

BUILD  
EXPAND  
GROW



COUNTRY  
LIFE



Janola



Softly



Pears

AIM



LUX  
Pure Soap Flakes

ANNUAL REPORT 2014

# PRODUCTS FOR TODAY AND EVERYDAY

In the ever-changing Australian market, we remain a market leader by delivering high quality, dependable products. They're simple, efficient household companions that after 60 years on the shelf, still perform.

By choosing Pental you're choosing a product that's made by Australians, for Australians.

## Household Cleaning



## Fire Needs



## Personal Care



## Laundry



## Kitchen



## Oral Care



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# CHAIRMAN'S REVIEW



On behalf of the Directors of Pental Limited, I am pleased to present the 2014 Annual Report.

During 2014 financial year management and the Board continued to implement the next phase of its re-invigoration strategy before moving onto the next phase of its growth strategy. The cornerstone of this strategy for 2014 financial year was "consolidating and securing" its position in the Australia and New Zealand markets. This was achieved through:

- The continued pursuit of growth through new product development and innovation;
- Australian made and owned credentials launched on all key brand products;
- Improving on our manufacturing capability through capital investment and commitment to a continuous improvement/lean manufacturing disciplines;
- Becoming the dominant provider of domestic bleach through our White King brand and new private label business;
- Planning for the next significant capital investment – being a high speed liquid line, which will allow the business to grow its existing private label business and become more cost competitive;
- Investing in upgrading the Enterprise Resource Planning (ERP) system and a new forecast and promotional management system, to sharpen the business processes and disciplines;
- Further strengthening the Balance Sheet (with the issuance of Piggy Back Options to Loyalty Option holders who had exercised their Loyalty Options early) via a capital raising of \$5.705 million (net of costs and tax). This enabled Pental to normalise its banking arrangements and set the foundation for future capital investment and growth; and
- Reinstatement of dividends supported by improved profitability and a more predictable business model with strong underlying cash flows.

## OVERVIEW

The net profit after tax of \$5.336 million for the year (52 weeks) was a \$3.443 million improvement on last year. Whilst the Board was pleased with the result, the reduction of debt from \$8.212 million to zero and the completion of the bleach plant relocation and upgrade, the expected bleach plant efficiency improvements have taken much longer than initially anticipated. In the more recent months, with a disciplined process of resolving production shortcomings, efficient production output has since substantially improved.

Net Profit after tax of

# \$5.336 million

(52 weeks) was a \$3.443 million improvement on last year

Pental gross sales of \$109.4 million were 1.38% up on last year, with the main focus on maintaining/growing acceptable margins rather than participating in aggressive price reduction campaigns. Although the business continued to be under pressure from major retail customers to increase promotional allowances and reduce prices, it was able to reduce promotional spend which did not provide acceptable returns. As a result, a solid underlying EBITDA of \$9.690 million was achieved – marginally above last year.

The underlying EBITDA margin to gross sales of 8.8% (2013: 8.9%) was broadly in line with last year, considering:

- the increased cost of raw materials that could not be recovered through price increases;
- extra cost of rental (\$0.786 million) following the sale and leaseback of the Shepparton properties and relocation of the corporate office in the prior year; and
- additional costs of \$0.532 million incurred during the relocation/upgrade of the bleach plant and delayed promotional sales, as it proved more challenging than originally foreseen to achieve a consistent output from the bleach plant during this period of consolidation.

The underlying EBIT of \$7.897 million was \$0.652 million down on last year due to the increased depreciation expense arising from new capital investment, in particular the relocated and upgraded bleach plant.

To enhance our overall manufacturing and supply chain capability, the business also commenced the review of a number of manufacturing processes utilising continuous improvement/lean manufacturing principles. This will streamline many processes leading to further improvements in productivity and cost reductions. To improve margins and offset supplier cost pressures, Pental has and will continue to invest in new capital projects targeted to providing a short term payback (as a key priority) and proactively sourcing raw material and products from the most cost effective destination, whilst still maintaining our Australian Made and Owned credentials where strategically appropriate.



A year of consolidation, with the  
**business  
on target**  
with strategy

Table<sup>(i)</sup> below shows a reconciliation between the reported net profit after tax and the underlying EBITDA.

	FY 14 <sup>(i)</sup> \$'000	FY 13 <sup>(i)</sup> \$'000	% Change
<b>Reported profit after tax</b>	<b>5,336</b>	<b>1,893</b>	+100%
Net loss from discontinued operations	–	310	
Income tax expense	2,002	556	
Finance and borrowings costs	960	5,663	-83.0%
<b>EBIT from continuing operations</b>	<b>8,298</b>	<b>8,422</b>	-1.5%
Net one off/significant (income)/expense <sup>(ii)</sup>	(401)	127	
<b>Underlying EBIT</b>	<b>7,897</b>	<b>8,549</b>	-7.6%
Depreciation and amortisation	1,793	1,069	
<b>Underlying EBITDA</b>	<b>9,690</b>	<b>9,618</b>	0.7%

(i) Unaudited non-IFRS financial table.

(ii) Refer to consolidated statement of profit or loss and other comprehensive income.

On achieving a solid net profit for the year and by completing the capital raising of \$5.705 million net of costs and tax (through the issuance of Piggy Back Options to Loyalty Option holders who had exercised their Loyalty Options early), this has enabled Pental to return to a net cash position and is now in a sound position to invest in the high speed liquid line and other capital projects to grow the business and reduce costs.

With the improved profitability, the Board has recommended payment of a fully franked full year dividend of 0.12 cents per ordinary share, payable to shareholders on 30 September 2014, with a record date of 12 September 2014.

## OUTLOOK

The Board is comfortable that the repositioning of the Group has resulted in a more predictable underlying cash flows business. This has been demonstrated through achieving a solid result in the 2014 financial year, bearing in mind in the recent prior years the business has endured a number of significant structural changes. As a result, following the payment of a full year dividend, the Board also plan to reinstate the payment of sustainable interim dividends, subject to performance and outlook of the business.

The pursuit of growth continues to be through new product innovation and competing on value rather than price alone, whilst progressively evolving our key brands into new categories and channels, supported by further growth expected through meeting the increasing demands of private label.

Similarly with manufacturing improvements being made and the ongoing refresh of its manufacturing capability through improved disciplines and further capital investment, such as the high speed liquid line (to be installed during 2015 financial year), and modernisation and consolidation of its soap manufacturing processes, Pental will be well placed to capitalise on future brand and private label growth opportunities, whilst leveraging its Australian made and owned credentials.

Whilst the highly competitive nature of the grocery retail market remains consistent to the prior years and this is expected in the foreseeable future, the business is better equipped to move forward and to take advantage of any value-creating acquisition or distributorship opportunities that may arise, as the Board is committed to pursuing all avenues of growth that will improve shareholder returns.

Furthermore, with the improved financial position, the Board now considers a share consolidation is appropriate due to the significant number of shares on issue. As shareholder approval is required, this will be submitted for shareholders' consideration at the Annual General Meeting.

The Directors would like to thank all of our staff, shareholders, suppliers and customers for their ongoing loyalty and support.



**Peter Robinson**  
Chairman



# CORPORATE GOVERNANCE STATEMENT

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

The Company's website [www.pental.com.au](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>Lay solid foundations for management and oversight</b>	
1.1	Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.	<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 Chief Executive Officer.</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 Chief Executive Officer (CEO) and any 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	Companies should disclose the process for evaluating the performance of senior executives.	<p>The Chief Executive Officer is responsible for assessing the performance of the key executives within the Company, in conjunction with the Board. Executive assessments are conducted annually.</p> <p>Formal appraisals are conducted at least annually for other staff and key performance indicators are set.</p>

# CORPORATE GOVERNANCE STATEMENT CONTINUED

	Best Practice Recommendation	Comment
1.3	<p>Companies should provide the information indicated in the Guide to reporting on Principle 1 as follows:</p> <ul style="list-style-type: none"> <li>– an explanation of any departures from any Principle 1 recommendation;</li> <li>– whether a performance evaluation for senior executives has taken place during the reporting period under the process disclosed; and</li> <li>– the board charter should be made publicly available.</li> </ul>	<p>A performance evaluation for senior executives has taken place during the year under the process disclosed.</p>
<b>2. Structure the board to add value</b>		
2.1	A majority of the board should be independent directors.	<p>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.</p> <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 Peter Robinson, Mr John Rishworth, Mr John Etherington and Mr Mel Sutton. Mr Alan Johnstone is not considered to be independent as he is a substantial shareholder of the Company. At the date of this report and during the period a majority of directors were independent directors.</p> <p>Directors are able to seek independent professional advice at the expense of the Company with the permission of the Chairman.</p>
2.2	The chairperson should be an independent director.	The Chairperson is an independent director.
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	The Chief Executive Officer is not the Chairman.

	Best Practice Recommendation	Comment
2.4	The board should establish a nomination committee.	<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. During the period the Board appointed Mr Mel Sutton as an independent director. His skills and background are set out in the Directors Report section of this Annual Report.</p> <p>In line with the Board's view on gender diversity, the Board does not believe it is appropriate to appoint a director on the basis of gender alone, and new director appointments will be made on the basis of the skill sets required at that time regardless of gender.</p>
2.5	Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.	<p>During the previous period the Board used a third party firm to carry out an assessment of the Board skill sets and come up with a series of recommendations regarding the future composition of the Board. The Board used this review in appointing Mr Mel Sutton as an independent director. His skills and background are set out in the Directors Report section of this Annual Report.</p> <p>The Board did not consider it necessary to carry out a further evaluation of the performance of the Board during the year.</p>
2.6	Provide the information indicated in <i>Guide to Reporting on Principle 2</i> .	This information is detailed above.

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**Pental's firelighter brands, Jiffy & Little Lucifer, have been lighting Australian fireplaces and BBQs for over 40 years.**

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# CORPORATE GOVERNANCE STATEMENT CONTINUED

	Best Practice Recommendation	Comment
<b>3.</b>	<b>Promote ethical and responsible decision-making</b>	
3.1	<p>Establish a code of conduct and disclose the code or a summary of the code as to:</p> <ul style="list-style-type: none"> <li>(a) the practices necessary to maintain confidence in the company's integrity;</li> <li>(b) the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders; and</li> <li>(c) the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.</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>
3.2	Companies should disclose in each annual report the measurable objectives for achieving gender diversity.	<p>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.</p> <p>The Company has instead required management to monitor gender diversity in line with the Corporate Governance Council Recommendations and intends to take appropriate action should it be of the view that there is insufficient gender diversity within the business.</p>
3.3	Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.	As at 29 June 2014, there were 30 women employed representing 21% of total employees. There were no women on the Board of Directors nor as part of the executive team.
3.4	Provide the information indicated in <i>Guide to Reporting on Principle 3.</i>	This information is detailed above.

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**White King celebrates 60 years in 2014.**

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	Best Practice Recommendation	Comment
<b>4.</b>	<b>Safeguard integrity in financial reporting</b>	
4.1	The board should establish an audit committee.	The Board has established an Audit Committee.
4.2	Structure the audit committee so that it: <ul style="list-style-type: none"> <li>(a) consists only of non-executive directors;</li> <li>(b) consists of a majority of independent directors;</li> <li>(c) is chaired by an independent chairperson, who is not chair of the board; and</li> <li>(d) has at least three members.</li> </ul>	<p>The Audit Committee consisted of four members, all of whom were independent directors.</p> <p>The Chair of the Committee was and is not the Chair of the Board during the period.</p> <p>The names of the members of the Committee, and details of the number of meetings held during the period, are contained in the Directors' Report.</p>
4.3	The audit committee should have a formal charter.	The Audit Committee operates under a Charter which is available on the Company website within the Corporate Governance Section.
4.4	Provide the information indicated in <i>Guide to Reporting on Principle 4</i> .	This information is detailed above.
<b>5.</b>	<b>Make timely and balanced disclosure</b>	
5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.	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	Provide the information indicated in <i>Guide to Reporting on Principle 5</i> .	This information is detailed above.
<b>6.</b>	<b>Respect the rights of shareholders</b>	
6.1	Design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.	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
6.2	Provide the information indicated in the <i>Guide to reporting on Principle 6</i> .	This information is detailed above.

# CORPORATE GOVERNANCE STATEMENT CONTINUED

	Best Practice Recommendation	Comment
<b>7.</b>	<b>Recognise and manage risk</b>	
7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	<p>During the year, the Company operated a risk management and internal control framework that can be described as follows:</p> <ul style="list-style-type: none"> <li>• Financial reporting - actual results are regularly reported against budget and revised forecasts for the year are prepared regularly.</li> <li>• The Company reports to shareholders half-yearly. Procedures are also in place to ensure that price-sensitive information is reported to the ASX in accordance with the Continuous Disclosure requirements of the ASX Listing Rules and the Corporation Act 2001.</li> <li>• The Chief Executive Officer and Chief Financial Officer (or an appropriate representative, if the positions were vacant) have signed a statement to the Board for the full and half year financial reports confirming: <ul style="list-style-type: none"> <li>o the Company's financial reports present a true and fair view, in all material respects of the Company's financial condition and operational results and are in accordance with relevant accounting standards;</li> <li>o the Statement given above is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and</li> <li>o the statement given above is founded on a sound system of risk management and an internal compliance and control system is operating efficiently in all material respects.</li> </ul> </li> </ul> <p>During the year the Board established a Strategy Committee, the purpose of which includes overseeing the Strategic Planning function and implementation of strategy including risk mitigation.</p>

**White King's Stain Lift Stain Remover trigger has seen a 33% increase in sales.**

Source AZTEC Data, moving annual total to 24/08/2014.

	Best Practice Recommendation	Comment
7.2	The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	During the year the Audit Committee has overseen a refresh of the Company's risk management process and has ensured management has implemented appropriate internal controls or strategies to mitigate the business risk. Management has reported to the Board on key risks associated with the Company's business, and management's response in mitigating those risks. Key risks is a standing item on Board meeting agendas, and management reports on whether risk is being effectively managed.
7.3	The board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.	The Board has obtained the relevant assurance from management.
7.4	Provide the information indicated in <i>Guide to Reporting on Principle 7</i> .	This information is detailed above.
<b>8. Remunerate fairly and responsibly</b>		
8.1	The board should establish a remuneration committee.	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.








# DIRECTORS' REPORT

The directors of Pental Limited submit herewith the annual financial report of the company for the year (52 weeks) ended 29 June 2014. 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 and Qualifications	Experience and Responsibilities
<p><b>Mr Peter Robinson</b> B.Eco (Mon)</p> 	<p><b>Non-Executive Independent Chairman</b></p> <p>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.</p> <p>Appointed Director on 29 November 2002.</p> <p>Appointed Chairman on 5 March 2009.</p> <p>Member of the Audit Committee, Member of the Strategy Committee and Chairman of Remuneration Committee.</p>
<p><b>Mr Alan Johnstone</b></p> 	<p><b>Non-Executive Director</b></p> <p>Alan has extensive experience in retailing and is the founder and Chairman of the Penfold Motors Group which is one of the largest car retailers in Victoria.</p> <p>Appointed Director 3 September 2003.</p> <p>Member of Remuneration Committee.</p>
<p><b>Mr John Rishworth</b></p> 	<p><b>Non-Executive Independent Director</b></p> <p>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.</p> <p>Appointed Director 8 September 2004.</p> <p>Member of Audit Committee, Member of Remuneration Committee and Member of Strategy Committee.</p>
<p><b>Mr John Etherington</b> B.Ec, FCA, FAICD</p> 	<p><b>Non-Executive Independent Director</b></p> <p>John is a former senior partner of Deloitte, where he held both senior leadership positions and provided audit and advisory services to public, private and not for profit organisations, with a particular specialisation on rapidly growing Australian listed entities. He is also currently a non-executive director on a range of public and private organisations.</p> <p>Appointed Director 2 April 2013.</p> <p>Chairman of Audit Committee and Member of Remuneration Committee.</p>

# DIRECTORS' REPORT CONTINUED

Name and Qualifications	Experience and Responsibilities
<p><b>Mr Mel Sutton</b></p> 	<p><b>Non-Executive Independent Director</b></p> <p>Mel Sutton has extensive experience and a diverse background across a number of key sectors, including food – production, wholesale and retail; facility services; apparel and footwear - wholesale and retail; consumer goods – beverage; and Sporting goods – wholesale and retail. Mel was CEO and a Managing Director of Nike Pacific, Globe International, Colorado Group and a Divisional Chief Executive of George Weston Foods Limited and Spotless Group. Previous roles also include senior executive positions with Lion Nathan and Fosters. Mel is currently the Director of Strategy at Lion – Dairy &amp; Drink based in Melbourne.</p> <p>Appointed Director 3 October 2013.</p> <p>Chairman of Strategy Committee and Member of Audit Committee.</p>

The above named directors held office during the whole of the financial year and since the end of the financial year, except Mel Sutton who was appointed on 3 October 2013.

Any directorships of other listed companies held by directors in the 3 years immediately before the end of the financial year are indicated above under "experience and responsibilities".



Basic earnings per share

**increased**  
**41.67%**

## DIRECTORS' SHAREHOLDINGS

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


Directors	Fully paid ordinary shares Number	Share options Number
Peter Robinson	49,661,570	9,932,314
Alan Johnstone	374,037,176	73,698,530
John Rishworth	165,080	33,016
John Etherington	–	–
Mel Sutton	–	–

### Share options granted to directors and senior management

During and since the end of the financial year, no share options were granted to directors or senior management. On 15 November 2013 the Company issued a Piggy Back Options Prospectus to encourage Loyalty Option holders to exercise their Loyalty Options early. Loyalty Options holders which included Directors that exercised their right by 29 November 2013 to acquire one fully paid ordinary share were granted one \$0.03 (Piggy Back) call option.

## COMPANY SECRETARY

Name & Qualifications	Experience and Responsibilities
Mr Oliver Carton B Juris LL.B	Company Secretary



Oliver is a qualified lawyer with over 26 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.

# DIRECTORS' REPORT

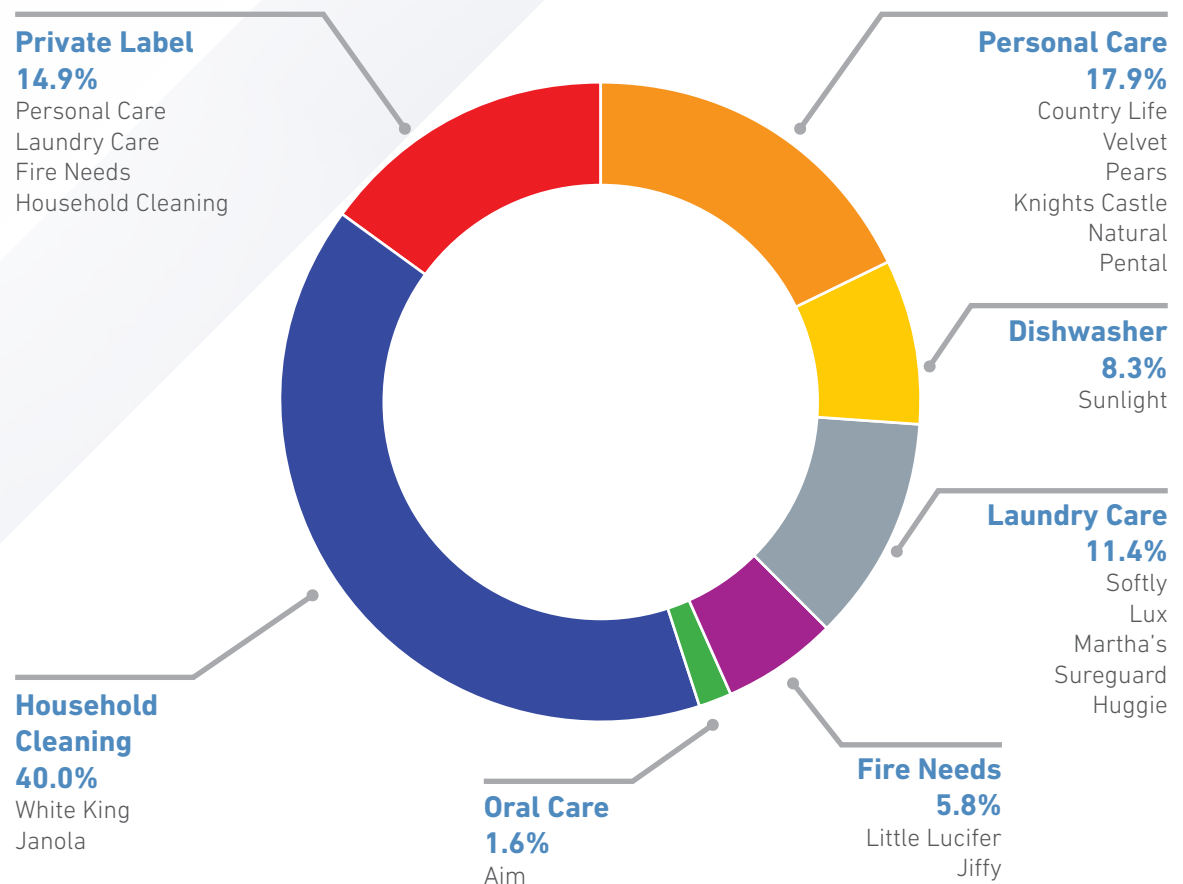
## CONTINUED

### REVIEW OF OPERATIONS

#### Key Strategic Achievements

- Relocation and upgrade of bleach plant (stages 1 & 2) completed, with plant efficiency progressively improving (alas slower than initially anticipated), supported by a reinvigorated continuous improvement/lean manufacturing program throughout the Shepparton manufacturing facility
- Cemented our position as No.1 supplier of liquid bleach with the White King brand and in private label
- New packaging launched reinforcing the "Australia Made and Owned" credentials for all our brand products
- Velvet soap successfully repositioned as a beauty bar
- Leadership team enhanced in research and development, procurement/supply chain and private label account management, and the former CEO role held by Alan Fisher absorbed within the existing management team, led by Charlie McLeish as the new CEO from 1 January 2014
- Normalised and strengthened Balance Sheet following the significant restructure of the Group in the prior year
- Board Strategy Committee formed to oversee strategic planning and a structured pursuit of any strategic growth opportunities
- Research and development work for new high speed liquid line completed and to be installed during 2015 financial year
- The closure of the Speciality Chemicals business (discontinued operations) has been completed, including clearance of any environmental matters

### Brand and Private label sales mix – Financial Year 2014



## Key Financial Outcomes

Consolidated net profit after tax for the year (52 weeks) ended 29 June 2014 was \$5.336 million (2013: \$1.893 million).

	FY 14 <sup>(i)</sup> \$'000	FY 13 <sup>(i)</sup> \$'000	Change \$'000	%
Gross Sales <sup>(ii)</sup>	109,376	107,891	1,485	+1.38% ↑
Underlying EBITDA <sup>(ii)</sup>	9,690	9,618	72	+0.75% ↑
<i>EBITDA to gross sales</i>	<b>8.9%</b>	<b>8.9%</b>		–
Depreciation & Amortisation <sup>(ii)</sup>	(1,793)	(1,069)	(724)	
Underlying EBIT <sup>(ii)</sup>	7,897	8,549	(652)	-7.63% ↓
<i>EBIT to gross sales</i>	<b>7.2%</b>	<b>7.9%</b>		<b>-0.7%</b>
Profit after Tax	5,336	1,893	3,443	+100% ↑
Basic EPS (cents) <sup>(iii)</sup>	0.34	0.24		+41.67% ↑
Working Capital <sup>(iii)</sup>	18,568	19,192	(624)	-3.25%
Net Cash/(Debt)	25	(8,212)	(8,237)	+100%
Gearing <sup>(iv)</sup>	0%	13.2%		+100%

(i) Unaudited non-IFRS financial table.

(ii) Continuing operations.

(iii) Receivables plus inventory less trade and other payables.

(iv) Net debt to equity.

- Gross sales of \$109.376 million were up by 1.38% on last year, with the main focus on maintaining/growing acceptable margins rather than participating in aggressive price reduction campaigns for the sake of higher sales growth
- Underlying EBITDA (continuing operations) of \$9.690 million, marginally (0.75%) above last year, after absorbing:
  - rental expense of \$0.786 million following the sale and leaseback of the Shepparton properties and relocation of the corporate office that occurred on 30 June 2013;
  - the increased cost of raw materials that could not be recovered through price increases;
  - additional temporary resources (\$0.307 million – one off cost) required to bed down the relocated/upgraded bleach plant (that was more challenging than originally foreseen), whilst also phasing in production of the new private label bleach business which commenced February 2014; and
  - one off costs of \$0.225 million incurred from outsourcing some of the bleach manufacturing during the relocation/upgrade of the bleach plant, to ensure that customer delivery targets were achieved.
- EBIT was down on last year mainly due to the increase in depreciation arising from new capital investment, in particular the relocated and upgraded bleach plant
- Finance costs decreased by \$4.703 million to \$0.960 million, which included the exit costs of \$0.150 million to terminate the GE receivable finance facility, previously imposed on the Group by its banker
- Net profit after tax increased by \$3.443 million to \$5.336 million
- Reinstatement of interim and final dividend payments, commencing with a fully franked full year dividend of 0.12 cents per ordinary share, payable to shareholders on 30 September 2014, with a record date of 12 September 2014.
- Basic (continuing operations) earnings per share of 0.34 cents (2013: 0.24 cents)
- New normalised and competitive banking arrangement, following a difficult restructure of the Group which commenced in the prior year
- Improved working capital position of \$0.624 million, mainly due to reduction in inventory
- Net cash position of \$0.025 million and in a fit position for further capital investment - focused on maximising growth opportunities and reducing costs

# DIRECTORS' REPORT

## CONTINUED

- Close-Up brand and trademark for Sunlight (for the Pacific Islands only) which did not form part of the long term brand strategy was sold for \$0.600 million, resulting in a profit on sale of \$0.401 million
- The early exercise of the Loyalty Options raised \$5.705 million (net of costs and tax), with Piggy Back options issued to Loyalty option holders who had exercised early

	FY 14 <sup>(i)</sup> \$'000	FY 13 <sup>(i)</sup> \$'000	% Change
<b>Underlying EBITDA</b>	<b>9,690</b>	<b>9,618</b>	0.7%
Depreciation and amortisation	(1,793)	(1,069)	67.7%
<b>Underlying EBIT</b>	<b>7,897</b>	<b>8,549</b>	-7.6%
Finance costs excluding one off borrowing costs	(960)	(4,335)	-77.9%
<b>Underlying Net Profit Before Tax – Continuing Operations</b>	<b>6,937</b>	<b>4,214</b>	+100%
One off/Significant items:			
Brand name impairment	–	(357)	
Brand name impairment write back	–	500	
Deferred and current year borrowing costs – written off	–	(1,328)	
Loss on sale of Shepparton properties (marketing and legal costs)	–	(67)	
Impairment of property plant and equipment	–	(103)	
Rectifications work – on sale of Shepparton properties	–	(100)	
Profit on sale of Close Up brand name	401	–	
<b>Net Profit Before Tax – Continuing Operations</b>	<b>7,338</b>	<b>2,759</b>	

(i) Unaudited non-IFRS financial table.

### Cash generation and capital management

A solid operating cash flow of \$6.991 million and the capital raising (net of cost and tax) of \$5.705 million (through the issuance of Piggy Back Options to Loyalty Option holders who had exercised their Loyalty Options early), covered capital expenditure of \$5.015 million and returned Pental to a net cash position of \$0.025 million at 29 June 2014. The debt free position now places the business in a healthy situation to invest in the high speed liquid line (as detailed in the 14 November 2013 Piggy back Options Prospectus) and in other projects for future growth and cost reduction opportunities.

With the much improved financial position, on 25 February 2014, following a competitive tender, the Company entered into a new three year banking arrangement with its principal banker, ANZ. This allowed the business to consolidate its funding facilities to one provider at a more competitive interest rate, with normalised terms and conditions, and removed any restrictions on future dividend payments and capital investment. The multi option facility is for \$16 million. The Receivable Finance Facility with GE Capital was discontinued.

Net working capital (receivables, inventories less trade and other payables) of \$18.568 million, was \$0.624 million better than last year predominately from the improved inventory management driven by a re-invigorated Sales and Operational Planning (S&OP) working group.

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### **Investing in the re-invigoration of iconic brands, whilst building private label**

Product innovation continues to be the cornerstone of maintaining and growing the business with sales focused on generating sustainable margins in both brand and private label products. While sales were 1.38% up on last year, supported by favourable exchange rate between Australia/New Zealand, gross margins increased from 34.08% to 34.34% through launch of new products, improved sourcing of raw materials (offsetting increases in some raw materials, such as tallow, sustainable vegetable palm noodles and bottle prices) and by focusing on maintaining/growing acceptable margins rather than participating in aggressive price reduction campaigns for the sake of higher sales growth.

Trading terms and promotional spend (i.e. sale rebates and discounts) decreased from 26.27% to 26.18%, through improved return on investment management, however the pressure to increase promotional allowances and fully fund promotional activities from major retail customers continues to apply, and this is unlikely to subside. Management of these activities is a critical element of the business and during the year Pental invested in a new sales forecast and promotional management system, to sharpen the business processes and disciplines of continuing to ensure sales growth is underpinned by sustainable margins.

With the business winning a number of new private label tenders on the back of the upgraded bleach plant, the 2014 marketing strategy focused around reinvigorating and strengthening the foundations of Pental's key heritage brands for future development and growth. Marketing costs of \$3.162 million, representing 3.50% of branded sales, was marginally up on last year's investment of 3.29% of branded sales.

Most of our major brands, including White King, Velvet, Softly and Country Life have had a packaging revamp to modernise their appeal and maintain their relevance. On the back of these packaging revamps, our Australian made and owned credentials were embodied on all key brand products. Pental also invested in research and strategic planning for the majority of our brands to lay the foundation for sustained growth over the coming years. Many brands are taking a fresh new direction in our three year strategic plan, with some brands moving into higher-growth categories and others moving into different segments in order to effectively compete in the market, without competing against each other in the same category.

Through the work undertaken during the year, Pental's brands continue to hold solid market positions:

- White King has a strong Australian market position of a 79% share of the retail liquid bleach market plus Pental supplies Woolworths, Coles and Aldi private label bleach;
- Janola also has a strong New Zealand market position of 63% of the retail liquid bleach market;
- White King maintained a healthy 23% market in the manual toilet cleaners category - ranked as No. 2;
- Sunlight dishwashing liquid continues to hold a 21% market share in New Zealand dishwashing segment;
- Softly and Martha Gardener have a 56% share of the retail wool wash category – ranked as No 1 and 3; and
- Cube Firelighters (Little Lucifer, Jiffy and private label) have a 62% market share in the major grocery channel.

As part of the ongoing review of brand leverage and future growth opportunities, the Close-Up brand and trademark for Sunlight (for the Pacific Islands only) was disposed of for \$0.600 million, resulting in a profit on sale of brands of \$0.401 million.

The marketing investment in the coming year will build on this foundation and focus on innovation and marketing communications based on the research and strategies now in place. A communication plan has been put into place to build awareness, encourage trial of our products amongst newer, younger consumers and create emotional relationships with our brands.

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## **The 2014 marketing strategy focused around reinvigorating and strengthening the foundations of key heritage brands for future development and growth**

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# DIRECTORS' REPORT

## CONTINUED

### **New product development**

Stemming from the research and strategic planning conducted over the prior years, several products were launched into the Australian and NZ markets which embody the re-positioning and new direction of some of our brands.

White King's focus on leveraging the growth of Toilet and Household Cleaning categories has led to the launch of the White King Bleach & Blue Power Blocks for the cistern. Over the past two years, White King has not played in the largest segment within the Toilet category (known as "in-the-bowl"), and this has now been rectified with the launch of the White King 4-in-1 Power Hanger.

To drive category value growth and mitigate the seasonality of firelighters, Pental also launched the Little Lucifer "individually wrapped wax firelighters". This format has led overseas markets for years and is now available in Australia, exclusively from Pental. The format suits BBQs, hikers and campers, as well as core fireplace users to bring new consumers into the category and to encourage current users to trade up for a higher value product.

Velvet has also been repositioned as a range of beauty bars. In line with this new strategy, we have launched the Velvet Moisturising Bar to provide consumers with affordable beauty.

The new product development pipeline for the coming years is also reflective of the strategies put into place for each brand over the past year.

### **Manufacturing and planning efficiency**

Following the investment to relocate and upgrade the bleach plant, which commenced during 2013 financial year, the key focus during the financial year was to complete the installation of the new case packer (to enable expansion into private label) and to improve the efficiency of the bleach plant. Although the projected plant efficiency was not achieved from the outset, as it took longer than expected to calibrate the new case packer (installed in January 2014) and to normalise production throughputs for the new bleach private label ranges, the plant continues to progressively improve. However these interruptions had caused the need for additional temporary resources which are not expected to reoccur.

During the relocation and integration of bleach manufacturing into the Shepparton site, the business also initiated the review of its manufacturing processes utilising continuous improvement/lean manufacturing principles. This has allowed for and will enable many processes to be streamlined and lead to further improvements in productivity and cost reductions over the coming years.

The launch of Little Lucifer "individually wrapped wax firelighters" during the financial year also saw Pental invest in new plant and equipment to efficiently distribute this product exclusively to the Australian market alongside its cube firelighter range.

These front end manufacturing initiatives were supported by the business upgrading its Enterprise Resource Planning (ERP) systems and implementing a new sales/ trade spend planning/forecast system in late June 2014. This will provide the foundation to streamline many processes leading to further improvements in productivity, alignment of raw material and packaging procurement (with supplier demand and planned promotional activity), and providing extra value to our customers with more effective investment of promotional funds/rebates.

The next phases of the manufacturing/sourcing strategy will be the installation of a new high speed liquid line (to be installed during 2015 financial year), which will enable Pental to compete in a number of new categories for both brand and private label products; and modernise and consolidate its soap manufacturing processes.

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### Procurement and supply chain efficiency

Coupled with investing in manufacturing efficiency, procurement and supply chain improvements remain the centre of attention. During the financial year Pental continued to trial and approve suppliers of raw materials to mitigate supply risks and to deliver the lowest cost position for the business. This included engaging both local and overseas manufacturers to ensure Pental is benchmarking products both in Australia and globally. For example, Pental's Australian Made soap is now produced from either tallow or sustainable palm based raw materials, depending on customer needs and the most cost effective raw material price. This ensures Pental remains at the forefront of providing a quality product at a competitive price.

To improve margins and offset supplier cost pressures, Pental will continue work with suppliers who can provide new innovation and product development to support our brands and category growth plans. Simultaneously, the cost of outsourced production, co-packing and other raw materials (such as perfumes, bottles, triggers and caps) continue to be vigorously reviewed via a tender process and/or are being considered to be manufactured in-house supported by capital investment.

From a supply chain perspective, following the successful consolidation to one central distribution platform in Shepparton in the prior year, the planned savings have been embedded in the business which saw freight and distribution expenses improve from 8.41% to 8.04% of gross sales. Following this successful initiative, a business review has been initiated to focus on outbound interstate freight consolidation to deliver freight savings and improve delivery lead times into our customers.

A key attribute for future growth is supplier versatility and Pental will continue to work with suppliers who provide shorter lead times to market and support changing market conditions.

### Business strategy and operational risks

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

Pental's strategy to deliver the vision (which remains unchanged and on course) focuses on:

- Investing in brand support and further developing customer channel plans;
- Continuing to build its new product pipelines and launching new products to the market;
- Growing the private label business;
- Investing in its manufacturing capability to maintain and improve efficiency of the current products manufactured and for future growth opportunities, where importation of the product is not cost effective and/or not aligned with its Australia made, Australia owned market positioning;
- Investing in planning and reporting systems in key areas of trade spend, freight and manufacturing; and
- Proactively searching for new distributorships and acquisitions that will complement Pental's product range/expertise and scope to leverage the company's infrastructure, and/or provide the ability to expand into new channels.

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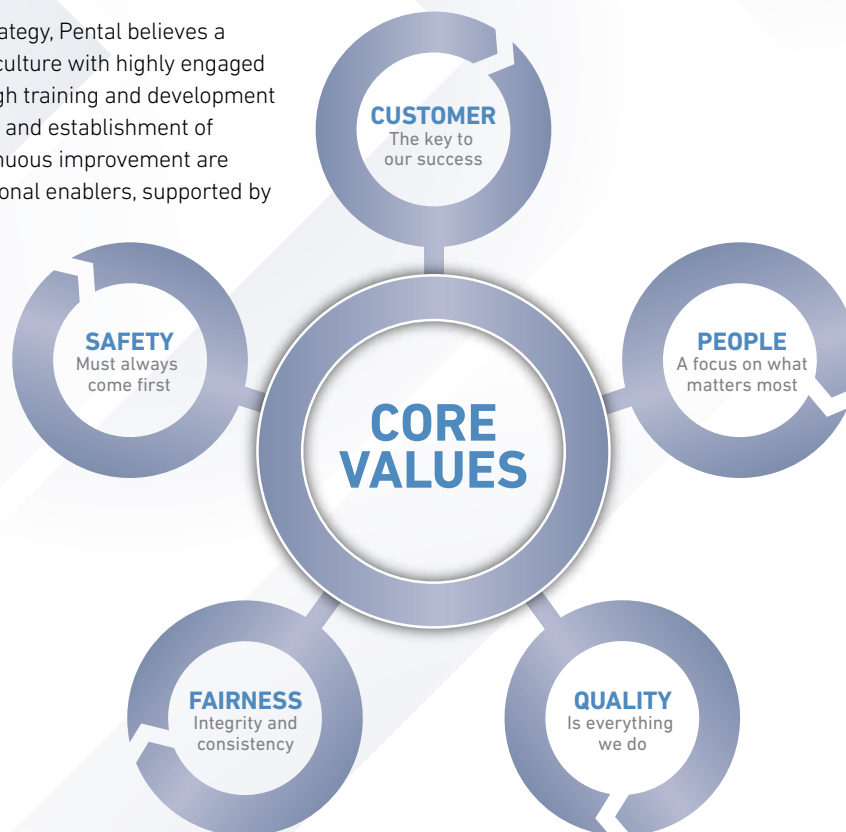
**The next phase of the manufacturing strategy will be the installation of a new high speed liquid line, enabling Pental to compete in existing and new categories**

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# DIRECTORS' REPORT

CONTINUED

To deliver this strategy, Pental believes a strong company culture with highly engaged employees through training and development of high achievers, and establishment of a culture of continuous improvement are critical organisational enablers, supported by its core values of:



There are a number of operational risks, both specific to Pental and of a general nature, which may impact the future operating and financial performance of the Group. There can be no guarantee that Pental will achieve its objectives or that forward looking statements will be realised. The operating and financial performance is influenced by a variety of general economic and business conditions including levels of consumer spending, inflation, interest and exchange rates, and certain raw material prices such as tallow and/or sustainable palm noodles used in some soap products and price of resin affecting the cost of bottles. The specific material business risks faced by the Group and how the Group manages these risks are set out below:

- **Competition:** the majority of Pental's products are sold in supermarkets in Australia and New Zealand which are dominated by two major participants in Australia. These retailers have been aggressively reviewing their product mix and also implementing a move towards own or private label products. This has the potential to lead to delisting of Pental's products by one or both of those retailers which could cause a significant drop in sales of any product delisted. The two major participants have also been engaging in an aggressive campaign for market

share, primarily through product price reductions. This has made it difficult for Pental to pass on price rises, despite rising production costs, thus impacting margins. This situation is not expected to change in the short to medium term. Pental believes it can continue to successfully operate in the Fast Moving Consumer Goods (FMCG) market through strong product innovation and managing its product sourcing and manufacturing costs;

- **Product sourcing:** Pental relies on a range of parties for its product sourcing strategy. Any change in existing relationships (including the termination of any key supply arrangements) or any change in terms or conditions of overseas/local suppliers and any change in the political or economic environment may lead to material adverse changes to Pental's operational and financial performance. Pental is continually refining its sourcing arrangements and has in many instances dual sourcing arrangements that facilitates in reducing this risk;
- **Supply chain:** Pental has established an extensive and reliable supply chain that allows it to procure and deliver products to customers in a timely and efficient manner. Disruption to any aspect of this

supply chain could have a material adverse impact on Pental's operational and financial performance. Pental's ongoing review of supply chain costs and the corresponding change of supply chain arrangements with minimal disruption, shows that Pental is able to effectively manage this risk;

- **Loss of key personnel:** Pental's future success depends to a significant extent on the retention of key personnel, in particular its management team. These individuals have extensive experience in, and knowledge of the market Pental operates in and Pental's business. The loss of key personnel and the time taken to recruit suitable replacements or additional personnel could adversely affect the Company's future financial performance. The Board has reviewed the organisational structure of the business and will continue to do so to ensure the best people are retained, whilst investing in developing other key people in the business; and
- **Damage to Pental's brands:** the reputation and value associated with Pental's brand names could be adversely impacted by a number of factors including failure to provide customers with the quality of products they expect, disputes with third parties such as suppliers or customers or adverse media coverage. Significant erosion in the reputation of, or value associated with, Pental's brands could have an adverse effect on Pental's future financial performance. Pental believes that its processes and systems, and pro-active tracking and management of any disputes minimises this risk.

#### **Outlook**

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

#### **Health and Safety**

The Group is committed to the health and safety of all its employees. It believes that all incidents are preventable. There is a continuing commitment to identify and eliminate risks with the prime objective being to prevent injuries from occurring. The Group's core value of "safety must always come first" has been set at the top of the organisation and is reinforced through commitment of resources at its Shepparton manufacturing and distribution site.

## **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, except for:

#### **Dividends**

In respect of the year (52 weeks) ended 29 June 2014 the Company will pay a full year fully franked dividend of 0.12 cents per ordinary share, payable to shareholders on 30 September 2014, with a record date of 12 September 2014.

## **ENVIRONMENTAL REGULATIONS**

The Shepparton manufacturing site is subject to various pieces of environmental legislation. Licences and Agreements relevant to the environmental performance of its operations are currently held with Goulbourn Valley Water and the Environment Protection Authority (EPA).

In conjunction with the sale of the Shepparton site in the prior financial year, an environmental audit was conducted on the underground storage units (UST) which highlighted potential contamination; however further testing was required once the UST/lines were removed. Following the removal of the unused UST during the financial year, an independent assessment of the site on 16 April 2014 concluded that the site was suitable for continued commercial / industrial land use and no further remedial work was required.

Furthermore, on 29 January 2014, the Pollution Abatement Notice (PAN) issued in January 2013, was revoked by the Environmental Protection Authority (EPA) following the EPA's appointed auditor recommendation that no further work or remedial action be required to be undertaken by the Company on its former Port Melbourne site.

Environmental performance is reported to the Site Management Group and to the Board as required. All environmental aspects of the Shepparton manufacturing site were in line with the license requirements.



**Softly**

PREMIUM LAUNDRY LIQUID  
**DELICATES  
& WOOLLENS**

- 13 WASHES FROM 1.25L
- CLEANS WITH EXTRA CARE
- GENTLE ON CLOTHES

1.25L



**NP**  
NATIONAL PRODUCT

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## SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

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

As at 29 June 2014, the Company had 85,657,987 (2013: 375,181,180) Loyalty Options (ASX code: PTLO) on issue, exercisable on a 1:1 basis for entitled ordinary shareholders at an exercise price of \$0.02. The Loyalty Options expire on 11 September 2014 and carry no rights to dividends and no voting rights. During the financial year 289,523,193 Loyalty Options were exercised and as a result 289,523,193 ordinary shares were issued amounting to \$5.791 million.

During the year the Company issued 287,838,746 Piggy Back Options (ASX code: PTLOA). As at 29 June 2014, the company also had 287,331,469 Piggy Back Options on issue exercisable on a 1:1 basis for entitled ordinary shareholders at an exercise price of \$0.03. The Piggy Back Options expire on 6 June 2015 and carry no rights to dividends and no voting rights. During the financial year 507,277 Piggy Back Options were exercised and as a result 507,277 ordinary shares were issued amounting to \$.015 million.

## 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 as 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.

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**Softly enjoys 36% of  
the total Australian  
Grocery market share  
of the Woolwash  
category, making it  
the market leader  
by a 10% margin.**

Source AZTEC Data, moving annual total to 24/08/2014.

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# DIRECTORS' REPORT CONTINUED

## REMUNERATION REPORT - AUDITED

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

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

Peter Robinson	Non-executive Independent Chairman
Alan Johnstone	Non-executive Director
John Rishworth	Non-executive Independent Director
John Etherington	Non-executive Independent Director
Mel Sutton	Non-executive Independent Director

Charlie McLeish	Chief Executive Officer
Alan Fisher	Chief Executive Officer (Resigned on 31 December 2013)
Albert Zago	Chief Financial Officer

### Remuneration Policy

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

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

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed and approved by the board. Executive packages are reviewed annually by reference to the Group's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries. The performance of executives is measured regularly against agreed criteria and is based predominantly on the forecast growth of the Group's profits and shareholders' value. All bonuses and incentives are linked to predetermined operational and financial performance criteria. Executives are also entitled to participate in a performance rights plan.

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

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares granted to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Binomial methodology.

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

### Key terms of employment contracts

Mr Charlie McLeish is employed by the Group under a three year contract which was renewed on 1 August 2012. The period of notice required by either party to terminate the contract is nine months' notice for termination without cause. Mr McLeish is entitled to receive a maximum yearly bonus of thirty five per cent of his base salary plus superannuation. The Company is reviewing an executive performance rights plan (Plan) to provide long term incentives aligned to Company performance. Mr McLeish will be entitled to participate in the executive rights Plan.

Mr Albert Zago is employed by the Group under an ongoing contract which may be terminated on 3 months notice by either the Company or the executive. Mr Zago is entitled to receive a maximum yearly bonus of thirty per cent of his base salary plus superannuation. Mr Zago will also be entitled to participate in the executive rights plan.

## 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, 11 board, 4 audit committee, 2 remuneration committee and 3 strategy committee meetings were held.

Directors	Board of Directors		Audit Committee		Remuneration Committee		Strategy Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Peter Robinson	11	10	4	4	2	2	3	3
Alan Johnstone	11	9	-	-	2	1	-	-
John Rishworth	11	11	4	4	2	2	3	3
John Etherington	11	11	4	4	2	2	-	-
Mel Sutton	9	8	3	1	-	-	3	2

## PROCEEDINGS ON BEHALF OF THE COMPANY

No proceedings have been brought against the company.

## NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 32 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 32 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 21 of the annual report.

## ROUNDING OFF OF AMOUNTS

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

# DIRECTORS' REPORT CONTINUED

## Relationship between the remuneration policy and company performance

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

The tables below set out summary information about the Group's earnings and movements in shareholder wealth for the five years to June 2014. 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.

	29 June 2014 \$'000	30 June 2013 \$'000	30 June 2012 \$'000	30 June 2011 \$'000	30 June 2010 \$'000
Gross sales	109,376	141,060	191,049	166,099	147,488
Net profit/(loss) before tax from continuing operations	7,338	739	(66,578)	9,572	12,534
Net profit/(loss) after tax attributable to members of the parent entity	5,336	1,893	(61,386)	4,758	9,666

	29 June 2014	30 June 2013	30 June 2012	30 June 2011	30 June 2010
Share price at start of year	\$0.020	\$0.075	\$0.40	\$0.53	\$0.46
Share price at end of year	\$0.033	\$0.020	\$0.075	\$0.40	\$0.53
Interim dividend (cents) per share <sup>1</sup>	-	-	-	1.0	1.0
Final dividend (cents) per share <sup>1,2</sup>	0.12	-	-	1.5	3.0
Basic earnings (cents) per share	0.34	0.20	(32.16)	3.99	7.55
Diluted earnings (cents) per share	0.33	0.20	(32.16)	3.99	7.55

1 Franked to 100% at 30% corporate income tax rate.

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

**No.1 supplier of Liquid Bleach to the retail Market – White King and Private Label.**

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

2014	Short-term employee benefits			Post-employment benefits	Total \$
	Salary & Fees \$	Bonus \$	Non-monetary <sup>(iii)</sup> \$	Superannuation \$	
<u>Non Executive Directors</u>					
Peter Robinson	66,779	-	-	33,567	100,346
Alan Johnstone	54,930	-	-	5,081	60,011
John Rishworth	54,930	-	-	5,081	60,011
John Etherington	44,173	-	-	15,408	59,581
Mel Sutton <sup>(i)</sup>	40,894	-	-	3,783	44,677
<b>Total Directors</b>	<b>261,706</b>	<b>-</b>	<b>-</b>	<b>62,920</b>	<b>324,626</b>
<u>Executives</u>					
Alan Fisher <sup>(ii)</sup>	339,766	-	18,944	19,514	378,224
Charlie McLeish	322,541	-	2,876	38,249	363,666
Albert Zago	261,070	-	3,657	22,867	287,594
<b>Total Executives</b>	<b>923,377</b>	<b>-</b>	<b>25,477</b>	<b>80,630</b>	<b>1,029,484</b>
<b>Total Remuneration</b>	<b>1,185,083</b>	<b>-</b>	<b>25,477</b>	<b>143,550</b>	<b>1,354,110</b>

(i) Mr Sutton commenced on 3 October 2013

(ii) Mr Fisher resigned as the Chief Executive on 31 December 2013, but continued in a consulting capacity until 16 April 2014.

(iii) Non-monetary benefits include novated car lease, car parking & motor vehicle toll tags.



# DIRECTORS' REPORT

CONTINUED

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

2013	Short-term employee benefits			Post-employment benefits	Total \$
	Salary & Fees \$	Bonus \$	Non-monetary \$	Superannuation \$	
<u>Non Executive Directors</u>					
Peter Robinson	49,746	-	-	23,086	72,832
Alan Johnstone	27,522	-	-	2,477	29,999
John Rishworth	55,045	-	-	4,954	59,999
John Etherington	13,761	-	-	1,238	14,999
<b>Total Directors</b>	<b>146,074</b>	<b>-</b>	<b>-</b>	<b>31,755</b>	<b>177,829</b>
<u>Executives</u>					
Alan Fisher	403,208	-	21,616	37,325	462,149
Charlie McLeish	267,849	92,750	-	32,197	392,796
Albert Zago	223,501	55,046	1,280	22,796	302,623
<b>Total Executives</b>	<b>894,558</b>	<b>147,796</b>	<b>22,896</b>	<b>92,318</b>	<b>1,157,568</b>
<b>Total Remuneration</b>	<b>1,040,632</b>	<b>147,796</b>	<b>22,896</b>	<b>124,073</b>	<b>1,335,397</b>

## Share-based payments

The Company is reviewing an executive performance rights plan to provide long term incentives aligned to Company performance.

Under the previous executive option incentive plan (that will be replaced by a new executive performance rights plan), there were no share options granted during the 2014 year (2013: nil).

During or since the end of the financial year, no fully paid ordinary shares were issued by the Group as a result of the exercise of options under the executive option incentive plan.

## Key management personnel equity holdings

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

	Balance at 30/6/12	Options exercised	Net change other	Balance at 30/6/13 <sup>(iv)</sup>	Options exercised	Net change other	Balance at 29/6/14 <sup>(iv)</sup>
<u>Non Executive Directors</u>							
Peter Robinson	3,111,099	-	36,618,157	39,729,256	9,932,314	-	49,661,570
Alan Johnstone <sup>(i)</sup>	29,882,598	-	267,106,296	296,988,894	73,698,530	3,349,752	374,037,176
John Rishworth	16,508	-	115,556	132,064	33,016	-	165,080
John Etherington	-	-	-	-	-	-	-
Mel Sutton	-	-	-	-	-	-	-
<u>Executives</u>							
Charlie McLeish <sup>(iii)</sup>	-	-	-	-	-	-	-
Alan Fisher <sup>(ii) (iii)</sup>	-	-	2,533,068	2,533,068	633,272	(3,166,340)	-
Albert Zago <sup>(iii)</sup>	-	-	-	-	-	-	-

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

(ii) Net change other relates to removal of shares owned by Mr Fisher who resigned on 31 December 2013.

(iii) Mr McLeish and Mr Zago will be invited to participate in an executive incentive rights Plan currently being prepared.

No equity was issued under the previous executive option incentive plan to Mr McLeish, Mr Fisher or Mr Zago during 2013 and 2014 financial years.

(iv) There has been no change in shareholdings from 29 June 2014 to the date of this report.

**White King's Mould & Soap Scum Remover has been tested to be the most effective mould & soap scum remover in the Australian market.**

**When only a powerful  
clean will do**



# DIRECTORS' REPORT CONTINUED

## Key management personnel share option holdings

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

- During the financial year, no options were granted or exercised by key management personnel, except as set out below (2013: nil).
- Directors and executives who held Loyalty Options (at an exercise price of \$0.02) and exercised their right by 29 November 2013, as prescribed in the Piggy Back Options Prospectus dated 15 November 2013, to acquire one fully paid ordinary share were issued one free Piggy Back option at an exercise price of \$0.03.
- Mr McLeish and Mr Zago will be offered securities under an executive performance rights Plan to be agreed between the parties. No equity or options under the Company performance rights Plan were issued to Mr Fisher, Mr Zago and Mr McLeish during 2013 and 2014 financial years.

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

On behalf of the Directors



Peter Robinson  
Chairman  
Melbourne, 22 August 2014.

	Balance at 30/6/13 <sup>(i)</sup>	Balance at 30/6/14 <sup>(ii)</sup>
<u>Non Executive Directors</u>		
Peter Robinson	9,932,314	9,932,314
Alan Johnstone	73,698,530	73,698,530
John Rishworth	33,016	33,016
<u>Executive</u>		
Alan Fisher <sup>(iii)</sup>	633,272	-

(i) Options shown are Loyalty Options.

(ii) Options shown are Piggy Back Options.

(iii) Mr Fisher resigned on 31 December 2013.

(iv) There have been no changes in options from 29 June 2014 to the date of this report

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**ADMINISTRATION LOCATED AT**  
**18-22 DRUMMOND ROAD**  
**SHEPPARTON**

# AUDITOR'S INDEPENDENCE DECLARATION



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

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

22 August 2014

Dear Board Members

## **Auditor's Independence Declaration – 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 audit partner for the audit of the financial statements of Pental Limited for the financial year ended 29 June 2014, 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

  
Andrew Reid  
Partner  
Chartered Accountants

# INDEPENDENT AUDITOR'S REPORT



Deloitte Touche Tohmatsu  
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## Independent Auditor's Report to the Members of Pental Limited

### Report on the Financial Report

We have audited the accompanying financial report of Pental Limited, which comprises the consolidated statement of financial position as at 29 June 2014, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 42 to 90.

#### *Directors' Responsibility 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

#### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's preparation of the financial report that gives a true and fair view, 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 company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Liability limited by a scheme approved under Professional Standards Legislation  
Member of Deloitte Touche Tohmatsu Limited.

# INDEPENDENT AUDITOR'S REPORT CONTINUED



## *Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Pental Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

## *Opinion*

In our opinion:

- (a) the financial report of Pental Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 29 June 2014 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) The consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included on pages 30 to 37 of the directors' report for the year ended 29 June 2014. 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.

## *Opinion*

In our opinion the Remuneration Report of Pental Limited for the year ended 29 June 2014, complies with section 300A of the *Corporations Act 2001*.

A handwritten signature in black ink that reads "Deloitte Touche Tohmatsu".

DELOITTE TOUCHE TOHMATSU

A handwritten signature in black ink, appearing to be "Andrew Reid".

Andrew Reid  
Partner  
Chartered Accountants  
Melbourne, 22 August 2014

# DIRECTORS' DECLARATION

## 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 11 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

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

On behalf of the Directors



Peter Robinson  
Chairman  
Melbourne, 22 August 2014.



# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year (52 weeks) ended 29 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Continuing Operations</b>			
Gross sales revenue		109,376	107,891
Sales rebates and discounts		(28,654)	(28,830)
Sales revenue	3	80,722	79,061
Other revenue and income	3	336	466
Changes in inventory of finished goods and work in progress		1,257	2,795
Raw materials, consumables used and utilities		(44,416)	(45,090)
Employee benefits expense (excluding termination benefits)	7	(11,588)	(10,894)
Depreciation and amortisation expense	7	(1,793)	(1,069)
Freight and distribution expense		(8,794)	(9,070)
Repairs and maintenance expense		(853)	(891)
Marketing expenses		(3,162)	(2,945)
Other expenses		(3,812)	(3,814)
Significant Income and Expenses:			
- Profit on sale of brand	7	401	-
- Impairment of property, plant and equipment	12	-	(103)
- Net impairments / reversal of brand names	14	-	143
- Loss on sale of property	7	-	(67)
-Rectification works		-	(100)
<b>Profit from continuing operations before interest and tax</b>		<b>8,298</b>	<b>8,422</b>
Finance costs	5	(960)	(5,663)
<b>Profit from continuing operations before tax</b>		<b>7,338</b>	<b>2,759</b>
Income tax expense		(2,002)	(556)
<b>Net Profit for the year from continuing operations</b>		<b>5,336</b>	<b>2,203</b>
Net (loss) for the year from discontinued operations	34	-	(310)
<b>Profit Attributable to Members of the Parent Entity</b>		<b>5,336</b>	<b>1,893</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		(154)	4
Income tax relating to components of other comprehensive income		46	(1)
Other comprehensive income for the year (net of tax)		(108)	3
<b>Total comprehensive income for the year</b>		<b>5,228</b>	<b>1,896</b>
Profit attributable to equity holders of the parent		5,336	1,893
Total comprehensive income attributable to equity holders of the parent		5,228	1,896
<b>Earnings per share Attributable to the Members of the Parent Entity from Continuing and Discontinued Operations</b>			
<i>From continuing and discontinued operations:</i>			
Basic (cents per share)	8	0.34	0.20
Diluted (cents per share)	8	0.33	0.20
<i>From continuing operations</i>			
Basic (cents per share)	8	0.34	0.24
Diluted (cents per share)	8	0.33	0.24

Notes to the financial statements are included on pages 49 to 90.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 29 June 2014

	Note	29 June 2014 \$'000	30 June 2013 \$'000
<b>Current assets</b>			
Cash and cash equivalents	28(a)	548	5,476
Trade and other receivables	9	24,726	22,434
Inventories	10	8,945	10,264
Other	15	419	380
<b>Total current assets</b>		<b>34,638</b>	<b>38,554</b>
<b>Non-current assets</b>			
Plant and equipment	12	13,745	10,699
Deferred tax assets	6	1,567	3,418
Goodwill	13	25,084	25,084
Other intangible assets	14	15,237	15,249
<b>Total non-current assets</b>		<b>55,633</b>	<b>54,450</b>
<b>Total assets</b>		<b>90,271</b>	<b>93,004</b>
<b>Current liabilities</b>			
Trade and other payables	16	15,103	13,506
Borrowings	18	523	1,632
Other financial liabilities	17	154	810
Provisions	19	1,364	2,810
<b>Total current liabilities</b>		<b>17,144</b>	<b>18,758</b>
<b>Non-current liabilities</b>			
Borrowings	18	-	12,056
Provisions	19	112	108
<b>Total non-current liabilities</b>		<b>112</b>	<b>12,164</b>
<b>Total liabilities</b>		<b>17,256</b>	<b>30,922</b>
<b>Net assets</b>		<b>73,015</b>	<b>62,082</b>
<b>Equity</b>			
Issued capital	20	84,014	78,309
Reserves	21	(108)	-
Accumulated losses	22	(10,891)	(16,227)
<b>Total equity</b>		<b>73,015</b>	<b>62,082</b>

Notes to the financial statements are included on pages 49 to 90.

## Strong Balance Sheet with no gearing

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year (52 weeks) ended 29 June 2014

	Note	Issued capital \$'000	Hedging reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Balance at 30 June 2012</b>		<b>59,783</b>	<b>(3)</b>	<b>(16,203)</b>	<b>43,577</b>
Restatement	2	-	-	(1,917)	(1,917)
Balance at 1 July 2012		59,783	(3)	(18,120)	41,660
Profit for the year		-	-	1,893	1,893
Gain/(loss) on cash flow hedges		-	4	-	4
Deferred tax arising on hedges		-	(1)	-	(1)
Total comprehensive income for the year		-	3	1,893	1,896
Share issue		19,693	-	-	19,693
Share issue costs		(1,683)	-	-	(1,683)
Income tax on share issue costs		516	-	-	516
<b>Balance at 30 June 2013</b>		<b>78,309</b>	<b>-</b>	<b>(16,227)</b>	<b>62,082</b>
Balance at 1 July 2013		78,309	-	(16,227)	62,082
Profit for the year		-	-	5,336	5,336
Gain/(loss) on cash flow hedges		-	(154)	-	(154)
Deferred tax arising on hedges		-	46	-	46
Total comprehensive income for the year		-	(108)	5,336	5,228
Share issue		5,806	-	-	5,806
Share issue costs		(145)	-	-	(145)
Income tax on share issue costs		44	-	-	44
<b>Balance at 29 June 2014</b>		<b>84,014</b>	<b>(108)</b>	<b>(10,891)</b>	<b>73,015</b>

Notes to the financial statements are included on pages 49 to 90.



“By choosing  
**Pental**, you’re  
choosing a  
product **made by**  
**Australians**, for  
Australians”



# PENTAL IN THE MARKET



- More than **4,000** supermarkets
- More than **700** pharmacies
- More than **300** petrol and convenience, corner, outdoor and hardware stores

COUNTRY  
LIFE



Softly Martha's Pears

Velvet



LUX  
Pure Soap Flakes



AIM



Janola

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the year (52 weeks) ended 29 June 2014

	Note	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		128,666	191,005
Payments to suppliers and employees		(120,111)	(188,641)
Interest received		52	179
Interest and other costs of finance paid		(1,616)	(5,566)
Income taxes (paid) / refunded		-	92
<b>Net cash provided by/ (used in) operating activities</b>	28(b)	<b>6,991</b>	<b>(2,931)</b>
<b>Cash flows from investing activities</b>			
Payments for plant and equipment	12	(4,628)	(2,199)
Payments for intangible assets	14	(387)	(209)
Proceeds from sale of property, plant & equipment		600	30,000
<b>Net cash provided by/(used in) investing activities</b>		<b>(4,415)</b>	<b>27,592</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares	20	5,806	19,693
Payment for share issue costs	20	(145)	(1,683)
Repayment of borrowings	18	(12,556)	(42,049)
<b>Net cash provided by/(used in) financing activities</b>		<b>(6,895)</b>	<b>(24,039)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>(4,319)</b>	<b>622</b>
<b>Cash and cash equivalents at the beginning of the financial year</b>		<b>4,344</b>	<b>3,722</b>
<b>Cash and cash equivalents at the end of the financial year</b>	28(a)	<b>25</b>	<b>4,344</b>

Notes to the financial statements are included on pages 49 to 90.



# NOTES TO THE FINANCIAL STATEMENTS

for the year (52 weeks) ended 29 June 2014

## 1. GENERAL INFORMATION

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

<b>Company Secretary</b> Mr Oliver Carton	<b>Principal Registered office</b> Pental Limited Level 6, 390 St. Kilda Road Melbourne Victoria 3004 Telephone: (03) 9251 2311 Facsimile: (03) 9645 3001 www.pental.com.au	<b>Share Registry</b> Boardroom Pty Limited Level 7, 207 Kent Street Sydney NSW 2000 Telephone: (02) 9290 9600 Facsimile: (02) 9279 0664 www.boardroomlimited.com.au
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## 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 complies 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 22 August 2014.

### Basis of preparation

The financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and 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 the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

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**White King has been voted one of the Most Trusted Brands in the laundry category for the fourth year in a row in 2014.**

Source: Reader's Digest Survey 2014.

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# NOTES TO THE FINANCIAL STATEMENTS

for the year (52 weeks) ended 29 June 2014

(Continued)

## **Critical accounting judgments and key sources of estimation uncertainty**

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

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

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

### **Impairment of goodwill and brand names**

Determining whether goodwill and brand names are impaired requires an estimation of the value in use of the cash-generating units to which goodwill and brand names have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of goodwill at 29 June 2014 was \$25.084 million (30 June 2013: \$25.084 million). Details of the impairment testing are set out in Note 13.

The carrying amount of brand names at 29 June 2014 was \$14.539 million (30 June 2013: \$14.728 million). The decrease in the value of brands was due to the sale of the Close Up brand. Details of movements are set out in Note 14.

### **Impairment of property, plant and equipment**

Determining whether property, plant and equipment are impaired requires an estimation of the value in use of the cash-generating units to which property, plant and equipment have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

The carrying amount of property, plant and equipment at 29 June 2014 was \$13.745 million (30 June 2013: \$10.699 million). Details of movements are set out in Note 12.

### **Adoption of new and revised Accounting Standards**

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

- (i) AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- (ii) AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'
- (iii) AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'
- (iv) AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'
- (v) AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'
- (vi) AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'
- (vii) AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle'

### Restatement of trade and other payables (trade spend liability) relating to the prior financial years

Following the restructure of the Group in the 2013 financial year, the then new management team conducted a review of all sales related balances of the Consumer Products business. The review highlighted the need to improve its processes around tracking trade spend and promotional activities. As a result, new processes were implemented to increase the granularity of information captured and improve the ability to measure the success of sales promotions activities, and the tracking of related trade spend liabilities.

The review highlighted that, in prior periods, Pental had consistently but incorrectly estimated period-end trade spend liabilities. Pental believed that this estimate fully accounted for trade spend liabilities to customers relating to the relevant period end.

It was impracticable to allocate the increased sales promotions liability between opening balance liabilities due to the level of granularity of information available in prior periods. Accordingly, opening retained earnings for the period ended 30 June 2013 was reduced by \$1.917 million as a result of an increase in the opening trade spend liability of \$2.739 million and a net decrease in tax liabilities of \$0.822 million. These adjustments do not affect the current year profit or the result of the prior year.

### 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 11 to the financial statements. Consistent accounting policies are employed in the preparation and presentation of the consolidated financial statements.

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

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



# NOTES TO THE FINANCIAL STATEMENTS

for the year (52 weeks) ended 29 June 2014  
(Continued)

## (b) Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition related costs are recognised in profit and loss as incurred. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 'Business Combinations' are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Non-current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree, the excess is recognised immediately in profit or loss as a bargain purchase gain.

## (c) 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. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

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 24); 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.

## (d) 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.

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## **(e) 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.

### **Sale of goods**

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

### **Interest revenue**

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

## **(f) Share-based payments**

Equity-settled share-based payments with employees and others providing similar services are measured at the fair value of the equity instrument at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

Equity-settled share-based payment transactions with other parties are measured at the fair value of the goods and services received, except where the fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability equal to the portion of the goods or services received is recognised at the current fair value determined at each reporting date.

## **(g) 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, branches, associates and joint ventures 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

# NOTES TO THE FINANCIAL STATEMENTS

for the year (52 weeks) ended 29 June 2014  
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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 the statement of comprehensive income, 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.

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

## **(i) Financial assets**

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

## **Loans and receivables**

Trade receivables, loans, and other receivables are recorded at amortised cost less impairment.

## **Other financial assets**

For the accounting policy on derivatives – refer Note 2(s) and Note 24.

## **(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 is determined on the basis of each inventory line's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

### (k) Plant and equipment

The carrying amount of plant and equipment which is valued on the cost basis, is subject to impairment testing and is reviewed to determine whether they are in excess of their recoverable amount at balance date.

If the carrying amount of plant and equipment exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs.

Depreciation is calculated on a straight line basis so as to write off the net cost or other revalued amount 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.

### (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 unless they relate to qualifying assets. Qualifying assets are assets which take more than 12 months to get ready for their intended use or sale. In these circumstances, borrowing costs are capitalised to the cost of the assets. Where funds are borrowed specifically for the acquisition, construction or production of a qualifying asset, the amount of borrowing costs capitalised is those incurred in relation to that borrowing, net of any interest earned on those borrowings. Where funds are borrowed generally, borrowing costs are capitalised using a weighted average capitalisation rate.



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## (m) Leased assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are initially recognised at their fair value or, if lower, at amounts equal to the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

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

## (n) Intangible assets

### Goodwill

Goodwill, representing the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree (if any), and the fair value of the acquirer's previously held equity interest in the acquiree (if any), identifiable assets acquired, and liabilities assumed. Goodwill is not amortised, but tested for impairment annually and whenever there is an indication that the goodwill may be impaired. Any impairment is recognised immediately in the profit or loss and is not subsequently reversed. Refer also to Note 13.

### Brand names

The Pental 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 and service and direct travel, payroll and payroll related costs of employees' time spent on the project. 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.

## (o) 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.

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

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in the profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

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#### **(p) 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.

#### **(q) 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.

#### **(r) 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the year (52 weeks) ended 29 June 2014

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## (s) Derivative financial instruments

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

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

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

## (t) 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 29 June 2014, the Group is reporting on the 52 week period that began 1 July 2013 and ended 29 June 2014. For the period to 30 June 2013, the Group is reporting on the period commencing 1 July 2012 and ended on 30 June 2013.

### (u) Standards and Interpretations issued not yet effective

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

Standard/Interpretation	Effective for annual reporting period beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments', and the relevant amending standards <sup>1</sup>	1 January 2018	30 June 2019
AASB 1031 'Materiality' (2013)	1 January 2014	30 June 2015
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015
AASB 2013-9 'Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments'	1 January 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part A: 'Annual Improvements 2010–2012 and 2011–2013 Cycles' – Part B: 'Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)' – Part C: 'Materiality'	1 January 2014	30 June 2015
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part D: 'Consequential Amendments arising from AASB 14'	1 January 2016	30 June 2017
AASB 2014-1 'Amendments to Australian Accounting Standards' – Part E: 'Financial Instruments'	1 July 2015	30 June 2016

<sup>1</sup> The AASB has issued the following versions of AASB 9 and the relevant amending standards:

- AASB 9 'Financial Instruments' (December 2009), AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'
- AASB 9 'Financial Instruments' (December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure'
- In June 2014, the AASB issued 2014-1 Amendments to Australian Accounting Standards. Part E of AASB 2014-1 Financial Instruments defers the application date of AASB 9 (December 2009) and the related consequential amendments in AASB 2009-11 to 1 January 2018.
- In December 2013 the AASB issued AASB 2013-9 'Amendment to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments', Part C – Financial Instruments. This amending standard has amended the mandatory effective date of AASB 9 to 1 January 2017. For annual reporting periods beginning before 1 January 2017, an entity may early adopt either AASB 9 (December 2009) or AASB 9 (December 2010) and the relevant amending standards.

At the date of authorisation of the financial statements, the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and Interpretations have not yet been issued.

Standard/Interpretation	Effective for annual reporting period beginning on or after	Expected to be initially applied in the financial year ending
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	1 January 2016	30 June 2017
IFRS 15 'Revenue from Contracts with Customers'	1 January 2017	30 June 2018

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year (52 weeks) ended 29 June 2014  
(Continued)

## 3. REVENUE

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

	2014 \$'000	2012 \$'000
<b>Sales revenue</b>		
Revenue from the sale of goods	80,722	79,061
	<b>80,722</b>	<b>79,061</b>
<b>Other revenue and income</b>		
Interest on bank deposits	52	84
Other revenue and income	284	382
	336	466
<b>Total Revenue from continuing operations</b>	<b>81,058</b>	<b>79,527</b>



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## 4. SEGMENT INFORMATION

AASB 8 *Operating Segments* requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of performance is more specifically focused on the Group's one operating division, since the closure of its Speciality Chemicals business (discontinuing operations) on 1 February 2013.

### Information on segments

Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise income-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

### Products and services within each segment

The Group comprises the following main segments, based on the Group's management reporting system:

<b>Segment</b>	<b>Product</b>
Consumer Products (continuing operations)	Soaps, Detergents, Bleach and other fast moving consumer goods
Specialty Chemicals (discontinuing operations)	Oleine, Stearine, Glycerine, Distilled Fatty Acids

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets and liabilities are located in Australia and are unable to be allocated to individual geographical segments by location of customers on a reasonable basis. The Group's segment revenue is geographically as follows:

<b>Geographical Location</b>	<b>Product</b>
Australia	Soaps, Detergents and Bleach (Discontinued Operations: Oleine, Stearine, Glycerine)
New Zealand	Soaps, Detergents and Bleach (Discontinued Operations: Oleine, Stearine, Glycerine)
Africa	(Discontinued Operations: Oleine, Stearine, Glycerine)
Asia	(Discontinued Operations: Oleine, Stearine, Glycerine)
Europe	(Discontinued Operations: Oleine, Stearine, Glycerine)
Middle East	(Discontinued Operations: Oleine, Stearine, Glycerine)
Other	(Discontinued Operations: Oleine, Stearine, Glycerine)

# NOTES TO THE FINANCIAL STATEMENTS

for the year (52 weeks) ended 29 June 2014  
(Continued)

## 4. SEGMENT INFORMATION (CONTINUED)

### Segment revenue and results

The following is an analysis of the Group's revenue and results by primary business operating division.

	Consumer Products (Continuing Operations)		Specialty Chemicals (Discontinuing operations)		Total	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Segment revenue</b>						
Gross Sales	109,376	107,891	-	33,169	109,376	141,060
Less rebates and discounts	(28,654)	(28,830)	-	-	(28,654)	(28,830)
	80,722	79,061	-	33,169	80,722	112,230
<b>Segment results</b>						
Profit/(Loss) before significant income and expenses, finance costs and tax	7,897	8,549	-	(1,806)	7,897	6,743
Significant items:						
- profit on sale of brand	401	-	-	-	401	-
- loss on disposal of property, plant & equipment	-	(67)	-	-	-	(67)
- business review costs and related consultants costs	-	-	-	(61)	-	(61)
- impairment of property plant and equipment	-	(103)	-	-	-	(103)
- profit on sale of property plant & equipment	-	-	-	3,466	-	3,466
- debt forgiveness	-	-	-	10,000	-	10,000
- net impairment of brand names	-	143	-	-	-	143
- other closure costs	-	-	-	(5,422)	-	(5,422)
- employee restructuring costs	-	-	-	(8,197)	-	(8,197)
- rectification works	-	(100)	-	-	-	(100)
Total Significant Items	401	(127)	-	(214)	401	(341)
Segment earnings before interest & tax	8,298	8,422	-	(2,020)	8,298	6,402
Eliminations					-	-
Finance costs					(960)	(5,663)
Profit before tax					7,338	739
Income tax benefit/(expense)					(2,002)	1,154
<b>Consolidated Profit for the year</b>					<b>5,336</b>	<b>1,893</b>
<b>Segment assets</b>						
Segment Assets	90,108	90,536	70,780	80,288	160,888	170,823
Eliminations					(70,617)	(77,819)
<b>Total Assets</b>					<b>90,271</b>	<b>93,004</b>
<b>Segment liabilities</b>						
Segment Liabilities	(85,818)	(90,864)	(72)	(2,728)	(85,890)	(93,592)
Unallocated					(523)	(13,688)
Eliminations					69,157	76,358
<b>Total Liabilities</b>					<b>(17,256)</b>	<b>(30,922)</b>
<b>Other segment information</b>						
Segment depreciation and amortisation	1,793	1,069	-	-	1,793	1,069
Additions to non-current assets	5,016	2,306	-	102	5,015	2,408

## Geographical information

The Group's revenue by geographical location is detailed below.

	2014 \$'000	2013 \$'000
<b>Geographical sales from continuing operations</b>		
Australia	66,446	66,328
New Zealand	14,726	12,733
Total sales from continuing operations	80,722	79,061
Sales from discontinued operations	-	33,169
<b>Total geographical sales</b>	<b>80,722</b>	<b>112,230</b>

## 5. FINANCE COSTS

	2014 \$'000	2013 \$'000
Interest on bank overdrafts and loans	1,610	4,928
Amortisation of borrowing costs	-	1,178
Other borrowing costs	160	150
Bank loan restructure fees	-	468
(Gain)/loss on derivative instruments (interest rate swap) at fair value through profit and loss	(810)	(1,076)
Other interest expense	-	15
<b>Total interest expense</b>	<b>960</b>	<b>5,663</b>



# NOTES TO THE FINANCIAL STATEMENTS

for the year (52 weeks) ended 29 June 2014  
(Continued)

## 6. INCOME TAXES

### Income tax recognised in profit or loss

	2014 \$'000	2013 \$'000
<b>Tax expense/(benefit) comprises:</b>		
Current tax expense/(benefit) in respect of the current year	242	(434)
Deferred tax expense/(income) relating to the origination and reversal of temporary differences	1,941	(1,059)
Recognition of previously unrecognised tax losses	(181)	339
<b>Total tax expense/(benefit)</b>	<b>2,002</b>	<b>(1,154)</b>

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

	2014 \$'000	2013 \$'000
Profit/(Loss) from operations	7,338	739
Income tax expense/(benefit) calculated at 30%	2,201	222
Non-assessable income	(18)	(3,000)
Non-assessable impairment losses/(write back) of brand names	-	(43)
Recognition of capital losses on disposal of property	-	(326)
Other	-	(5)
Impact of tax losses as a result of debt forgiveness	-	2,451
Recognition of previously unrecognised tax losses	(181)	(792)
Current year adjustments for prior years taxes	-	339
<b>Income tax expense/(benefit) recognised in profit/(loss)</b>	<b>2,002</b>	<b>(1,154)</b>
Comprising of:		
Income tax expense from continuing operations	2,002	556
Income tax expense/(benefit) from discontinued operations	-	(1,710)
	<b>2,002</b>	<b>(1,154)</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 directly in equity

	2014 \$'000	2013 \$'000
Deferred tax		
Income and expenses taken directly to equity:		
Share issue costs	44	516
Revaluations of financial instruments treated as cash flow hedges	46	(1)
	<b>90</b>	<b>515</b>

## Deferred tax balances

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

	2014				2013			
	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000	Opening balance \$'000	Charged to income \$'000	Charged to equity \$'000	Closing balance \$'000
<b>Deferred tax assets</b>								
Doubtful debts	53	(14)	-	39	1	52	-	53
Provisions	575	(80)	-	495	906	(331)	-	575
Share issue costs	567	(189)	44	422	255	(204)	516	567
Foreign currency items and interest rate swap	243	(243)	46	46	567	(324)	-	243
Stock obsolescence	24	19	-	43	89	(65)	-	24
Accruals	25	4	-	29	113	(88)	-	25
	1,487	(503)	90	1,074	1,931	(960)	516	1,487
Tax losses	3,229	(1,401)	-	1,828	3,376	(147)	-	3,229
	4,716	(1,904)	90	2,902	5,307	(1,107)	516	4,716
<b>Deferred tax liabilities</b>								
Property, plant and equipment	(1,164)	(41)	-	(1,205)	(3,463)	2,299	-	(1,164)
Cash flow hedges	-	-	-	-	-	-	-	-
Foreign currency items	(20)	16	-	(4)	-	(19)	(1)	(20)
Other	(114)	(12)	-	(126)	-	(114)	-	(114)
	(1,298)	(37)	-	(1,335)	(3,463)	2,166	(1)	(1,298)
<b>Net deferred tax asset</b>	<b>3,418</b>	<b>(1,941)</b>	<b>90</b>	<b>1,567</b>	<b>1,844</b>	<b>1,059</b>	<b>515</b>	<b>3,418</b>

Based on the year ending 28 June 2015 financial budgets approved by the Board, the Group is confident that it will be able to generate future taxable profits in excess of the profits arising from the reversal of existing temporary differences to enable the utilisation and recovery of its deferred tax assets.



# NOTES TO THE FINANCIAL STATEMENTS

for the year (52 weeks) ended 29 June 2014

(Continued)

## 6. INCOME TAXES (CONTINUED)

### Tax consolidation

#### Relevance of tax consolidation to the Group

The company and its wholly-owned Australian resident entities have formed a tax-consolidated group, and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Pental Limited. The members of the tax-consolidated group are identified at Note 11.

#### 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, branches and associates and interests in joint ventures for which deferred tax assets or liabilities have not been recognised.

## 7. PROFIT FOR THE YEAR

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

	2014 \$'000	2013 \$'000
<b>EXPENSES</b>		
Cost of sales	43,159	42,295
Depreciation: Plant and equipment	1,583	905
Amortisation: Software	210	164
Total depreciation and amortisation	1,793	1,069
Impairment loss recognised on trade receivables	50	-
Loss on sale of property	-	67
Profit on sale of brand name	401	-
<b>EMPLOYEE BENEFITS EXPENSE:</b>		
Post-employment benefits – defined contribution plans	1,079	769
Other employee benefits	10,509	10,125
	11,588	10,894
Operating lease minimum payments	979	166

# NOTES TO THE FINANCIAL STATEMENTS

for the year (52 weeks) ended 29 June 2014  
(Continued)

## 8. EARNINGS PER SHARE

	2014 cents per share	2013 cents per share
<i>From continuing and discontinued operations:</i>		
Basic earnings per share	0.34	0.20
Diluted earnings per share	0.33	0.20
<i>From continuing operations</i>		
Basic earnings per share	0.34	0.24
Diluted earnings per share	0.33	0.24

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

	2014 \$'000	2013 \$'000
Net profit	5,336	1,893
Earnings used in the calculation of basic EPS	5,336	1,893
Earnings used in the calculation of diluted EPS	5,336	1,893

	2014 No.	2012 No.
Weighted average number of ordinary shares for the purposes of basic EPS	1,561,600,148	924,197,848
Weighted average number of ordinary shares for the purposes of diluted EPS	1,625,019,635	924,197,848

### Classification of securities as ordinary shares

The following securities have been classified as ordinary shares and included in basic earnings per share:

1. ordinary shares

### Classification of securities as potential ordinary shares

The following securities have been classified as potential ordinary shares and included in diluted earnings per share only:

- (a) options outstanding under the option incentive plan
- (b) options outstanding under the loyalty options bonus issue ; and
- (b) options outstanding issued to Directors.

During the financial year 290,030,470 options were exercised and as a result 290,030,470 ordinary shares were issued under the Company's loyalty options bonus issue where all shareholders are entitled to 1 option for every share held. Refer to Note 20(b).

The following potential ordinary shares are anti-dilutive and are therefore excluded from the weighted average number of ordinary shares for the purposes of diluted earnings per share.

	2014 No.	2013 No.
Piggy Back Options (exercise price of \$0.03)	287,331,469	375,181,180

## 9. TRADE AND OTHER RECEIVABLES

	2014 \$'000	2013 \$'000
<b>Current</b>		
Trade receivables <sup>(i)</sup>	24,817	22,579
Allowance for doubtful debts	(180)	(178)
	<b>24,637</b>	<b>22,401</b>
Other <sup>(ii)</sup>	89	33
	<b>24,726</b>	<b>22,434</b>

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

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 \$21.615 million is due from four customers (2013: \$19.793 million) and these four customers account for 87.0% of total sales revenue from continuing operations for the year (2013: 87.0%). There are no other customers who represent more than 5% of the total balance of trade receivables or total sales revenues from continuing operations for the year. Debtors who are past due at the end of the reporting period have not been provided for on the whole, as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

- (ii) Other receivables generally arise from transactions outside the usual operating activities of the Group. Collateral is generally not obtained.

	2014 \$'000	2013 \$'000
<u>Ageing of past due but not impaired</u>		
Overdue 31 to 60 days	441	623
Overdue 61 to 90 days	138	314
Overdue 91 days and beyond	281	696
<b>Total</b>	<b>860</b>	<b>1,633</b>

	2014 \$'000	2013 \$'000
<u>Movement in the allowance for doubtful debts</u>		
Balance at the beginning of the year	178	5
Amount provided during the year	2	173
<b>Balance at the end of the year</b>	<b>180</b>	<b>178</b>

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowance for doubtful debts.

# NOTES TO THE FINANCIAL STATEMENTS

for the year (52 weeks) ended 29 June 2014  
(Continued)

## 10. INVENTORIES

	2014 \$'000	2013 \$'000
Raw materials	2,772	2,151
Work in progress	157	205
Finished goods	6,016	7,908
	<b>8,945</b>	<b>10,264</b>

## 11. SUBSIDIARIES

Name of subsidiary	Country of incorporation	Ownership interest	
		2014 %	2013 %
<b>Parent Entity</b>			
Pental Limited <sup>(i)</sup>	Australia		
<b>Controlled Entities</b>			
Pental Products Pty Ltd <sup>(ii) (iii)</sup>	Australia	100%	100%
Symex Subco 2 Pty Ltd <sup>(ii) (iii)</sup>	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) These wholly-owned subsidiaries have entered into a deed of cross guarantee with Pental Limited pursuant to ASIC Class Order 98/1418 and are relieved from the requirement to prepare and lodge an audited financial report.

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

## 12. PROPERTY, PLANT AND EQUIPMENT

	Plant & equipment at cost \$'000	Construction in progress at cost \$'000	Total \$'000
<b>Gross carrying amount</b>			
Balance at 1 July 2012	13,233	701	13,934
Additions	143	2,056	2,199
Disposals	(282)	-	(282)
Transfer from capital works	701	(701)	-
<b>Balance at 30 June 2013</b>	<b>13,795</b>	<b>2,056</b>	<b>15,851</b>
Additions	3,873	756	4,629
Disposals	(635)	-	(635)
Transfer from capital works	2,056	(2,056)	-
<b>Balance at 29 June 2014</b>	<b>19,089</b>	<b>756</b>	<b>19,845</b>
<b>Accumulated depreciation</b>			
Balance at 30 June 2012	(4,392)	-	(4,392)
Depreciation expense	(905)	-	(905)
Eliminated on disposal of assets	180	-	180
Reversal of impairment losses recognised in profit or loss	68	-	68
Impairment losses recognised in profit or loss	(103)	-	(103)
<b>Balance at 30 June 2013</b>	<b>(5,152)</b>	<b>-</b>	<b>(5,152)</b>
Depreciation expense	(1,583)	-	(1,583)
Eliminated on disposal of assets	635	-	635
<b>Balance at 29 June 2014</b>	<b>(6,100)</b>	<b>-</b>	<b>(6,100)</b>
Net book value as at 30 June 2013	8,643	2,056	10,699
<b>Net book value as at 29 June 2014</b>	<b>12,989</b>	<b>756</b>	<b>13,745</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year (52 weeks) ended 29 June 2014  
(Continued)

## 13. GOODWILL

	2014 \$'000	2013 \$'000
Cost	70,416	70,416
Accumulated impairment losses	(45,332)	(45,332)
	<b>25,084</b>	<b>25,084</b>
<b>Gross carrying amount</b>		
Balance at beginning of financial year	70,416	70,416
<b>Balance at end of financial year</b>	<b>70,416</b>	<b>70,416</b>
<b>Accumulated impairment losses</b>		
Balance at beginning of financial year	45,332	45,332
<b>Balance at end of financial year</b>	<b>45,332</b>	<b>45,332</b>

### Allocation of goodwill to cash-generating units

Goodwill has been allocated for impairment testing over the Consumer Products business Unit. The Pentel brand names (refer Note 14) are included in the Consumer Products cash generating unit. The recoverable amount of the Consumer Products cash generating unit is determined based on a value in use calculation, which uses cash flow projections based on a financial budget approved by the Board, covering a five year period and a discount rate of 15.0% (2013: 15.4%). The cash flow has been extrapolated using a 3% (2013: 3%) growth rate including an inflation rate of 2.5% (2013: 2.5%). The directors believe that any reasonable possible change in the key assumptions on which recoverable amount is based would not cause the carrying amount to exceed the recoverable amount of the cash generating unit.



## 14. OTHER INTANGIBLE ASSETS

	Brand names \$'000	Software at cost \$'000	Total \$'000
<b>Gross carrying amount</b>			
Balance at 30 June 2012	19,189	1,235	20,424
Additions	-	209	209
<b>Balance at 30 June 2013</b>	<b>19,189</b>	<b>1,444</b>	<b>20,633</b>
Additions	-	387	387
Disposals	(189)	(628)	(817)
<b>Balance at 29 June 2014</b>	<b>19,000</b>	<b>1,203</b>	<b>20,203</b>
<b>Accumulated Impairment/Amortisation</b>			
Balance at 30 June 2012	(4,605)	(759)	(5,364)
Amortisation expense	-	(164)	(164)
Reversal of impairment losses recognised in profit and loss	500	-	500
Impairment losses recognised in profit and loss	(356)	-	(356)
<b>Balance at 30 June 2013</b>	<b>(4,461)</b>	<b>(923)</b>	<b>(5,384)</b>
Amortisation expense	-	(210)	(210)
Eliminated on Disposal of Assets	-	628	628
<b>Balance at 29 June 2014</b>	<b>(4,461)</b>	<b>(505)</b>	<b>(4,966)</b>
Net book value as at 30 June 2013	14,728	521	15,249
<b>Net book value as at 29 June 2014</b>	<b>14,539</b>	<b>698</b>	<b>15,237</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year (52 weeks) ended 29 June 2014  
(Continued)

## 15. OTHER ASSETS

	2014 \$'000	2013 \$'000
Prepayments	419	380

## 16. TRADE AND OTHER PAYABLES

	2014 \$'000	2013 \$'000
Trade payables	8,853	7,247
Trade spend liabilities	4,424	3,881
Sundry payables	1,826	2,378
	<b>15,103</b>	<b>13,506</b>

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

## 17. OTHER FINANCIAL LIABILITIES

	2014 \$'000	2013 \$'000
<b>Current</b>		
Foreign currency forward contracts	154	-
Interest rate swap not designated in hedge accounting relationship	-	810
	<b>154</b>	<b>810</b>

**Sales of the White King Bathroom Gel 750mL has increased by 12.5% to bring it into the Top 5 cleaning products in the Bathroom Cleaners segment, nationally.**

Source AZTEC Data, moving annual total to 24/08/2014.

## 18. BORROWINGS

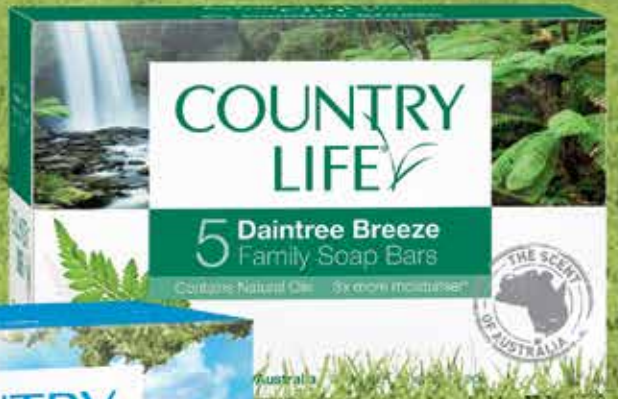
	2014 \$'000	2013 \$'000
<b>Current</b>		
Multi option bank overdraft, secured	523	-
Receivable finance loan, secured	-	1,132
Fully drawn advance bank loan, secured	-	500
	<b>523</b>	<b>1,632</b>
<b>Non current</b>		
Fully drawn advance bank loan, secured	-	12,056
	<b>-</b>	<b>12,056</b>
<b>Total Borrowings</b>	<b>523</b>	<b>13,688</b>
<b>Summary of financing arrangements</b>		
<b>Facilities utilised at reporting date:</b>		
Multi option loan facility		
– Bank overdraft	523	-
– Bank Guarantee	324	-
Receivable finance loan	-	1,132
Fully drawn advance bank loan	-	12,556
	<b>847</b>	<b>13,688</b>
<b>Facilities not utilised at reporting date:</b>		
Multi option loan facility		
– Bank overdraft	15,127	-
– Bank Guarantee	26	-
Receivable finance loan	-	13,868
	<b>15,153</b>	<b>13,868</b>

### 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.

Whilst the overall banking facility with ANZ was extended to 28 February 2017, and therefore, not due to be repaid or renegotiated until the financial year ending 30 June 2017, due to the nature of the facility, amounts are continually repaid and redrawn based on the Company's working capital requirements. As a result amounts due at 29 June 2014 in respect of this facility have been disclosed as current in these financial statements.

The multi option facility has a facility limit of \$16,000,000 (2013: ANZ fully drawn advance of \$12,556,000 and receivable finance loan facility of \$15,000,000 have both been discontinued). The multi option facility bears an interest rate of 3.82% plus a line fee of 0.9% (2013: ANZ fully drawn advance was 9.13% and 6.74% plus line fee of 0.92% for receivable finance loan) as at 29 June 2014. 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).



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# NOTES TO THE FINANCIAL STATEMENTS

for the year (52 weeks) ended 29 June 2014

(Continued)

## 19. PROVISIONS

	2014 \$'000	2013 \$'000
<b>Current</b>		
Employee benefits	1,364	2,810
	<b>1,364</b>	<b>2,810</b>
<b>Non current</b>		
Employee benefits	112	108
	<b>112</b>	<b>108</b>
<b>Total Provisions</b>	<b>1,476</b>	<b>2,918</b>

## 20. ISSUED CAPITAL

### (a) Fully paid ordinary shares

	2014 No.	2013 No.
<b>Share Capital</b>		
Opening balance of ordinary shares, fully paid	1,504,398,685	191,593,493
Placement of shares	-	28,739,023
Rights issue	-	1,283,746,959
Options converted to shares	290,030,470	319,210
Balance at end of financial year	1,794,429,155	1,504,398,685

	2014 \$'000	2013 \$'000
<b>Fully paid ordinary shares</b>		
Balance at beginning of financial year	78,309	59,783
Placement of Shares (28,739,023 shares at \$0.015)	-	431
Rights Issue (1,283,746,959 shares at \$0.015)	-	19,256
Options converted to shares (289,523,193 shares at \$0.02)	5,791	6
Options converted to shares (507,277 shares at \$0.03)	15	-
Share issue costs	(145)	(1,683)
Income tax relating to share issue costs	44	516
<b>Balance at end of financial year</b>	<b>84,014</b>	<b>78,309</b>

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the year (52 weeks) ended 29 June 2014

(Continued)

## (b) Options

On 15 November 2013 the Company issued a Piggy Back Options Prospectus to encourage Loyalty Option holders to exercise their Loyalty Options early. Loyalty Options holders that exercised their right by 29 November 2013 to acquire one fully paid ordinary share were issued one free Piggy Back option. As a result the Company issued 287,838,746 Piggy Back Options and 290,030,470 shares (including 507,277 shares issued as a result of piggy back options being exercised) during the period ended 29 June 2014, raising \$5.806 million less share issue costs of \$0.101 million (net of tax).

As at 29 June 2014, the Company had 85,657,987 Loyalty Options (ASX code: PTLO) on issue, exercisable on a 1:1 basis for entitled ordinary shareholders at an exercise price of \$0.02. The Loyalty Options expire on 11 September 2014 and carry no rights to dividends and no voting rights.

The company also has 287,331,469 Piggy Back Options (ASX code: PTLOA) on issue exercisable on a 1:1 basis for entitled ordinary shareholders at an exercise price of \$0.03. The Piggy Back Options expire on 6 June 2015 and carry no rights to dividends and no voting rights.

## 21. RESERVES

	2014 \$'000	2013 \$'000
Hedging	(108)	-
	<b>(108)</b>	<b>-</b>

### Reconciliation of reserves:

	2014 \$'000	2013 \$'000
<b>Hedging reserve</b>		
Balance at beginning of financial year	-	(3)
Gain/(loss) recognised on forward exchange contracts	(154)	4
Deferred Tax arising on hedges	46	(1)
<b>Balance at end of financial year</b>	<b>(108)</b>	<b>-</b>

The hedging reserve represents hedging gains and losses recognised on the effective portion of cash flow hedges. The cumulative deferred gain or loss on the hedge is recognised in profit or loss when the hedged transaction impacts the profit or loss.

## 22. ACCUMULATED LOSSES

	2014 \$'000	2013 \$'000
Balance at beginning of financial year	(16,227)	(16,203)
Restatement	-	(1,917)
Net profit attributable to members of parent entity	5,336	1,893
Dividends provided for or paid	-	-
<b>Balance at end of financial year</b>	<b>(10,891)</b>	<b>(16,227)</b>

## 23. DIVIDENDS

	2014		2013	
	Cents per share	Total \$'000	Cents per share	Total \$'000
Fully paid ordinary shares				
Interim dividend: Fully franked at 30% tax rate	-	-	-	-
Final dividend: Fully franked at 30% tax rate <sup>(i)</sup>	-	-	-	-
	-	-	-	-

(i) In respect of the year (52 weeks) ended 29 June 2014 the Company will pay a full year fully franked dividend of 0.12 cents per ordinary share, payable on 30 September 2014, with a record date of 12 September 2014 (2013: Nil). No interim dividend was paid (2013: Nil).

	2014 \$'000	2013 <sup>(i)</sup> \$'000
Adjusted franking account balance	17,465	17,465
Impact on franking account balance of dividend not recognised	-	-

(i) Restated due to re-calculation of franking account.



# NOTES TO THE FINANCIAL STATEMENTS

for the year (52 weeks) ended 29 June 2014  
(Continued)

## 24. 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 debt, which includes the borrowings disclosed in Note 18, cash, and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings/ (accumulated losses), as disclosed in notes 20, 21 and 22.

Operating cash flows are used to maintain and expand the Group's assets, as well as to make the routine outflows of payables, tax, dividends and repayment of debt.

### 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.

The gearing ratio at year end was as follows:

	2014 \$'000	2013 \$'000
<b>Financial assets</b>		
Debt <sup>(i)</sup> <sup>(ii)</sup>	523	13,688
Cash and cash equivalents	(548)	(5,476)
Net debt	(25)	8,212
Equity <sup>(iii)</sup>	73,015	62,082
Net debt to equity ratio	(0.0%)	13.2%

(i) Debt is defined as long and short-term borrowings, as detailed in Note 18.

(ii) All outstanding debt is consolidated into the parent entity.

(iii) Equity includes all issued capital and reserves.



## (b) Categories of financial instruments

At the reporting date there are no significant concentrations of credit risk relating to loans and receivables at fair value through profit or loss. The carrying amount reflected in the statement of financial position represents the Group's maximum exposure to credit risk for such loans and receivables.

	2014 \$'000	2013 \$'000
<b>Financial assets</b>		
Cash and cash equivalents	548	5,476
Trade and other receivables	24,726	22,434
<b>Financial liabilities</b>		
Trade and other payables	15,103	13,506
Borrowings	523	13,688
Derivative instruments at fair value through profit and loss	154	810

## (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 and interest 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 and interest rate swaps to mitigate the risk of rising interest rates.

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

## (d) Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into derivative financial instruments to manage its exposure to foreign currency risk and interest rate risk, including:

- forward foreign currency contracts to manage its exposure to foreign currency exchange rate fluctuations (refer notes 24(c) and 24(e)); and
- Interest rate swaps to mitigate the risk of rising interest rates.

# NOTES TO THE FINANCIAL STATEMENTS

for the year (52 weeks) ended 29 June 2014  
(Continued)

## (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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Currency of USA	130	165	350	41
Currency of New Zealand	4,317	2,452	545	400
Currency of England	-	-	-	39
Currency of Fiji	6	-	-	-
Currency of Europe	-	-	7	-

### 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 av. exchange rate		Foreign currency FC'000		Contract value \$'000		Fair value gain/(loss) \$'000	
	2014	2013	2014	2013	2014	2013	2014	2013
Buy USD – less than one year	0.9060	-	2,421	-	2,672	-	(83)	-
Buy Euro – less than one year	0.6431	-	103	-	160	-	(10)	-
Sell NZD – less than one year	1.0938	-	5,000	-	4,571	-	(61)	-
							<b>(154)</b>	<b>-</b>

As at reporting date, the aggregate amount of unrealised gains/(losses) under forward foreign currency contracts relating to anticipated future contracts is \$0.154 million – tax effected \$0.108 million (2013: Nil – tax effected Nil). 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 all trade receivables and payables outstanding at year end.

	USD impact		EUR impact		NZD impact		FJD impact		GBP impact	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Profit	14	6	9	-	182	88	-	-	-	4
Equity	156	-	14	-	219	-	-	-	-	-

## (f) Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by the use of interest rate swap contracts. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite, ensuring the most cost-effective hedging strategies are applied.

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

2014	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
<u>Financial assets</u>							
Variable interest rate instruments	0.09%	548	-	-	-	-	548
Non-interest bearing	-	12,814	11,913	-	-	-	24,726
		<b>13,362</b>	<b>11,913</b>	-	-	-	<b>25,274</b>
<u>Financial liabilities</u>							
Non-interest bearing	-	7,625	7,479	-	-	-	15,103
Fixed interest rate instruments	3.82%	525	-	-	-	-	525
		<b>8,150</b>	<b>7,479</b>	-	-	-	<b>15,628</b>

2013	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
<u>Financial assets</u>							
Variable interest rate instruments	0.19%	5,476	-	-	-	-	5,476
Non-interest bearing	-	12,224	10,388	-	-	-	22,612
		<b>17,700</b>	<b>10,388</b>	-	-	-	<b>28,088</b>
<u>Financial liabilities</u>							
Non-interest bearing	-	6,896	6,610	-	-	-	13,506
Variable interest rate instruments	6.74%	1,138	-	-	-	-	1,138
Fixed interest rate instruments	9.13%	108	216	1,002	10,577	4,124	16,027
		<b>8,142</b>	<b>6,826</b>	<b>1,002</b>	<b>10,577</b>	<b>4,124</b>	<b>30,671</b>

### Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel.

At reporting date, if interest rates had been 0.5% higher or lower and all other variables held constant, there would be \$36,000 (2013: Nil – fixed interest rate swap expired 7 February 2014) effect on the Group's profit for the period, attributable to the Group's exposure to interest rates on its variable rate borrowings. The Group's sensitivity to interest rates has decreased during the current year due to the reduction in borrowings and expiry of the Group's fixed rate debt instruments.

# NOTES TO THE FINANCIAL STATEMENTS

for the year (52 weeks) ended 29 June 2014

(Continued)

## Interest rate swap contracts

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the cash flow exposures on the variable rate borrowings. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at reporting date and the credit risk inherent in the contract and are disclosed below.

Following the restructure of the banking facility during the year and the significant reduction in borrowings, hedging of interest rates was considered not to be a high risk, however exposure to interest rate fluctuations is monitored monthly should the Group's debt profile change in the future. As at 29 June 2014, total borrowings was \$0.523 million (2013:\$13.688 million).

The average interest rate is based on the outstanding balances at the end of the financial year.

The following table details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at reporting date for the Group.

	Average fixed interest rate %		Notional principal amount \$'000		Fair value gain/(loss) \$'000	
	2014	2013	2014	2013	2014	2013
Less than 1 year	-	5.78	-	42,511	-	(810)
					-	<b>(810)</b>

The prior year interest rate swaps were settled on a monthly basis. The floating rate on the interest rate swaps is the 30 day Bank bill swap rate (BBSY). The Group settled the difference between the fixed and floating interest rate on a net basis.

## (g) Credit risk management

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

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

The Group has significant credit risk exposure with the Woolworths Limited, Wesfarmers Ltd, Metcash Ltd and Foodstuffs (Auckland) Ltd Groups which represent 84% of the total trade receivables less related allowances and rebates of the Consumer Products business.

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

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

## (h) Liquidity risk management

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

### (i) Fair value of financial instruments

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

- the fair 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.

## 25. SHARE-BASED PAYMENTS

The Company is reviewing an executive performance rights plan to provide long term incentives aligned to Company performance.

Under the previous executive option incentive plan (that will be replaced by a new executive performance rights plan), there were no share options granted during the 2014 year (2013: nil).

During or since the end of the financial year, no fully paid ordinary shares were issued by the Group as a result of the exercise of options under the executive option incentive plan.

## 26. KEY MANAGEMENT PERSONNEL COMPENSATION

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

	2014 \$	2013 \$
Short-term employee benefits	1,210,560	1,211,324
Post-employment benefits	143,550	124,073
	<b>1,354,110</b>	<b>1,335,397</b>



# NOTES TO THE FINANCIAL STATEMENTS

for the year (52 weeks) ended 29 June 2014  
(Continued)

## 27. RELATED PARTY TRANSACTIONS

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

### Transactions with key management personnel

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

On the 2 November 2012, the Group entered into a Banking facility with its primary banker - ANZ which included a condition that if the sale of the Shepparton properties did not eventuate in an open market by 31 May 2013, a director related entity of Mr Johnstone would exercise the option to purchase the Shepparton properties for a net amount of not less than \$6.000 million. As an open market sale did not eventuate, a director related entity of Mr Johnstone purchased the Shepparton properties for \$6.000 million on 28 June 2013 and entered into a lease agreement for the Shepparton properties. The key terms of the lease are as follows:

- (i) the base annual rent payable of \$0.650 million per annum (plus GST and outgoings) and subject to annual CPI reviews;
- (ii) the term of the lease is 10 years with an option of two further terms of five years each;
- (iii) the Group provided a bank guarantee as security for the performance of the lease in the amount of \$0.163 million; and
- (iv) the Group has an option to buy the Shepparton properties from the director related entity which is exercisable from 1 July 2017 to 30 June 2019 at a price to be determined by reference to director related entity costs of acquisition plus the cost of any capital expenses incurred by the director related entity in respect of the Shepparton Site.

### Equity interests in subsidiaries

Details of interests in subsidiaries are set out in note 11.

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

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

	2014 \$	2013 \$
Non-current loans to subsidiaries	62,824,404	69,810,524

## 28. CASH AND CASH EQUIVALENTS

### (a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash includes cash on hand and at bank and bank loans. 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:

	2014 \$'000	2013 \$'000
Cash and bank balances	548	5,476
Bank multi option loan/receivable finance loan	(523)	(1,132)
<b>Net Cash and Cash Equivalents</b>	<b>25</b>	<b>4,344</b>

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

	2014 \$'000	2013 \$'000
Profit for the year	5,336	1,893
Depreciation expense	1,793	1,069
Fair value (gain)/loss on derivatives	(810)	(1,078)
Gain on disposal of property, plant & equipment	-	(3,466)
Amortisation of borrowing costs	-	1,178
Profit on disposal of brand	(401)	-
Impairment of property, plant and equipment	-	103
Debt forgiveness	-	(10,000)
Net impairments / (reversal) of brand names	-	(143)
<b>Changes in net assets and liabilities, net of effects from acquisition of businesses:</b>		
<b>(Increase)/decrease in assets:</b>		
Trade and other receivables	(2,292)	13,142
Inventories	1,319	6,170
Current and deferred tax balances	1,775	(982)
Other assets	(38)	198
<b>Increase/(decrease) in liabilities:</b>		
Trade and other payables	1,597	(11,035)
Provisions	(1,442)	20
Other liabilities	154	-
<b>Net cash from operating activities</b>	<b>6,991</b>	<b>(2,931)</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year (52 weeks) ended 29 June 2014  
(Continued)

## 29. OPERATING LEASE ARRANGEMENTS

	2014 \$'000	2013 \$'000
<b>Non-cancellable operating lease expenses</b>		
Not later than 1 year	1,031	1,015
Later than 1 year and not later than 5 years	3,715	3,907
Later than 5 years	3,139	3,866
	<b>7,885</b>	<b>8,788</b>

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

1. Shepparton properties for a remaining term of 9 years with an option of two further terms and rental to increase annually by Consumer Price Index;
2. Melbourne support office lease is for a remaining term of 4 years, with rental increasing annually by 4%; and
3. Other leases are for forklifts, motor vehicles and photo copiers for terms between 1 and 5 years.

## 30. CAPITAL EXPENDITURE COMMITMENT

	2014 \$'000	2013 \$'000
Plant and equipment	<b>224</b>	<b>2,146</b>

In the prior year the Group entered into a contract amounting to \$3.653 million to relocate and upgrade its bleach manufacturing operations from the Port Melbourne site to the Shepparton site. The total project cost was \$4.424 million, which included the upgrade of fire services on the site, new case packer and information technology. As at 29 June 2014, the project was completed.



### 31. CONTINGENT LIABILITIES

	2014 \$'000	2013 \$'000
Bank guarantees to third parties in respect of property lease obligations	324	324

### 32. REMUNERATION OF AUDITORS

	2014 \$	2013 \$
<u>Auditor of the parent entity</u>		
Audit or review of the financial report	138,300	184,650
Non-audit services – Tax and other services	23,000	103,000
Financial due diligence for the equity raising	–	183,500
	<b>258,650</b>	<b>471,150</b>

The auditor of Pental Limited is Deloitte Touche Tohmatsu.

### 33. 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

	2014 \$'000	2013 \$'000
<b>Assets</b>		
Current assets	23	1,574
Non current assets	65,762	73,648
<b>Total assets</b>	<b>65,785</b>	<b>75,222</b>
<b>Liabilities</b>		
Current liabilities	72	3,158
Non current liabilities	–	12,056
<b>Total liabilities</b>	<b>72</b>	<b>15,214</b>
<b>Equity</b>		
Issued capital	84,014	78,309
(Accumulated losses)/Retained earnings	(18,301)	(18,301)
<b>Total equity</b>	<b>65,713</b>	<b>60,008</b>

#### Financial Performance

	2014 \$'000	2013 \$'000
Loss for the year	–	(917)
Other comprehensive income	–	3
<b>Total comprehensive income</b>	<b>–</b>	<b>(914)</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the year (52 weeks) ended 29 June 2014  
(Continued)

## 34. DISCONTINUED OPERATIONS

The loss making Specialty Chemicals business was closed on 2 November 2012, as the business was no longer commercially viable.

The profit/(loss) for the period from the discontinued operations is analysed as follows:

	2014 \$'000	2013 \$'000
Revenue	-	33,169
Operating expenses	-	(34,975)
Significant expenses		
- Profit on disposal of business	-	-
- Employee restructure costs	-	(8,197)
- Other closure costs	-	(5,213)
- Debt forgiveness	-	10,000
- Profit on sale of property, plant & equipment	-	3,466
- Relocation of bleach manufacturing	-	(270)
- Strategic review costs	-	-
- Impairment of assets	-	-
- Impairment of goodwill	-	-
Loss before interest and income tax	-	(2,020)
Finance costs	-	-
Income Tax benefit	-	1,710
<b>Loss after income tax</b>	<b>-</b>	<b>(310)</b>

	2014 \$'000	2013 \$'000
<b>Cash flows from discontinued operations</b>		
Net cash inflows / (outflows) from operating activities	-	(12,421)
Net cash inflows / (outflows) from investing activities	-	23,935
Net cash inflows / (outflows) from financing activities	-	11,805
<b>Net cash inflows / (outflows)</b>	<b>-</b>	<b>23,319</b>

## 35. SUBSEQUENT EVENTS

Subsequent to balance date, there have been no significant events which have affected the operations of the Group except for:

### Dividends

In respect of the year (52 weeks) ended 29 June 2014 the Company will pay a full year fully franked dividend of 0.12 cents per ordinary share, payable to shareholders on 30 September 2014, with a record date of 12 September 2014.

# ADDITIONAL STOCK EXCHANGE INFORMATION

as at 20 August 2014

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

1,795,407,186 fully paid ordinary shares are held by 1,536 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."

## OPTIONS

There are no voting rights attached to unissued ordinary shares. Voting rights will be attached to unissued ordinary shares when the options have been exercised. Refer to Notes 20 and 25 of the financial statements for further details.

## ON-MARKET BUY-BACK

There is no current on-market buy-back.

## Distribution of holders of equity securities

	Fully paid ordinary shares	Options
1 – 1,000	102	696
1,001 – 5,000	80	607
5,001 – 10,000	62	206
10,001 – 100,000	679	401
100,001 and over	613	190
	1,536	2,100
Holding less than a marketable parcel	269	

## Substantial shareholders

Ordinary shareholders	Fully paid ordinary shares	
	Number	Percentage
Alan Johnstone <sup>(i)</sup>	374,037,177	20.83%
Allan Gray Australia Pty Ltd <sup>(ii)</sup>	296,809,347	16.53%
Mr John Rostyn Homewood	209,000,000	11.64%
Citicorp Nominees Pty Ltd <sup>(iii)</sup>	151,116,571	8.42%
HSBC Custody Nominees (Australia) Ltd <sup>(iii)</sup>	107,191,672	5.97%
	<b>990,113,830</b>	<b>55.15%</b>

(i) As disclosed in the last substantial shareholder notice lodged before the date of this Annual Report, Alan Johnstone has a relevant interest in Pentel shares held by Western Park Holdings Pty Ltd and PMSF Company Pty Ltd <Penfold Motors Burwood Super Fund>.

(ii) As disclosed in the last substantial shareholder notice lodged before the date of this Annual Report, Allan Gray Australia Pty Ltd has a relevant interest in shares held by Citicorp Nominees Pty Limited (101,579,146 shares), HSBC Custody Nominees Australia Limited (23,461,045 shares), J P Morgan Nominees Australia Pty Limited (69,341,757 shares) and National Nominees Limited (64,675,131 shares).

(iii) As disclosed in note (ii), these entities hold shares for Allan Gray Australia Pty Ltd.

# ADDITIONAL STOCK EXCHANGE INFORMATION

as at 20 August 2014

## Twenty largest holders of quoted equity securities

Ordinary shareholders		Fully paid ordinary shares	
		Number	Percentage
1	WESTERN PARK HOLDINGS PTY LTD	258,709,032	14.41%
2	MR JOHN ROSTYN HOMEWOOD	209,000,000	11.64%
3	CITICORP NOMINEES PTY LIMITED	151,116,571	8.42%
4	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	107,191,672	5.97%
5	J P MORGAN NOMINEES AUSTRALIA LIMITED	104,635,547	5.83%
6	MR GARRY GEORGE JOHNSON	83,384,234	4.64%
7	LABELMAKERS GROUP PTY LTD	83,333,333	4.64%
8	WESTERN PARK HOLDINGS PTY LTD	69,792,530	3.89%
9	PJR SUPERANNUATION PTY LTD <PJR SUPERANNUATION FUND A/C>	49,661,570	2.77%
10	NATIONAL NOMINEES LIMITED	41,122,863	2.29%
11	PMSF COMPANY PTY LTD <PENFOLD MOTORS BWD S/F A/C>	37,666,666	2.10%
12	VANWARD INVESTMENTS LIMITED	32,558,334	1.81%
13	RATHVALE PTY LIMITED	23,084,600	1.29%
14	M & A PARTNERS PTY LTD	16,687,500	0.93%
15	DIXSON TRUST PTY LIMITED	16,029,040	0.89%
16	CVC LIMITED	14,533,921	0.81%
17	MRS JOY DOROTHY JOHNSTONE	10,426,130	0.58%
18	RUBI HOLDINGS PTY LTD <JOHN RUBINO S/F A/C>	10,000,000	0.56%
19	TORONTO COVE PTY LTD <TORONTO COVE SUPER FUND A/C>	10,000,000	0.56%
20	MR JOHN LORIENTE & MRS PASQUALINA LORIENTE <LORIENTE SUPER FUND A/C>	8,371,610	0.47%
		<b>1,337,305,153</b>	<b>74.48%</b>

# CORPORATE DIRECTORY

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## **Directors**

Mr Peter Robinson, Chairman  
Mr Alan Johnstone  
Mr John Etherington  
Mr John Rishworth  
Mr Mel Sutton

## **Company Secretary**

Mr Oliver Carton

## **Registered Office**

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

## **Manufacturing and Distribution**

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Shepparton VIC 3630  
Telephone: +61 3 5820 5200

## **Shareholder enquiries:**

### **Share Register**

Boardroom Pty Limited  
Level 7, 207 Kent Street  
Sydney NSW 2000  
[www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)  
Telephone within Australia: 1300 737 760  
Telephone: +61 2 9290 9600

## **Auditors**

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

## **Securities Exchange Listing**

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

## **Website**

[www.pental.com.au](http://www.pental.com.au)

## **ABN**

29 091 035 353

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Pental Limited

Trusted by families for generations

[www.pental.com.au](http://www.pental.com.au)