pental

Managing Brands

Annual Report 2019

CONTENTS

Managing trusted brands that get the job done.

We are a proud Australian company with a diverse portfolio of iconic brands that are found in households across Australia, New Zealand and Asia.

Our brands - White King, Janola, Sunlight, Country Life, Velvet, Softly, Huggie, Pears, Duracell, Little Lucifer and Jiffy - have been used by families for generations. All created to make everyday life that much easier - that much simpler.

The Pental tradition of providing our customers with products of superior quality continues with constant product innovation and improvements.

We are the largest Australian manufacturer of bar soaps, liquid bleach and firelighter cubes. For more than 60 years we have worked hard to stay true to our Australian heritage, investing in our manufacturing plant in Shepparton, Victoria.

As an established full-service business, our dedicated team also manages brands for other companies from manufacturing to distribution, customer relations to sales and marketing success.

We call it partnership excellence.

MANAGING BRANDS

Our business model

A consumer goods powerhouse, we leverage our fully integrated supply chain and expertise to drive the growth of consumer brands we make and those we distribute for others.

We manufacture and distribute household, fabric and personal care, and commercial products to service the fast moving consumer goods markets in Australia, New Zealand and Asia.

Brand strategy

- Market sizing and feasibility
- Category analysis
- Competitor evaluation
- Brand and product assessment

Manufacturing

- Continuous 24/7 operation
- Four production plants at Shepparton site:
  - Household cleaning liquids
  - Bar soap
  - Laundry and dishwashing liquids
  - Firelighters
- Contract manufacturing
- Quality certified ISO 9000 215 and HACCP

Warehousing and logistics

- Secure, state-of-the-art storage facilities at Shepparton
- Third-party warehousing in New Zealand
- Supply chain management
- Electronic Data Interchange for major customers
- Optimised paths and intelligent top-up / put-away routines

Financial administration

- Integrated end to end Enterprise Resource Planning system
- Comprehensive performance reporting
- Cost modelling review

Marketing and sales

- Brand and product management
- Field sales and merchandising
- Above-the-line and below-the-line marketing
- Data analysis and sales forecasting
- Our channels:
  - Grocery
  - Hardware
  - Pharmacy
  - Retail
  - Food service
  - E-commerce

YEAR AT A GLANCE

AUG 18

Shepparton warehouse and distribution centre gets a special Duracell fit out, ready to handle 17 million consumer units

Huggie fabric softener wins a Canstar Blue Award for 'Most satisfied customers'

SEP 18

Three-year distributorship with Duracell begins in Australia

NOV 18

White King Toilet Gels Lemon cleaner ranks No.1 from 2017

JAN 19

Softly welcomes two iconic brands, Martha's and Lux Pure Soap Flakes to the family with a fresh new look

Duracell ranged in Coles Express stores Australia wide

FINANCIAL YEAR ENDING 30 JUNE 2019

In a highly competitive market, our brands remain well-placed enjoying strong market shares and positive customer feedback.

FEB 19

White King supports junior club football through the Muddy Moments campaign with the Western Bulldogs and the Western Regional Football League

MAR 19

First Tradies Bar Soaps launched in Chemist Warehouse

APR 19

Janola, New Zealand's go-to cleaning brand for over 60 years, is voted Highly Commended in the Cleaning Products category for the Reader's Digest New Zealand 2019 Trusted Brands awards

MAY 19

Pental brands hit the shelves in Shanghai, China following partnerships with strategic distributors

Huggie adds new formulations designed to make laundry time faster and easier - quick dry, easy iron, fast cycle and wrinkle release

JUN 19

Softly wool wash is Australia's first Woolmark-certified detergent after it passed rigorous independent testing

White King Bathroom Cleaner and Pears Hand Soap win Canstar Blue Awards for 'Most satisfied customers'

CHAIRMAN'S REVIEW

Underlying profit after tax[1] of $3.451 million for the 2019 financial year.

On behalf of the Pental Board, I am pleased to update our shareholders, employees, suppliers and our customers on developments for the Company over the last 12 months.

Pental has reported an underlying profit after tax[1] of $3.451 million for the 2019 financial year in contrast to last year's underlying profit after tax[1] of $2.602 million. Last year, we flagged the importance of expanding our distribution business and these results certainly validate our future growth strategy is heading in the right direction. The successful addition of Duracell distributorship to the Pental stable of brands was instrumental in achieving 2019 results.

The three-year strategic partnership which began in September 2018 was quickly integrated, moving Duracell products to supermarkets, pharmacies and service stations across Australia within weeks. It has enabled us to leverage our existing infrastructure to gain scale and achieve better recovery of our fixed costs, supporting sustainable profit growth.

The potential of the partnership is reflected in our strong performance with gross sales of $153.986 million, up 42.02% or $45.559 million on last year driven predominantly by the 10 month contribution of the Duracell business.

Trade spend (rebates and discounts) of $53.540 million was 63.43% higher than prior year compared to FY 18 trade spend of $32.760 million. The ratio of trade spend to gross sales increased by 4.56% to 34.77% compared to the prior year of 30.21%. This increase is mainly due to Duracell which attracts a higher trade spend than Pental's other products due to the category's rebate structure. As a result, net sales revenue grew by 32.7% in total over the 2019 financial year compared to prior year.

[1]Underlying profit after tax represents reported statutory profit after tax adjusted for significant items (net of related tax effect) as referred to above.

CHAIRMAN'S REVIEW (CONTINUED)

FINANCIAL PERFORMANCE

Including non-cash significant items, reported net profit after tax was $1.921 million for the year (2018: net loss after tax of $27.839 million). Underlying EBIT[2] of $5.014 million was 32.54% up on prior year.

The Company executed its brand consolidation strategy by co-branding its Lux and Martha's brand names under the Softly umbrella to build a strong laundry care portfolio. This consolidation strategy enabled Pental to protect its shelf space by increasing presence of Softly brand while supporting the brand more economically due to scale. Early sales data supports this strategy as co-branded product sales have increased in the first five months. As per the applicable accounting standards, the company has taken a non-cash impairment charge of $0.510 million (net of tax) on Lux and Martha's brand names in FY19. The company has also taken a further non-cash impairment charge of $1.020 million (net of tax) on its Country Life and Hi Speed brand names reflecting a sustained change in market conditions and consumer behaviours.

Neither write down has a material impact on our operations and in the case of Country Life, we anticipate Australian consumers to follow international trends which are seeing bar soap products return to favour because of their ecofriendly packaging compared to liquid soaps.

Reconciliation of reported statutory profit to underlying profit.	FY19 (i) $'000	FY18 (i) $'000	% Change
Underlying EBITDA	**8,330**	**7,342**	13.5%
Depreciation and amortisation	(3,316)	(3,559)	
Underlying EBIT	**5,014**	**3,783**	32.5%
Finance costs	(73)	(40)	
Underlying profit before tax	**4,941**	**3,743**	32.0%
Underlying income tax expense	(1,490)	(1,141)	
Underlying net profit after tax	**3,451**	**2,602**	32.6%
Significant items (net of tax):			
Impairment of brandnames (net of tax)	(1,530)	-	
Impairment of goodwill(ii)	-	(29,446)	
ACCC penalty and costs(iii)	-	(995)	
Reported (loss) / profit after tax	**1,921**	**(27,839)**	+100.0%

(i) Non-IFRS financial table
(ii) Impairment of goodwill in prior period is not tax deductible
(iii) Penalty of $700 thousand in prior period is not tax deductible

Pental's cash position is positive with no debt and net cash of $0.246 million, despite funding the working capital requirements of the additional Duracell business during the year.

The Board has recommended payment of a fully franked final year dividend of 1.3 cents per ordinary share. This brings the total dividend for the financial year to 2.0 cents per share (vs FY18 1.5 cents per share), representing a payout ratio of 79.0%, adjusted for non-cash brand impairment (2018: 78.5% adjusted for non-recurring items of ACCC fine, legal fees and the goodwill impairment).

[1]Underlying profit after tax represents reported statutory profit after tax adjusted for significant items (net of related tax effect) as referred to above.

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

MARKET OVERVIEW

Pental is investing in marketing and price matching initiatives to protect our market share and shelf space in an increasingly aggressive competitive environment in key categories & segments. As a result, sales grew in branded bleach, cleaners and firelighters compared to prior year. In both toilet and dishwash, sales have been impacted as half price promotions have become the norm and consumers switch brands in response. Bar soap also experienced a decline in sales compared to prior year due to heavy price discounting and changing consumer preferences.

As private label grew driven by growth in bleach, fabric softeners and firelighters categories, Pental continued to focus on smart ways to reduce production costs and remain competitive, to better target the increasing share of private label in that fast-moving consumer goods market.

In this highly competitive market, our brands remain well-placed with Pental enjoying positive market shares in categories such as toilet, household cleaning and dish wash in New Zealand while in Australia White King bleach[1] and White King Lemon toilet gel[2] retain their #1 position in grocery along with the Jiffy[1] and Softly[1] brands in their segments.

More progress was made with our value generation strategy through a new arrangement to supply Pears and Country Life Tradie Soap to Australia's largest pharmacy retail chain, Chemist Warehouse. We also marked five years of partnership with Unilever as the exclusive Australian distributor for Pears soaps and body washes, which acknowledges our expertise in managing brands.

Our ability to develop new offerings from trusted and established brands provides us with a faster track to winning a share of household spending.

Four new innovative Huggie fabric softener choices were released through Woolworths this year, each offering time, energy and water saving outcomes such as faster drying of clothes, easy ironing, wrinkle release qualities and better softening for clothes in fast wash cycles.

Other product innovations brought to market include a Velvet bloom beauty bar, four new toilet cleaning products in Metcash and the new Country Life Tradies Soap Bar released through Chemist Warehouse and Metcash. Four new Pears products were also stocked by Chemist Warehouse providing consumers with more choice in a trusted brand range.

Pental maintains a close watch on costs while improving efficiencies. A staff restructure undertaken in last financial year led to indirect wages being $0.542 million lower in the current financial year, despite absorbing the Duracell business.

Asia remains an important part of our long-term growth vision. Although sales remained in line with prior year, margins were improved following the realignment of our distribution network into the region.

[1]Based on Aztec data MAT 6/01/19
[2]Based on Aztec data MAT 22/07/19

LOOKING FORWARD

Intense competition and price cutting in the consumer goods market are expected to continue in the medium to long term. Pental's strategic distribution partnership with Duracell and Pears will support sustainable profitability and we are now exploring additional partnership opportunities. We continue to support our own trusted brands such as White King, Janola and Huggie with strong investment in field and merchandising support.

Product innovation will be a key to Pental's long term success, and we are exploring opportunities to introduce brand extensions, similar to the successful Huggie variants released through Woolworths this year.

The Company is also working with key customers to execute a brand realignment strategy within the household laundry liquid wash segment, focused on creating a power brand and sub brands.

In a further step towards export growth, we are currently negotiating terms of trade with a large distributor in China which will provide a large-scale entrance into the market where high quality Australian brands are well regarded. The Company is also exploring opportunities in South Korea, Indonesia, Thailand and Taiwan.

Continuous improvement initiatives will drive increased efficiencies and cost improvements. Keeping costs down will be important to challenge growth in private label products which are gaining momentum in a cost-conscious consumer market. To support cost control, production efficiency and growth in contract manufacturing opportunities, Pental will invest in replacing one of its old liquid lines in the coming year. This will be used for non-bleach liquids such as hand soap and dishwashing detergent.

I acknowledge the efforts of my fellow Directors over the past year, thank departing Directors Mel Sutton and Kimberlee Wells for their valuable contribution, and warmly welcome new Directors Mark Hardgrave and Jeff Miciulis. On behalf of the Board I sincerely thank our people for their committed efforts during the year, including our executive team who have used their extensive experience to lead the business through challenging market conditions and constant change. We again thank our shareholders, suppliers and customers for their ongoing loyalty and support.

Peter Robinson
Chairman

DIRECTORS' REPORT

The directors of Pental Limited submit herewith the annual financial report of the company for the year (52 weeks) ended 30 June 2019. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

PETER ROBINSON

B.Eco (Mon)
Non-Executive Independent Chairman

Experience and responsibilities

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.

JOHN RISHWORTH

Non-Executive Independent Director

Experience and responsibilities

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 9 September 2004.
Member of Audit Committee and Member of Remuneration Committee.

MEL SUTTON

B.Com, Non-Executive Vice-Chairman (Resigned)

Experience and responsibilities

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.

Resigned 31 December 2018.

KIMBERLEE WELLS

Non-Executive Independent Director (Resigned)

Experience and responsibilities

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.

Resigned 21 March 2019.

JOHN ETHERINGTON

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

Experience and responsibilities

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

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

JEFF MICIULIS

Non-Executive Independent Director

Experience and responsibilities

Jeff brings 35 years' experience in Sales, Marketing, Country Leadership, and Regional Leadership at Energizer in both Household Batteries, and Personal Care Shaving Products. He commenced his career as a Sales Trainee with Eveready Australia and rose to become National Sales Manager before taking his career overseas for the next 20 years. During that time he held numerous leadership roles of increasing responsibility across multiple international markets.

Overseas roles included International Marketing, General Manager South Africa, Managing Director Malaysia, Regional Vice President Middle East, and Africa, and Regional Vice President South Asia, and China.

Appointed 5 March 2019.
Member of the Audit Committee and Member of Remuneration Committee.

MARK HARDGRAVE

B.Ec,
Non-Executive Independent Director

Experience and responsibilities

Mark has over 35 years' experience having held previous positions in corporate finance, funds management and various C-suite roles. He is currently a non-Executive Director of ASX listed companies Traffic Technologies Limited, Wingara AG Limited and a Director of Reclink Australia.

He is a co-founder and former joint Managing Director of M&A Partners, a Melbourne based boutique corporate advisory group. Prior to that, Mark was involved in funds management, equity capital markets and mergers & acquisitions in various roles at firms such as Bennelong Group, Thorney Investment Group, Merrill Lynch and Taverners Group.

Appointed Director 1 May 2019
Member of Audit Committee and Member of Remuneration Committee.

The above named directors held office during the financial year. Refer above for details of directors who did not hold a position for the whole 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 (CONTINUED)

DIRECTORS' SHAREHOLDINGS

The following table sets out each director's relevant interest in shares, debentures, and rights or options in shares or debentures 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	–
John Rishworth	13,208	–
John Etherington	160,000	–
Jeff Miciulis	800,000	–
Mark Hardgrave	–	–

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.

OLIVER CARTON

B Juris LL.B
Company Secretary

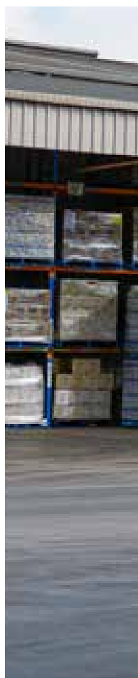
Experience and responsibilities

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

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

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.




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

Company overview: Trusted brands that get the job done

Pental Limited is a trusted manufacturer and distributor of personal, household and commercial products across Australia, New Zealand and Asia. The company is based in Australia and has 126 employees.

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

The Company also provides distributorship services to brands and products that are non-perishable and have a long shelf life.

Pental has grown through dedication to customer service, efficiency and quality.

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

The production plant at Shepparton facilities comprise of:

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

Across Australia and New Zealand, Pental's products are stocked in all major grocery retailers and convenience stores that sell personal care and household cleaning products. We continue to expand into commercial and industrial channels.

PENTAL'S CORE BRANDS

Pental's core brands are household names:

- White King in Australia
- 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.

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

This has been achieved mainly through creating partnerships with strategically aligned distributors. We are also exploring opportunities around e-commerce platforms and other overseas markets to expand our business.

REVIEW OF OPERATIONS

	FY19 (i)	FY18 (i)	Change	
	$'000	$'000	$'000	%
Underlying financial performance				
Gross Sales	**153,986**	108,427	45,559	42.0% ↑
Trade spend rebates & discounts	**(53,540)**	(32,760)	(20,780)	-63.4% ↑
Sales Revenue Trade spend to gross sales	**100,446** **34.8%**	75,667 30.2%	24,779	32.7% ↑ -4.6%
Underlying EBITDA Underlying EBITDA to net sales	**8,330** **8.3%**	7,342 9.7%	988	13.5% ↑ -1.4% ↓
Depreciation & Amortisation	**(3,316)**	(3,559)	243	6.8%
Underlying EBIT Underlying EBIT to net sales	**5,014** **5.0%**	3,783 5.0%	1,231	32.5% ↑ 0.0%
Underlying net profit after tax	**3,451**	2,602	849	32.5% ↑
Reported Profit / (loss) after tax	**1,921**	(27,839)	29,760	+100% ↑
Shareholder metrics				
Basic EPS - cents per share	**1.41**	(20.43)		+100% ↑
Underlying Basic EPS - cents per share (iii)	**2.53**	1.91		32.5% ↑
Total Dividends declared - cents per share	**2.00**	1.50		33.3% ↑
Cashflow and capital management				
Working Capital (ii)	**23,377**	14,003	9,374	66.9% ↑
Net Cash/(Debt)	**246**	7,045	(6,799)	-96.5% ↓
Gearing (iv)	**0.0%**	0.0%		

(i) 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 FY19 and FY18 of 136,250,633 used in the calculated of reported basic EPS.
(iv) Net debt to equity. Net of cash at bank and overdraft facility utilised at 30 June 2019 was $0.246 million.
Refer to note 27 (a) of the financial statements.

DIRECTORS' REPORT (CONTINUED)

UNDERLYING FINANCIAL PERFORMANCE

- Gross sales of $153.986 million was up 42.0% or $45.559 million on last year, driven by addition of Duracell distributorship.
- Gross sales in Australia were up 53.9% or $46.446 million on last year predominantly due to addition of Duracell batteries. Excluding Duracell, gross sales were down $6.389 million or 7.4% compared to prior year. Whilst branded gross sales grew in bleach (2.0%), cleaners (2.0%), fabric softeners (39.1%) and firelighters (2.5%), it declined in bar soaps (-20.3%) & toilet (-17.5%) categories due to competitive and price deflationary market conditions. Private Label business grew by 2.6% led by growth in bleach, fabric softeners and firelighters.
- Gross sales revenue in New Zealand was down $1.588 million on last year (in New Zealand dollars) or 7.2% driven by persistent price competition in manual dishwash (-11.5%) and toilet (-7.6%) categories. However, sales remained firm in bleach (0.4%), cleaners (1.8%) and firelighters (2.8%). Pental's share in New Zealand market in several categories such as Toilet, Household Cleaning and Dish Wash remains strong.
- Exports to Asia remained in line with prior year however consolidation of various small distributors resulted in healthy margin improvements. Pental continues to explore and make progress towards partnerships with large established distributors aiming to reach a large consumer base.
- Trade spend (trading terms, promotional activities and discounts) represented 34.8% of gross sales compared to 30.2% in the previous corresponding period. This was predominantly a result of additional Duracell business which attracts high terms of trade compared to Pental's own brands. Excluding Duracell, ratio of trade spend to gross sales improved in Australia as a result of focused promotional plans which generate healthy uplifts with positive margins. Trade spend in NZ increased marginally as a result of price matching initiatives in dish wash category to protect market share.
- Net sales (after trade spend) of $100.446 million was up 32.75 % or $24.779 million on last year.
- Underlying EBIT (Earnings Before Interest and Tax) of $5.014 million was $1.231 million (or 32.5%) up on last year, excluding significant items below:
  - Non cash impairment charge of $2.185 million ($1.530 million net of tax) on brand names
  - ACCC related expenses in the prior period: ACCC non-deductible Penalty $0.700 million and ACCC legal costs $0.421 million, as disclosed in 2018 annual report.
  - Impairment of Goodwill (non-cash item) $29.446 million in the prior period, as disclosed in 2018 annual report.
- 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".

Gross sales of $153.986 million up 42.0% or $45.559 million on last year, driven by addition of Duracell distributorship.

Gross sales in Australia up 53.9% or $46.446 million on last year.

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

	FY19 (i) $'000	FY18 (i) $'000	% Change
Underlying EBITDA	**8,330**	**7,342**	13.5%
Depreciation and amortisation	(3,316)	(3,559)	
Underlying EBIT	**5,014**	**3,783**	32.5%
Finance costs	(73)	(40)	
Underlying profit before tax	**4,941**	**3,743**	32.0%
Underlying income tax expense	(1,490)	(1,141)	
Underlying net profit after tax	**3,451**	**2,602**	32.6%
Significant items (net of tax):			
Impairment of brandnames (net of tax)	(1,530)	-	
Impairment of goodwill (ii)	-	(29,446)	
ACCC penalty costs (iii)	-	(995)	
Reported (loss) / profit after tax	**1,921**	**(27,839)**	+100.0%

(i) Non-IFRS financial table
(ii) Impairment of goodwill in prior period is not tax deductible
(iii) Penalty of $700 thousand in prior period is not tax deductible

- Pental continued its focus on efficiency improvements whilst rationalising all costs. As a result:
  - o Gas costs were down $0.174 million in reduced usage delivered by replacement of old boiler with 4 smaller energy efficient gas boilers during the year.
  - o Electricity costs remained in line with last year despite rates going up 7.5%. An initiative to change floor lights to LED delivered cost savings which offset the impact of market price rise.
  - o A staff restructure undertaken in second half of 2018 financial year resulted in indirect wages being $0.542 million down on last year even after absorbing impact of additional Duracell business.
  - o Marketing and research expenses were down by $0.588 million compared to prior year driven by targeted spend on major projects.

  However, these significant savings were offset by:
  - o Freight out and distribution costs were up $0.700 million driven by additional Duracell volume. However, due to high value, low space nature of batteries, ratio of freight out to gross sales improved from 4.91% in prior year to 3.91% in reported period.
  - o Wages relating to warehousing & distribution went up by $0.114 million predominantly as a result of additional Duracell volume.
- Reported net profit after tax (NPAT) for the year (52 weeks) ended 30 June 2019 was $1.921 million (2018: loss of $27.839 million).

SHAREHOLDER METRICS

- The total dividend for the 2019 financial year is 2.0 cents per ordinary share (2018: 1.5 cents), representing 79.0% (2018: 78.5%) of the full-year underlying net profit after tax and consists of:
  - Interim fully franked dividend of 0.70 cents per ordinary share, which was paid 27 March 2019; and
  - Proposed final fully franked dividend of 1.3 cents per ordinary share, payable to shareholders on 27 September 2019, with a record date of 9 September 2019.
- Basic earnings per share of 1.41 cents was a turnaround from loss of 20.43 cents per share in 2018. On an underlying basis, (excluding significant items) basic earnings per share were 2.53 cents, an increase of 0.62 cents (or 32.6%) compared to underlying basic earnings per share in the prior period of 1.91 cents.

CASH GENERATION AND CAPITAL MANAGEMENT

Net cash used in operating activities was $2.430 million (2018: Net cash provided by operating activities $7.310 million) predominantly driven by working capital requirements of Duracell business. Excluding impact of Duracell distributorship, total working capital improved on prior period by $1.451 million.

Net working capital (receivables, inventories less trade and other payables) of $23.377 million was higher than last year by $9.374 million driven by Duracell distributorship.

Pental's debtors' position continues to be strong, with very minimal overdues as at the reporting date.

Capital investment of $2.189 million was $6.057 million lower than prior year. However, prior year capital investment included acquisition of the Shepparton property which was settled on the 2nd August 2017 for $7.312 million. Major capital investment initiatives undertaken during the FY 19 year included replacement of an old depreciated large boiler with 4 small energy efficient boilers that provide flexibility to adjust to production scale resulting in significant gas savings. Replacement of one liquid filling line was also underway as at the reporting date. The new liquids line will be used to service existing liquids business with greater speeds. The new filling line will also enable Pental to target additional private label opportunities.

The company's closing net cash position of $0.246 million was debt free. Please refer to note 27 (a) to the financial statements for details.

Strategic objectives: The five key pillars

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's strategy supports its vision to be a leading supplier of shelf stable (non-food) products to its chosen markets through delivering quality, innovation and sustainability to the satisfaction of customer needs while enhancing shareholder value.

Our strategy has five pillars; domestic sales growth, new products and channels, value added projects, exports and continuous manufacturing improvement. These five pillars support organic growth and are matched by our work to establish new partnerships and distributorships that will complement our product range, expertise, and leverage our infrastructure while expanding into new channels.

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

1. DRIVING SALES GROWTH

In common with our competitors, we operate in markets which have changed dramatically. Brand loyalty is being eroded by constant discounting which is training consumers to make buying decisions based on promotional pricing. Consequently, shoppers now have as many as four preferred brands, with price often determining choice.

Retailer margin requirements, especially in supermarket chains, are also resulting in lower gross margin returns for manufacturers and suppliers. At the same time, major retailers are developing their own private label brands. It's a challenging market for every brand and their suppliers, with companies like Pental working hard to compete, but not at any cost.

We are investing in price matching initiatives and field support to protect our share of shelf space, our market share and our brand equity in key categories. We constantly review the effectiveness of promotions in driving sales and margins, and the contribution made by products and their variants to overall sales. This enables us to identify early opportunities for the innovative product developments which support sales growth and differentiate us from the competition.

Despite challenging conditions, we have grown sales in branded bleach, cleaners and firelighters. Our Jiffy firelighter brand delivered year-on-year sales growth of 10%.

We also see opportunities to complement revenues from our branded portfolio by manufacturing private label products, where it makes commercial sense. Securing third party accreditation for our manufacturing and supply chain through ISO9002 and HACCP makes us an attractive manufacturing partner with established credentials.

2. NEW PRODUCTS AND CHANNELS

The combination of a trusted name with an innovative idea encourages loyal consumers to stay with their preferred brands while tempting other consumers to switch. Across our main categories, Pental's commitment to innovation supported the performance of our brands through the year.

White King's new range of Australian-made double strength toilet gels has been a success based on both quality and performance deliverables. We are now extending the range by developing two new products for both the domestic and export markets. The two new products to be launched in second half of 2019 are a double strength toilet cleaning gel that cleans and kills germs in 30 seconds.

Range extension into Costco continued through the year with White King's leading 700ml Toilet Gels and Mould and Soap Scum Remover now available in both a three and four pack.

In May 2019, the new innovative Huggie time saving range of fabric softeners was released into Woolworths supermarkets nationally. The New Huggie Easy Iron, Huggie Quick Dry, Huggie Fast Cycle and Huggie Wrinkle Release Fabric Softeners demonstrate Pental's commitment to innovation and high-quality Australian products.

Pental has developed three new Sunlight Dishwashing variants - charcoal, bamboo and lemon anti-bacterial - to be exported to the New Zealand market and launched into IGA's in the Australian market. In the bar soap category, we launched a soap bar designed for "Tradies" in both IGA Supermarkets and Chemist Warehouse. An all new Pears 750ml three pack body wash innovation was added in this category.

More opportunities for innovation will be supported by the installation of an all new liquids production line in Shepparton. It will create opportunities to launch into new personal care segments, while enabling growth in third party manufacturing, especially in the private label category.

The year saw further alignment between Pental's brands and the Australian Made Campaign. All new products across four 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 goods.

3. VALUE ADDED PROJECTS

Distribution partnerships, brand consolidation and securing new agencies or new product segments all support the third pillar of Pental's strategy.

The year saw Pental become the official Australian and New Zealand distributor for Duracell batteries following the completion of the large strategic project to secure the brand through negotiations with Duracell Asia. Duracell has already made a valuable contribution to Pental's performance in its first 10 months under our watch.

More opportunities for efficiencies and growth were secured through the finalisation of the brand consolidation strategy to bring both Martha's and Lux under the Softly master brand. The strategy has ensured overall brand revenue is not compromised while improving both product formulations and packaging designs. Notably, Softly is the first Woolmark certified detergent.

In a further step forward, Pental successfully ranged the Pears brand of soaps and liquids into Chemist Warehouse with five new products. In addition, Pental has opened new channels, launching a core range of Pears products on Amazon.com.au.

The Company is also partnering with Monash University's research and development team, ensuring all new product development has a distinct point of competitive difference in its respective category. The Monash partnership enables Pental to support value adding projects through collaboration on market leading innovation and technology.

4. EXPORTS

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

We enjoy a strong partnership with our Auckland-based sales and distribution agent. To support growth through innovation, we are updating all the Janola domestic cleaning range packaging for the New Zealand market.

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

China and Vietnam are priority markets for export growth. Pental has formed strong alliances with distributors in both markets, including Silverstone, a family-owned distributor of Australian brands in the province of Hangzhou. Terms of trade are being negotiated with a distributor in China which will provide a large-scale entrance into the market. The Company is also exploring opportunities in South Korea, Indonesia, Thailand and Taiwan.

5. CONTINUOUS MANUFACTURING IMPROVEMENT

Pental's final strategic pillar of continuous manufacturing improvement seeks to support profitable growth through capital investment, along with cost savings and delivering high quality, trusted products.

In manufacturing, we have focused on improving labour and line efficiency through labour reduction strategies, CAPEX initiatives, reduced change over times, increased line availability time, and preventative maintenance programs.

As a result of capital investment this year, increased production is being achieved in the soap plant, delivering cost reductions and supporting future growth of single bar soaps for supply in both local and export markets.

Pental has successfully integrated a quality management system for both manufactured and purchased products. It supports "right first time" high quality production.

Supply chain and procurement initiatives have replaced road freight with expanding rail networks on the eastern seaboard and re-negotiated sea freight costs for exports. Pental works closely with raw material and packaging suppliers on cost reduction opportunities to offset rising commodity prices.

In preventive maintenance, an already robust system has been enhanced with further development in computerised maintenance management systems (CMMS) and predictive tools and technologies.

PENTAL NEW ZEALAND TEAM

DIRECTORS' REPORT (CONTINUED)

OPERATIONAL RISKS

Pental faces specific and general operational risks which may impact the future operating and financial performance of the Group. There can be no guarantee that Pental will achieve its objectives or that forward-looking statements will be realised.

The operating and financial performance is influenced by a variety of general economic and business conditions including levels of consumer spending, inflation, interest and exchange rates, and certain raw material prices.

Following is a summary of the most significant risks facing continuing business operations, as identified and assessed by a risk management process carried out by the Audit and Risk Committee and Pental's risk mitigation approaches:

Competition

The majority of Pental's branded products are sold in supermarkets in Australia and New Zealand. In both countries competition between retail chains is intense, leading to aggressive reviews of product mixes as well as increased moves towards own or private label products to improve retail margins. This situation is not unique to Pental and affects suppliers of the vast majority of products stocked across supermarket chains.

New entrants into Pental's market segment have the potential to cause market disruption across ours and competitors' brands as they bid to secure shelf space. This disruption has the potential to erode sales. Across the supermarket sector in both countries, operators are competing for shoppers' share of wallet through discounting and private label diversification. The competitive environment is challenging when suppliers need to recover rising input costs through prices rises and this impacts margins.

Pental 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.

Distributorship agreements

Pental currently has two significant distributorship agreements with Unilever International (Pears brand) and Berkshire Hathaway (Duracell brand). As a result, Pental is the master distributor of these brands for the Australian market and these agreements account for a significant portion of Pental's operating margins. These agreements are renegotiated and renewed every three years and include provisions that allow the contracts to be terminated on a performance basis. Pental proactively manages the performance of both distributorship agreements through joint business plans and monthly business reviews.

Product sourcing

Pental relies on a range of parties for its product-sourcing strategy. Any change in existing relationships (including the termination of any key supply arrangements) or any change in terms or conditions of overseas/local suppliers and any change in the political or economic environment may impact performance. Pental is continually refining its sourcing arrangements, including operating dual sourcing arrangements to reduce risk.

Supply chain

Pental has an extensive and reliable supply chain that enables us to efficiently procure and deliver products to customers. 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 can effectively manage this risk.

Loss of key personnel

Pental's future success depends to a significant extent on the retention of key personnel, particularly in senior management, who have extensive market and business knowledge. The loss of key personnel and the time taken to recruit suitable replacements or additional personnel could adversely affect the Company's future financial performance. The Board reviews the organisational structure of the business to ensure the best people are retained, whilst investing in developing other key people in the business.

Damage to Pental's brands

The reputation and value associated with Pental's brand names could be adversely impacted by various factors including quality failures, disputes with third parties such as suppliers or customers or adverse media coverage. Significant erosion in the reputation of, or value associated with, Pental's brands could have an adverse effect on Pental's future financial performance. Pental believes that its quality processes and systems, and proactive tracking and management of any disputes, minimises this risk.

OUTLOOK

The outlook for the Group is contained in the Chairman's report.

CHANGES IN THE STATE OF AFFAIRS

During the financial year there were no significant changes in the state of affairs of the Group, other than as referred to in this Annual Report.

FUTURE DEVELOPMENTS

Information regarding likely developments in the operations of the Group in future financial years is set out in the Review of operations and elsewhere in the Annual Report.

SUBSEQUENT EVENTS

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 30 June 2019 an interim fully franked dividend of 0.70 cents per ordinary share was paid on 27 March 2019, and the directors have declared the payment of a final fully franked dividend of 1.3 cents per ordinary share, payable to shareholders on 27 September 2019, with a record date of 9 September 2019. The total dividend for the FY19 financial year of 2.0 cents per share represents a payout ratio of 79.0% of net profit after tax and before significant items.

In the prior year ended 1 July 2018, the total dividend paid was 1.5 cents per ordinary share, representing a payout ratio of 78.5% of net profit after tax and before significant non cash 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 Trade Waste Agreement.

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

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

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

SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

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

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 (CONTINUED)

DIRECTORS' MEETINGS

The following table sets out the number of directors' meetings (including meetings of committees of directors) held during the financial year and the number of meetings attended by each director (while they were a director or committee member). During the financial year, 13 Board, 4 Audit Committee and 2 Remuneration Committee meetings were held.

	Board of Directors		Audit Committee		Remuneration Committee	
Directors	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**	**Eligible to Attend**	**Attended**
Peter Robinson	13	12	4	3	2	2
John Rishworth	13	10	4	2	2	1
John Etherington	13	12	4	4	2	2
Jeff Miciulis (i)	5	4	1	1	1	1
Mark Hardgrave (ii)	3	3	1	1	1	1
Mel Sutton (iii)	8	8	2	2	1	1
Kimberlee Wells (iv)	10	5	-	-	1	1

(i) Jeff Miciulis was appointed non-executive director on 5 March 2019.
(ii) Mark Hardgrave was appointed non-executive director on 1 May 2019.
(iii) Mel Sutton resigned as non-executive vice chairman on 31 December 2018.
(iv) Kimberlee Wells resigned as non-executive director on 21 March 2019.

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 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 44 of the annual report.

ROUNDING OFF OF AMOUNTS

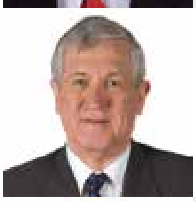
The Company is a company of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 dated 24 March 2016, and in accordance with that Corporations Instrument, amounts in the Directors' Report and financial report are rounded off to the nearest hundred thousand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



John Rishworth
Non-Executive Independent Director

John Etherington
Non-Executive Independent Director

Jeff Miciulis
Non-Executive Independent Director
(commencement date, 5 March 2019)

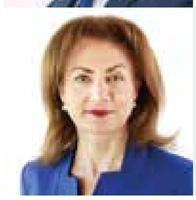
Mark Hardgrave
Non-Executive Independent Director
(commencement date, 1 May 2019)

Mel Sutton
Non-Executive Vice-Chairman
(departure date, 31 December 2018)

Kimberlee Wells
Non-Executive Independent Director
(departure date, 21 March 2019)

Charlie McLeish
Chief Executive Officer

Neil Godara
Chief Financial Officer
(commencement date, 10 October 2018)



Josephine De Martino
Chief Financial Officer
(departure date, 5 October 2018)

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 variable cash and equity incentives based upon key performance areas affecting the Group's financial results. The board of Pental Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives 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 Group'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 as per last approval is $0.750 million. Fees for non-executive directors are not linked to the performance of the Group. No shares or options have been issued to non-executive directors, under the performance rights plan or an option scheme, within the last five years.

KEY TERMS OF EMPLOYMENT CONTRACTS

Mr Charlie McLeish is employed by the Group 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 participate in the Executive Variable Incentive Plan (EVIP) which contains short term cash bonuses as well as performance rights that vest at a future date in 3 years. Eligibility criteria for EVIP is aligned to the Company's performance.

Mr Neil Godara is employed by the Group under an ongoing contract which may be terminated on one months' notice by either the Company or the executive. Mr Godara was not entitled to participate in EVIP for the reported period due to serving probation period after new appointment in line with the Company policy. Mr Godara is entitled to participate in the EVIP from the financial year beginning 1 July 2019.

REMUNERATION REPORT - AUDITED (CONTINUED)

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 following tables set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2019. 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.

	30 June 2019[1]	1 July 2018[1]	2 July 2017	26 June 2016[2]	28 June 2015[2]
	$'000	$'000	$'000	$'000	$'000
Gross sales	153,986	108,427	117,660	109,980	111,150
Net profit/(loss) before tax	2,756	(26,824)	8,343	8,218	7,035
Net profit/(loss) after tax	1,921	(27,839)	5,850	5,628	5,087
Underlying net profit after tax[1]	3,451	2,602	5,962	5,628	5,087

[1] Underlying net profit after tax has been adjusted to exclude brand impairment (FY19: $2,185 thousand, FY18: Nil), goodwill impairment (FY19: Nil, FY18: $29,446 thousand), ACCC penalty (FY19: Nil, FY18: $700 thousand), ACCC legal costs (FY19: Nil, FY18: $421 thousand, FY17: $160 thousand), and their respective income tax impact (FY19: $655 thousand, FY18: $126 thousand, FY17: $48 thousand). Refer to page 12 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 and FY15 underlying net profit after tax.

	30 June 2019	1 July 2018	2 July 2017	26 June 2016	28 June 2015
Share price at start of year	$0.280	$0.595	$0.575	$0.440	$0.033
Share price at end of year	$0.288	$0.280	$0.595	$0.575	$0.440
Interim dividend (cents) per share [1]	0.70	0.60	1.15	1.00	0.85
Final dividend (cents) per share [1, 2]	1.30	0.90	2.10	1.95	1.80
Basic earnings/(loss) cents per share	1.41	(20.43)	4.29	4.13	4.08
Diluted (loss)/earnings cents per share	1.41	(20.43)	4.18	4.04	4.02

[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.

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

2019	Short-term employee benefits			Post-employment benefits	Termination benefits	Share–based payments	Total $
	Salary & fees $	Bonus(x) $	Non-monetary(i) $	Super-annuation $	Lump Sum(viii) $	Rights(ix) $	
Non Executive Directors							
Peter Robinson	91,324	-	-	8,676	-	-	100,000
John Rishworth	54,795	-	-	5,205	-	-	60,000
John Etherington	54,795	-	-	5,205	-	-	60,000
Jeff Miciulis(ii)	18,265	-	-	1,735	-	-	20,000
Mark Hardgrave(iii)	9,132	-	-	868	-	-	10,000
Mel Sutton(iv)	36,529	-	-	3,470	-	-	39,999
Kimberlee Wells(v)	45,000	-	-	-	-	-	45,000
Total Directors	**309,840**	**-**	**-**	**25,159**	**-**	**-**	**334,999**
Executives							
Charlie McLeish	421,692	40,000	6,492	24,996	-	(56,992)	436,188
Neil Godara(vi)	115,041	10,000	3,002	10,929	-	-	138,972
Josephine De Martino(vii)	67,308	-	3,164	6,394	8,205	-	85,071
Total Executives	**604,041**	**50,000**	**12,658**	**42,319**	**8,205**	**(56,992)**	**660,231**
Total Remuneration	**913,881**	**50,000**	**12,658**	**67,478**	**8,205**	**(56,992)**	**995,230**

(i) Non-monetary benefits include car parking & motor vehicle toll tags.
(ii) Jeff Miciulis was appointed non-executive director on 5 March 2019.
(iii) Mark Hardgrave was appointed non-executive director on 1 May 2019.
(iv) Mel Sutton resigned as non-executive vice chairman on 31 December 2018.
(v) Kimberlee Wells resigned as non-executive director on 21 March 2019.
(vi) Neil Godara was appointed as Chief Financial Officer on 10 October 2018.
(vii) Josephine De Martino resigned as Chief Financial Officer on 5 October 2018.
(viii) Lump sum includes payment of balance of accrued leave entitlements paid out on termination and applicable superannuation.
(ix) Performance rights issued to Mr McLeish in prior periods are deemed unlikely to vest.
(x) The remuneration committee approved a one time special cash bonus for Mr McLeish and Mr Godara on 20 June 2019.

REMUNERATION REPORT - AUDITED (CONTINUED)

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

2018	Short-term employee benefits			Post-employment benefits	Termination benefits	Share–based payments	Total $
	Salary & fees $	Bonus $	Non-monetary[i] $	Superannuation $	Lump Sum[iv] $	Rights $	
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 ceased on 27 September 2017. As a result, all share-based payments on issue 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.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

Ms Wells' employer TBWA Group invoiced services valued at $2,172.50 including GST during the period (2018: $81,840 including GST). The value of service is not material to Ms Wells as an employee of TBWA Group, or Pental.

SPECIAL BONUS

In the 2019 Financial year, the remuneration committee approved a one time special bonus for key members of the management team including Mr McLeish and Mr Godara in recognition of their efforts in securing and integrating Duracell distributorship business into Pental's existing infrastructure.

EXECUTIVE VARIABLE INCENTIVE PLAN (EVIP)

During the year the Remuneration Committee reviewed the executive remuneration framework in order to consider the remuneration strategy that would be most appropriate in the context of the rapidly changing and disruptive market conditions facing the Group. As a consequence of this review, the Board elected to discontinue the previous long term incentive plan and introduce a new Executive Variable Incentive Plan (EVIP).

Under Pental's EVIP executives and selected senior management employees are eligible for both a cash and equity incentive upon the achievement of certain Group level KPI's and personal KPI's set at the commencement of each financial year, weighted as follows:

- Fifty percent of both the cash and equity incentive KPIs relate to the achievement of a target EBIT for the financial year.
- The remaining fifty percent are based on specific KPIs relevant to the participants particular specialisation.

Both cash and equity incentives are only payable if the Company's target EBIT is achieved.

VARIABLE INCENTIVE – CASH

A portion of the variable cash incentive is paid shortly after the release of audited full year results. The basis of calculating this cash incentive is unchanged from the previous short term cash incentive plan. The maximum amount of remuneration under the variable cash incentive plan ranges from 10 to 35 percent of the individual executive/senior management employee's total employment cost.

VARIABLE INCENTIVE – EQUITY

The variable equity incentive is designed to reward achievement of annual KPIs, assist the retention of key high performing executives and align the rewards to the company's share price. The maximum amount of remuneration under the variable equity incentive plan varies from 30 to 40 percent of the individual executive / senior management employee's total employment cost. The variable equity incentive is delivered as performance rights, which will be granted under the existing Executive Performance Rights Plan (Rights Plan) to enable the subsequent acquisition of the share component. The Rights will convert to ordinary shares after three years.

The vesting of the Rights is conditional on:

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

b) Pental's volume-weighted average share price (VWAP) for the last ten business days of the financial year three years hence being equal to or greater than the VWAP for the preceding 10 business days from the grant date.

In total, the Rights are held for three years. The value to the executive therefore is not at the grant date, rather at the conclusion of the 3 year vesting period.

As the variable incentive is based upon an assessment of performance against respective KPIs in the year in which it is granted, there are no additional performance hurdles except for ongoing employment during the vesting period.

Dividends are not payable on the Rights. However, dividend is payable on ordinary shares after conversion of the Rights to ordinary shares.

Performance rights will be granted on a face value basis using the last ten business days of the financial year Volume Weighted Average Price (VWAP).

Under the EVIP, the executives/senior management employees can receive the following annualised remuneration from the vesting of performance rights:

	Percentage of fixed remuneration by achieving:
Charlie McLeish	Up to 40%

REMUNERATION REPORT - AUDITED (CONTINUED)

EVIP – FY19 PERFORMANCE

No cash or equity incentives were provided to executives / senior management employees in the current financial year under the EVIP as the Company did not achieve the plan's EBIT hurdles.

SHARE-BASED PAYMENTS (RIGHTS PLAN)

The Company has an Executive Performance Rights Plan (Rights Plan), which has historically been used to provide Long Term Incentives (LTI) to certain executives / senior management employees. LTI has historically been provided as performance Rights granted at the commencement of the relevant three year performance period subject to eligibility criteria.

From 2 July 2018, the Group has discontinued the previous LTI plan and introduced a new Executive Variable Incentive Plan (EVIP), the terms of which are described above.

All Rights issued are convertible to ordinary shares at no consideration, subject to achieving any performance or other vesting conditions.

	Grant Date	Vesting Date	Balance at 1/7/2018 No.	Rights granted No.	Rights vested No.	Rights forfeited No.	Rights lapsed No	Balance at 36/6/2019 No.
Charlie McLeish(i)	1/7/2016	1/7/2019	209,302	-	-	-	209,302	-
Charlie McLeish	3/7/2017	1/7/2020	211,765	-	-	-	-	211,765

(i) Rights held by Mr McLeish lapsed during the period as a result of the related performance conditions not being achieved.

There were no share options granted during the 2019 year (2018: nil).

KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS

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

	Balance at 2/7/17	Options exercised	Net change other (i)	Balance at 1/7/18	Options exercised	Net change other (i)	Balance (ix) at 30/6/19
Non-Executive Directors							
Peter Robinson	3,972,926	-	238,001	4,210,927	-	-	4,210,927
John Rishworth	13,208	-	-	13,208	-	-	13,208
John Etherington	160,000	-	-	160,000	-	-	160,000
Jeff Miciulis (ii)	-	-	-	-	-	800,000	800,000
Mark Hardgrave (iii)	-	-	-	-	-	-	-
Mel Sutton (iv)	-	-	-	-	-		
Kimberlee Wells (v)							
Executives							
Charlie McLeish (vi)	-	-	-	-	-	-	-
Josephine De Martino (vii)	-	-	-	-	-	-	-
Neil Godara (viii)	-	-	-	-	-	-	-

(i) Net change other relates to shares purchased and sold during the financial year.
(ii) Jeff Miciulis was appointed non-executive director on 5 March 2019.
(iii) Mark Hardgrave was appointed non-executive director on 1 May 2019.
(iv) Mel Sutton resigned as non-executive vice chairman on 31 December 2018.
(v) Kimberlee Wells resigned as non-executive director on 21 March 2019.
(vi) Mr McLeish has been issued rights under an Executive Performance Rights Plan in the prior year.
(vii) Ms De Martino resigned as Chief Financial Officer on 5th October 2018.
(viii) Mr Godara was appointed as Chief Financial Officer on 10th October 2018.
(ix) 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 (2018: nil).
- Mr McLeish has been offered rights under an Executive Performance Rights Plan in the prior period. No shares or share options under the Company performance rights plan were issued to Mr McLeish or Ms De Martino (former CFO, departed 5th October 2018) during the 2019 and 2018 financial years.
- Mr Godara (incoming CFO, commenced 10th October 2018) having successfully completed the 6 month probationary period is eligible to be invited to participate in the Company's Executive Variable Incentive Plan (EVIP) from the 1st July 2019.

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, 27 August 2019

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 Board and the Company's operations. The Board as a whole performs the role of selection of potential new directors, and appropriate checks are made before an appointment occurs. 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.

	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 30 June 2019, there were 34 (1 July 2018, 31) women employed representing 26.0% (1 July 2018, 24.5%) of total employees. There were no female senior executives as at the reporting date (1 July 2018, 1). However, during the reported period, 1 female senior executive resigned. During the period there was one female on the Board of Directors (1 July 2018, 1 female director). She resigned during the period. 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 9th July 2019.
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 it 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 (CONTINUED)

	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, Mr John Etherington, Mr Jeff Miciulis and Mr Mark Hardgrave. 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 $1,975 during the period (2018: $81,840), as the value of service is not material to Ms Wells as an employee of TBWA Group, or Pental. The date of appointment and resignation 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. The Company has a Whistleblower Policy. The Policy, which encourages reporting of unethical, corrupt and illegal practices, and any breach of Pental's Code of Conduct, particularly concerning compliance concerns around the Competition and Consumer Act; the Australian Consumer Law, is also available on the company website within the Corporate Governance Section. The Company's Corporate Governance Section 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 an Audit and Risk Committee. The Audit and Risk Committee consisted of between four and five 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 (CONTINUED)

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

27 August 2019

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 30 June 2019, 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

Travis Simkin
Partner
Chartered Accountants

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Member of Deloitte Asia Pacific Limited and the Deloitte Network.

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Independent Auditor's Report to the Members of Pental Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Pental Limited (the "Company") and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 30 June 2019, 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 30 June 2019 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.

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<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 brand names

Refer to Note 15 Other Intangible Assets

As at 30 June 2019, the Group recognised impairment losses of $2,185 thousand, which reduced the carrying value of its indefinite life brand names from $14,539 thousand to $12,354 thousand.

Management conducts impairment tests annually (or more frequently if impairment indicators exist) to assess the recoverability of the carrying value of brand names.

The recoverable amount of the Group's brand names has been estimated using a combination of value-in-use discounted cash flows and, for certain brand names, an estimate of fair value less costs to dispose as determined by an independent valuation specialist, using a 'relief from royalty' approach.

Determination of the recoverable amount incorporated significant judgments and estimates, specifically concerning factors such as forecast cash flows, discounts rates, royalty rates and terminal growth rates.

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Our audit procedures included, but were not limited to:

- assessing the principles and integrity of the model used by management to calculate value-in-use for each brand name with reference to relevant accounting standards;
- assessing the competency, capability and objectivity of the independent valuation specialist engaged by management to estimate the fair value for certain brand names, including review of the terms and scope of their engagement;
- assessing the reasonableness of forecast cash flows used in the value-in-use model to the latest Board approved budget;
- assessing the reasonableness of the maintainable revenue estimates used to estimate the fair value of certain brand names;
- assessing the historical budgeting accuracy of the Group and, where appropriate, challenging forecast cash flows with reference to historical performance and our understanding of market and economic conditions;
- performing sensitivity analysis around key assumptions for both the value-in-use model and fair value assessment.
- engaged valuation specialists to assess the reasonableness of the basis adopted by management to estimate recoverable amount for each brand name, including:
  - assessing management's value-in-use methodology and key assumptions;
  - evaluating the royalty rates and other key inputs applied by management's independent valuation specialist in estimating the fair value of certain brands with reference to supporting analysis and market data;
  - challenging key assumptions, including forecast growth rates by comparing them to historical results and economic forecasts; and
  - evaluating the discount rate used for each brand name against the cost of capital for the Group and comparison to market data.

We also assessed the appropriateness of the disclosures included in Note 15 to the financial statements.

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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 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the 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.

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- 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.

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 30 to 37 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Pental Limited, for the year ended 30 June 2019, 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, 27 August 2019

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, 27 August 2019

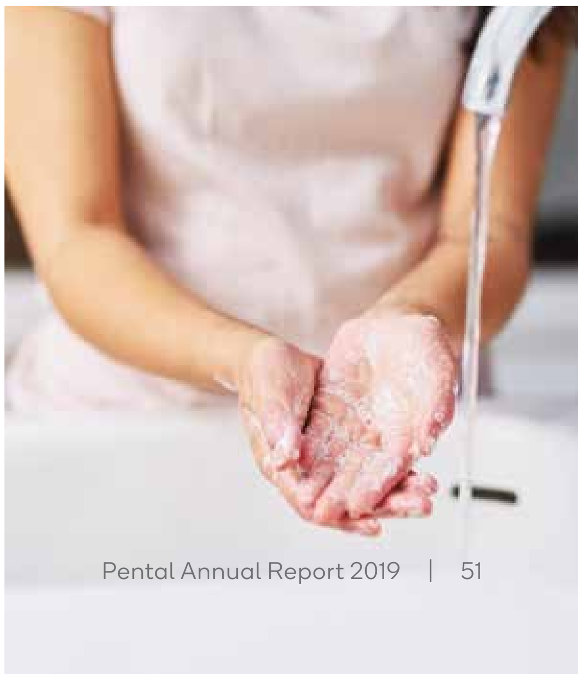
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year (52 weeks) ended 30 June 2019

	Note	2019 $'000	2018 $'000
Continuing Operations			
Gross sales revenue		153,986	108,427
Trading terms, promotional rebates and discounts		(53,540)	(32,760)
Revenue from the sale of goods	4	100,446	75,667
Other revenue and income		73	134
Other gains and losses		317	(47)
Changes in inventory of finished goods and work in progress		(11,807)	673
Raw materials, consumables used and utilities		(53,716)	(41,941)
Employee benefits expense	7	(12,347)	(12,864)
Freight out and distribution expense		(6,736)	(6,037)
Marketing expenses		(1,855)	(2,443)
Occupancy expenses		(1,129)	(1,089)
Selling expenses		(1,148)	(1,100)
Repairs and maintenance expense		(1,064)	(1,046)
Other expenses		(2,704)	(2,565)
Impairment of brand names	15	(2,185)	-
Impairment of goodwill	14	-	(29,446)
ACCC penalty and related legal expenses		-	(1,121)
Profit/(Loss) before finance costs, income tax, depreciation and amortisation (EBITDA)		**6,145**	**(23,225)**
Depreciation and amortisation expense	7	(3,316)	(3,559)
Profit/(Loss) before finance costs and income tax (EBIT)		**2,829**	**(26,784)**
Finance costs	5	(73)	(40)
Profit/(Loss) before tax		**2,756**	**(26,824)**
Income tax expense	6	(835)	(1,015)
Net Profit/(Loss) for the year		**1,921**	**(27,839)**
Profit/(Loss) Attributable to Members of the Parent Entity		**1,921**	**(27,839)**
Other comprehensive income			
Items that may be classified subsequently to profit or loss: Gain/(loss) on cash flow hedges taken to equity		(256)	410
Income tax relating to components of other comprehensive income		77	(122)
Other comprehensive income for the year (net of tax)		(179)	288
Total comprehensive income/(loss) for the year		**1,742**	**(27,551)**
Profit attributable to equity holders of the parent		1,921	(27,839)
Total comprehensive income attributable to equity holders of the parent		1,742	(27,551)
Earnings/(Loss) per share Attributable to the Members of the Parent Entity			
Basic (cents per share)	8	1.41	(20.43)
Diluted (cents per share)	8	1.41	(20.43)

Notes to the financial statements are included on pages 55 - 87.


Velvet
BLOOM
LUXE BEAUTY BAR
Nourish your skin with
silky coconut milk &
natural plant oils
150g
NO
150g



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2019

	Note	30 June 2019 $'000	1 July 2018 $'000
Current Assets			
Cash and cash equivalents	27(a)	246	7,045
Trade and other receivables	9	17,617	14,517
Inventories	10	22,777	10,970
Other financial assets	11	-	231
Other	16	268	272
Total current assets		**40,908**	**33,035**
Non-current assets			
Property, plant and equipment	13	22,588	23,688
Other intangible assets	15	12,501	14,728
Total non-current assets		**35,089**	**38,416**
Total assets		**75,997**	**71,451**
Current liabilities			
Trade and other payables	17	17,017	11,484
Other financial liabilities	18	26	-
Current tax payables	6	336	48
Provisions	20	1,961	1,755
Total current liabilities		**19,340**	**13,287**
Non-current liabilities			
Deferred tax liabilities	6	3,344	4,357
Provisions	20	129	100
Total non-current liabilities		**3,473**	**4,457**
Total liabilities		**22,813**	**17,744**
Net assets		**53,184**	**53,707**
Equity			
Issued capital	21	90,658	90,658
Reserves		(18)	246
Accumulated losses		(37,456)	(37,197)
Total equity		**53,184**	**53,707**

Notes to the financial statements are included on pages 55 - 87.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year (52 weeks) ended 30 June 2019

	Note	Issued capital $'000	Hedging reserve $'000	Equity settled employee benefits reserve $'000	Accumulated losses $'000	Total $'000
Balance at 2 July 2017		90,658	(127)	108	(5,679)	84,960
Loss for the year		-	-	-	(27,839)	(27,839)
Gain on cash flow hedges		-	410	-	-	410
Deferred tax arising on 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**
Balance at 1 July 2018		90,658	161	85	(37,197)	53,707
Profit for the year		-	-	-	1,921	1,921
Loss on cash flow hedges		-	(256)	-	-	(256)
Deferred tax arising on hedges	6	-	77	-	-	77
Total comprehensive income for the year		-	(179)	-	1,921	1,742
Dividend Payment	22(a)	-	-	-	(2,180)	(2,180)
Recognition of share based payments		-	-	(85)	-	(85)
Balance at 30 June 2019		**90,658**	**(18)**	**-**	**(37,456)**	**53,184**

Notes to the financial statements are included on pages 55 - 87.

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year (52 weeks) ended 30 June 2019

	Note	2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		109,669	90,573
Payments to suppliers and employees		(110,570)	(81,772)
Interest received		28	47
Interest and other costs of finance paid		(73)	(40)
Income tax paid		(1,484)	(1,516)
Income tax refund		-	18
Net cash provided by operating activities	**27(b)**	**(2,430)**	**7,310**
Cash flows from investing activities			
Payments for property, plant and equipment	13	(2,112)	(8,192)
Payments for intangible assets	15	(77)	(54)
Net cash used in investing activities		**(2,189)**	**(8,246)**
Cash flows from financing activities			
Dividends paid	22	(2,180)	(3,679)
Net cash used in financing activities		**(2,180)**	**(3,679)**
Net increase/(decrease) in cash and cash equivalents		**(6,799)**	**(4,615)**
Cash and cash equivalents at the beginning of the financial year		7,045	11,660
Cash and cash equivalents at the end of the financial year	**27(a)**	**246**	**7,045**

Notes to the financial statements are included on pages 55 - 87.

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

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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 27 August 2019.

Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

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

Critical Accounting Judgments And Key Sources Of Estimation Uncertainty

In the application of the Group's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

Impairment of brand names

Determining whether brand names are impaired requires an estimation of recoverable amount, representing the higher of the fair value less costs to sell and the value in use of the cash-generating units to which brand names have been allocated. The estimation of recoverable amount requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of brand names at 30 June 2019 was $12.354 million (1 July 2018: $14.539 million). Details of movements are set out in Note 15. Details of the impairment testing are set out in Note 15.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Trade spend accounting judgement

Trade receivables are disclosed net of rebates payable. The Group has the legal right to offset such balances as they are with the same customers and it is the Group's intention to net settle any outstanding items. The main judgement related to accruals for customer rebates is the timing and extent to which temporary promotional activity has occurred prior to year-end. Customer rebates consist primarily of customer pricing allowances and promotional allowances, which are governed by agreements with our trade customers (retailers and distributors). Accruals are recognised under the terms of these agreements, to reflect the expected promotional activity and our historical experience.

Adoption Of New And Revised Accounting Standards

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) AAASB 9 Financial Instruments and related amending Standards

The Group has adopted AASB 9 Financial Instruments from 2 July 2018 which replaces AASB 139 Financial Instruments: Recognition and Measurement. The impact on the Group from the adoption of AASB 9 is set out below.

Credit losses on trade receivables

The Group has measured expected credit losses, using the lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. A provision matrix is then determined based on the historic credit loss rate for each group, adjusted for any material expected changes to the future credit risk for that group. There has been no material adjustment from the adoption of this expected credit loss model.

Hedge accounting

The Group has applied the AASB 9 hedge accounting requirements prospectively from the date of initial application on 2 July 2018. There has been no change in the Groups transactions that are subject to hedge accounting from the adoption of AASB 9, being foreign currency exchange contracts. Accordingly, there has been no impact on the hedging reserve from the adoption of AASB 9.

(ii) ASB 15 Revenue from Contracts with Customers

The Group has adopted AASB 15 Revenue from Contracts with Customers from 2 July 2018, which replaces AASB 118 Revenue. AASB 15 establishes a single comprehensive model for entities to use to account for revenue arising from contracts with customers. The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration, which the entity expects to be entitled in exchange for those goods, or services.

As previously disclosed, the application of AASB 15 did not result in any material changes to the Group's financial statements or require material adjustment to the comparative financial information.

Details regarding the Group's accounting policy for the sale of goods under AASB 15 is set out in Note 4.

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. Refer to Note 4 for further details on the accounting policy for revenue from the sale of goods.

(e) Share based payment transactions

The Executive 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(h) Financial assets

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

Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any expected credit losses.

Provision for Expected Credit Loss

The Group applies the simplified approach to the measurement of expected credit losses, using the lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables are group based on credit risk characteristics and the days past due. A provision matrix is then determined based on historical credit loss rate for each group, adjusted for any material expected changes to the future credit risk for that group.

Other financial assets

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

(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

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

Dividends

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

(q) Financial instruments issued by the company

Debt and equity instruments

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

Transaction costs on the issue of equity instruments

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

Interest and dividends

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

(r) Derivative financial instruments

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

The Group uses derivative financial instruments, being forward foreign currency contracts to hedge the risk associated with foreign currency fluctuations. Such derivatives are stated at fair value. The fair value of forward exchange contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. For derivatives that do not qualify for hedge accounting, any gains or losses arising from changes in fair value are taken directly to profit or loss for the year.

For derivatives that qualify for hedge accounting, the method for recognising gains and losses on changes in fair value depends on whether the derivative is classified as a fair value hedge or a cash flow hedge. Derivatives are classified as fair value hedges when they hedge the exposure to changes in the fair value of a recognised asset or liability and as cash flow hedges when they hedge exposure to variability in cash flows that are attributable to either a particular risk associated with a recognised asset or liability or to a forecast transaction. The Group documents at inception of the hedge the relationship between the hedging instruments (derivatives) and the hedged items, as well as the risk management objective and strategy for undertaking the hedge transaction.

The Group also documents, both at inception of the hedge and on an ongoing basis whether the derivatives that are used in the hedging transactions have been, and will continue to be, highly effective in offsetting changes in fair values or cash flows of hedged items.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss for the year, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity in the hedging reserve and transferred to profit or loss when the hedged item affects profit or loss. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss. However, when the cash flow hedge relates to a forward foreign exchange contract to hedge a highly probable forecast transaction or firm commitment that results in a non-financial asset (e.g. inventory) or a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the initial cost or carrying amount of the asset or liability.

Hedge accounting is discontinued when the hedging instrument expires, or is sold, terminated or exercised, or no longer qualifies for hedge accounting. At that point in time, any cumulative gains or losses on the hedging instrument recognised in equity is kept in equity until the forecast transaction occurs. If the forecast transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the year.

(s) Financial year

As allowed under Section 323D (2) of the Corporations Act 2001, the Directors have determined the financial year to be a fixed period of 52 calendar or 53 calendar weeks. For the period to 30 June 2019, the Group is reporting on the 52 week period that began 2 July 2018 and ended 30 June 2019. 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.

(t) Standards and Interpretations issued not yet effective

(i) AASB 16 Leases (effective FY 2020)

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

The Group is required to adopt AASB 16 Leases from 1 July 2019. AASB 16 replaces existing leases guidance, including AASB 117 Leases and related Interpretations. The Group has assessed the estimated impact that initial application of AASB 16 will have on its consolidated financial statements, as described below.

AASB 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right of use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items.

The Group will recognise new assets and liabilities for its operating leases of warehouse, machinery and office facilities. The nature of expenses related to those leases will now change because the Group will recognise a depreciation charge for right-of-use assets and interest expense on lease liabilities. Previously, the Group recognised operating lease expense on a straight-line basis over the term of the lease, and recognised assets and liabilities only to the extent that there was a timing difference between actual lease payments and the expense recognised.

At the end of the reporting period, the Group had non-cancellable undiscounted operating leases commitments of $2,705 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 has now completed its assessment of all leases that will be subject to the new standard and collated all data associated with these leases. The Group has also elected to transition to the new standard using the modified retrospective approach. Therefore, the cumulative effect of adopting AASB 16 will be recognised as an adjustment to the opening balance of retained earnings as at 1 July 2019, with no restatement of comparative information.

A reliable estimate of the financial impact on the Group's consolidated results is dependent on a number of unresolved areas:

- Finalisation of approach to incremental borrowing rates; and
- Estimates of lease-term for leases with options.

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. SEGMENT INFORMATION

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

The Group is organised into one operating segment, consistent with the centralised nature of its operations in Australia and management reporting provided to the Group's Chief Executive Officer (the chief operating decision maker), which is used to manage the business and allocate resources.

Accordingly, the information provided in this Annual Report reflects the one operating and reporting segment.

4. REVENUE

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

	2019	2018
	$'000	**$'000**
Revenue from the sale of goods	100,446	75,667

The Group's Top 6 customers (Woolworths Limited, Coles Group Ltd , Metcash Ltd, Foodstuffs (Auckland) Ltd, Costco Wholesale Corporation and Battery specialists group) generated 79.8% of the Group's revenue for the year ended 30 June 2019 (2018: 70.7% from top four customers - Woolworths Limited, Coles Ltd , Metcash Ltd and Foodstuffs (Auckland) Ltd).

Geographical analysis

Summarised below is a geographical analysis of revenue based on the geographical location of the Group's customers:

	2019	2018
	$'000	$'000
Geographical sales		
Australia	86,298	60,952
New Zealand	12,244	12,806
Asia	1,904	1,909
Total geographical sales	**100,446**	**75,667**

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

Accounting policy for revenue from the sale of goods:

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

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

No element of financing is deemed present as the sales are made with an average credit term of 30 days from invoice month end, consistent with market practice.

5. FINANCE COSTS

	2019	2018
	$'000	$'000
Interest paid on borrowings	21	-
Other borrowing costs	52	40
Total interest expense	**73**	**40**

6. INCOME TAXES

Income tax recognised in profit or loss

	2019	2018
	$'000	**$'000**
Tax expense comprises:		
Current tax expense in respect of the current year	1,771	1,218
Deferred tax expense relating to the origination and reversal of temporary differences	(936)	(211)
Adjustments recognised in the current year in relation to the current tax of prior years	-	8
Total tax expense	**835**	**1,015**

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

	2019	2018
	$'000	**$'000**
(Loss)/Profit from operations	2,756	(26,824)
Tax at the Australian tax rate of 30%	826	(8,047)
Non Deductible / (Assessable) items	9	9,054
Adjustments recognised in relation to the current tax of prior years	-	8
Income tax expense	**835**	**1,015**

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law. There has been no change in the corporate tax rate when compared with the previous reporting period.

Income tax recognised in other comprehensive income

	2019	2018
	$'000	**$'000**
Deferred tax		
Arising on amounts recognised in other comprehensive income:		
Changes in the fair value of cash flow hedges	77	(122)
	77	**(122)**

6. INCOME TAXES (CONTINUED)

Deferred tax balances

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

	2019				
	Opening balance	Charged to income	Recognised in other comprehensive income	Charged to equity	Closing Balance
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Deferred tax assets					
Provision for expected credit losses	-	9	-	-	9
Provisions	606	68	-	-	674
Share issue costs	4	(4)	-	-	-
Foreign currency items	-	(73)	77	-	4
Inventory obsolescence	125	49	-	-	174
Accruals	4	-	-	-	4
	739	**49**	**77**	**-**	**865**
Deferred tax liabilities					
Property, plant and equipment	(630)	130	-	-	(500)
Intangibles	(4,362)	656	-	-	(3,706)
Foreign currency items	(101)	101	-	-	-
Other	(3)	-	-	-	(3)
	(5,096)	**887**	**-**	**-**	**(4,209)**
Net deferred tax asset / (liability)	**(4,357)**	**936**	**77**	**–**	**(3,344)**

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					
Provision for expected credit losses	-	-	-	-	-
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)**

Current tax liabilities

	2019	2018
	$'000	**$'000**
Income tax payable	336	48
	336	**48**

6. INCOME TAXES (CONTINUED)

Tax consolidation

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group, and are therefore taxed as a single entity. The head entity within the tax-consolidated group is Pental Limited. The members of the tax-consolidated group are identified at Note 12.

Nature of tax funding arrangements and tax sharing agreements

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax-sharing agreement with the head entity. Under the terms of the tax funding arrangement, Pental Limited and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity. Such amounts are reflected in amounts receivable from or payable to other entities in the tax-consolidated group. The tax sharing agreement entered into between members of the tax-consolidated group provides for the determination of the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations or if an entity should leave the tax-consolidated group. The effect of the tax sharing agreement is that each member's liability for tax payable by the tax-consolidated group is limited to the amount payable to the head entity under the tax funding arrangement.

Unrecognised taxable temporary differences associated with investments and interests

In accordance with AASB112.81, there are no taxable temporary differences in relation to investments in subsidiaries for which deferred tax assets or liabilities have not been recognised.

7. PROFIT FOR THE YEAR

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

	2019	2018
	$'000	**$'000**
Expenses		
Cost of goods sold	**77,017**	**52,770**
Depreciation: Property, plant and equipment	3,197	3,368
Amortisation: Software	119	191
Total depreciation and amortisation	**3,316**	**3,559**
Employee benefits expense:		
Post-employment benefits – defined contribution plans	973	1,033
Share based payments expense	(85)	(23)
Other employee benefits	11,459	11,854
	12,347	**12,864**
Operating lease minimum payments	**781**	**947**

Cost of goods sold includes cost of products or raw materials, including inbound freight; direct labour costs for production and factory overhead expenses where applicable.

8. EARNINGS PER SHARE

	2019	2018
	Cents Per Share	**Cents Per Share**
Basic earnings/(loss) per share	1.41	(20.43)
Diluted earnings/(loss) per share	1.41	(20.43)

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

	2019	2018
	$'000	**$'000**
Net profit/(loss)	1,921	(27,839)
Earnings/(loss) used in the calculation of basic EPS	1,921	(27,839)
Earnings/(loss) used in the calculation of diluted EPS	1,921	(27,839)

	2019	2018
	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.

	2019	2018
	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	-	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	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

In the prior period, diluted loss per share is the same as basic loss per share. Potential ordinary shares were anti-dilutive as their conversion to ordinary shares would 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

	2019	2018
	$'000	**$'000**
Current		
Trade receivables[i]	**17,298**	**14,380**
Other[ii]	349	137
Allowance for doubtful debts	(30)	-
	17,617	**14,517**

(i) The average credit period on sales of goods is approximately 60 days. No interest is charged on trade receivables. An allowance has been made for expected credit losses using a provision matrix based on historical credit loss rates. Trade receivables are recognised at amortised cost less provision for credit losses.

Before accepting any new customers, the Group will perform a credit check to assess the potential customer's credit quality and defines credit limits by customer. Limits are reviewed as necessary. Of the trade receivables balance at the end of the year $14.348 million is due from top six customers (2018: $9.945 million from top four customers) and these six customers account for 79.8% of total sales revenue for the year (2018: 75.4% from top four customers). There are no other customers who represent more than 5% of the total balance of trade receivables or total sales revenues from continuing operations for the year. The Group does not hold any collateral over these balances.

(ii) Other receivables generally arise from transactions outside the usual operating activities of the Group. These amounts are predominantly reimbursements sought from suppliers for rebates and payments made in advance to suppliers for goods subsequently reclassified as receivables. Collateral is generally not obtained.

Ageing of past due

	2019	2018
	$'000	**$'000**
Overdue 31 to 60 days	401	63
Overdue 61 to 90 days	134	45
Overdue 91 days and beyond	122	1,049
Total	**657**	**1,157**

Movement in the allowance for expected credit losses

	2019	2018
	$'000	$'000
Balance at the beginning of the year	-	-
Re-measurement of loss allowance	30	-
Balance at the end of the year	**30**	**-**

Under the expected credit Loss methodology, the provision for impairment of receivables is not considered to be material as a result of the historically low level of bad debt. At 30 June 2019, the amount of provision for expected credit losses was $30 thousand (2018: $0).

The amount of the expected credit losses is recognised in profit or loss within other expenses. Subsequent recoveries of amounts previously written off are credited against the same line item.

10. INVENTORIES

	2019	2018
	$'000	$'000
Raw materials	3,735	3,026
Work in progress	1	7
Goods in transit	3,274	-
Finished goods	15,767	7,937
	22,777	**10,970**

11. OTHER FINANCIAL ASSETS

	2019	2018
	$'000	$'000
Current		
Foreign currency forward contracts	-	231
	-	**231**

12. SUBSIDIARIES

Name of subsidiary	Country of incorporation	Ownership interest	
		2019 %	2018 %
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 parent entity and all the controlled entities are party to the deed of cross guarantee therefore the consolidated statement of profit or loss and other comprehensive income and statement of financial position reflects the statement of profit or loss and other comprehensive income and statement of financial position of the parties to the deed of cross guarantee.

13. PROPERTY, PLANT AND EQUIPMENT

	Land 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 2 July 2017	-	-	31,698	64	31,762
Additions	**1,732**	**5,580**	**692**	**188**	**8,192**
Disposals	-	-	(20)	-	(20)
Transfer from capital works	-	-	64	(64)	-
Balance at 1 July 2018	**1,732**	**5,580**	**32,434**	**188**	**39,934**
Additions	-	48	1,829	235	2,112
Disposals	-	-	(72)	-	(72)
Transfer from capital works	-	-	188	(188)	-
Balance at 30 June 2019	**1,732**	**5,628**	**34,379**	**235**	**41,974**
Accumulated depreciation					
Balance at 2 July 2017	-	-	(12,897)	-	(12,897)
Depreciation expense	-	(170)	(3,198)	-	(3,368)
Disposals	-	-	19	-	19
Balance at 1 July 2018	-	**(170)**	**(16,076)**	**-**	**(16,246)**
Depreciation expense	-	(190)	(3,007)	-	(3,197)
Disposals	-	-	57	-	57
Balance at 30 June 2019	**-**	**(360)**	**(19,026)**	**-**	**(19,386)**
Net book value as at 1 July 2018	1,732	5,410	16,358	188	23,688
Net book value as at 30 June 2019	**1,732**	**5,268**	**15,353**	**235**	**22,588**

14. GOODWILL

As disclosed in the Group's 2018 annual report, the Group experienced challenging market conditions in the prior period, which impacted its financial performance. As a result, in the prior period, the Group recognised a non-cash impairment of $29.4 million in the statement of profit or loss, which represented the full carrying value of goodwill allocated to the Consumer Products CGU.

15. OTHER INTANGIBLE ASSETS

	Brand Names at cost	Software at cost	Total
	$'000	$'000	$'000
Gross carrying amount			
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
Additions	-	77	77
Balance at 30 June 2019	**19,000**	**2,006**	**21,006**
Accumulated Impairment/Amortisation			
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)
Amortisation expense	-	(119)	(119)
Impairment	(2,185)	-	(2,185)
Balance at 30 June 2019	**(6,646)**	**(1,859)**	**(8,505)**
Net book value as at 1 July 2018	14,539	189	14,728
Net book value as at 30 June 2019	**12,354**	**147**	**12,501**

Brand names - Useful life assessment

The Group has historically assessed its brand names as having indefinite useful lives. This assessment has reflected management's intention to continue to utilise the brand names within its portfolio for the foreseeable future.

Each period, the useful lives of the Group's brand names are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the assets.

In the current year, the Group has made a decision to consolidate its brand portfolio, which will see products traditionally sold under the "Martha's" and "Lux" brand names, rebranded as "Softly". Accordingly, these brands have been impaired in full resulting in an impairment charge of $0.729 million (after tax $0.510 million).

The Group continue to believe that its remaining brand names have indefinite useful lives, as there is no foreseeable limit to the period over which they intend to utilise the brand names.

Impairment testing - Indefinite life brand names

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

At 30 December 2018, impairment indicators were identified for the Huggie and Country Life brand names. An impairment test was undertaken by the Group using its value-in-use model. No impairment charge was recognised pending the outcome of ongoing growth initiatives in their respective markets, the sensitivity to which was disclosed in the Company's financial report for the half year ended 30 December 2018.

For the purposes of impairment testing as at 30 June 2019, the Group engaged an independent valuation specialist to assess the fair value of certain brand names, including Country Life and Huggie, using a 'relief from royalty' method, which the Group considered in combination with its value-in-use assessment. The results of this assessment resulted in an impairment loss being identified for Country Life of $1.376 million (after tax $0.963 million), which reduced the carrying value of the brand to $0.500 million. This impairment loss reflects the realisation of the risks disclosed for Country Life in the Company's financial report for the half year ended 30 December 2018. In addition, the Group fully impaired its Hi-Speed brand resulting in an impairment loss of $0.081 million (after tax $0.057 million). The impairment testing results for Huggie supported the recoverability of its carrying value.

The recoverable amount for all other brand names exceeded their carrying value. The key assumptions made were as follows:

Fair value less costs to sell

- An estimate of maintainable sales with reference to the FY20 budget and historic financial performance
- Royalty rates ranging between 2% - 4.5%
- Discount rate of 10% post-tax
- Long term growth rates of between 0% - 3%
- An estimate of costs to sell equivalent to 2% of the estimated recoverable amount for each brand name.

Fair value was measured using Level 3 inputs under AASB 13.

Value-in-use

- FY20 budget
- Discount rate of 10% post-tax (2018: 10%)
- Long term growth rate of 2% (2018: 2.5%)

The key assumptions used are based on the judgement and experience of the Group, taking into account current market and economic conditions, risks, uncertainties and opportunities for improvement for each brand respectively.

A material change in current market or economic conditions may increase the risk of impairment in future periods.

16. OTHER ASSETS

	2019	2018
	$'000	$'000
Prepayments	268	272

17. TRADE AND OTHER PAYABLES

	2019	2018
	$'000	**$'000**
Trade payables	11,976	8,033
Trade spend liabilities	139	257
Sundry payables	4,902	3,194
	17,017	**11,484**

The average credit period on the purchases of goods ranges from 7 to 60 days. No interest is charged on the trade payables. The Group has financial risk management policies in place to ensure that, as often as possible, all payables are paid within a reasonable timeframe.

18. OTHER FINANCIAL LIABILITIES

	2019	2018
Current	**$'000**	**$'000**
Foreign currency forward contracts	26	-
	26	**-**

19. BANKING FACILITIES

	2019	2018
	$'000	**$'000**
Summary of financing arrangements		
Facilities utilised at reporting date:		
Multi option loan facility		
- Bank Guarantee	177	177
- Bank overdraft	1,177	-
	1,354	**177**
Facilities not utilised at reporting date:		
Multi option loan facility		
- Bank overdraft	3,633	4,795
- Bank Guarantee	13	28
	3,646	4,823
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 (2018: $5,000,000). The multi option facility bears an interest rate of 2.07% plus a line fee of 0.8% (2018: 2.87% plus a line fee of 0.8%) as at 30 June 2019. 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. As at the reporting date, negotiations for a new loan facility beyond expiration date were well advanced. The Directors expect to renew the banking facility for a further 12 months (through to 31 October 2020) prior to the expiry date of the existing facility.

20. PROVISIONS

	2019	2018
	$'000	**$'000**
Current		
Employee benefits	1,961	1,755
	1,961	**1,755**
Non-current		
Employee benefits	129	100
	129	**100**
Total Provisions	**2,090**	**1,855**

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

	2019	2018
	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.

22. DIVIDENDS

(a) Recognised Amounts

	2019		2018	
	Cents per Share	Total $'000	Cents per Share	Total $'000
Fully paid ordinary shares				
Final dividend: Fully franked at 30% tax rate	0.90	1,226	2.10	2,861
Interim dividend: Fully franked at 30% tax rate	0.70	954	0.60	818
	1.60	**2,180**	**2.70**	**3,679**

(b) Unrecognised Amounts

	2019	2018
	$'000	$'000
Final dividend	1,771	1,226

In respect of the year (52 weeks) ended 30 June 2019 the Company declared a full year fully franked dividend of 1.3 cents per ordinary share, payable on 27 September 2019, with a record date of 9 September 2019 (2018: 0.9 cents per ordinary share).

	2019	2018
	$'000	$'000
Adjusted franking account balance	18,426	17,305
Impact on franking account balance of dividends not recognised	759	526

23. FINANCIAL INSTRUMENTS

(a) Capital risk management

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

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

Operating cash flows and a multi option bank facility are used in combination as required to maintain and expand the Group's assets, as well as to make the routine outflows of payables, tax, dividends and pay for other financial instruments. Refer to Note 19 for details of the banking facility.

Gearing ratio

The Board of Directors reviews the capital structure on an ongoing basis. As a part of this review the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group will balance its overall capital structure through the payment of dividends, new share issues, and the issue or repayment of debt to execute its strategic plans. As at 30 June 2019, the Group was debt free and had no debt in the prior financial year.

23. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Categories of financial instruments

	2019	2018
	$'000	$'000
Financial assets		
Cash and cash equivalents	246	7,045
Trade and other receivables (amortised cost)	17,617	14,517
Derivative instruments in designated hedge accounting relationships	-	231
Financial liabilities		
Trade and other payables (amortised cost)	17,017	11,484
Derivative instruments in designated hedge accounting relationships	26	-

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

The Group has significant credit risk exposure with the Woolworths Limited, Coles Group Ltd, Metcash Ltd, Costco, Foodstuffs (Auckland) Ltd and Battery Specialists Groups which represent 81.43% of the total trade receivables.

(c) Financial risk management objectives

The Group's finance function provides services to the business by monitoring and managing the financial risks relating to the operations through internal risk reports which analyse exposures by degree and magnitude of risk.

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into forward foreign currency contracts to manage its exposure to foreign currency exchange rate fluctuations where it has entered into fixed price contracts.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes. The use of financial instruments is governed by the Group's policies approved by the Board of Directors. The Chief Financial Officer is responsible for managing the Group's treasury requirements in accordance with this policy.

(d) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk, including forward foreign currency contracts to manage its exposure to foreign currency exchange rate fluctuations (refer notes 23(c) and 23(e)).

(e) Foreign currency risk management

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Where appropriate, exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts or by offsetting import and export currency exposures.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Assets		Liabilities	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Currency of USA	-	-	312	190
Currency of New Zealand	2,017	1,855	266	454
Currency of Fiji	18	18	-	-
Currency of Europe	-	-	51	51
Currency of China	15	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	
	2019	2018	2019	2018	2019	2018	2019	2018
Buy USD – less than one year	-	0.7763	-	3,561	-	4,587	-	227
Sell NZD – less than one year	1.0563	1.0890	3,000	2,000	2,840	1,837	(26)	4
							(26)	**231**

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	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Profit	30	19	7	7	82	62	-	-	-	-
Equity	-	316	-	-	179	241	-	-	-	-

(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.

2019	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	0.29%	246	-	-	-	-	246
Non-interest bearing	-	9,602	8,015	-	-	-	17,617
		9,848	**8,015**	**-**	**-**	**-**	**17,863**
Financial liabilities							
Non-interest bearing	-	8,516	8,501	-	-	-	17,017
		8,516	**8,501**	**-**	**-**	**-**	**17,017**

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	-	8,268	6,249	-	-	-	14,517
		15,313	**6,249**	**-**	**-**	**-**	**21,562**
Financial liabilities							
Non-interest bearing	-	5,761	5,723	-	-	-	11,484
		5,761	**5,723**	**-**	**-**	**-**	**11,484**

(g) Credit risk management

Credit risk management refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate values of transactions concluded are spread amongst approved counterparties. The Group measures credit risk on a fair value basis.

Trade accounts receivable consist of a number of customers supplying the retail sector in Australia, New Zealand and Asia. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantees are obtained.

The Group has significant credit risk exposure with the Woolworths Limited, Coles Group Ltd, Metcash Ltd, Foodstuffs (Auckland) Ltd and Battery Specialists Groups which represent 76.1% 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.

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 facility expires 31 October 2019. As at the reporting date, negotiations for a new loan facility beyond expiration date were well advanced. The Directors expect to renew the banking facility for a further 12 months (through to 31 October 2020) prior to the expiry date of the existing facility.

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

Executive Variable Incentive Plan (EVIP)

During the year the Remuneration Committee reviewed the executive remuneration framework in order to consider the remuneration strategy that would be most appropriate in the context of the rapidly changing and disruptive market conditions facing the Group. As a consequence of this review, the Board elected to discontinue the previous long term incentive plan and introduce a new Executive Variable Incentive Plan (EVIP).

Under Pental's EVIP executives and selected senior management employees are eligible for both a cash and equity incentive upon the achievement of certain Group level KPI's and personal KPIs set at the commencement of each financial year, weighted as follows:

- Fifty percent of both the cash and equity incentive KPIs relate to the achievement of a target EBIT for the financial year.
- The remaining fifty percent are based on specific KPIs relevant to the participants particular specialisation.

Both cash and equity incentives are only payable if the Company's target EBIT is achieved.

Variable Incentive – equity

The variable equity incentive is designed to reward achievement of annual KPIs, assist the retention of key high performing executives and align the rewards to the company's share price. The maximum amount of remuneration under the variable equity incentive plan varies from 30 to 40 percent of the individual executive / senior management employee's total employment cost. The variable equity incentive is delivered as performance rights, which will be granted under the existing Executive Performance Rights Plan (Rights Plan) to enable the subsequent acquisition of the share component. The Rights will convert to ordinary shares after three years.

The vesting of the Rights is conditional on:

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

d) Pental's volume-weighted average share price (VWAP) for the last ten business days of the financial year three years hence being equal to or greater than the VWAP for the preceding 10 business days from the grant date.

In total, the Rights are held for three years. The value to the executive therefore is not at the grant date, rather at the conclusion of the 3 year vesting period.

As the variable incentive is based upon an assessment of performance against respective KPIs in the year in which it is granted, there are no additional performance hurdles except for ongoing employment during the vesting period.

Dividends are not payable on the Rights. However, dividend is payable on ordinary shares after conversion of the Rights to ordinary shares.

Performance rights will be granted on a face value basis using the last ten business days of the financial year Volume Weighted Average Price (VWAP)

Under the EVIP, the executives / senior management employees can receive the following annualised remuneration from the vesting of performance rights:

	Percentage of fixed remuneration by achieving:
Charlie McLeish	Up to 40%

EVIP – FY19 Performance

No cash or equity incentives were provided to executives / senior management employees in the current financial year under the EVIP as the Company did not achieve the plan's EBIT hurdles.

Share-based payments (Rights Plan)

The Company has an Executive Performance Rights Plan (Rights Plan), which has historically been used to provide Long Term Incentives (LTI) to certain executives / senior management employees. LTI has historically been provided as performance Rights granted at the commencement of the relevant three year performance period subject to eligibility criteria.

From 2 July 2018, the Group has discontinued the previous LTI plan and introduced a new Executive Variable Incentive Plan (EVIP), the terms of which are described above.

All Rights issued are convertible to ordinary shares at no consideration, subject to achieving any performance or other vesting conditions.

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

	Grant Date	Vesting Date	Balance at 1/7/2018 No.	Rights granted No.	Rights vested No.	Rights forfeited No.	Rights lapsed No.	Balance at 30/6/2019 No.
Charlie McLeish (i)	1/7/2016	1/7/2019	209,302	-	-	-	209,302	-
Charlie McLeish	3/7/2017	1/7/2020	211,765	-	-	-	-	211,765

(i) Rights held by Mr McLeish lapsed during the period as a result of the related performance conditions not being achieved.

As highlighted in the "EVIP – FY19 Performance" section above, there were no Rights issued in the current financial year under the EVIP as the Company did not achieve its target EBIT.

There were no share options granted during the 2019 year (2018: nil).

25. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2019	2018
	$	$
Short-term employee benefits	976,539	1,020,350
Share based payments	(56,992)	(26,693)
Termination benefits	8,205	94,637
Post-employment benefits	67,478	73,271
	995,230	**1,161,565**

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 $2,173 (inclusive of GST) during the period (2018: $81,840 inclusive of GST). The value of service was not material to Ms Wells as an employee of TBWA Group, or Pental. Ms Wells resigned as non-executive director on 21 March 2019.

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

Equity interests in subsidiaries

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

Sales to and purchases from related parties in the normal course of business are made in arm's length transactions on normal terms and conditions.

27. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash and cash equivalents

Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

	2019	2018
	$'000	$'000
Cash on hand and at bank	1,423	7,045
Bank overdraft	(1,177)	-
Cash and cash equivalents	246	7,045

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

	2019	2018
	$'000	$'000
Profit/(Loss) for the year	1,921	(27,839)
Depreciation and amortisation expense	3,316	3,559
Impairment of goodwill	-	29,446
Impairment of brand names	2,185	-
Loss on disposal of assets	15	1
Equity settled employee benefits expense	(85)	(23)
Changes in net assets and liabilities, net of effects from acquisition of businesses:		
(Increase)/decrease in assets:		
Trade and other receivables	(3,100)	4,333
Inventories	(11,807)	(673)
Other assets	235	(168)
Increase/(decrease) in liabilities and reserves:		
Trade and other payables	5,533	(995)
Provisions and hedging reserve	56	443
Current and deferred tax liabilities	(725)	(592)
Other liabilities	26	(182)
Net cash from operating activities	**(2,430)**	**7,310**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. OPERATING LEASE ARRANGEMENTS

	2019	2018
	$'000	**$'000**
Non-cancellable operating lease expenses		
Not later than 1 year	881	705
Later than 1 year and not later than 5 years	1,824	1,966
Later than 5 years	-	-
	2,705	**2,671**

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

	2019	2018
	$'000	**$'000**
Plant and equipment	255	515

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

30. CONTINGENT LIABILITIES

	2019	2018
	$'000	**$'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	177

To the best knowledge of the Directors aside from the Bank Guarantees disclosed, no other contingent liabilities exist for the reporting period ending 30 June 2019.

31. REMUNERATION OF AUDITORS

	2019	2018
	$'000	**$'000**
Auditor of the parent entity		
Audit or review of the financial report	190,150	147,425
Non-audit services – tax and other services	27,974	45,052
	218,124	**192,477**

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 summary of the significant accounting policies relating to the Group.

Financial position	**2019**	**2018**
	$'000	**$'000**
Assets		
Current assets	1	1
Non current assets	53,851	57,391
Total assets	**53,852**	**57,392**
Liabilities		
Current liabilities	356	68
Non current liabilities	-	-
Total liabilities	**356**	**68**
Equity		
Issued capital	90,658	90,658
Accumulated losses	(37,162)	(33,334)
Total equity	**53,496**	**57,324**

Financial performance	**2019**	**2018**
Loss for the year	(3,827)	(20,022)
Other comprehensive income	-	-
Total comprehensive income	**(3,827)**	**(20,022)**

33. SUBSEQUENT EVENTS

Dividends

In respect of the year (52 weeks) ended 30 June 2019 the Company will pay final fully franked dividend of 1.3 cents per ordinary share, payable to shareholders on 27 September 2019, with a record date of 9 September 2019.

ADDITIONAL STOCK EXCHANGE INFORMATION

as at 21 August 2019

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 1,357 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	252
1,001 – 5,000	472
5,001 – 10,000	208
10,001 – 100,000	351
100,001 and over	74
	1,357
Holding less than a marketable parcel	**357**

Substantial shareholders

	Fully paid ordinary shares	
Ordinary shareholders	**Number**	**Percentage**
Alan Johnstone(i)	27,603,617	20.26%
John Rostyn Homewood	19,400,000	14.24%
BNP Paribas Noms (NZ) Ltd(ii)	10,300,001	7.56%
Citicorp Nominees Pty Limited(iii)	9,415,225	6.91%
	66,718,843	**48.97%**

(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 12.14% of the total issued capital of Pental Ltd.

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	27,603,617	20.26%
2	MR JOHN ROSTYN HOMEWOOD	19,400,000	14.24%
3	BNP PARIBAS NOMS (NZ) LTD DRP	10,300,001	7.56%
4	CITICORP NOMINEES PTY LIMITED	9,415,225	6.91%
5	MR GARRY GEORGE JOHNSON	6,670,739	4.90%
6	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,911,786	3.60%
7	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	4,739,429	3.48%
8	DALLMOUNT CUSTODIANS PTY LTD	3,000,000	2.20%
9	P M S F COMPANY PTY LIMITED PENFOLD MTR BURWOOD S/F A/C	2,857,431	2.10%
10	DALLMOUNT PTY LTD LABELMAKERS SUPER FUND A/C	2,666,668	1.96%
11	W A PEATT PTY LTD THE PEATT SUPER FUND A/C	2,400,000	1.76%
12	NATIONAL NOMINEES LIMITED	2,387,686	1.75%
13	RATHVALE PTY LIMITED	2,209,759	1.62%
14	ONE MANAGED INVT FUNDS LTD 1 A/C	2,000,000	1.47%
15	VANWARD INVESTMENTS LIMITED	1,438,294	1.06%
16	DALLMOUNT PTY LTD LABELMAKERS S/F A/C	1,204,761	0.88%
17	BUDUVA PTY LTD	1,000,000	0.73%
18	BARKING DOG PTY LTD NETTLEFOLD SUPER FUND A/C	983,530	0.72%
19	DIXSON TRUST PTY LIMITED	855,000	0.63%
20	MRS JOY DOROTHY JOHNSTONE	834,092	0.61%
		106,878,018	**78.44%**


50 WASHES
Huggie
WRINKLE RELEASE
FABRIC CONDITIONER
CONCENTRATE
White Lily
50 WASHES
Huggie
FAST CYCLE
FABRIC CONDITIONER
CONCENTRATE
Vanilla
1 LITRE
50 WASHES
Huggie
QUICK DRY
FABRIC CONDITIONER
CONCENTRATE
Honeysuckle
1 LITRE
50 WASHES
Huggie
EASY IRON
FABRIC CONDITIONER
CONCENTRATE
1 LITRE
GIVE YOUR CLOTHES THE HUGGIE TREATMENT


CAUTION
KEEP OUT OF REACH OF CHILDREN
READ SAFETY DIRECTIONS
White King
The POWERFUL Clean
TOILET GEL
2X POWER CLEAN
DOUBLE STRENGTH
KILLS 99.99% OF GERMS
HOSPITAL GRADE
WORKS IN 30 SECONDS
LEMON
475ML
CAUTION
KEEP OUT OF REACH OF CHILDREN
READ SAFETY DIRECTIONS
White King
The POWERFUL Clean
TOILET GEL
POWER CLEAN
LE STRENGTH
KILLS 99.99% OF GERMS
HOSPITAL GRADE
SECONDS
PINE
475ML
CAUTION
KEEP OUT OF REACH OF CHILDREN
READ SAFETY DIRECTIONS
White King
The POWERFUL Clean
MOULD & SOAP SCUM REMOVER
KILLS 99.99% OF GERMS*
easy spray & rinse
LEMON
500mL
AUTION
EP OUT OF REACH OF CHILDREN
AD SAFETY DIRECTIONS
White King
The POWERFUL Clean
Multipurpose
BATHROOM POWERGEL
99.99% OF GERMS*
ing formula
For a
POWERFUL
Clean

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Mark Hardgrave

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

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ABN
29 091 035 353