



Pental Limited  
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## APPENDIX 4E

### FULL YEAR FINANCIAL REPORT FOR THE YEAR (52 WEEKS) ENDED 28 JUNE 2020

#### Reporting period

Full year - 52 weeks  
(1 July 2019 to 28 June 2020)

#### Comparative period

Full year - 52 weeks  
(2 July 2018 to 30 June 2019)

### RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results	\$'000	% change increase/ (decrease)
Revenue from ordinary activities	126,460	25.90%
Profit from ordinary activities after tax attributable to members	5,019	161.23 %
Net profit for the period attributable to members	5,019	161.23 %

Dividends	Record Date	Payment Date	Amount per security	Franked amount per security
<b>Interim</b>				
Interim dividend – FY2020	2 March 2020	25 March 2020	0.70¢	0.70 ¢
Interim dividend – FY2019	4 March 2019	27 March 2019	0.70¢	0.70 ¢
<b>Special</b>				
Special dividend – FY2020	31 July 2020	7 August 2020	0.70¢	0.70 ¢
Special dividend – FY2019	-	-	-	-
<b>Final</b>				
Final dividend – FY2020	7 September 2020	25 September 2020	1.50¢	1.50¢
Final dividend – FY2019	9 September 2019	27 September 2019	1.30¢	1.30¢

Net tangible assets backing (NTA backing)	28 June 2020	30 June 2019
Net tangible assets per ordinary security	34.49 ¢	32.58 ¢

#### Other information regarding the accounts

The information contained in this Appendix 4E is based on financial statements, which have been audited. For additional Appendix 4E disclosures, refer to the accompanying Media Release, Director's Report and the Financial Report for the year (52 weeks) ended 28 June 2020.



## **Pental Limited**

**ABN: 29 091 035 353**

## **Financial Report**

**for the year (52 weeks) ended 28 June 2020**

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## Chairman's Report

I am pleased to present Pental's Annual Report for the year ended 28 June 2020.

We have had a very successful year focussing on our core brands, launching new products, driving further efficiencies in manufacturing and growing our business significantly.

Our underlying profit after tax for FY20 was up 45.4% on last year and our statutory profit was up 161.3% from \$1.921 million in FY19 to \$5.019 million in FY20.

Statutory & underlying profit comparison to prior period			
	FY20 (i) \$'000	FY19 (i) \$'000	% Change
<b>Underlying EBITDA (ii)</b>	<b>11,972</b>	<b>8,330</b>	<b>43.7%</b>
Depreciation and amortisation	(4,576)	(3,316)	
<b>Underlying EBIT</b>	<b>7,396</b>	<b>5,014</b>	<b>47.5%</b>
Finance costs	(175)	(73)	
<b>Underlying profit before tax</b>	<b>7,221</b>	<b>4,941</b>	<b>46.1%</b>
Underlying income tax expense	(2,202)	(1,490)	
<b>Underlying net profit after tax</b>	<b>5,019</b>	<b>3,451</b>	<b>45.4%</b>
<b>Significant items (net of tax):</b>			
Impairment of brandnames (net of tax)	-	(1,530)	
<b>Reported profit after tax</b>	<b>5,019</b>	<b>1,921</b>	<b>161.3%</b>

(i) Non-IFRS financial table

(ii) FY20 EBITDA includes the impact of adopting AASB 16 Leases. Refer to page 7 for an overview of the impact of adopting AASB 16 and Page 8 for a like-for-like comparison.

As the Group enters FY21, there remains a strong demand for our trusted brands from our retail partners as well as from our consumers. Our products are 'Australian Made, Australian and New Zealand owned'. Producing quality products is our core focus with consumers placing greater emphasis on locally made quality products at a competitive price.

Pental has invested heavily in supporting its two big brands White King and Country Life through both social media and outdoor advertising. As a result, sales grew with White King bleach, household cleaners and Country Life bar soaps compared to the prior year even though the competition continued with heavy price discounting to influence consumer purchasing.

As private label grew in most categories Pental continued to focus on ways to reduce production costs and remain competitive. Pental's agility to be responsive to target changing market conditions brought about with COVID-19 resulted in the company experiencing strong growth in the second half of the financial year.

In this highly competitive market, our brands remain well-placed with Pental achieving growth in all sales channels such as Metcash, Coles, Woolworths, and Pharmacy. Growth was also achieved in categories such as toilet, household cleaning and dish wash in New Zealand while in Australia White King bleach and White King Lemon toilet gel retain their #1 position in grocery along with the Jiffy and Softly brands in their segments.

Product innovation remained as the focus with the R&D and Marketing teams. We know our customers and consumers and have developed the right products for purpose. Our strength is our ability to adapt and innovate. We have expanded our trusted legacy brands into new segments such as disinfectants and anti-bacterial handwash.

Export remains an important part of our long-term growth vision with sales and margins increasing on the prior year.

We are not afraid of new ventures and our capital investment means our production facility is more agile and can produce a wider range of products for more purpose.

## Dividend

The board has declared a fully franked final dividend of 1.5 cents per share payable to shareholders on 25 September 2020, with a record date of 7 September 2020. This takes total dividends for the year to 2.9 cents per share. Excluding a special dividend of 0.7 cents per share this represents a 10% increase on the prior year's dividend of 2.0 cents. Including the special dividend, it was a payout ratio of 78.7% of Net profit after tax.

## Looking forward

Pental expects to maintain momentum in FY21.

Pental's strategic distribution partnership with Duracell 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, Country Life and Softly with strong above the line investment.

Product innovation is the key to Pental's long term success, and we continue to explore opportunities to introduce new products, similar to the successful launch of the White King disinfectants and Country Life anti-bacterial handwash.

The Company is also working with key customers to expand its portfolio of products of Private Label.

In a further step towards export growth, we are currently in the early stages of supply with a large distributor in China that can provide more scale into the market where high quality Australian brands are well regarded. The Company will continue to investigate opportunities to supply other markets.

We will continue delivering on our five strategic priorities:

1. Driving sales growth
2. Developing new products
3. New Sales channels
4. Export markets
5. Continuous manufacturing improvements

Given the strong underlying performance of the group coupled with a strong balance sheet, Pental is seeking to identify and evaluate potential acquisitions to fit within its business.

I acknowledge the efforts of my fellow Directors over the past year. I also welcome Charlie McLeish on the board as Managing Director.

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



Mark Hardgrave  
Chairman

## Directors' report

The directors of Pental Limited submit herewith the annual financial report of the company for the year (52 weeks) ended 28 June 2020. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

### Information about the directors

The names and particulars of the directors of the company during or since the end of the financial year are:

#### Name & Qualifications

##### **Mr Mark Hardgrave**

B.Ec

Non-Executive Independent Chairman

#### 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 company Traffic Technologies Limited (ASX: TTI). He is also a director on the board of Nimble Money Limited and Forbidden Foods Limited. Previously, Mark held a directorship in Wingara AG Ltd from March 2018 to June 2020

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

Appointed Director 1 May 2019

Appointed Chairman on 31 December 2019

Member of Audit Committee and Chairman of Remuneration Committee

##### **Mr Charlie McLeish**

Bachelor of Business

Managing Director

Before his appointment at Pental, Charlie McLeish spent over 30 years in the Fast-Moving Consumer Goods (FMCG) industry including 20 years managing major bakeries within Bunge Australia (Goodman Fielder) focusing on Business Turnaround.

After Goodman Fielder, Charlie spent 15 years at George Weston Foods in the position of General Manager of Tip Top Bakeries Victoria where he managed a major turnaround to profitability. Charlie then transitioned to National Sales Director of Don Smallgoods.

Charlie has vast sales, marketing, manufacturing and logistics experience with proven turnaround capabilities.

Appointed CEO 1 January 2014

Appointed Managing Director 6 April 2020

##### **Mr John Etherington AM**

B.Ec, FCA, FAICD

Non-Executive Independent Director

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

Appointed Director 2 April 2013.

Chairman of Audit Committee and Member of Remuneration Committee.

##### **Mr Jeff Miciulis**

Non-Executive Independent Director

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

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

Appointed 5 March 2019.

Member of the Audit Committee and Member of Remuneration Committee.

## Name & Qualifications

### **Mr Fred Harrison**

Non-Executive Independent Director

## Experience and Responsibilities

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

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

Appointed Director 28 August 2019

Member of the Audit Committee and Member of Remuneration Committee.

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.

### **Mr John Rishworth**

Non-Executive Independent Director

Appointed Director 9 September 2004.

Resigned 28 August 2019

Member of Audit Committee and Member of Remuneration Committee

### **Mr Peter Robinson**

B.Eco (Mon)

Non-Executive Independent Chairman

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

Appointed Director on 29 November 2002.

Appointed Chairman on 5 March 2009.

Resigned 31 December 2019

Member of the Audit Committee and Chairman of Remuneration Committee.

Each of the directors held office during the financial year and as at the date of this report, unless otherwise noted above.

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

## **Directors' shareholdings**

The following table sets out each director's relevant interest in shares, and options over shares of the company as at the date of this report.

Directors	Fully paid ordinary shares Number	Share options Number	Unvested Performance rights Number
Mark Hardgrave	100,000	-	-
Charlie McLeish	14,500	-	685,000
John Etherington	160,000	-	-
Jeff Miciulis	800,000	-	-
Fred Harrison	250,000	-	-

## **Share options granted to directors and senior management**

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

## Company Secretary

### Name & qualifications

**Mr Oliver Carton**  
B Juris LL.B  
Company Secretary

### Experience and Responsibilities

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

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

## Principal activities

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

## Company Overview - Trusted brands that get the job done

Pental Limited 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 full time equivalent 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
 	 		 	

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

### Financial performance highlights

	FY20 (i) \$'000	FY19 (i) \$'000	Change \$'000	%
Gross sales	188,994	153,986	35,008	22.7% ↑
Trade spend rebates & discounts	(62,534)	(53,540)	(8,994)	16.8% ↓
Net sales revenue	126,460	100,446	26,014	25.9% ↑
Trade spend to gross sales	33.1%	34.8%		-1.7% ↓
Underlying EBITDA on like for like basis <sup>(ii)</sup>	11,423	8,330	3,093	37.1% ↑
Underlying EBITDA margin on net sales	9.0%	8.3%		0.7% ↑
Depreciation & Amortisation	(4,576)	(3,316)	(1,260)	38.0% ↓
Underlying EBIT	7,396	5,014	2,382	47.5% ↑
EBIT to gross sales	3.9%	3.3%		0.6% ↑
Underlying EBIT margin on net sales	5.8%	5.0%		0.8% ↑
Underlying net profit after tax	5,019	3,451	1,568	45.4% ↑
<b>Shareholder metrics</b>				
Basic EPS - cents per share	3.68	1.41	2.27	161.0% ↓
Underlying Basic EPS - cents per share <sup>(iii)</sup>	3.68	2.53	1.15	45.5% ↑
Total Dividends declared - cents per share	2.90	2.00	0.90	45.0% ↑
<b>Cashflow and capital management</b>				
Working Capital <sup>(iv)</sup>	25,405	23,377	2,028	8.7% ↓
Net Cash/(Debt)	3,668	246	3,422	NMF <sup>(vi)</sup> ↑
Cash flows from operating activities	8,505	(2,430)	10,935	450.0% ↑
EBITDA conversion to operating cash	71%	-29%		100% ↑
Gearing <sup>(v)</sup>	0.0%	0.0%		

<sup>(i)</sup> Non-IFRS financial table

<sup>(ii)</sup> FY 20 EBITDA adjusted to reverse impact of new accounting standard AASB 16 Leases, FY19 EBITDA adjusted for non cash brand impairment refer to reconciliation on page 8.

<sup>(iii)</sup> Underlying Basic EPS represents underlying net profit after tax dividend by the number of ordinary shares on issue during FY20 and FY19 of 136,250,633 used in the calculated of reported basic EPS.

<sup>(iv)</sup> Receivables plus inventory less trade and other payables

<sup>(v)</sup> Net debt (Net of cash and financial liabilities) to equity.

<sup>(vi)</sup> Not a meaningful figure

### Financial Performance

- Gross sales of \$188.994 million were up 22.7% or \$35.008 million on last year, driven by increases across owned brands and distributed brands. FY 20 also included two additional months of trading for Duracell products as the distributorship agreement commenced in September 2018.
- Net sales revenue was up 25.9% which was driven by increase in gross sales as well as a 1.7% reduction in trade spend and rebates ratio to gross sales.
- Net sales revenue in Australia was up 26.98% or \$23.280 million on last year driven by a strong uptake of branded cleaning and personal care products which was assisted by new products introduced to the market during COVID 19 pandemic. Duracell branded products delivered a strong net sales growth of 44.26% in Australia compared to prior period. After excluding the additional 2 months of trade (July and August 2019) in the financial year, Duracell net sales in Australia grew by 26.80% on a like for like basis. Pears also performed quite strongly for the financial year with net sales revenue up 74.5% compared to prior year primarily driven by surge in demand for soaps due to COVID 19.
- Net sales revenue in New Zealand was up \$2.341 million on last year (in New Zealand dollars) or 18.0% strong sales across most brands and categories led by bleach, toilet, household cleaners and manual dishwash. Pental's share in New Zealand market in several categories such as Toilet, Household Cleaning and Dish Wash remains strong.
- Exports to Asia grew by \$0.392 million or 20.59% compared to prior year. Although it was a good growth in export market, the progress was impacted by COVID 19 driven disruptions. At the peak of demand, supply to Australian and New Zealand markets was prioritised.

### Financial Performance (continued)

Reported EBIT (Earnings Before Interest and Tax) of \$7.396 million was \$2.382 million (or 47.51%) higher compared to underlying EBIT for last year after adjusting last year reported EBIT for non-cash impairment charge of \$2.185 million (\$1.530 million net of tax) on brand names.

Net profit after tax (NPAT) was \$5.019 million which was 45.4% higher compared to underlying NPAT for last year, after adjusting last year's reported NPAT for non-cash impairment charge of \$1.530 million net of tax on brand names.

- 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. Prior period underlying results exclude the effect of non-operating items that are unrelated to the underlying performance of the business.
- Underlying results have been presented with reference to the Australian Securities and Investment Commission Regulatory Guide 230 "Disclosing non-IFRS financial information".

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

Statutory & underlying profit comparison to prior period	FY20 (i) \$'000	FY19 (i) \$'000	% Change
<b>Underlying EBITDA (ii)</b>	<b>11,972</b>	<b>8,330</b>	<b>43.7%</b>
Depreciation and amortisation	(4,576)	(3,316)	
<b>Underlying EBIT</b>	<b>7,396</b>	<b>5,014</b>	<b>47.5%</b>
Finance costs	(175)	(73)	
<b>Underlying profit before tax</b>	<b>7,221</b>	<b>4,941</b>	<b>46.1%</b>
Underlying income tax expense	(2,202)	(1,490)	
<b>Underlying net profit after tax</b>	<b>5,019</b>	<b>3,451</b>	<b>45.4%</b>
<b>Significant items (net of tax):</b>			
Impairment of brandnames (net of tax)	-	(1,530)	
<b>Reported profit after tax</b>	<b>5,019</b>	<b>1,921</b>	<b>161.3%</b>

(i) Non-IFRS financial table

(ii) FY20 EBITDA includes the impact of adopting AASB 16 Leases. Refer to page 7 for an overview of the impact of adopting AASB 16 and Page 8 for a like-for-like comparison.

- Pental continued its focus on efficiency improvement and driving production costs down. As a result, even though direct production labour increased by \$0.493 million predominantly due to increased production driven by increased demand, labour utilisation factor improved by 1.5% compared to prior year.
- Energy and utility costs largely remained in line with last year as a percentage of production costs. Number of cartons produced were up 9.8% compared to prior year.
- The Group invested in supporting its core brands White King and Country Life through various platforms including social media, sponsorship of Western Bulldogs football club and advertisements to ensure our high quality Australian manufactured brands remain relevant to the consumers. As a result, marketing expenses were \$0.721 million above prior period.
- The business experienced price pressures in freight and distribution expenses due to majority of freight capacity in Shepparton region being consolidated by one major supplier. To mitigate this pressure, the Group agreed with major retailers preferred freight providers and negotiated prices with various other freight providers to supply non-major sales channels.

### Impact of AASB 16

AASB 16 Leases became effective for the Group on 1 July 2019. As a result, the Group changed its related accounting policies resulting in recognition of Right-of-use assets and associated lease liabilities at 1 July 2019. The nature and effect of these changes are disclosed in attached financial report and notes.

In summary, the overall earnings impact for the period ended 28 June 2020 arising from the adoption of AASB 16 is:

- An increase in EBITDA of \$549 thousand and a corresponding increase in depreciation of \$552 thousand. This has resulted in a reduction in EBIT of \$3 thousand.
- An increase in interest expense of \$59 thousand. In combination with the reduction in EBIT, this has resulted in a reduction in net profit before tax of \$62 thousand.

Comparison of FY20 EBITDA to prior period			
	FY20 (i) \$'000	FY19 (i) \$'000	% Change
<b>Reported profit after tax</b>	<b>5,019</b>	<b>1,921</b>	<b>161.3%</b>
Income tax expense	2,202	835	
Finance costs	175	73	
<b>EBIT</b>	<b>7,396</b>	<b>2,829</b>	<b>161.4%</b>
Depreciation and amortisation	4,576	3,316	38.0%
Reversal of impact of AASB 16 on EBITDA	(549)	-	100.0%
<b>EBITDA excluding impact of AASB 16</b>	<b>11,423</b>	<b>6,145</b>	<b>85.9%</b>
<b>Significant items:</b>			
Impairment of brandnames	-	2,185	
<b>Underlying EBITDA excluding impact of AASB 16</b>	<b>11,423</b>	<b>8,330</b>	<b>37.1%</b>
<sup>(i)</sup> Non-IFRS financial table			

### Shareholder metrics

- The total dividend for the 2020 financial year is 2.9 cents per ordinary share (2019: 2.0 cents), representing a payout ratio of 78.7% of the full-year NPAT (2019: 79.0% of the underlying NPAT) and consists of:
  - Interim fully franked dividend of 0.70 cents per ordinary share, which was paid 25 March 2020;
  - A one-off special dividend of 0.70 cents per ordinary share payable to the shareholders on 7 August 2020 with a record date of 31 July 2020.
  - Proposed final fully franked dividend of 1.50 cents per ordinary share, payable to shareholders on 25 September 2020, with a record date of 7 September 2020.
- Basic earnings per share (EPS) of 3.68 cents was 2.27 cents (or 160.99%) above prior year's EPS of 1.41. On an underlying basis, EPS was 45.60% higher compared to 2.53 cents per share in prior period (i.e. excluding significant non-cash items in prior period).

### Cash generation and capital management

Net cash provided by operating activities was \$8.505 million (2019: Net cash used in operating activities \$2.430 million) representing a strong cash conversion of EBITDA at 71%.

Net working capital (receivables, inventories less trade and other payables) of \$25.212 million was higher than last year by \$1.835 million predominantly due to timing of financial year end on 28 June 2020. Majority of debtors in New Zealand market have an agreed calendar month end payment terms which meant June month end cash receipts will be factored in next financial year. In the prior year, debts due at end of June 19 were collected in the same financial year.

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

Capital investment of \$2.079 million was marginally lower than prior year (2019: \$2.189 million). Major capital investment initiatives undertaken during the FY 20 year included replacement of one liquid filling line to improve speed and efficiency of non-bleach based liquid products and to target additional private label business opportunities. As at the reporting date, Pental was in an advanced stages of commissioning enhancements to its existing lines to target ethanol-based hand sanitiser products. The demand for hand sanitisers has increased significantly in recent months due to the COVID 19 pandemic which is expected to remain stable in the long term.

The Company's closing net cash position of \$3.668 million was debt free. Please refer to note 27 (a) to the financial statements for details.

### Impact of COVID 19

The Group has experienced a healthy uplift in demand for its strong anti-bacterial cleaning and personal care products since the start of COVID 19 pandemic. The Group expects that a healthy level of demand will remain in the market for strong cleaning and hygiene products.

The Directors believe COVID 19 will not have a material impact on the Group's ability to continue as a going concern. The Group is debt free as at the reporting date with a healthy cash balance of \$3.668 million supported by a banking facility of \$5 million.

Whilst there are risks associated with the Group's raw material supply chain from other countries, the Directors and management assess this risk as manageable due to the Group's reliance on local sources for a majority of its raw materials. The Group has been stringently following government issued guidelines to mitigate risks associated with spread of novel coronavirus in the workplace.

## Strategic Objectives: The Five Key Pillars

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; driving sales growth, developing new products, developing new sales channels, growing the export market and continuous manufacturing improvement. These five pillars support organic growth and are matched by our strategy to establish new partnerships and distributorships that will complement our product range, expertise, and leverage our infrastructure while expanding into new channels.

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

### 1. Driving sales growth

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

Increased retailer margin expectations, especially in supermarket chains, is resulting in lower gross margin returns for manufacturers and suppliers. At the same time, major retailers are developing their own private label brands. It is a challenging market for every brand and their suppliers, with companies like Pental working hard to innovate and grow.

We are investing in product innovation, advertising, and field support to grow our share of shelf space, our market share and brand equity in key categories. We constantly review the effectiveness of promotions in driving sales and margins, and the contribution made by products to overall sales. This enables us to identify early opportunities for innovation and product development which support sales growth and differentiate us from the competition.

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

### 2. Developing new products

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

White King's new range of Australian-made disinfectant products have been received very positively by our customers and consumers. This new range is 99.9% effective on germs which has been a major consumer need since the start of the COVID 19 pandemic.

Pental also developed a range of Country Life branded antibacterial soaps and hand wash liquids which have performed strongly in the last quarter of the reported period since the market launch.

Pental has invested in capital to enable the launch of a hand sanitiser range of products in the second half of 2020. This new range will complement the hand washing and germ effective range of products.

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

### 3. New sales channels

Our commitment for further growth includes entering new sales channels.

The year saw Pental's products being launched into Bunnings stores for the first time. Bunnings presents a big opportunity for Pental to develop and extend its range of strong brands for a further reach to the consumers.

Both the White King brand and Country Life brand were ranged into Aldi for the first time during the year. This reinforces the quality and belief behind these iconic Australian branded products.

During the year we increased the focus on growing the Pharmacy channel with outstanding results achieving 100% growth on the previous year.

### 4. Export markets

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

We enjoy a strong partnership with our Auckland-based sales and distribution agent. This growth was achieved through both product innovation and increased field support at store level. We are continuing to update the Janola packaging and the introduction of new products for the New Zealand market.

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

## 5. Continuous manufacturing improvement

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

At the Shepparton plant we have focused on improving productivity and line efficiency through labour reduction initiatives and CAPEX strategies to reduce change over times, increased line availability and ongoing preventative maintenance programs.

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

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

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

## 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 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 agreement:** Pental currently has a significant distributorship agreement with Berkshire Hathaway (Duracell brand). As a result, Pental is the master distributor of Duracell brand for the Australian market and this agreements account for a material portion of Pental's operating margins. These distributorship agreements are typically renegotiated and renewed every three years and include provisions that allow the contracts to be terminated on a performance basis. Pental proactively manages the performance of its distributorship agreement through joint business plans and monthly business reviews.

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

**Supply chain:** Pental has an extensive and reliable supply chain that enables us to efficiently procure and deliver products to customers. Disruption to a material aspect of this supply chain could have a material adverse impact on Pental's operational and financial performance. Pental's ongoing review of supply chain costs and the corresponding change of supply chain arrangements with minimal disruption especially through the COVID-19 pandemic period, 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 28 June 2020 an interim fully franked dividend of 0.70 cents per ordinary share was paid on 25 March 2020 as well as a fully franked special dividend of 0.70 cents per ordinary share was paid on 7 August 2020. The directors have declared the payment of a final fully franked dividend of 1.5 cents per ordinary share, payable to shareholders on 25 September 2020, with a record date of 7 September 2020. The total dividend for the FY20 financial year of 2.9 cents per share represents a payout ratio of 78.7% of net profit after tax.

In the prior year ended 30 June 2019, the total dividend paid was 2.0 cents per ordinary share, representing a payout ratio of 79.0% of underlying net profit after tax (i.e. 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.

The Group's Executive Director (Charlie McLeish) and senior management were issued performance rights pursuant to the Executive Variable Incentive Plan (EVIP) as detailed in the Remuneration Report.

## **Indemnification of officers and auditors**

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

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

ANNUAL REPORTING CALENDAR	
Reporting Requirement	Date
Lodgement of Appendix 4E - FY20	27 August 2020
FY20 Annual Financial Report	27 August 2020
Deadline for nomination as Director	1 October 2020
Annual Report and Notice of Annual General Meeting	20 October 2020
Annual General Meeting	19 November 2020

## 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, 10 Board, 4 Audit Committee and 2 Remuneration Committee meetings were held.

Directors	Board of Directors		Audit and Risk Committee		Remuneration Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Mark Hardgrave	10	10	4	4	2	2
John Etherington	10	10	4	4	2	2
Jeff Miciulis	10	10	4	4	2	2
Fred Harrison (i)	8	8	-	-	2	2
Charlie McLeish (ii)	3	3	-	-	-	-
Peter Robinson (iii)	5	5	2	2	1	1
John Rishworth (iv)	1	1	1	1	-	-

- (i) Fred Harrison was appointed as a non-executive director on 28 August 2019
- (ii) Charlie McLeish was appointed Managing Director on 6 April 2020.
- (iii) Peter Robinson resigned as non-executive chairman on 31 December 2019.
- (iv) John Rishworth resigned as non-executive director on 28 August 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 30 to the financial statements.

The directors are satisfied that the provision of non-audit services during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in Note 30 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit Committee, for the following reasons:

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

## Auditor's independence declaration

The auditor's independence declaration is included on page 25 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:

Mark Hardgrave	Non-executive Independent Director until 31 December 2019, appointed Chairman on 31 December 2019
Charlie McLeish	Chief Executive Officer until 6 April 2020, appointed Managing Director on 6 April 2020
John Etherington	Non-executive Independent Director
Jeff Miciulis	Non-executive Independent Director
Fred Harrison	Non-executive Independent Director (commencement date, 28 August 2019)
Peter Robinson	Non-executive Independent Chairman (resignation date, 31 December 2019)
John Rishworth	Non-executive Independent Director (resignation date, 28 August 2019)

Neil Godara            Chief Financial Officer

### Remuneration Policy

The remuneration policy of Pental Limited has been designed to align executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering variable cash and equity incentives based upon key performance areas affecting the Group's financial results. The Board of Pental Limited believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives to run and manage the Group, as well as create goal congruence between executives and shareholders.

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

The remuneration policy, setting the terms and conditions for the Managing Director and other senior executives (executives), was developed and approved by the Board. Executive packages are reviewed annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries. 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 an Executive Variable Incentive Plan (EVIP).

The executives receive a superannuation guarantee contribution required by the law, and do not receive any other retirement benefits. Some individuals, however, may choose to sacrifice part of their salary to increase payments towards superannuation.

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

### Key terms of employment contracts

Mr Charlie McLeish is employed by the Group under an ongoing contract. The period of notice required by the Group to terminate the contract is twelve months without cause and the notice required by Mr McLeish is four months. 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 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.

### Relationship between the remuneration policy and company performance

The remuneration policy has been tailored to increase goal congruence between shareholders and executives. This has been achieved through structuring executive remuneration with a combination of total fixed remuneration and a performance-based incentive system controlled through Executive Variable Incentive Plan (EVIP). Details of EVIP are provided within the remuneration report.



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

The following tables set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2020. 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.

	28 June 2020 \$'000	30 June 2019 <sup>1</sup> \$'000	1 July 2018 <sup>1</sup> \$'000	2 July 2017 <sup>1</sup> \$'000	26 June 2016 \$'000
Gross sales	188,994	153,986	108,427	117,660	109,980
Net profit/(loss) before tax	7,221	2,756	(26,824)	8,343	8,218
Net profit/(loss) after tax	5,019	1,921	(27,839)	5,850	5,628
Underlying net profit after tax	5,019	3,451	2,602	5,962	5,628

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

	28 June 2020	30 June 2019	1 July 2018	2 July 2017	26 June 2016
Share price at start of year	\$0.288	\$0.280	\$0.595	\$0.575	\$0.440
Share price at end of year	\$0.34	\$0.288	\$0.280	\$0.595	\$0.575
Interim dividend (cents) per share <sup>1</sup>	0.70	0.70	0.60	1.15	1.00
Special dividend (cents) per share <sup>1, 2</sup>	0.70	-	-	-	-
Final dividend (cents) per share <sup>1, 2</sup>	1.50	1.30	0.90	2.10	1.95
Basic earnings/(loss) cents per share	3.68	1.41	(20.43)	4.29	4.13
Diluted earnings/(loss) cents per share	3.64	1.41	(20.43)	4.18	4.04

<sup>1</sup> Franked to 100% at 30% corporate income tax rate.

<sup>2</sup> Declared after the balance date and not reflected in the financial statements of that year.

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

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

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

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

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

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

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

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

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

2019	Short-term employee benefits			Post-employment benefits	Termination benefits	Share-based payments	Total \$
	Salary & fees \$	Bonus <sup>(x)</sup> \$	Non-Monetary <sup>(i)</sup> \$	Superannuation \$	Lump Sum <sup>(viii)</sup> \$	Rights <sup>(ix)</sup> \$	
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 <sup>(ii)</sup>	18,265	-	-	1,735	-	-	20,000
Mark Hardgrave <sup>(iii)</sup>	9,132	-	-	868	-	-	10,000
Mel Sutton <sup>(iv)</sup>	36,529	-	-	3,470	-	-	39,999
Kimberlee Wells <sup>(v)</sup>	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 <sup>(vi)</sup>	115,041	10,000	3,002	10,929	-	-	138,972
Josephine De Martino <sup>(vii)</sup>	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.

### Transactions with key management personnel

As disclosed in information about the Directors, Mr Fred Harrison is the CEO of Ritchies. Mr Harrison's employer, Ritchies Stores Pty Ltd invoiced the Group a total of \$236,351.88 (including GST) relating to the Group's participation in various promotional activities and supplier trading terms during the financial year. All transactions were conducted at arm's length. As at the reporting date, the Group owed Ritchies Stores Pty Ltd \$36,300 in relation to abovementioned promotional activities and supplier trading terms.

Mr Peter Robinson was paid a total of \$19,000 (including GST) in relation to consultancy services provided to the Group after his retirement on 31 December. A party related to Mr Robinson was employed by the Group during the reported period. The terms of employment were at arm's length. The related party was paid a remuneration of \$131,058 during the period.

Mr John Rishworth was paid a total of \$17,600 (including GST) in relation to consultancy services provided to the group after his retirement date. A party related to Mr Rishworth was also employed by the Group during the reported period. The terms of employment were at arm's length. The related party was paid a remuneration of \$15,006 during the period.

### Executive Variable Incentive Plan (EVIP)

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

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

#### Variable Incentive – cash

Variable cash incentive under EVIP is paid shortly after the release of audited full year results. The maximum amount of remuneration under the variable cash incentive plan ranges from 20 to 35 percent of the individual executive / senior management employee's total fixed remuneration.

#### Variable Incentive – equity

The variable equity incentive is designed to reward achievement of annual KPIs, assist the retention of key high performing executives and align the rewards to the company's share price. The maximum amount of remuneration under the variable equity incentive plan varies from 30 to 40 percent of the individual executive / senior management employee's total fixed remuneration. The variable equity incentive is delivered as Performance Rights (Rights), which are granted under the existing Executive Performance Rights Plan (Rights Plan) to enable the subsequent acquisition of the share component. The Rights will convert to ordinary shares after three years from the end of financial year of the grant date. Rights will be granted on a face value basis using the last ten business days of the previous financial year Volume Weighted Average Price (VWAP). The variable equity incentive is based upon an assessment of performance against respective KPIs in the year in which it is granted. If the performance criteria is not met within the financial year, the Rights lapse at the end of the same financial year.

The vesting of the Rights is conditional on:

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

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

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

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

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

## EVIP – FY20 Performance

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

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

<sup>(i)</sup> Volume Weighted Average Price (VWAP) based on closing share price of last 10 business days of financial year 2019 and volume traded on each day in that period. Source – Commonwealth Securities Limited.

<sup>(ii)</sup> Number of Rights have been rounded to nearest thousand.

No cash or equity incentives were achieved by the executives or senior management employees in the previous financial year under the EVIP as the Company did not achieve the plan's EBIT hurdles.

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

	No. of Rights granted	Share price at grant date <sup>(i)</sup>	Exercise price	Expected volatility	Risk free rate	Expected dividend yield	Fair value per Right at grant date	Fair value of Rights at grant date
<b>Executives</b>								
Charlie McLeish	685,000	\$0.2921	Nil	45.95%	0.94%	5.52%	\$0.159	\$108,915
Neil Godara	223,000	\$0.2921	Nil	45.95%	0.94%	5.52%	\$0.159	\$35,457

<sup>(i)</sup> Volume Weighted Average Price (VWAP) based on closing share price of last 10 business days of financial year 2019 and volume traded on each day in that period. Source – Commonwealth Securities Limited.

## Share-based payments (Rights Plan)

All performance rights under the EVIP are issued pursuant to the Executive Performance Rights Plan (Rights Plan). Under the conditions of Rights Plan, performance Rights are convertible to ordinary shares (with no exercise price) as at the vesting date which is 4 years from the grant date (or 3 years from the end of the financial year)

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

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

	Grant Date	Vesting Date	Balance at 1/7/2019 No.	Rights granted No.	Rights vested No.	Rights forfeited No.	Rights lapsed No.	Balance at 28/6/2020 No.
Charlie McLeish <sup>(i)</sup>	3/7/2017	1/7/2020	211,765	-	-	-	211,765	-
Charlie McLeish	1/7/2019	1/7/2023	-	685,000	-	-	-	685,000
Neil Godara	1/7/2019	1/7/2023	-	223,000	-	-	-	223,000

<sup>(i)</sup> Rights granted to Mr McLeish on 3 July 2017 lapsed during the period as a result of the related performance conditions not being achieved.

No Rights or share options were granted in the previous comparative period.

### Key management personnel equity holdings

Fully paid ordinary shares of Pental Limited held by key management personnel including a close member of family or an entity that is controlled or significantly influenced are as per below:

	Balance at 1/7/2018	Options exercised	Net change other <sup>(i)</sup>	Balance at 30/6/2019	Options exercised	Net change other <sup>(i)</sup>	Balance <sup>(v)</sup> at 28/6/2020
<b>Non-Executive Directors</b>							
Mark Hardgrave	-	-	-	-	-	100,000	100,000
Fred Harrison <sup>(ii)</sup>	-	-	-	-	-	250,000	250,000
John Etherington	160,000	-	-	160,000	-	-	160,000
Jeff Miculis	-	-	800,000	800,000	-	-	800,000
Peter Robinson <sup>(iii)</sup>	4,210,927	-	-	4,210,927	-	(4,210,927)	-
John Rishworth <sup>(iii)</sup>	13,208	-	-	13,208	-	(13,208)	-
<b>Executives</b>							
Charlie McLeish <sup>(iv)</sup>	3,000	-	11,500	14,500	-	-	14,500
Neil Godara <sup>(iv)</sup>	-	-	-	-	-	-	-

<sup>(i)</sup> Net change other relates to shares purchased and sold during the financial year.

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

<sup>(iii)</sup> Mr Robinson and Mr Rishworth retired as directors during the financial year.

<sup>(iv)</sup> Both Mr McLeish and Mr Godara have been issued performance rights under the Executive Variable Incentive Plan (EVIP).

<sup>(v)</sup> There has been no change in shareholdings from the end of the financial year to the date of this report.

### Key management personnel share option holdings

Other than the performance rights holdings disclosed on previous page, no share options are on issue as at the date of this report.

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

On behalf of the Directors



Mark Hardgrave  
Chairman  
Melbourne, 27 August 2020

## Corporate Governance Statement

This Corporate Governance Statement sets out the Company's current compliance with the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (Best Practice Recommendations).

The Company's website [www.pental.com.au](http://www.pental.com.au) contains an Investor Section, which details the Company's Corporate Governance policies and procedures. This provides public access to all the information relevant to the Company meeting its corporate governance obligations.

	BEST PRACTICE RECOMMENDATION	COMMENT
1.	<b><i>Lay solid foundations for management and oversight</i></b>	
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.	<p>The Corporate Governance Policies include a Board Charter, which discloses the specific responsibilities of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Managing Director.</p> <p>The responsibilities of the Board, which are reserved for the Board and not delegated to management, include:</p> <ul style="list-style-type: none"> <li>• Oversight of the business and affairs of the Company;</li> <li>• Establishment of control and accountability systems;</li> <li>• Establishment with management of a strategic direction, supporting strategies and operating performance objectives;</li> <li>• Appointing the Managing Director and any other Executive Director; and</li> <li>• Reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct and legal compliance.</li> </ul> <p>The Board Charter is available on the Company's website.</p>
1.2	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.	<p>The Board has not established a Nominations Committee given the size of the Board and the Company's operations. The Board as a whole performs the role of selection of potential new directors, and appropriate checks are made before an appointment occurs.</p> <p>The Company provides security holders with all material information in its possession concerning the appointment or re-appointment of a director in the Notice of Shareholder Meeting concerning that appointment or re-appointment. A recommendation of the Directors concerning that appointment or re-appointment is also given.</p>
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 to	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.

	BEST PRACTICE RECOMMENDATION	COMMENT
	<p>assess annually both the objectives and the entity's progress in achieving them;</p> <p>(b) disclose that policy or a summary of it; and</p> <p>(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:</p> <p>(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</p> <p>(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.</p>	<p>As a "relevant employer" under the Workplace Gender Equality Act, the company is compliant with the minimum requirements of the act and intends to take appropriate action should it be of the view that there is insufficient gender diversity within the business.</p> <p>As at 28 June 2020, there were 36 (30 June 2019, 34) women employed representing 24.49% (30 June 2019, 26.0%) of total employees. There were no female senior executives as at the reporting date (30 June 2019: None).</p> <p>There was no female on the Board of Directors (30 June 2019, None).</p> <p>The Company's Corporate Governance Section on its website includes the Company's 2020 Workplace Gender Equality public report and the corresponding compliance notice issued to the company on the 22<sup>nd</sup> July 2020.</p>
1.6	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of the board, its committees and individual directors; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The Company does not have a formal policy for the periodic evaluation of its Board. The Board does not consider that a formal policy is necessary given the size of the Board and operations of the Company.</p>
1.7	<p>A listed entity should:</p> <p>(a) have and disclose a process for periodically evaluating the performance of its senior executives; and</p> <p>(b) disclose, in relation to each reporting period, whether a performance evaluation was undertaken in the reporting period in accordance with that process.</p>	<p>The Board is responsible for assessing the performance of the Managing Director. The Managing Director is responsible for assessing the performance of all executives within the Company, in conjunction with the Board.</p> <p>Key performance indicators are set annually, and appraisals are conducted at least biannually for all Pental employees.</p> <p>A performance evaluation for the Managing Director and all executives has taken place during the year under the process disclosed.</p>
2.	<b>Structure the board to add value</b>	
2.1	<p>The board of a listed entity should:</p> <p>(a) have a nomination committee which:</p> <p>(1) has at least three members, a majority of whom are independent directors; and</p> <p>(2) is chaired by an independent director, and disclose:</p> <p>(3) the charter of the committee;</p> <p>(4) the members of the committee; and</p> <p>(5) as at the end of each reporting period, the number of times the committee met throughout the period and the individual attendances of the members at those meetings; or</p> <p>(b) if it does not have a 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</p>	<p>The Board has not established a Nominations Committee. The Board as a whole carries out the functions of a Nominations Committee, and Pental believes this is appropriate for a Company of its size and business. The Board seeks to ensure that it has an appropriate mix of skills necessary to fulfil its obligations.</p>



	<b>BEST PRACTICE RECOMMENDATION</b>	<b>COMMENT</b>
	enable it to discharge its duties and responsibilities effectively.	
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: <ul style="list-style-type: none"> <li>(a) the names of the directors considered by the board to be independent directors;</li> <li>(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</li> <li>(c) the length of service of each director.</li> </ul>	<p>Directors of Pental are considered to be independent when they are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgment. The following Directors are considered to be Independent: Mr Mark Hardgrave, Mr John Etherington, Mr Jeff Miciulis and Mr Fred Harrison.</p> <p>Mr Charlie McLeish is Managing Director and not considered independent.</p> <p>Mr Harrison is considered to be independent despite the fact that his employer Ritchies Stores Pty Ltd invoiced the Group a total of \$236,351.88 (including GST) relating to the Group's participation in various promotions, rebates, and trading terms during the financial year. All transactions were conducted at arm's length. The value of the abovementioned promotions, rebates and trading terms are not material to Mr Harrison as an employee of Ritchies Stores Pty Ltd, or Pental.</p> <p>The date of appointment and resignation of each Director is set out in the Directors' Report Section of this Annual Report.</p>
2.4	A majority of the board of a listed entity should be independent directors.	At the date of this report and during the period a majority of directors were independent directors.
2.5	The chair of the board of a listed entity should be an independent director and, in particular, should not be the same person as the CEO of the entity.	The Chairman is an independent director. The Managing Director is not the Chairman.
2.6	A listed entity should have a program for inducting new directors and provide appropriate professional development opportunities for directors to develop and maintain the skills and knowledge needed to perform their role as directors effectively.	<p>The Company has an induction program for new directors.</p> <p>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.</p>
<b>3.</b>	<b><i>Instil a culture of acting lawfully, ethically and responsibly</i></b>	
3.1	A listed entity should articulate and disclose its values	Pental is dedicated to delivering quality, expertise and value in everything we make. Our products are designed to help families live better. Ours are trusted and loved brands that have been a part of Australians' lives for generations. We always act with dignity and respect.
3.2	A listed entity should: <ul style="list-style-type: none"> <li>(a) have a code of conduct for its directors, senior executives and employees; and</li> <li>(b) disclose that code or a summary of it.</li> </ul>	<p>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.</p> <p>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.</p>



	<b>BEST PRACTICE RECOMMENDATION</b>	<b>COMMENT</b>
3.3	A listed entity should: (a) have and disclose a whistleblower policy; and (b) ensure that the board or a committee of the board is informed of any material incidents reported under that policy	The Company has a Whistleblower Policy. The Policy, which encourages reporting of unethical, corrupt and illegal practices, and any breach of Pental's Code of Conduct, particularly concerning compliance concerns around the Competition and Consumer Act; the Australian Consumer Law, is also available on the company website within the Corporate Governance Section.  The Company's Corporate Governance Section on its website includes a whistleblower policy  Any material incidents are encouraged to be reported to the company secretary who reports to the board in a timely manner.
3.4	A listed entity should: (a) have and disclose an anti-bribery and corruption policy; and (b) ensure that the board or a committee of the board is informed of any material breaches of that policy.	The Company's Corporate Governance Section on its website includes an anti-bribery and corruption policy.  Any material incidents are encouraged to be reported to the company secretary who reports to the board in a timely manner.
<b>4.</b>	<b><i>Safeguard integrity in financial reporting</i></b>	
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.

	<b>BEST PRACTICE RECOMMENDATION</b>	<b>COMMENT</b>
4.3	A listed entity should disclose its process to verify the integrity of any periodic corporate report it releases to the market that is not audited or reviewed by an external auditor	The external auditor attends its AGM and is available to answer questions from security holders relevant to the audit.
<b>5.</b>	<b><i>Make timely and balanced disclosure</i></b>	
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.
5.2	A listed entity should ensure that its board receives copies of all material market announcements promptly after they have been made	The Directors are notified of all material announcements promptly.
5.3	A listed entity that gives a new and substantive investor or analyst presentation should release a copy of the presentation materials on the ASX Market Announcements Platform ahead of the presentation.	The Company is compliant with this recommendation.
<b>6.</b>	<b><i>Respect the rights of shareholders</i></b>	
6.1	A listed entity should provide information about itself and its governance to investors via its website.	The Company provides information about itself and its governance on its website. All policies and charters concerning governance issues are located within a dedicated section headed Corporate Governance.
6.2	A listed entity should design and implement an investor relations program to facilitate effective two-way communication with investors.	The Company has in place a Shareholder Communication Policy, which promotes effective communication with shareholders. The Policy is available on the Corporate Governance section of the Company website.
6.3	A listed entity should disclose the policies and processes it has in place to facilitate and encourage participation at meetings of security holders.	The Company has in place a Shareholder Communication Policy, which promotes effective communication with shareholders. The Policy is available on the Corporate Governance section of the Company website.
6.4	A listed entity should ensure that all substantive resolutions at a meeting of security holders are decided by a poll rather than by a show of hands.	The Company is compliant with this recommendation.
6.5	A listed entity should give security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.	The Company gives security holders the option to receive communications from, and send communications to, the entity and its security registry electronically.
<b>7.</b>	<b><i>Recognise and manage risk</i></b>	
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	The Audit and Risk Committee referred to in section 4 also oversees risk as part of its Charter.

	<b>BEST PRACTICE RECOMMENDATION</b>	<b>COMMENT</b>
	(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.	
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.
<b>8.</b>	<b><i>Remunerate fairly and responsibly</i></b>	
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 Variable Incentive Plan that may result in the issue of securities to executives. As those securities will be ordinary shares there is no policy on permitting participants to enter into transactions limiting the risk of participation in the scheme.

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

27 August 2020

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 28 June 2020, 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



Travis Simkin  
Partner  
Chartered Accountants

## 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 28 June 2020, 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 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 28 June 2020 and 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 & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We 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.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Carrying value of brand names</b></p> <p><i>Refer to Note 15 Intangible assets</i></p> <p>As at 28 June 2020, the Group holds indefinite life brand names with a carrying value of \$12.3 million, which are required to be assessed for impairment, at least annually, or where there is an indicator of impairment.</p> <p>The recoverable amount of these brand names has been determined using a 'relief from royalty' approach, which incorporates significant judgement related to the estimation of maintainable sales, royalty rates and an appropriate discount rate.</p> <p>The estimation uncertainty increased at the end of the year as a result of the impact of COVID-19 on macroeconomic factors underlying the assumptions used in the value in use model.</p>	<p>Our audit procedures included, amongst others:</p> <ul style="list-style-type: none"> <li>• Understanding the Group's processes and the relevant controls related to the preparation of the relief from royalty model.</li> <li>• Evaluating the forecast cash flows in the latest Board approved budget and assessing the historical accuracy of budgeting.</li> <li>• Assessing how the Group allowed for the possible impact of COVID-19 in setting the budget and their estimate of maintainable revenue.</li> <li>• Assessing the basis for key assumptions including royalty rates, long term growth rates and discount rates.</li> <li>• In conjunction with our valuation specialists, assessing the 'relief from royalty' methodology and mathematical accuracy of managements model, as well as comparing the discount rate and long term growth rates to external benchmarks.</li> <li>• Assessing management's sensitivity analysis and performing independent sensitivity analysis to challenge key assumptions and managements estimate of maintainable revenue, royalty rates and discount rates;</li> <li>• Evaluating the appropriateness of the disclosures included in Note 15 to the financial statements.</li> </ul>

## 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 28 June 2020, 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 directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

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

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, actions taken to eliminate threats or safeguards applied.

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 13 to 18 of the Directors' Report for the year ended 28 June 2020.

In our opinion, the Remuneration Report of Pental Limited, for the year ended 28 June 2020, 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



Travis Simkin  
Partner  
Chartered Accountants  
Melbourne, 27 August 2020



## Directors' declaration

The Directors declare that:

- (a) in the Directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable;
- (b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group;
- (c) in the Director's opinion the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board as stated in note 2 to the financial statements; and
- (d) the Directors have been given the declarations required by s.295A of the *Corporations Act 2001*.

At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the Directors' opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in note 12 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to s.295 (5) of the *Corporations Act 2001*.

On behalf of the Directors



Mark Hardgrave  
Chairman  
Melbourne, 27 August 2020

# Consolidated statement of profit or loss and other comprehensive income for the year (52 weeks) ended 28 June 2020

	Note	2020 \$'000	2019 \$'000
<b>Continuing Operations</b>			
Gross sales revenue		188,994	153,986
Trading terms, promotional rebates and discounts		(62,534)	(53,540)
Revenue from the sale of goods	4	126,460	100,446
Other revenue and income		92	73
Other gains and losses		(159)	317
Changes in inventory of finished goods and work in progress		(642)	(11,807)
Raw materials, consumables used and utilities		(82,401)	(53,716)
Employee benefits expense	7	(14,553)	(12,347)
Freight out and distribution expense		(8,001)	(6,736)
Marketing expenses		(2,576)	(1,855)
Occupancy expenses		(854)	(1,129)
Selling expenses		(1,404)	(1,148)
Repairs and maintenance expense		(1,141)	(1,064)
Other expenses		(2,849)	(2,704)
Impairment of brand names	15	-	(2,185)
<b>Profit before finance costs, income tax, depreciation and amortisation (EBITDA)</b>		<b>11,972</b>	<b>6,145</b>
Depreciation and amortisation expense	7	(4,576)	(3,316)
<b>Profit before finance costs and income tax (EBIT)</b>		<b>7,396</b>	<b>2,829</b>
Finance costs	5	(175)	(73)
<b>Profit before tax</b>		<b>7,221</b>	<b>2,756</b>
Income tax expense	6	(2,202)	(835)
<b>Net Profit for the year</b>		<b>5,019</b>	<b>1,921</b>
<b>Profit Attributable to Members of the Parent Entity</b>		<b>5,019</b>	<b>1,921</b>
<b>Other comprehensive income</b>			
Items that may be classified subsequently to profit or loss:			
Gain/(loss) on cash flow hedges taken to equity		366	(256)
Income tax relating to components of other comprehensive income		(110)	77
Other comprehensive income for the year (net of tax)		256	(179)
<b>Total comprehensive income for the year</b>		<b>5,275</b>	<b>1,742</b>
Profit attributable to equity holders of the parent		5,019	1,921
Total comprehensive income attributable to equity holders of the parent		5,275	1,742
<b>Earnings per share Attributable to the Members of the Parent Entity</b>			
Basic (cents per share)	8	3.68	1.41
Diluted (cents per share)	8	3.64	1.41

Notes to the financial statements are included on pages 35 to 58.

# Consolidated statement of financial position as at 28 June 2020

	Note	28 June 2020 \$'000	30 June 2019 \$'000
<b>Current assets</b>			
Cash and cash equivalents	27(a)	3,668	246
Trade and other receivables	9	20,133	17,617
Inventories	10	23,419	22,777
Other financial assets	11	340	-
Other	16	301	268
<b>Total current assets</b>		<b>47,861</b>	<b>40,908</b>
<b>Non-current assets</b>			
Right-of-use assets	14	1,170	-
Property, plant and equipment	13	20,634	22,588
Other intangible assets	15	12,508	12,501
<b>Total non-current assets</b>		<b>34,312</b>	<b>35,089</b>
<b>Total assets</b>		<b>82,173</b>	<b>75,997</b>
<b>Current liabilities</b>			
Trade and other payables	17	18,340	17,017
Other financial liabilities	18	212	26
Current tax payables	6	1,362	336
Lease liabilities	14	456	-
Provisions	20	2,254	1,961
<b>Total current liabilities</b>		<b>22,624</b>	<b>19,340</b>
<b>Non-current liabilities</b>			
Deferred tax liabilities	6	2,865	3,344
Lease liabilities	14	746	-
Provisions	20	139	129
<b>Total non-current liabilities</b>		<b>3,750</b>	<b>3,473</b>
<b>Total liabilities</b>		<b>26,374</b>	<b>22,813</b>
<b>Net assets</b>		<b>55,799</b>	<b>53,184</b>
<b>Equity</b>			
Issued capital	21	90,658	90,658
Reserves		303	(18)
Accumulated losses		(35,162)	(37,456)
<b>Total equity</b>		<b>55,799</b>	<b>53,184</b>

Notes to the financial statements are included on pages 35 to 58.

# Consolidated statement of changes in equity for the year (52 weeks) ended 28 June 2020

	Note	Issued capital \$'000	Hedging reserve \$'000	Equity settled employee benefits reserve \$'000	Retained earnings \$'000	Total \$'000
Balance at 1 July 2018		90,658	161	85	(37,197)	53,707
Loss for the year		-	-	-	1,921	1,921
Gain 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)
<b>Balance at 30 June 2019</b>		<b>90,658</b>	<b>(18)</b>	<b>-</b>	<b>(37,456)</b>	<b>53,184</b>
Balance at 30 June 2019		90,658	(18)	-	(37,456)	53,184
Profit for the year		-	-	-	5,019	5,019
Gain on cash flow hedges		-	366	-	-	366
Deferred tax arising on hedges	6	-	(110)	-	-	(110)
Total comprehensive income for the year		-	256	-	5,019	5,275
Dividend Payment	22(a)	-	-	-	(2,725)	(2,725)
Recognition of share based payments		-	-	65	-	65
<b>Balance at 28 June 2020</b>		<b>90,658</b>	<b>238</b>	<b>65</b>	<b>(35,162)</b>	<b>55,799</b>

Notes to the financial statements are included on pages 35 to 58.

# Consolidated statement of cash flows for the year (52 weeks) ended 28 June 2020

	Note	2020 \$'000	2019 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		138,666	109,669
Payments to suppliers and employees		(128,228)	(110,570)
Interest on lease liabilities	14	(59)	-
Interest received		-	28
Interest and other costs of finance paid		(116)	(73)
Income tax paid		(1,758)	(1,484)
<b>Net cash provided by/(used in) operating activities</b>	27(b)	<b>8,505</b>	<b>(2,430)</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment	13	(1,990)	(2,112)
Payments for intangible assets	15	(89)	(77)
<b>Net cash used in investing activities</b>		<b>(2,079)</b>	<b>(2,189)</b>
<b>Cash flows from financing activities</b>			
Repayment of lease liabilities	14	(491)	-
Utilisation of supplier payment facility		212	-
Dividends paid	22	(2,725)	(2,180)
<b>Net cash used in financing activities</b>		<b>(3,004)</b>	<b>(2,180)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,422</b>	<b>(6,799)</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		246	7,045
<b>Cash and cash equivalents at the end of the financial year</b>	27(a)	<b>3,668</b>	<b>246</b>

Note to the financial statements are included on pages 35 to 58.

## 1. General Information

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

### Company Secretary

Mr Oliver Carton

### Principal Registered office

Pental Limited  
Level 6, 390 St. Kilda Road  
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Telephone: (03) 9251 2311  
Facsimile: (03) 9645 3001  
www.pental.com.au

### Share Registry

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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 2020.

### 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 28 June 2020 was \$12.354 million (30 June 2019: \$12.354 million). Details of movements and impairment testing are set out in Note 15.

#### Trade spend accounting judgement

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

## 2. Significant accounting policies (continued)

### 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:

- **AASB 16 *Leases***  
AASB 16 *Leases* became effective for the Group on 1 July 2019. As a result, the Group changed its related accounting policies resulting in recognition of Right-of-use assets and associated lease liabilities at 1 July 2019. The nature and effect of these changes are disclosed in Note 14.
- **AASB 2018-1 *Amendments to Australian Accounting Standards - Annual Improvements 2015 - 2017 Cycle***  
The adoption of this amending Standard did not have any impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements
- **Interpretation 23 *Uncertainty over Income Tax Treatments***  
The adoption of this amending Standard did not have any impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements

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

### Accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial statements:

#### (a) Basis of consolidation

The consolidated financial statements are prepared by combining the financial statements of all the entities that comprise the consolidated entity, being the Company (the parent entity) and its subsidiaries (referred to as "the Group" in these financial statements) as defined in Accounting Standard AASB 10 'Consolidated Financial Statements'. A list of subsidiaries appears in Note 12 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

In preparing the consolidated financial statements, all intercompany balances and transactions, and unrealised profits arising within the Group are eliminated in full.

#### (b) Foreign currency

The presentation and functional currency of the Group is Australian dollars.

##### Foreign currency transactions

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Foreign currency monetary items at reporting date are translated at the exchange rate existing at reporting date.

Exchange differences are recognised in profit or loss in the period in which they arise except that:

- exchange differences on transactions entered into in order to hedge certain foreign currency risks (refer Note 23); and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned or likely to occur, which form part of the net investment in a foreign operation, are recognised in the foreign currency translation reserve and recognised in profit or loss on disposal of the net investment.

#### (c) Goods and services tax

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

- 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.

## 2. Significant accounting policies (continued)

### (d) Revenue

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority. Refer to Note 4 for further details on the accounting policy for revenue from the sale of goods.

### (e) Share based payment transactions

The Executive Variable Incentive Plan (EVIP) grants shares in the Company to certain employees. The fair value of the performance rights granted under the EVIP is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and is spread recognised only in the period it was granted. The fair value of the performance rights granted is measured using Monte Carlo method, taking into account the terms and conditions upon which the performance rights were granted.

### (f) Income tax

#### Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

#### Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.

However, deferred tax assets and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable temporary differences arising from goodwill.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

#### Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill or excess.

#### Tax consolidation

The Company and all its wholly-owned Australian resident entities are part of a tax consolidated group under Australian taxation law. Pental Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach.

Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognised by the company (as head entity in the tax-consolidated group). Due to the existence of a tax funding arrangement between the entities in the tax consolidated group, amounts are recognised as payable to or receivable by the company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

Where the tax contribution amount recognised by each member of the tax-consolidated group for a particular period is different to the aggregate of the current tax liability or asset and any deferred tax asset arising from unused tax losses and tax credits in respect of that period, the difference is recognised as a contribution from (or distribution to) equity participants.



## 2. Significant accounting policies (continued)

### (h) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and investments in money market instruments, net of outstanding bank overdrafts.

### (i) Financial assets

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

#### Trade receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any expected credit losses. Trade receivables are disclosed net of rebates payable where the Group has the legal right to offset such balances as they are with the same customers and it is the Group's intention to net settle.

#### Provision for Expected Credit Loss

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

#### Other financial assets

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

### (j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost includes direct materials, direct labour, other direct variable costs and allocated production overheads necessary to bring inventories to their present location and condition, based on normal operating capacity of the production facilities.

#### Manufacturing activities

The cost of manufacturing inventories and work-in-progress are assigned on a first-in first-out basis. Costs arising from exceptional wastage are expensed as incurred.

#### Net realisable value

Net realisable value represents the estimated selling price for inventories less estimated costs of completion and costs necessary to make the sale. Net realisable value is determined on the basis of each inventory line's normal selling pattern.

### (k) Property, plant and equipment

The carrying amount of property, plant and equipment is valued on the cost basis.

Depreciation is calculated on a straight line basis so as to write off the net cost of each asset over its expected useful life to its estimated residual value. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period. Plant and equipment estimated useful life used in the calculation of depreciation is 3 to 20 years. Buildings are depreciated over a period of 30 years on a straight line basis. Land is not depreciated.

### (l) Borrowing costs

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

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

### (m) Intangible assets

#### Brand names

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

#### 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.

## 2. Significant accounting policies (continued)

### (n) Impairment of assets

At each reporting date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Intangible assets with indefinite useful lives are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

### (o) Employee benefits

#### Short-term and long-term employee benefits

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

### (p) Provisions

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows. When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

#### Dividends

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

### (q) Financial instruments issued by the company

#### Debt and equity instruments

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

#### Transaction costs on the issue of equity instruments

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

#### Interest and dividends

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

### (r) Derivative financial instruments

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

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

## 2. Significant accounting policies (continued)

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 28 June 2020, the Group is reporting on the 52 week period that began 1 July 2019 and ended 28 June 2020. 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.

## 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:

	2020 \$'000	2019 \$'000
Revenue from the sale of goods	126,460	100,446

The Group's Top 6 customers (Woolworths Limited, Coles Group Ltd, Metcash Ltd, Foodstuffs (Auckland) Ltd, Costco Wholesale Corporation and Battery Specialists Group) generated 79.5% of the Group's revenue for the year ended 28 June 2020 (2019: 79.8% from top six customers - Woolworths Limited, Coles Group Ltd, Metcash Ltd, Foodstuffs (Auckland) Ltd, Costco Wholesale Corporation and Battery Specialists Group).

#### 4. Revenue (continued)

##### Geographical analysis

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

	2020 \$'000	2019 \$'000
<b>Geographical sales</b>		
Australia	109,578	86,298
New Zealand	14,586	12,244
Asia	2,296	1,904
<b>Total geographical sales</b>	<b>126,460</b>	<b>100,446</b>

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. An accrual for Trade Spend is recognised in relation to sales made up to the end of the reporting period.

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

#### 5. Finance costs

	2020 \$'000	2019 \$'000
Interest on borrowings	76	21
Other borrowing costs	40	52
Interest on leases	59	-
<b>Total interest expense</b>	<b>175</b>	<b>73</b>

#### 6. Income taxes

##### Income tax recognised in profit or loss

	2020 \$'000	2019 \$'000
Tax expense comprises:		
Current tax expense	2,841	1,771
Deferred tax expense	(589)	(936)
Adjustments recognised in relation to the current tax of prior years	(50)	-
<b>Total tax expense</b>	<b>2,202</b>	<b>835</b>

## 6. Income taxes (Continued)

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

	2020 \$'000	2019 \$'000
Profit from operations	7,221	2,756
Tax at the Australian tax rate of 30%	2,166	826
Non Deductible items	86	9
Adjustments recognised in relation to the current tax of prior years	(50)	-
<b>Income tax expense</b>	<b>2,202</b>	<b>835</b>

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

### Income tax recognised in other comprehensive income

#### Deferred tax

Arising on amounts recognised in other comprehensive income:

Changes in the fair value of cash flow hedges

	2020 \$'000	2019 \$'000
	(110)	77
	(110)	77

### Deferred tax balances

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

	2020				
	Opening balance \$'000	Charged to income \$'000	Recognised in other comprehensive income \$'000	Charged to equity \$'000	Closing Balance \$'000
<b>Deferred tax assets</b>					
Provision for expected credit losses	9	26	-	-	35
Provisions	674	77	-	-	751
Lease Liabilities	-	369	-	-	369
Foreign currency items	4	(4)	-	-	0
Inventory obsolescence	174	48	-	-	222
Accruals	4	56	-	-	60
	865	639	-	-	1,437
<b>Deferred tax liabilities</b>					
Property, plant and equipment	(500)	349	-	-	(151)
Leased Assets	-	(351)	-	-	(351)
Foreign currency items	-	19	(110)	-	(91)
Brandnames	(3,706)	-	-	-	(3,706)
Other	(3)	-	-	-	(3)
	(4,209)	17	(110)	-	(4,302)
<b>Net deferred tax asset / (liability)</b>	<b>(3,344)</b>	<b>589</b>	<b>(110)</b>	<b>-</b>	<b>(2,865)</b>

## 6. Income taxes (Continued)

	2019				
	Opening balance \$'000	Charged to income \$'000	Recognised in other comprehensive income \$'000	Charged to equity \$'000	Closing Balance \$'000
<b>Deferred tax assets</b>					
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
<b>Deferred tax liabilities</b>					
Property, plant and equipment	(630)	130	-	-	(500)
Brandnames	(4,362)	656	-	-	(3,706)
Foreign currency items	(101)	101	-	-	-
Other	(3)	-	-	-	(3)
	(5,096)	887	-	-	(4,209)
<b>Net deferred tax asset / (liability)</b>	<b>(4,357)</b>	<b>936</b>	<b>77</b>	<b>-</b>	<b>(3,344)</b>

### Current tax liabilities

	2020 \$'000	2019 \$'000
Income tax payable	1,362	336
	<b>1,362</b>	<b>336</b>

### Tax consolidation

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

### Nature of tax funding arrangements and tax sharing agreements

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

### Unrecognised taxable temporary differences associated with investments and interests

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

## 7. Profit for the year

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

	2020 \$'000	2019 \$'000
<b>Expenses</b>		
Cost of goods sold	96,246	77,017
Depreciation: Property, plant and equipment	3,942	3,197
Depreciation: Right-of-use assets	552	-
Amortisation: Software	82	119
Total depreciation and amortisation	4,576	3,316
<b>Employee benefits expense:</b>		
Post-employment benefits – defined contribution plans	1,057	973
Share based payments expense	65	(85)
Other employee benefits	13,431	11,459
	14,553	12,347

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

	2020 Cents Per Share	2019 Cents Per Share
Basic earnings/(loss) per share	3.68	1.41
Diluted earnings/(loss) per share	3.64	1.41

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

	2020 \$'000	2019 \$'000
Net profit/(loss)	5,019	1,921
Earnings/(loss) used in the calculation of basic EPS	5,019	1,921
Earnings/(loss) used in the calculation of diluted EPS	5,019	1,921

  

	2020 No.	2019 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.

	2020 No.	2019 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	1,625,000	-
Weighted average number of ordinary shares for the purposes of diluted earnings per share	137,875,633	136,250,633



## 8. Earnings per share (Continued)

### Classification of securities as potential ordinary shares

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

In the prior period, diluted earnings per share is the same as basic earnings per share as Performance rights over ordinary shares in the Company that were granted to key management personnel in prior years were deemed unlikely to vest and treated as non dilutive.

## 9. Trade and other receivables

<b>Current</b>	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Trade receivables <sup>(i)</sup>	20,170	17,298
Other <sup>(ii)</sup>	79	349
Allowance for expected credit losses	(116)	(30)
	<b>20,133</b>	<b>17,617</b>

- (i) The average credit period on sales of goods is approximately 60 days. No interest is charged on trade receivables. An allowance has been made for expected credit losses using a provision matrix based on historical credit loss rates. Trade receivables are recognised at amortised cost less provision for credit losses.
- Before accepting any new customers, the Group will perform a credit check to assess the potential customer's credit quality and defines credit limits by customer. Limits are reviewed as necessary. Of the trade receivables balance at the end of the year \$14.971 million is due from top six customers (2019: \$14.348 million from top six customers) and these six customers account for 79.5% of total sales revenue for the year (2019: 79.8% from top six customers). There are no other customers who represent more than 5% of the total balance of trade receivables or total sales revenues from continuing operations for the year. The Group does not hold any collateral over these balances.
- (ii) Other receivables generally arise from transactions outside the usual operating activities of the Group. These amounts are predominantly reimbursements sought from suppliers for rebates and payments made in advance to suppliers for goods subsequently reclassified as receivables. Collateral is generally not obtained.

### Ageing of past due

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Overdue 31 to 60 days	581	401
Overdue 61 to 90 days	41	134
Overdue 91 days and beyond	12	122
Total	<b>634</b>	<b>657</b>

### Movement in the allowance for expected credit losses

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Balance at the beginning of the year	30	-
Re-measurement of loss allowance	86	30
Balance at the end of the year	<b>116</b>	<b>30</b>

Under the expected credit loss methodology, the provision for impairment of receivables is the carrying value of maximum exposure to credit risk at the reporting date. At 28 June 2020, the amount of provision for expected credit losses was \$116 thousand (2019: \$30 thousand).

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

## 10. Inventories

	<b>2020 \$'000</b>	<b>2019 \$'000</b>
Raw materials	4,551	3,735
Goods in transit	4,927	3,275
Finished goods	13,941	15,767
	<b>23,419</b>	<b>22,777</b>

## 11. Other financial assets

### Current

Foreign currency forward contracts

2020 \$'000	2019 \$'000
340	-
<b>340</b>	<b>-</b>

## 12. Subsidiaries

Name of subsidiary	Country of incorporation	Ownership interest	
		2020 %	2019 %
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) These companies are members of the tax-consolidated group.

(iii) The wholly-owned subsidiary has entered into a deed of cross guarantee with Pental Limited pursuant to ASIC Class Order 98/1418 and it is relieved from the requirement to prepare and lodge an audited financial report.

The parent entity and all the controlled entities are party to the deed of cross guarantee therefore the consolidated statement of profit or loss and other comprehensive income and statement of financial position reflects the statement of profit or loss and other comprehensive income and statement of financial position of the parties to the deed of cross guarantee.

## 13. Property, plant and equipment

	Land \$'000	Buildings at cost \$'000	Plant and equipment at cost \$'000	Construction in progress at cost \$'000	Total \$'000
<b>Gross carrying amount</b>					
Balance at 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	<b>1,732</b>	<b>5,628</b>	<b>34,379</b>	<b>235</b>	<b>41,974</b>
Additions	-	-	1,446	544	1,990
Disposals	-	-	(3)	-	(3)
Transfer from capital works	-	-	235	(235)	-
<b>Balance at 28 June 2020</b>	<b>1,732</b>	<b>5,628</b>	<b>36,057</b>	<b>544</b>	<b>43,961</b>
<b>Accumulated depreciation</b>					
Balance at 1 July 2018	-	(170)	(16,076)	-	(16,246)
Depreciation expense	-	(190)	(3,007)	-	(3,197)
Disposals	-	-	57	-	57
<b>Balance at 30 June 2019</b>	<b>-</b>	<b>(360)</b>	<b>(19,026)</b>	<b>-</b>	<b>(19,386)</b>
Depreciation expense	-	(192)	(3,750)	-	(3,942)
Disposals	-	-	1	-	1
<b>Balance at 28 June 2020</b>	<b>-</b>	<b>(552)</b>	<b>(22,775)</b>	<b>-</b>	<b>(23,327)</b>
Net book value as at 30 June 2019	1,732	5,268	15,353	235	22,588
<b>Net book value as at 28 June 2020</b>	<b>1,732</b>	<b>5,076</b>	<b>13,282</b>	<b>544</b>	<b>20,634</b>

#### 14. Adoption of AASB 16 leases

The Group has adopted AASB 16 *Leases* from 1 July 2019. AASB 16 replaces existing leases guidance, including AASB 117 *Leases* and related Interpretations. The Group has elected to transition to the new standard using the modified retrospective approach with practical expedients. Under this approach, the group has recognised right-of-use assets and equivalent lease liabilities as of 1 July 2019, with no restatement of comparative information.

##### (a) Accounting policy for leases

Until the end of the 2019 financial year, leases of warehouses, machinery and office facilities were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability, at the date the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Lease liabilities reflect the net present value of fixed payments, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- estimated restoration costs.

Right-of-use assets are subsequently measured at cost less accumulated depreciation and impairment losses, with depreciation recognised on a straight-line basis over the shorter of the asset's useful life and the lease term. The Group applies AASB 136 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2(n).

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets primarily comprise office equipment such as printers and photocopiers.

In applying AASB 16 for the first time, the Group used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the use of hindsight in determining the lease term where the contract contains options to extend the lease; and

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

##### Impact of adoption of AASB 16

Lease liabilities recognised at the date of initial application are reconciled as follows:

Lease Liabilities	Total \$'000
Operating lease commitments at 30 June 2019	2,226
Impact of discounting using the lessees incremental borrowing rate:	(179)
Less: Short term leases and leases of low value assets recognised as operating expenses	(570)
Add: adjustments as a result of extension options	124
<b>Balance at 1 July 2019</b>	<b>1,601</b>
Current lease liabilities	529
Non-current liabilities	1,072
<b>Balance at 1 July 2019</b>	<b>1,601</b>

#### 14. Adoption of AASB 16 leases (continued)

The lessee's weighted average lessee's incremental borrowing rate applied to lease liabilities on 1 July 2019 was 4.19%

##### (b) Movement schedule 1 July 2019 to 28 June 2020

The movement in the lease liability from the date of transition to 28 June 2020 is as follows:

	<b>Total \$'000</b>
Opening balance on adoption of AASB at 1st July 2019	1,601
Additions	111
Interest incurred	59
Payments on lease liabilities	(549)
Less: lease contract terminated	(20)
<b>Balance at 28 June 2020</b>	<b>1,202</b>
Current lease liabilities	456
Non-current liabilities	746
<b>Balance at 28 June 2020</b>	<b>1,202</b>

The movement in the right-of-use asset from the date of transition to 28 June 2020 is as follows:

##### Right-of-use assets

	<b>Property \$'000</b>	<b>Plant &amp; Equipment \$'000</b>	<b>Total \$'000</b>
Balance at 1 July 2019	1,152	478	1,630
Additions	-	112	112
Less: lease contract terminated	-	(20)	(20)
Depreciation charge for the year	(372)	(180)	(552)
<b>Balance at 28 June 2020</b>	<b>780</b>	<b>390</b>	<b>1,170</b>

##### (c) Maturity Analysis

	<b>Total \$'000</b>
Within One Year	456
One to two years	472
Two to three years	305
Three to four years	25
Four to five years	11
<b>Total Contractual Undiscounted Cash Flows</b>	<b>1,269</b>
Discounting using the lessees incremental borrowing rate	(67)
<b>Balance at 28 June 2020</b>	<b>1,202</b>

##### (d) Amount recognised in profit and loss

	<b>Total \$'000</b>
Depreciation expense on right-of-use assets	552
Interest expense on lease liabilities	59

##### Impact on financial performance

The overall earnings impact for the period ended 28 June 2020 arising from the adoption of AASB 16 is:

- An increase in EBITDA of \$549 thousand and a corresponding increase in depreciation of \$552 thousand. This has resulted in a reduction in EBIT of \$3 thousand.
- An increase in interest expense of \$59 thousand. In combination with the reduction in EBIT, this has resulted in a reduction in net profit before tax of \$62 thousand.

## 15. Other intangible assets

### Gross carrying amount

Balance at 1 July 2018

Additions

Balance at 30 June 2019

Additions

**Balance at 28 June 2020**

### Accumulated Impairment/Amortisation

Balance at 1 July 2018

Amortisation expense

Impairment

Balance at 30 June 2019

Amortisation expense

**Balance at 28 June 2020**

Net book value as at 30 June 2019

**Net book value as at 28 June 2020**

Brand Names at cost \$'000	Software at cost \$'000	Total \$'000
19,000	1,929	20,929
-	77	77
19,000	2,006	21,006
-	89	89
<b>19,000</b>	<b>2,095</b>	<b>21,095</b>
(4,461)	(1,740)	(6,201)
-	(119)	(119)
(2,185)	-	(2,185)
(6,646)	(1,859)	(8,505)
-	(82)	(82)
<b>(6,646)</b>	<b>(1,941)</b>	<b>(8,587)</b>
12,354	147	12,501
<b>12,354</b>	<b>154</b>	<b>12,508</b>

### Brand names - Useful life assessment

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

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

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

### Impairment testing - Indefinite life brand names

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

The Group used 'relief from royalty' method for the purposes of impairment testing as at 28 June 2020.

The key assumptions used were as follows:

- An estimate of maintainable revenue with reference to the FY21 budget and historic financial performance, with due consideration given to the economic uncertainty associated with COVID-19.
- Royalty rates ranging between 2% - 4.5% (2019: 2% - 4.5%)
- Discount rate of 10% post-tax (2019: 10%)
- Long term growth rates of between 0% - 3% (2019: 0% - 3%)
- An estimate of costs to sell equivalent to 2% of the estimated recoverable amount for each brand name.

As the COVID-19 pandemic continues to evolve, it is extremely challenging to predict the full extent and duration of its impact on the Group's business activities. The Group believes that the assumptions adopted in the 'relief from royalty' calculations reflect an appropriate balance between the Group's experience to date, the uncertainty associated with the COVID-19 pandemic and expected future performance for each brand, as discussed in the Directors Report.

The Group has concluded that no impairment is required in the current period based on current market and economic conditions and expected future performance.

In the prior period, the Group recognised an impairment loss for Country Life of \$1.376 million (after tax \$0.963 million), which reduced the carrying value of the brand to \$0.500 million. In addition, the Group fully impaired its Hi-Speed brand resulting in an impairment loss of \$0.081 million (after tax \$0.057 million) and wrote off \$0.729 million (after tax \$0.510 million) on the re-branding of the "Martha's and "Lux" under "Softly".

## 16. Other assets

Prepayments

2020 \$'000	2019 \$'000
301	268

## 17. Trade and other payables

Trade payables  
Trade spend liabilities  
Sundry payables

2020 \$'000	2019 \$'000
11,354	11,976
122	139
6,864	4,902
<b>18,340</b>	<b>17,017</b>

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

## 18. Other financial liabilities

### Current

Foreign currency forward contracts  
Supplier payment facility

2020 \$'000	2019 \$'000
-	26
212	-
<b>212</b>	<b>26</b>

The Group implemented a new American Express supplier payment facility during the reported period. As at the reporting date, the facility had a maximum limit of \$4.3 million of which \$0.212 million was utilised.

## 19. Banking facilities

### Summary of financing arrangements

#### Facilities utilised at reporting date:

Multi option loan facility  
- Bank Guarantee  
- Bank overdraft

2020 \$'000	2019 \$'000
177	177
-	1,177
<b>177</b>	<b>1,354</b>

#### Facilities not utilised at reporting date:

Multi option loan facility  
- Bank overdraft  
- Bank Guarantee

2020 \$'000	2019 \$'000
4,810	3,633
13	13
<b>4,823</b>	<b>3,646</b>
<b>5,000</b>	<b>5,000</b>

#### Multi option loan facility limit

### 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 (2019: \$5,000,000). The multi option facility bears an interest rate of 0.94% plus a line fee of 0.8% as at 28 June 2020 (2019: 2.07% plus a line fee of 0.8%). 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 2020. As at the reporting date, negotiations for a new loan facility beyond expiration date were well advanced. The Directors expect to place a new banking facility for a period of 4 years prior to the expiry date of the existing facility. As highlighted in Note 18, the Group has alternative financing facilities to draw upon, if and when required. There are no restrictions of use associated with the supplier finance facility.

## 20. Provisions

### Current

Employee benefits  
Make good provision on lease

### Non-current

Employee benefits

### **Total Provisions**

2020 \$'000	2019 \$'000
2,225	1,961
29	
<b>2,254</b>	<b>1,961</b>
139	129
<b>139</b>	<b>129</b>
<b>2,393</b>	<b>2,090</b>

The provision for employee benefits represents annual leave, rostered days off and vested long service leave entitlements accrued by employees. The increase in the carrying amount of the provision for the current year results from more benefits being accrued than paid in the current year. The provision is discounted using high quality Australian corporate bond rates.

## 21. Issued capital

### (a) Fully paid ordinary shares

#### **Share Capital**

Opening balance of ordinary shares, fully paid  
Balance at end of financial year

2020 No.	2019 No.
136,250,633	136,250,633
136,250,633	136,250,633
<b>\$'000</b>	<b>\$'000</b>
90,658	90,658
90,658	90,658

#### **Fully paid ordinary shares**

Balance at beginning of financial year  
Balance at end of financial year

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

#### Fully paid ordinary shares

Final dividend: Fully franked at 30% tax rate  
Interim dividend: Fully franked at 30% tax rate

2020		2019	
Cents per Share	Total \$'000	Cents per Share	Total \$'000
1.30	1,771	0.90	1,226
0.70	954	0.70	954
<b>2.00</b>	<b>2,725</b>	<b>1.60</b>	<b>2,180</b>

### (b) Unrecognised Amounts

Final dividend  
Special dividend

2020		2019	
Cents per Share	Total \$'000	Cents per Share	Total \$'000
1.50	2,044	1.30	1,771
0.70	954	-	-
<b>2.20</b>	<b>2,998</b>	<b>1.30</b>	<b>1,771</b>



## 22. Dividends (continued)

The Directors declared a fully franked special dividend of 0.7 cents per ordinary share payable on 7 August 2020 with a record date of 31 July 2020.

In respect of the year (52 weeks) ended 28 June 2020, the Directors declared a full year fully franked final dividend of 1.5 cents per ordinary share, payable on 25 September 2020, with a record date of 7 September 2020 (2019: 1.30 cents per ordinary share).

	2020 \$'000	2019 \$'000
Adjusted franking account balance	18,496	18,426
Impact on franking account balance of dividends not recognised	1,285	759

## 23. Financial instruments

### (a) Capital risk management

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

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

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

#### Gearing ratio

The Board of Directors reviews the capital structure on an ongoing basis. As a part of this review the Board considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the Board, the Group will balance its overall capital structure through the payment of dividends, new share issues, and the issue or repayment of debt to execute its strategic plans. The Group was effectively debt free, in a net cash position (cash net of borrowings, overdrafts and other financial liabilities) in both the current and prior financial year.

### (b) Categories of financial instruments

	2020 \$'000	2019 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	3,668	246
Trade and other receivables (amortised cost)	20,133	17,617
Derivative instruments in designated hedge accounting relationships	340	-
<b>Financial liabilities</b>		
Trade and other payables (amortised cost)	18,340	17,017
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 73.94% of trade receivables.

### (c) Financial risk management objectives

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

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

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

## 23. Financial instruments (continued)

### (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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Currency of USA	-	-	337	312
Currency of New Zealand	3,726	2,017	728	266
Currency of Fiji	-	18	-	-
Currency of Europe	-	-	1	51
Currency of China	-	15	-	-

#### 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	
	2020	2019	2020	2019	2020	2019	2020	2019
Buy USD – less than one year	0.6924	-	1,510	-	2,181	-	7	-
Sell NZD – less than one year	1.0197	1.0563	7,200	3,000	7,061	2,840	333	(26)
							340	(26)

As at reporting date, the aggregate amount of unrealised gains/(losses) under forward foreign currency contracts relating to anticipated future contracts is \$0.340 million gain (2019: \$0.026 million loss). In the current year, these unrealised gains/(losses) have been deferred in the hedging reserve to the extent the hedge is effective.

#### Foreign currency sensitivity analysis

The Group is mainly exposed to USD and NZD currencies. The following table details the Group's sensitivity to a 5 cent increase and decrease in the Australian dollar against the relevant foreign currencies. The analysis includes derivative instruments in designated hedge accounting relationships, all trade receivables and trade payables outstanding at year end.

	USD Impact		EUR Impact		NZD Impact		FJD Impact		CNY Impact	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Profit	43	30	-	7	137	82	-	-	-	-
Equity	79	-	-	-	170	179	-	-	-	-

### (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.

### 23. Financial instruments (continued)

The following table details the Group's exposure to interest rate and liquidity risk. The table includes both interest and principal cash flows.

	Weighted average interest rate	Less than 1 month \$'000	1-3 months \$'000	3 months to 1 year \$'000	1-5 years \$'000	5+ years \$'000	Total \$'000
<b>2020</b>							
<b>Financial assets</b>							
Variable interest rate instruments	0.24%	3,668	-	-	-	-	3,668
Non-interest bearing	-	10,798	9,335	-	-	-	20,133
		14,466	9,335	-	-	-	23,801
<b>Financial liabilities</b>							
Variable interest rate instruments <sup>(i)</sup>	-	212	-	-	-	-	212
Non-interest bearing	-	9,271	9,069	-	-	-	18,340
		9,483	9,069	-	-	-	18,552
<b>2019</b>							
<b>Financial assets</b>							
Variable interest rate instruments	0.95%	246	-	-	-	-	246
Non-interest bearing	-	9,602	8,015	-	-	-	17,617
		9,848	8,015	-	-	-	17,863
<b>Financial liabilities</b>							
Non-interest bearing	-	8,516	8,501	-	-	-	17,017
		8,516	8,501	-	-	-	17,017

<sup>(i)</sup> Relates to American Express supplier payment facility which, if applicable, charges interest at the time of utilisation and bears no interest charges for repayments made within agreed time frame. The Group intends to repay the facility within agreed time frame.

#### (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 73.94% of trade receivables.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, net of any allowances for losses, represents the Group's maximum exposure to credit risk without taking accounts of the value of any collateral obtained.

#### (h) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group has a multi option loan facility with the 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 2020. As at the reporting date, negotiations for a new loan facility beyond expiration date were well advanced. The Directors expect to place a new banking facility for a period of 4 years prior to the expiry date of the existing facility. As highlighted in Note 18, the Group has alternative financing facilities to draw upon, if and when required. There are no restrictions of use associated with the supplier finance facility.

#### (i) Fair value of financial instruments

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

## 23. Financial instruments (continued)

The fair values and net fair values of financial assets and liabilities are determined as follows:

- the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;
- the fair value of other financial assets and liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis; and
- the fair value of derivative instruments, included in hedging assets and liabilities, are calculated using quoted prices, which is a Level 2 fair value measurement. Where such prices are not available use is made of discounted cash flow analysis using the applicable yield curve for the duration of the instruments.

## 24. Share-based payments

### Executive Variable Incentive Plan (EVIP)

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

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

#### Variable Incentive – cash

Variable cash incentive under EVIP is paid shortly after the release of audited full year results. The maximum amount of remuneration under the variable cash incentive plan ranges from 20 to 35 percent of the individual executive / senior management employee's total fixed remuneration.

#### Variable Incentive – equity

The variable equity incentive is designed to reward achievement of annual KPIs, assist the retention of key high performing executives and align the rewards to the company's share price. The maximum amount of remuneration under the variable equity incentive plan varies from 30 to 40 percent of the individual executive / senior management employee's total fixed remuneration. The variable equity incentive is delivered as Performance Rights (Rights), which are granted under the existing Executive Performance Rights Plan (Rights Plan) to enable the subsequent acquisition of the share component. The Rights will convert to ordinary shares after three years from the end of financial year of the grant date. Rights will be granted on a face value basis using the last ten business days of the previous financial year Volume Weighted Average Price (VWAP). The variable equity incentive is based upon an assessment of performance against respective KPIs in the year in which it is granted. If the performance criteria is not met within the financial year, the Rights lapse at the end of the same financial year.

The vesting of the Rights is conditional on:

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

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

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

## 24. Share-based payments (continued)

### EVIP – FY20 Performance

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

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

<sup>(i)</sup> Volume Weighted Average Price (VWAP) based on closing share price of last 10 business days of financial year 2019 and volume traded on each day in that period. Source – Commonwealth Securities Limited.

No equity incentives were achieved by the executives or senior management employees in the previous financial year under the EVIP as the Company did not achieve the plan's EBIT hurdles.

As per Note 7, The vesting period expense recognised during the period was \$65 thousand (2019: reversal of \$85 thousand)

### Share-based payments (Rights Plan)

All performance rights under the EVIP are issued pursuant to the Executive Performance Rights Plan (Rights Plan). Under the conditions of Rights Plan, Performance Rights are convertible to ordinary shares (with no exercise price) as at the vesting date which is 4 years from the grant date (or 3 years from the end of the financial year)

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

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

	Grant Date	Vesting Date	Balance at 1/7/2019 No.	Rights granted No.	Rights vested No.	Rights forfeited No.	Rights lapsed No.	Balance at 28/6/2020 No.
Rights plan 2018 <sup>(i)</sup>	3/7/2017	1/7/2020	211,765	-	-	-	211,765	-
EVIP 2020	1/7/2019	1/7/2023	-	1,625,000	-	-	-	1,625,000

<sup>(i)</sup> Rights issued under rights plan lapsed during the period as a result of the related performance conditions not being achieved.

No Rights or share options were granted in the previous comparative period.

## 25. Key management personnel compensation

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

	2020 \$	2019 \$
Short-term employee benefits	1,231,577	976,539
Share based payments	36,093	(56,992)
Termination benefits	-	8,205
Post-employment benefits	74,810	67,478
	1,342,480	995,230

## 26. Related party transactions

As disclosed in information about the Directors, Mr Fred Harrison is the CEO of Ritchies. Mr Harrison's employer, Ritchies Stores Pty Ltd invoiced the Group a total of \$236,351.88 (including GST) relating to the Group's participation in various promotional activities and supplier trading terms during the financial year. All transactions were conducted at arm's length. As at the reporting date, the Group owed Ritchies Stores Pty Ltd \$36,300 in relation to abovementioned promotional activities and supplier trading terms.

Mr Peter Robinson was paid a total of \$19,000 (including GST) in relation to consultancy services provided to the Group after his retirement on 31 December. A party related to Mr Robinson was employed by the Group during the reported period. The terms of employment were at arm's length. The related party was paid a remuneration of \$131,058 during the period.

Mr John Rishworth was paid a total of \$17,600 (including GST) in relation to consultancy services provided to the group after his retirement date. A party related to Mr Rishworth was also employed by the Group during the reported period. The terms of employment were at arm's length. The related party was paid a remuneration of \$15,006 during the period.

## 26. Related party transactions (continued)

### 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:

	2020 \$'000	2019 \$'000
Cash on hand and at bank	3,668	1,423
Bank overdraft	-	(1,177)
Cash and cash equivalents	3,668	246

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

	2020 \$'000	2019 \$'000
Profit/(Loss) for the year	5,019	1,921
Depreciation and amortisation expense	4,576	3,316
Impairment of goodwill	-	-
Impairment of brand names	-	2,185
Loss on disposal of assets	1	15
Equity settled employee benefits expense	65	(85)
<b>Changes in net assets and liabilities, net of effects from acquisition of businesses:</b>		
<b><u>(Increase)/decrease in assets:</u></b>		
Trade and other receivables	(2,516)	(3,100)
Inventories	(642)	(11,807)
Other assets	(373)	235
<b><u>Increase/(decrease) in liabilities and reserves:</u></b>		
Trade and other payables	1,323	5,533
Provisions and hedging reserve	531	56
Current and deferred tax liabilities	547	(725)
Other liabilities	(26)	26
<b>Net cash from operating activities</b>	<b>8,505</b>	<b>(2,430)</b>

## 28. Capital expenditure commitment

	2020 \$'000	2019 \$'000
Plant and equipment	309	255

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

## 29. Contingent liabilities

	2020 \$'000	2019 \$'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 28 June 2020.

### 30. Remuneration of auditors

Auditor of the parent entity

Audit or review of the financial report

Other services

- Tax compliance
- Tax consulting
- Other services

2020 \$	2019 \$
227,000	190,150
12,500	12,500
8,400	-
7,100	15,474
255,000	218,124

The auditor of Pental Limited is Deloitte Touche Tohmatsu.

### 31. Parent entity information

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to Note 2 for a summary of the significant accounting policies relating to the Group.

#### Financial position

##### Assets

Current assets  
Non current assets  
Total assets

##### Liabilities

Current liabilities  
Non current liabilities  
Total liabilities

Net Assets

##### Equity

Issued capital  
Accumulated losses  
Total equity

2020 \$'000	2019 \$'000
1	1
54,877	53,851
54,878	53,852
1,382	356
-	-
1,382	356
53,496	53,496
90,658	90,658
(37,162)	(37,162)
53,496	53,496

#### Financial performance

Profit/(loss) for the year  
Other comprehensive income  
Total comprehensive income/(loss)

2020 \$'000	2019 \$'000
2,725	(3,827)
-	-
2,725	(3,827)

### 32. Subsequent events

#### Dividends

The Group declared a fully franked special dividend of 0.7 cents per ordinary share payable on 7 August 2020 with a record date of 31 July 2020.

In respect of the year (52 weeks) ended 28 June 2020 the Company will pay final fully franked dividend of 1.5 cents per ordinary share, payable to shareholders on 25 September 2020, with a record date of 7 September 2020.

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



### Additional stock exchange information as at 20 August 2020

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 1,789 individual shareholders.

The voting rights attaching to the fully paid ordinary share, set out in clause 43 of the Company's Constitution are:

"Subject to any rights or restrictions attaching to any class of shares:

- (a) every member may vote;
- (b) on a show of hands every member has one vote;
- (c) on a poll every member has:
  - (i) for each fully paid share held by the member, one vote; and
  - (ii) for each partly paid share held by the member, a fraction of a vote equivalent to the proportion which the amount paid (not credited) is of the total amounts paid and payable (excluding amounts credited to) on the share."

#### Performance rights

There are no voting rights attached to performance rights.

#### On-market buy-back

There is no current on-market buy-back.

#### **Distribution of holders of equity securities**

	Fully paid ordinary shares
1 – 1,000	249
1,001 – 5,000	599
5,001 – 10,000	285
10,001 – 100,000	557
100,001 and over	99
	1,789
Holding less than a marketable parcel	174

#### **Substantial shareholders**

Ordinary shareholders	Fully paid ordinary shares	
	Number of shares for voting power	Percentage
Alan Johnstone (i)	30,990,769	22.75%
John Rostyn Homewood	20,200,000	14.83%
Elevation Capital Management Ltd. (ii)	7,488,473	5.50%
	58,679,242	43.08%

- (i) Alan Johnstone has a relevant interest in Pental shares held by western park holdings pty ltd, PMSF company pty ltd <Penfold motors burwood super fund> and Aurisch investments pty ltd
- (ii) Elevation capital management ltd. has a relevant interest in shares held by BNP Paribas noms (NZ) Ltd and BNP Paribas nominees pty ltd.

**Twenty largest holders of quoted equity securities**

Ordinary shareholders		Fully paid ordinary shares	
		Number	Percentage
1	JOHNOS HOLDINGS PTY LTD <JOHNOS HOLDINGS A/C>	27,603,617	20.26%
2	MR JOHN ROSTYN HOMEWOOD	20,200,000	14.83%
3	MR GARRY GEORGE JOHNSON	6,670,739	4.90%
4	BNP PARIBAS NOMS (NZ) LTD <DRP>	6,650,001	4.88%
5	J P MORGAN NOMINEES AUSTRALIA	5,686,389	4.17%
6	DALLMOUNT CUSTODIANS PTY LTD	3,000,000	2.20%
7	RATHVALE PTY LIMITED	2,959,759	2.17%
8	CITICORP NOMINEES PTY LIMITED	2,933,051	2.15%
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>	2,300,000	1.69%
12	DALLMOUNT PTY LTD <LABELMAKERS S/F A/C>	1,204,761	0.88%
13	VANWARD INVESTMENTS LIMITED	1,182,719	0.87%
14	SPORRAN LEAN PTY LTD <SPORRAN LEAN S/F A/C>	1,160,000	0.85%
15	BUDUVA PTY LTD	1,100,000	0.81%
16	NATIONAL NOMINEES LIMITED	1,077,560	0.79%
17	BARKING DOG PTY LTD <NETTLEFOLD SUPER FUND A/C>	1,033,530	0.76%
18	DIXSON TRUST PTY LIMITED	855,000	0.63%
19	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	838,472	0.62%
20	MRS JOY DOROTHY JOHNSTONE	834,092	0.61%
		<b>92,813,789</b>	<b>68.12%</b>