VIC 3004

24 August 2018

Dear Board Members

Pental Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Pental Limited.

As lead audit partner for the audit of the financial statements of Pental Limited for the financial year ended 1 July 2018, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

T Simkin

Travis Simkin
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

DX 111
Tel: +61 (0) 3 9671 7000
Fax: +61 (0) 3 9671 7001
www.deloitte.com.au

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 1 July 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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

(i) giving a true and fair view of the Group's financial position as at 1 July 2018 and of its financial performance for the year then ended; and

(ii) 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* (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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company**,** would be in the same terms if given to the directors as at the time of this auditor's report.

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 for 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.

<table>
<tr><th>Key Audit Matter</th><th>How the scope of our audit responded to the Key Audit Matter</th></tr>
<tr><td>Carrying value of Consumer Products CGU and the Country Life brand name

Refer to Note 14 Goodwill and Note 15 Other Intangible Assets

As at 1 July 2018 the impairment assessment for the Consumer Products cash generating unit (CGU) indicated that the carrying value of the CGU was greater than its recoverable amount, resulting in an impairment expense of $29.4 million as disclosed in Note 14.

As at 1 July 2018 the impairment assessment for the Country Life brand indicated that no impairment loss was required, however, the recoverable amount was sensitive to achieving performance in line with FY 2019 budget.

Management has assessed recoverable amount using discounted cash flow models which incorporate judgements about future cash flows and growth rates, the discount rate applied and other key assumptions used in order to assess value-in-use.</td><td>In conjunction with valuation experts, our procedures included, but were not limited to:

• Obtaining an understanding of management’s processes associated with the preparation of the value-in-use models;
• Agreeing forecast cash flows to the latest Board approved forecasts, and assessing the historical accuracy of forecasting;
• Challenging key assumptions included in the ‘value in use’ discounted cash flow model developed by management, including:
    • forecast cash flows;
    • forecast short and long term growth rates; and
    • the discount rate applied,
• Assessing the sensitivity analysis performed by management on these key assumptions and performing independent sensitivity analysis;
• Testing the mathematical accuracy of the discounted cash flow model;
• Assessing the appropriateness of the disclosures in Note 14 and Note 15 of the financial statements.</td></tr>
</table>

Other Information

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 1 July 2018, 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.

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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 ability of the Group 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 has 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.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Deloitte.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 34 to 41 of the Directors' report for the year ended 1 July 2018.

In our opinion, the Remuneration Report of Pental Limited, for the year ended 1 July 2018, 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.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

T Simkin

Travis Simkin
Partner
Chartered Accountants
Melbourne, 24 August 2018

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

Peter Robinson
Chairman
Melbourne, 24 August 2018.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year (52 weeks) ended 1 July 2018

	Note	2018 $'000	2017 $'000
Continuing Operations			
Gross sales revenue		108,427	117,660
Trading terms, promotional rebates and discounts (Trade Spend)		(32,760)	(32,536)
Sales revenue	**3**	**75,667**	**85,124**
Other income	3	134	306
Other gains and (losses)		(47)	(385)
Changes in inventory of finished goods and work in progress)		673	(1,334)
Raw materials, consumables used and utilities		(41,941)	(43,291)
Employee benefits expense	7	(12,864)	(12,946)
Freight out and distribution expense		(6,037)	(6,373
Marketing expenses		(2,443)	(2,462)
Occupancy expenses		(1,089)	(1,688)
Selling expenses		(1,100)	(1,227)
Repairs and maintenance expense		(1,046)	(916)
Impairment of goodwill	14	(29,446)	-
ACCC penalty and related legal expenses		(1,121)	(160)
Other expenses		(2,565)	(2,885)
(Loss)/Profit before finance costs, income tax, depreciation and amortisation (EBITDA)		**(23,225)**	**11,763**
Depreciation and amortisation expense	7	(3,559)	(3,376)
(Loss)/Profit before finance costs and income tax (EBIT)		**(26,784)**	**8,387**
Finance costs	5	(40)	(44)
(Loss)/Profit before tax		**(26,824)**	**8,343**
Income tax expense	6	(1,015)	(2,493)
Net (Loss)/Profit for the year		**(27,839)**	**5,850**
(Loss)/Profit Attributable to Members of the Parent Entity		**(27,839)**	**5,850**
Other comprehensive income			
Items that may be classified subsequently to profit or loss: Gain/(loss) on cash flow hedges taken to equity		410	177
Income tax relating to components of other comprehensive income		(122)	(53)
Other comprehensive income for the year (net of tax)		288	124
Total comprehensive income for the year		**(27,551)**	**(5,974)**
Profit attributable to equity holders of the parent		(27,839)	5,628
Total comprehensive income attributable to equity holders of the parent		(27,551)	5,184
(Loss)/Earnings per share Attributable to the Members of the Parent Entity			
Basic (cents per share)	8	(20.43)	4.29
Diluted (cents per share)	8	(20.43)	4.18

Notes to the financial statements are included on pages 54 to 89.

Notes to the financial statements are included on pages 54 to 89.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 1 July 2018

	Note	1 July 2018 $'000	2 July 2017 $'000
Current Assets			
Cash and cash equivalents	27(a)	7,045	11,660
Trade and other receivables	9	19,280	23,613
Inventories	10	10,970	10,297
Other financial assets	11	231	-
Other	16	272	335
Total current assets		**37,798**	**45,905**
Non-current assets			
Plant and equipment	13	23,688	18,865
Goodwill	14	-	29,446
Other intangible assets	15	14,728	14,865
Total non-current assets		**38,416**	**63,176**
Total assets		**76,214**	**109,081**
Current liabilities			
Trade and other payables	17	16,247	17,242
Other financial liabilities	18	-	182
Current tax payables	6	48	551
Provisions	20	1,755	1,569
Total current liabilities		**18,050**	**19,544**
Non-current liabilities			
Deferred tax liabilities	6	4,357	4,446
Provisions	20	100	131
Total non-current liabilities		**4,457**	**4,577**
Total liabilities		**22,507**	**24,121**
Net assets		**53,707**	**84,960**
Equity			
Issued capital	21	90,658	90,658
Reserves		246	(19)
Accumulated losses		(37,197)	(5,679)
Total equity		**53,707**	**84,960**

Notes to the financial statements are included on pages 54 to 89.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year (52 weeks) ended 1 July 2018

	Note	Issued capital	Hedging reserve	Equity settled employee benefits reserve	Accumulated losses	Total
		$'000	$'000	$'000	$'000	$'000
Balance at 26 June 2016		90,658	(251)	75	(7,305)	83,177
(Loss)/Profit for the year		–	-	-	5,850	5,850
Gain/(loss) on cash flow hedges		–	177	-	-	177
Deferred tax arising on cash flow hedges	6	–	(53)	-	-	(53)
Total comprehensive income for the year		–	124	-	5,850	5,974
Dividend Payment	22(a)	–	-	-	(4,224)	(4,224)
Recognition of share based payments		–	-	33	-	33
Balance at 2 July 2017		**90,658**	**(127)**	**108**	**(5,679)**	**84,960**
Balance at 2 July 2017		90,658	(127)	108	(5,679)	84,960
(Loss)/Profit for the year		–	-	-	(27,839)	(27,839)
Gain/(loss) on cash flow hedges		–	410	-	-	410
Deferred tax arising on cash flow hedges	6	–	(122)	-	-	(122)
Total comprehensive income for the year		–	288	-	(27,839)	(27,551)
Dividend Payment	22(a)	–	-	-	(3,679)	(3,679)
Recognition of share based payments		–	-	(23)	-	(23)
Balance at 1 July 2018		**90,658**	**161**	**85**	**(37,197)**	**53,707**

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Notes to the financial statements are included on pages 54 to 89.

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year (52 weeks) ended 1 July 2018

	Note	2018 $'000	2017 $'000
Cash flows from operating activities			
Receipts from customers		90,573	96,198
Payments to suppliers and employees		(81,772)	(85,411)
Interest received		47	225
Interest and other costs of finance paid		(40)	(44)
Income tax paid		(1,516)	(4,353)
Income tax refund		18	-
Net cash provided by operating activities	**27(b)**	**7,310**	**6,615**
Cash flows from investing activities			
Payments for land	13	(1,732)	-
Payments for buildings	13	(5,580)	-
Payments for plant and equipment	13	(880)	(2,932)
Payments for intangible assets	15	(54)	(134)
Net cash used in investing activities		**(8,246)**	**(3,066)**
Cash flows from financing activities			
Dividends paid	22	(3,679)	(4,224)
Net cash used in financing activities		**(3,679)**	**(4,224)**
Net increase/(decrease) in cash and cash equivalents		**(4,615)**	**(675)**
Cash and cash equivalents at the beginning of the financial year		11,660	12,335
Cash and cash equivalents at the end of the financial year	27(a)	**7,045**	**11,660**

Notes to the financial statements are included on pages 54 to 89.


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NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

Company Secretary

Mr Oliver Carton

Principal Registered office

Pental Limited
Level 6, 390 St. Kilda Road
Melbourne Victoria 3004

Telephone: (03) 9251 2311
Facsimile: (03) 9645 3001

www.pental.com.au

Share Registry

Boardroom Pty Limited
Grosvenor Place, Level 12,
225 George Street Sydney NSW 2000

Telephone within Australia: 1300 737 760
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 24 August 2018.

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 goodwill and brand names

Determining whether goodwill and brand names are impaired requires an estimation of recoverable amount, representing the higher of the fair value less costs to sell and the value in use of the cash-generating units to which goodwill and brand names have been allocated. The value in use calculation 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 goodwill at 1 July 2018 was Nil (2 July 2017: $29.446 million). Details of the impairment and impairment testing are set out in Note 14.

The carrying amount of brand names at 1 July 2018 was $14.539 million (2 July 2017: $14.539 million). Details of movements are set out in Note 15. Details of the impairment testing are set out in Note 15.

Adoption of new and revised Accounting Standards

In the current year, the Group has adopted all of the following new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period:

(i) AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses

(ii) AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107

(iii) AASB 2017-2 Amendments to Australian Accounting Standards - Further Annual Improvements 2014-2016

(iv) AASB 1048 Interpretation of Standards

The adoption of these new and revised Standards and Interpretations did not have any material financial impact on the amounts recognised and the disclosures presented in the financial statements of the Group.

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.

On acquisition, the assets, liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. If, after reassessment, the fair values of the identifiable net assets acquired exceed the cost of acquisition, the deficiency is credited to profit and loss in the period of acquisition.

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:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

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

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

(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.

Sales of goods

Revenue from the sale of goods is recognised (net of returns, rebates, discounts and allowances) when the Group has transferred to the buyer control and the significant risks and rewards of ownership of the goods.

Interest revenue

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(e) Share based payment transactions

The Executive Performance Rights Plan grants shares in the Company to certain employees. The fair value of the performance rights granted under the Executive Performance Rights Plan is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and is spread over the vesting period, which is the period from the grant date to the end of the plan period. The fair value of the performance rights granted is measured using Black-Scholes model, 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).

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.

(g) 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. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

(h) Financial assets

Loans and 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.

Loans and receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment.

Other financial assets

For the accounting policy on derivatives – refer Note 2(r) and Note 23.

(i) 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.

(j) 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.

(k) 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.

(l) Operating leases

Operating lease payments are recognised as an expense on a straight line basis over the lease term.

(m) Intangible assets

Goodwill

Goodwill is not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the profit or loss and is not subsequently reversed. Refer also to Note 14.

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.

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 pre-tax 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, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

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, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(o) Employee benefits

Short-term and long-term employee benefits

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

(p) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

Dividends

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

(q) Financial instruments issued by the company

Debt and equity instruments

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

Transaction costs on the issue of equity instruments

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

Interest and dividends

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

(r) Derivative financial instruments

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

The Group uses derivative financial instruments, being forward foreign currency contracts to hedge the risk associated with interest rate and 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.

NOTES TO THE FINANCIAL STATEMENTS

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 1 July 2018, the Group is reporting on the 52 week period that began 3 July 2017 and ended 1 July 2018. For the period to 2 July 2017, the Group is reporting on the 53 week period commencing 27 June 2016 and ended 2 July 2017.

(t) Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not yet effective.

(i) **AASB 15 Revenue from Contracts with Customers (effective FY 2019)**
AASB 15 Revenue from Contracts with Customers establishes a principle based approach for goods and services and construction contracts which requires identification of discrete performance obligations within a transaction and an associated transaction price allocation to these obligations. Revenue is recognised only when the performance obligation is satisfied and the control of goods and services is transferred. The Group will apply AASB 15 in FY19, commencing from 2 July 2018.

Based on the assessment performed by management, it is not expected that AASB 15 will have a material impact on the Group's financial statements as the majority of sales are for goods where there is a single performance obligation and revenue is recognised at the point of sale or, where later, delivery to the end customer.

(ii) **AASB 9 Financial Instruments, and the relevant amending standards (effective FY 2019)**
AASB 9 replaces AASB 139 Financial Instruments: Recognition and Measurement. AASB 9 introduces new requirements for the classification and measurement of financial assets and financial liabilities, a new model for recognising impairment provisions based on expected credit losses and new hedge accounting requirements. The Group will apply AASB 9 in FY19, commencing from 2 July 2018.

With respect to credit losses, the primary change relates to provisioning for potential future credit losses related to financial assets. Management do not expect this will have a significant impact on the Group's financial statements with reference to its historical bad debt experience.

With respect to hedge accounting, the Group does not expect any impact on existing hedge relationships. The Group will align its hedge accounting documentation with the new standard in FY19.

(iii) **AASB 16 Leases (effective FY 2020)**
AASB 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. The Group will apply AASB 16 in FY20.

At the end of the reporting period, the Group had non-cancellable undiscounted operating leases commitments of $2,671 thousand, as disclosed in note 28. These commitments predominately relate to the lease of office space (corporate office) and leased equipment which will require recognition of right of use assets and associated liabilities. The Group is currently assessing the impact of the new requirements in order to determine the likely impact on the financial report, the transition approach it will adopt and its long term information system requirements.

At the date of authorisation of the financial statements, there have been no IASB Standards and IFRIC Interpretations that are issued but not yet effective.

The Directors have not yet assessed the impact the adoption of these Standards and Interpretations in future periods will have on the financial statements of the Group.

These Standards and Interpretations will be first applied in the financial statements of the Group that relates to the annual reporting period beginning after the effective date of each pronouncement. In addition to the standards issued above, other standards have been issued by the Australian Accounting Standards Board (the AASB), these standards are not relevant to the operations of the Group.

3. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2018	2017
	$'000	**$'000**
Sales revenue		
Revenue from the sale of goods	75,667	85,124
	75,667	85,124
Other revenue and income		
Interest on bank deposits	47	225
Other revenue and income	87	81
	134	306
Total revenue from continuing operations	**75,801**	**85,430**

NOTES TO THE FINANCIAL STATEMENTS

4. SEGMENT INFORMATION

Pental manufactures and distributes personal care and home products in Australia, New Zealand and Asia.

The Group is viewed as being a single reporting segment which is consistent with the Group's internal reporting provided to the chief operating decision maker, being the Chief Executive Officer.

The Chief Executive Officer assesses the performance of the reporting segment based on its Underlying EBITDA which represents profit or loss before finance costs, tax expense, depreciation and amortisation and the effects of non-operating expenses such as impairment charges as well as non-deductible penalties and related legal costs.

A reconciliation of the Group's reported statutory net profit after tax and Underlying EBITDA is presented on page 24 of the Directors Report.

The Group's segment revenue is geographically as follows, based on the geographical location of the Group's customers:

Geographical Location	**Products**
Australia	Soaps, detergents, fire needs and bleach
New Zealand	Soaps, detergents, fire needs and bleach
Asia	Soaps and detergents

	2018	2017
	$'000	**$'000**
Geographical sales		
Australia	60,952	69,658
New Zealand	12,806	13,628
Asia	1,909	1,838
Total geographical sales	**75,667**	**85,124**

The top four customers account for 75.4% of total sales revenue for the year (2017: 81.5%). These top four customers individually represent greater than 8% of total sales revenue.

Segment assets and liabilities are located in Australia and are unable to be allocated to individual geographical segments by location of customers on a reasonable basis.

5. FINANCE COSTS

	2018	2017
	$'000	**$'000**
Other borrowing costs	40	44
Total interest expense	40	44

6. INCOME TAXES

Income tax recognised in profit or loss

	2018	2017
	$'000	**$'000**
Tax expense comprises:		
Current tax expense in respect of the current year	1,218	2,658
Deferred tax expense relating to the origination and reversal of temporary differences	(211)	(161)
Adjustments recognised in the current year in relation to the current tax of prior years	8	(4)
Total tax expense	**1,015**	**2,493**

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

	2018	2017
	$'000	**$'000**
(Loss)/Profit before income tax	(26,824)	8,343
Income tax expense calculated at 30%	(8,047)	2,502
Non deductible / (assessable) items		
- Impairment of goodwill	8,834	-
- Penalty	210	-
- Other	10	(5)
Adjustments recognised in the current year in relation to the current tax of prior years	8	(4)
Income tax expense recognised in profit	**1,015**	**2,493**
Comprising of:		
Income tax expense	1,015	2,493
	1,015	**2,493**

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.

6. INCOME TAXES (CONTINUED)

Income tax recognised in other comprehensive income

	2018	2017
	$'000	$'000
Deferred tax		
Arising on income and expenses recognised in other comprehensive income:		
Revaluations of financial instruments treated as cash flow hedges	(122)	(53)
	(122)	**(53)**

Deferred tax balances

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

	2018				
	Opening balance	Charged to income	Recognised in other comprehensive income	Charged to equity	Closing Balance
	$'000	$'000	$'000	$'000	$'000
Deferred tax assets					
Doubtful debts	-	-	-	–	-
Provisions	557	49	-	–	606
Share issue costs	16	(12)	-	–	4
Foreign currency items	73	(52)	(21)	–	-
Inventory obsolescence	71	54	-	–	125
Accruals	4	-	-	–	4
	721	39	(21)	–	739
Deferred tax liabilities					
Property, plant and equipment	(802)	172	-	–	(630)
Intangibles	(4,362)	-	-	–	(4,362)
Foreign currency items	-	-	(101)	–	(101)
Other	(3)	-	-	–	(3)
	(5,167)	172	(101)	–	(5,096)
Net deferred tax asset / (liability)	**(4,446)**	**211**	**(122)**	**–**	**(4,357)**

	2017				
	Opening balance	Charged to income	Recognised in other comprehensive income	Charged to equity	Closing Balance
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Deferred tax assets					
Doubtful debts	15	(15)	-	–	-
Provisions	493	64	-	–	557
Share issue costs	132	(116)	-	–	16
Foreign currency items	107	19	(53)	–	73
Stock obsolescence	38	33	-	–	71
Accruals	31	(27)	-	–	4
	816	(42)	(53)	–	721
Deferred tax liabilities					
Property, plant and equipment	(972)	170	–	–	(802)
Intangibles	(4,362)	-	–	–	(4,362)
Foreign currency items	(33)	33	–	–	-
Other	(3)	-	–	–	(3)
	(5,370)	203	–	–	(5,167)
Net deferred tax asset /(liability)	**(4,554)**	**161**	**(53)**	**–**	**(4,446)**

Current tax liabilities

	2018	2017
	$'000	**$'000**
Income tax payable	48	551
	48	**551**

NOTES TO THE FINANCIAL STATEMENTS

6. INCOME TAXES (continued)

Tax consolidation

Relevance of tax consolidation to the Group

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group, and are therefore taxed as a single entity from that date. 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:

	2018	2017
	$'000	**$'000**
Expenses		
Cost of goods sold	**52,770**	**56,287**
Depreciation: Property, plant and equipment	3,368	3,016
Amortisation: Software	191	360
Total depreciation and amortisation	**3,559**	**3,376**
Employee benefits expense:		
Post-employment benefits – defined contribution plans	1,033	1,077
Other employee benefits	11,831	11,869
	12,864	12,946
Operating lease minimum payments	**947**	**1,457**

8. (LOSS)/EARNINGS PER SHARE

	2018	2017
	Cents Per Share	**Cents Per Share**
Basic (loss)/earnings per share	(20.43)	4.29
Diluted (loss)/earnings per share	(20.43)	4.18

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

	2018	2017
	$'000	**$'000**
Net (loss)/profit	(27,839)	5,850
(Loss)/earnings used in the calculation of basic EPS	(27,839)	5,850
(Loss)/earnings used in the calculation of diluted EPS	(27,839)	5,850

	2018	2017
	No.	**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.

	2018	2017
	No.	**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	-	3,625,244
Weighted average number of ordinary shares for the purposes of diluted EPS	136,250,633	139,875,877

Classification of securities as potential ordinary shares

Performance rights over ordinary shares in the Company that were granted to key management personnel have been classified as potential ordinary shares and are included in the calculation of diluted earnings per share.

Diluted loss per share

Diluted loss per share is the same as basic loss per share for the year ended 1 July 2018. Potential ordinary shares are anti-dilutive as their conversion to ordinary shares will result in a decrease of loss per share. The calculation of diluted loss per share does not assume conversion, exercise or other issue of potential ordinary shares that would have an anti-dilutive effect on loss per share.

9. TRADE AND OTHER RECEIVABLES

	2018	2017
	$'000	**$'000**
Current		
Trade receivables (i) and Other (ii)	19,280	23,613
Allowance for doubtful debts	-	-
	19,280	**23,613**

(i) The average credit period on sales of goods is 60 days. No interest is charged on trade receivables. An allowance is made for estimated irrecoverable trade receivable amounts arising from the past sale of goods, determined by reference to specific customers where receipt is in doubt. During the current financial year, any doubtful debt movements were recognised in profit/ (loss) for the year (refer to movement in the allowance for doubtful debts below)

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 $15.789 million is due from four customers (2017: $19.723 million) and these four customers account for 75.4% of total sales revenue for the year (2017: 81.5%). 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. Debtors who are past due at the end of the reporting period have not been provided for on the whole, as there has not been a significant change in credit quality and the amounts are still considered recoverable. 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. Collateral is generally not obtained.

Ageing of past due but not impaired

	2018	2017
	$'000	**$'000**
Overdue 31 to 60 days	63	429
Overdue 61 to 90 days	45	617
Overdue 91 days and beyond	1,049	19
Total	**1,157**	**1,065**

As at 12 August 2018, $84 thousand remains outstanding from the overdue amount of $1,157 thousand. The balance has been collected by the Group. All amounts overdue as at end of prior period were collected during the reporting period.

Movement in the allowance for doubtful debts

	2018	2017
	$'000	**$'000**
Balance at the beginning of the year	-	49
Amounts written back to profit	-	(49)
Balance at the end of the year	**-**	**-**

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. As highlight above, $15.789 million of trade receivables is due from four customers. Outside of these four customers, the customer base of the Group is large and unrelated.

10. INVENTORIES

	2018	2017
	$'000	**$'000**
Raw materials	3,033	3,007
Finished goods	7,937	7,290
	10,970	**10,297**

11. OTHER FINANCIAL ASSETS

	2018	2017
	$'000	**$'000**
Current		
Foreign currency forward contracts	231	-
	231	**-**

NOTES TO THE FINANCIAL STATEMENTS

12. SUBSIDIARIES

Name of subsidiary	Country of incorporation	Ownership interest	
		2018	2017
		%	%
Parent Entity			
Pental Limited (i)	Australia		
Controlled Entities			
Pental Products Pty Ltd (ii) (iii)	Australia	100%	100%

(i) Pental Limited is the head entity within the tax-consolidated group.
(ii) Pental Products Pty Ltd is a member of the tax-consolidated group.
(iii) Pental Products Pty Ltd has entered into a deed of cross guarantee with Pental Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.

The Company and Pental Products Pty Ltd 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 at cost	Buildings at cost	Plant and equipment at cost	Construction in progress at cost	Total
	$'000	$'000	$'000	$'000	$'000
Gross carrying amount					
Balance at 26 June 2016	-	-	27,809	1,021	28,830
Additions	-	-	2,868	64	2,932
Transfer from capital works	-	-	1,021	(1,021)	-
Balance at 2 July 2017	**-**	**-**	**31,698**	**64**	**31,762**
Additions	1,732	5,580	692	188	8,192
Disposal of assets	-	-	(20)	-	(20)
Transfer from capital works	-	-	64	(64)	-
Balance at 1 July 2018	**1,732**	**5,580**	**32,434**	**188**	**39,934**
Accumulated depreciation					
Balance at 26 June 2016	-	-	(9,881)	-	(9,881)
Depreciation expense	-	-	(3,016)	-	(3,016)
Balance at 2 July 2017	-	-	(12,897)	-	(12,897)
Depreciation expense	-	(170)	(3,198)	-	(3,368)
Disposal of assets	-	-	19	-	19
Balance at 1 July 2018	**-**	**(170)**	**(16,076)**	**-**	**(16,246)**
Net book value as at 2 July 2017	-	-	**18,801**	**64**	**18,865**
Net book value as at 1 July 2018	**1,732**	**5,410**	**16,358**	**188**	**23,688**

14. GOODWILL

	2018	2017
	$'000	**$'000**
Cost	74,778	74,778
Accumulated impairment losses	(74,778)	(45,332)
	-	**29,446**

Impairment testing

The carrying amount of goodwill has been allocated to the Consumer Products cash generating unit (CGU) for impairment testing purposes.

As originally announced to the market on 21 November 2017, and reiterated in our market announcements for the Group's half year financial results on 23 February 2018 and the Group's trading update on 31 May 2018, the Group has experienced challenging market conditions in the current financial year, which have impacted its financial performance.

The directors have since concluded that, as a result of the sustained change in the competitive environment, the goodwill associated with the Consumer Products CGU of $29.4 million is impaired. This conclusion was reached with reference to management's best estimate of the discounted future cash flows for the Group (value in use), taking into account the risks and uncertainties present in the market. As a result, the Group has recognised a non-cash impairment of $29.4 million in the statement of profit or loss, which represents the carrying value of goodwill allocated to the Consumer Products CGU.

The Group has separately assessed the carrying value of the Group's other assets, including property, plant and equipment and brand name intangible assets, and concluded that that no further impairment is required.

15. OTHER INTANGIBLE ASSETS

	Brand Names at cost	Software at cost	Total
	$'000	**$'000**	**$'000**
Gross carrying amount			
Balance at 26 June 2016	19,000	1,764	20,764
Additions	-	134	134
Disposal of assets	-	(23)	(23)
Balance at 2 July 2017	**19,000**	**1,875**	**20,875**
Additions	-	54	54
Balance at 1 July 2018	**19,000**	**1,929**	**20,929**
Accumulated Impairment/Amortisation			
Balance at 26 June 2016	(4,461)	(1,212)	(5,673)
Amortisation expense	-	(360)	(360)
Disposal of assets	-	23	23
Balance at 2 July 2017	**(4,461)**	**(1,549)**	**(6,010)**
Amortisation expense	-	(191)	(191)
Balance at 1 July 2018	**(4,461)**	**(1,740)**	**(6,201)**
Net book value as at 2 July 2017	14,539	326	14,865
Net book value as at 1 July 2018	**14,539**	**189**	**14,728**

Impairment testing

No factors have been identified in the period that would alter the Group's assumption of indefinite useful life for its brand names.

The Group annually tests its indefinite life brand names for impairment in accordance with its accounting policy stated in Note 2. The recoverable amount for each brand name is estimated based on value-in-use calculations. These calculations require use of cash flow projections based on FY19 budgets approved by the board, extrapolated to cover a five-year period. Management have consistently applied two key assumptions in the value-in-use analysis across each brand, a pre-tax discount rate of 13.7% (2017: 14.4%) and terminal growth rate of 2.5% (2017: 2.5%).

Notwithstanding the impairment of goodwill, impairment testing for the Group's brand names continues to support their recoverability, which reinforces the strength and health of Pental's brands in the current disruptive market environment.

16. OTHER ASSETS

	2018	2017
	$'000	**$'000**
Prepayments	**272**	**335**

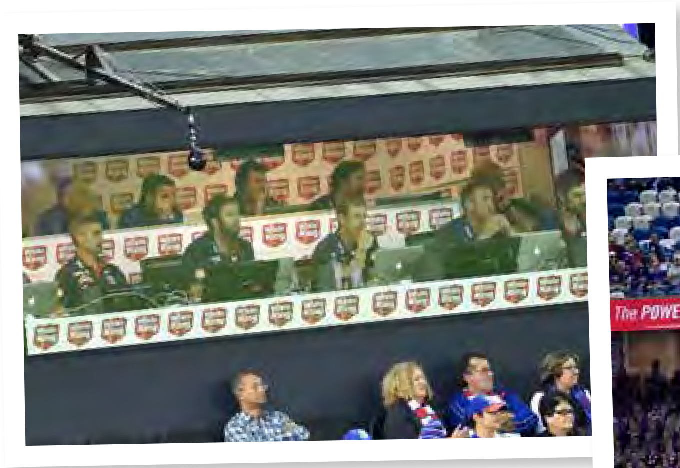
17. TRADE AND OTHER PAYABLES

	2018	2017
	$'000	**$'000**
Trade payables	8,033	9,108
Trade spend liabilities	5,020	4,952
Sundry payables	3,194	3,182
	16,247	**17,242**

The average credit period on the purchases of goods ranges from 7 to 35 days. No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that, all payables are paid within a reasonable timeframe.

18. OTHER FINANCIAL LIABILITIES

	2018	2017
Current	**$'000**	**$'000**
Foreign currency forward contracts	-	182
	-	**182**



NOTES TO THE FINANCIAL STATEMENTS

19. BANKING FACILITIES

	2018	2017
	$'000	$'000
Summary of financing arrangements		
Facilities utilised at reporting date:		
Multi option loan facility		
- Bank Guarantee	177	340
	177	**340**
Facilities not utilised at reporting date:		
Multi option loan facility		
- Bank overdraft	4,795	4,450
- Bank Guarantee	28	210
	4,823	4,660
Multi option loan facility limit	**5,000**	**5,000**

Multi option loan facility

The Group has a multi option loan facility with the ANZ bank that allows the Group to choose the appropriate type of funding facility to suit its business needs under one interest rate. 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 $5,000,000 (2017: $5,000,000). The multi option facility bears an interest rate of 2.87% plus a line fee of 0.8% (2017: 2.46% plus a line fee of 0.8%) as at 1 July 2018. The financing arrangement is secured by the Group's assets through first ranking fixed and floating charges over the Company and its subsidiaries (with corresponding cross guarantee). The facility expires 31 October 2019.

20. PROVISIONS

	2018	2017
	$'000	**$'000**
Current		
Employee benefits	1,755	1,569
	1,755	**1,569**
Non-current		
Employee benefits	100	131
	100	**131**
Total Provisions	**1,855**	**1,700**

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

	2018	2017
	No.	**No.**
Share Capital		
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**
	$'000	**$'000**
Fully paid ordinary shares		
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.

NOTES TO THE FINANCIAL STATEMENTS

22. DIVIDENDS

(a) Recognised Amounts

	2018		2017	
	Cents per Share	Total $'000	Cents per Share	Total $'000
Fully paid ordinary shares				
Final dividend: Fully franked at 30% tax rate	2.10	2,861	1.95	2,657
Interim dividend: Fully franked at 30% tax rate	0.60	818	1.15	1,567
	2.70	**3,679**	**3.10**	**4,224**

(b) Unrecognised Amounts

	2018	2017
	$'000	$'000
Final dividend	1,226	2,861

In respect of the year (52 weeks) ended 1 July 2018 the Company declared a full year fully franked dividend of 0.90 cents per ordinary share, payable on 28 September 2018, with a record date of 10 September 2018 (2017: 2.10 cents per ordinary share).

	2018	2017
	$'000	$'000
Adjusted franking account balance	17,305	17,159
Impact on franking account balance of dividends not recognised	526	1,226

23. FINANCIAL INSTRUMENTS

(a) Capital risk management

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

The capital structure of the Group consists of cash and short term deposits, and equity attributable to equity holders of the parent entity, comprising issued capital (as disclosed in note 21) and, reserves, net of accumulated losses.

Operating cash flows are used 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.

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. As at 1 July 2018, the Group was debt free and had no debt in the prior financial year.

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23. FINANCIAL INSTRUMENTS (continued)

(b) Categories of financial instruments

At the reporting date there are no significant concentrations of credit risk relating to loans and receivables at amortised cost. The carrying amount reflected in the statement of financial position represents the Group's maximum exposure to credit risk for such loans and receivables. Of the trade receivables balance at the end of the year $15.789 million is due from four customers (2017: $19.723 million) and these four customers account for 75.4% of total sales revenue for the year (2017: 81.5%). 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.

	2018	2017
	$'000	**$'000**
Financial assets		
Cash and cash equivalents	7,045	11,660
Trade and other receivables (Loans and receivables)	19,280	23,613
Derivative instruments in designated hedge accounting relationships	231	-
Financial liabilities		
Trade and other payables (amortised cost)	16,247	17,242
Derivative instruments in designated hedge accounting relationships	-	182

(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	
	2018	2017	2018	2017
	$'000	$'000	$'000	$'000
Currency of USA	-	-	190	45
Currency of New Zealand	1,855	2,272	454	471
Currency of Fiji	18	15	-	-
Currency of Europe	-	-	51	23
Currency of China	155	-	-	-

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	
	2018	2017	2018	2017	2018	2017	2018	2017
Buy USD – less than one year	0.7763	0.7476	3,561	2,981	4,587	3,987	227	(105)
Sell NZD – less than one year	1.0890	1.0666	2,000	5,500	1,837	5,156	4	(77)
							231	**(182)**

As at reporting date, the aggregate amount of unrealised gains/(losses) under forward foreign currency contracts relating to anticipated future contracts is $0.231 million gain - tax effected $0.161 million gain (2017: $0.181 million loss - tax effected $0.127 million loss). In the current year, these unrealised gains/ (losses) have been deferred in the hedging reserve to the extent the hedge is effective.

23. FINANCIAL INSTRUMENTS (continued)

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		EUR Impact		NZD Impact		FJD Impact		CNY Impact	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Profit	19	4	7	-	62	87	-	-	-	-
Equity	316	286	-	-	241	435	-	-	-	-

(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.

2018	Weighted average interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Variable interest rate instruments	0.95%	7,045	-	-	-	-	7,045
Non-interest bearing	-	12,721	6,559	-	-	-	19,280
		19,766	**6,559**	**-**	**-**	**-**	**26,325**
Financial liabilities							
Non-interest bearing	-	8,921	7,326	-	-	-	16,247
		8,921	**7,326**	**-**	**-**	**-**	**16,247**

2017	Weighted average interest rate	Less than 1 month	1-3 months	3 months to 1 year	1-5 years	5+ years	Total
	%	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets							
Variable interest rate instruments	1.58%	11,660	-	-	-	-	11,660
Non-interest bearing	-	13,574	10,039	-	-	-	23,613
		25,234	**10,039**	**-**	**-**	**-**	**35,273**
Financial liabilities							
Non-interest bearing	-	8,993	8,249	-	-	-	17,242
		8,993	**8,249**	**-**	**-**	**-**	**17,242**

(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 and New Zealand. 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, Wesfarmers Ltd, Metcash Ltd and Foodstuffs (Auckland) Ltd Groups which represent 69.8% of the total trade receivables less related allowances and rebates of the Consumer Products business.

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.

NOTES TO THE FINANCIAL STATEMENTS

23. FINANCIAL INSTRUMENTS (continued)

(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

The Company has an Executive Performance Rights Plan (Rights Plan) to provide Long Term Incentives (LTI) that are aligned to the Group's long-term strategy. LTI will be provided as performance rights granted at the commencement of the relevant three-year performance period. The Rights Plan was introduced on 18 December 2014 and provides selected executives with a means of acquiring conditional rights to acquire an ordinary share in Pental subject to the terms of the plan, once milestones are met.

The rights issued and converting rights to ordinary shares are at no consideration.

The Board may also offer options under the Rights Plan, whereby the option will have an exercise price, whilst the right does not. There were no options granted during the 2018 year (2017: nil).

The vesting of the rights is conditional on:

a) the executive being employed by the Pental Group on the vesting date; and

b) Pental's earnings per share for the financial year prior to the vesting date exceeding the target rate;

thereafter a percentage of the rights will vest based on achieving the following strategic targets:

- Gross sales revenue growth (40% weighting of rights)
- Earnings Before Interest and Tax (EBIT) margin (40% weighting of rights)
- Acquired business EBIT margin (20% weighting of rights).

Under the Rights Plan, the executives can receive the following annualised remuneration from the vesting of performance rights:

Percentage of fixed remuneration by achieving:		
Threshold Targets	**Strategic Targets**	**Stretch Strategic Targets**
12.5%	25.0%	50.0%

Details of performance Rights over ordinary shares in the Company that were granted in the current year to executives are set out in the following table:

Grant Date	Vesting Date	Minimum earnings per share target Cents	Rights granted during 2018 No.	Fair Value per Right at grant date $	Fair value of rights granted $
3 July 2017	1 July 2020	4.93	211,765	0.5246	111,092

The Rights are forfeited upon the earliest of the following:

a) if the employee ceases employment with the Group;

b) the Board determines the vesting conditions have not been satisfied; or

c) expiry date, being up to seven years after the grant date of the Rights.

The following factors were used in determining the fair value of the performance rights granted:

Grant Date	Vesting Date	Fair value per Right $	Exercise Price $	Price of shares on grant date $	Estimated volatility %	Risk free Interest Rate %	Dividend Yield %
3 July 2017	1 July 2020	0.5246	-	0.6050	53.88	1.95	4.76

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

	Vesting Date	Balance at 2/7/2017 No.	Rights granted No.	Rights vested No.	Rights lapsed/ forfeited No.	Balance at 1/7/2018 No.
Granted 18 December 2014	3 July 2017	1,185,185	-	-	1,185,185	-
Granted 1 July 2015	1 July 2018	2,067,661	-	-	2,067,661	-
Granted 1 July 2016	1 July 2019	436,045	-	-	125,581	310,464
Granted 3 July 2017	1 July 2020	-	314,118	-		314,118

There were no share options granted during the 2018 year (2017: nil).

NOTES TO THE FINANCIAL STATEMENTS

25. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2018	2017
	$	**$**
Short-term employee benefits	1,020,350	1,090,323
Share based payments	(26,693)	35,203
Termination benefits	94,637	-
Post-employment benefits	73,271	79,807
	1,161,565	**1,205,333**

26. RELATED PARTY TRANSACTIONS

The compensation of each member of the key management personnel of the Group is set out in the Remuneration Report.

Transactions with key management personnel

Ms Wells' employer TBWA Group invoiced services valued at $81,840 (inclusive of GST) during the period (2017: $0). The value of service is not material to Ms Wells as an employee of TBWA Group, or Pental.

In the prior year, a director related entity of Mr Sutton was paid $8,600 plus GST for consultancy services provided to the Group.

There were no other services performed by key management personnel outside of normal business operations.

Transactions with other related party

Following approval by shareholders at the November 2016 Annual General Meeting, Pental exercised its option to buy back the Shepparton manufacturing site on 3 July 2017 from a director related entity of Mr Johnstone (retired director on 19 November 2015). The acquisition cost (including stamp duty and related costs) was $7.312 million, with settlement of the property completed on 2 August 2017.

Equity interests in subsidiaries

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

The Company purchase services from, and sells services to, its controlled entity Pental Products Pty Ltd in the normal course of business and on normal terms and conditions. No interest is charged on the loans made to the controlled entity.

The aggregate amount receivable from and payable to, wholly owned group entities by the Company at balance date are as follows:

	2018	2017
	$	**$**
Non-current loans to subsidiaries	77,430,077	77,258,133
Provision for doubtful debts	(20,039,183)	-
	57,390,894	**77,258,133**


FOR YOUR
EVERYDAY
AND
DELICATES
softly
PREMIUM
FABRIC SOLUTION
Delicately Fragrant
1.25L
WOOLMARK
APPAREL CARE
Formerly
Martha's
softly
WOOL WASH
FABRIC SOLUTION
Eucalyptus Fragrance
1.25L

NOTES TO THE FINANCIAL STATEMENTS

27. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash includes 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:

	2018	2017
	$'000	$'000
Cash and bank balances	7,045	11,660
Net Cash and Cash Equivalents	7,045	11,660

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

	2018	2017
	$'000	$'000
(Loss) / profit for the year	(27,839)	5,850
Depreciation and amortisation expense	3,559	3,376
Impairment of goodwill	29,446	-
Loss on disposal of assets	1	-
Share based payment expense	(23)	33
Movement in cash flow hedges	288	124
Changes in net assets and liabilities, net of effects from acquisition of businesses:		
(Increase)/decrease in assets:		
Trade and other receivables	4,333	(31)
Inventories	(673)	(1,431)
Other assets	(168)	(75)
Increase/(decrease) in liabilities and reserves:		
Trade and other payables	(995)	583
Provisions	155	194
Current and deferred tax liabilities	(592)	(1,832)
Other liabilities	(182)	(176)
Net cash from operating activities	**7,310**	**6,615**

28. OPERATING LEASE ARRANGEMENTS

	2018	2017
	$'000	**$'000**
Non-cancellable operating lease expenses		
Not later than 1 year	705	932
Later than 1 year and not later than 5 years	1,966	775
Later than 5 years	-	-
	2,671	**1,707**

The non-cancellable operating leases relate to leases for the:

1. Melbourne support office: term of 5 years, with rental increasing annually by 3.75%;
2. Warehouse storage facility: remaining term of 0.5 years with a two-year option and rental to increase annually by 3.5%;
3. Other leases: forklifts, motor vehicles and photo copiers for terms between 1 and 5 years.

29. CAPITAL EXPENDITURE COMMITMENT

	2018	2017
	$'000	**$'000**
Plant and equipment	515	-

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

30. CONTINGENT LIABILITIES

	2018	2017
	$'000	**$'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	340

To the best knowledge of the Directors aside from the Bank Guarantees disclosed, no other contingent liabilities exist for the reporting period ending 1st July 2018.

NOTES TO THE FINANCIAL STATEMENTS

31. REMUNERATION OF AUDITORS

	2018	2017
	$'000	$'000
Auditor of the parent entity		
Audit or review of the financial report	147,425	140,425
Non-audit services – tax and other services	45,052	61,070
	192,477	**201,495**

The auditor of Pental Limited is Deloitte Touche Tohmatsu.

32. 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 su/mmary of the significant accounting policies relating to the Group.

Financial position	2018	2017
	$'000	**$'000**
Assets		
Current assets	1	1
Non current assets	57,391	77,943
Total assets	**57,392**	**77,944**
Liabilities		
Current liabilities	68	592
Non current liabilities	-	-
Total liabilities	**68**	**592**
Equity		
Issued capital	90,658	90,658
Accumulated losses	(33,334)	(13,306)
Total equity	**57,324**	**77,352**
Financial performance	**2018**	**2017**
Loss for the year	(20,022)	-
Other comprehensive income	-	-
Total comprehensive income	**(20,022)**	**-**

33. SUBSEQUENT EVENTS

Dividends

In respect of the year (52 weeks) ended 1 July 2018 the Company will pay final fully franked dividend of 0.90 cents per ordinary share, payable to shareholders on 28 September 2018, with a record date of 10 September 2018.

Other

Pental continues to investigate other initiatives to increase sales revenues. With the success of the Unilever distribution partnership with the Pears Brand, Pental has embarked upon investigating opportunities with other well established and recognised imported brands and products.

ADDITIONAL STOCK EXCHANGE INFORMATION

as at 22 August 2018

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 1,499 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 Share Rights

There are no voting rights attached to performance share 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	262
1,001 – 5,000	534
5,001 – 10,000	231
10,001 – 100,000	401
100,001 and over	71
	1,499
Holding less than a marketable parcel	**402**

Substantial shareholders

	Fully paid ordinary shares	
Ordinary shareholders	**Number**	**Percentage**
Alan Johnstone[i]	29,849,050	21.91%
John Rostyn Homewood	18,300,000	13.47%
BNP Paribas Noms (NZ) Ltd[ii]	11,280,002	8.28%
Citicorp Nominees Pty Limited[iii]	10,050,347	7.38%
	69,479,399	**51.04%**

TWENTY LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

		Fully paid ordinary shares	
	Ordinary shareholders	**Number**	**Percentage**
1	WESTERN PARK HOLDINGS PTY LTD <JOHNSTONE FAMILY A/C>	27,191,619	19.96%
2	MR JOHN ROSTYN HOMEWOOD	18,350,000	13.47%
3	BNP PARIBAS NOMS (NZ) LTD <DRP>	11,280,002	8.28%
4	CITICORP NOMINEES PTY LIMITED	10,050,348	7.38%
5	MR GARRY GEORGE JOHNSON	6,670,739	4.90%
6	J P MORGAN NOMINEES AUSTRALIA LIMITED	4,739,429	3.48%
7	PJR SUPERANNUATION PTY LTD <PJR SUPERANNUATION FUND A/C>	4,210,927	3.09%
8	NATIONAL NOMINEES LIMITED	3,506,299	2.57%
9	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	3,304,487	2.43%
10	DALLMOUNT CUSTODIANS PTY LTD	3,000,000	2.20%
11	DALLMOUNT PTY LTD <LABELMAKERS SUPER FUND A/C>	2,666,668	1.96%
12	P M S F COMPANY PTY LIMITED <PENFOLD MTR BURWOOD S/F A/C>	2,657,431	1.95%
13	RATHVALE PTY LIMITED	1,832,759	1.35%
14	ONE MANAGED INVT FUNDS LTD <1 A/C>	1,695,639	1.24%
15	VANWARD INVESTMENTS LIMITED	1,438,294	1.06%
16	DALLMOUNT PTY LTD <LABELMAKERS S/F A/C>	1,204,761	0.88%
17	W A PEATT PTY LTD <THE PEATT SUPER FUND A/C>	1,050,000	0.77%
18	BARKING DOG PTY LTD <NETTLEFOLD SUPER FUND A/C>	933,530	0.69%
19	BUDUVA PTY LTD	879,009	0.65%
20	DIXSON TRUST PTY LIMITED	855,000	0.63%
		105,516,941	**78.94%**

(i) Alan Johnstone has a relevant interest in Pental shares held by Western Park Holdings Pty Ltd and PMSF Company Pty Ltd <Penfold Motors Burwood Super Fund>.
(ii) Elevation Capital Management Ltd. has a relevant interest in shares held by BNP Paribas Noms (NZ) Ltd.
(iii) Allan Gray Australia Pty Ltd has a relevant interest in shares held by a number of investment institutions including Citicorp Nominees Pty Limited, JP Morgan Nominees Australia Limited and National Nominees Limited amounting to 13.43% of the total issued capital of Pental Ltd.

CORPORATE DIRECTORY

DIRECTORS
Mr Peter Robinson, Chairman
Mr Mel Sutton, Vice Chairman
Mr John Etherington
Mr John Rishworth
Ms Kimberlee Wells

COMPANY SECRETARY
Mr Oliver Carton

REGISTERED OFFICE
Level 6, 390 St Kilda Road
Melbourne VIC 3004
Telephone: +61 3 9251 2311

MANUFACTURING AND DISTRIBUTION
18-22 Drummond Road
Shepparton VIC 3630
Telephone: +61 3 5820 5200

SHAREHOLDER ENQUIRIES:
SHARE REGISTER
Boardroom Pty Limited
Grosvenor Place, Level 12,
225 George Street
Sydney NSW 2000
Telephone within Australia: 1300 737 760
Telephone outside Australia: +61 2 9290 9600
Facsimile: +61 2 9279 0664
www.boardroomlimited.com.au

AUDITORS
Deloitte Touche Tohmatsu
550 Bourke Street
Melbourne VIC 3000
Telephone: +61 3 9671 7000

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

WEBSITE
www.pental.com.au

ABN
29 091 035 353

pental