



Pental Limited
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APPENDIX 4D

HALF YEAR FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2017

Reporting period

Half year - 26 weeks
(3 July to 31 December 2017)

Comparative period

Half year - 26 weeks
(27 June to 25 December 2016)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results	\$'000	% change increase/ (decrease)
Revenue from ordinary activities	38,106	(8.5%)
Profit from ordinary activities after tax attributable to members	1,197	(48.0%)
Net profit for the period attributable to members	1,197	(48.0%)

Dividend	Record Date	Payment Date	Amount per security	Franked amount per security
Interim dividend – FY2018	5 March 2018	28 March 2018	0.60¢	0.60¢
Interim dividend – FY2017	1 March 2017	24 March 2017	1.15¢	1.15¢

Net tangible assets backing (NTA backing)	31 December 2017	25 December 2016
Net tangible assets per ordinary security	31.93¢	31.57¢

Other information regarding the accounts

The information contained in this Appendix 4D is based on financial statements, which have been subject to review. For additional Appendix 4D disclosures, refer to the accompanying Media Release, Investor presentation, Director's Report and the Financial Report for the half year ended 31 December 2017.

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PENTAL LIMITED

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Financial report

For the half year (26 weeks) ended 31 December 2017

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Directors' report

The directors of Pental Limited ("the Company") submit herewith the half-year financial report of the consolidated entity consisting of the Company and the entities it controlled ("the Group") for the half-year ended 31 December 2017. The half year ended 31 December 2017 comprised of a 26-week period from 3 July to 31 December 2017 (2016: 26 week period from 27 June to 25 December 2016).

In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

The names of the directors of the Company during or since the end of the half year are:

Directors

Mr Peter Robinson	Non-Executive Independent Chairman
Mr Mel Sutton	Non-Executive Vice-Chairman
Mr John Rishworth	Non-Executive Independent Director
Mr John Etherington	Non-Executive Independent Director
Ms Kimberlee Wells	Non-Executive Independent Director

Review of operations

The Group's net profit attributable to members of the parent entity for the half-year was \$1.197 million (2016: \$2.303 million). A review of operations are set out in the Announcement on the results for the half-year ended 31 December 2017.

Auditor's independence declaration

The auditor's independence declaration is included on page 2 of the half-year financial report.

Rounding off of amounts

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

Signed in accordance with a resolution of directors made pursuant to s.306(3) of the Corporations Act 2001.

On behalf of the directors



Peter Robinson
Chairman
Melbourne, 23 February 2018

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

23 February 2018

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 review of the financial statements of Pental Limited for the half year ended 25 December 2016, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Travis Simkin
Partner
Chartered Accountants

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Independent Auditor's Review Report to the members of Pental Limited

We have reviewed the accompanying half-year financial report of Pental Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2017, and the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-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 end of the half-year or from time to time during the half-year as set out on pages 6 to 13.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Pental Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, 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 review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Pental Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Travis Simkin

Travis Simkin
Partner
Chartered Accountants
Melbourne, 23 February 2018

Directors' declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the Corporations Act 2001.

On behalf of the Directors



Peter Robinson
Chairman
Melbourne, 23 February 2018

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Condensed consolidated statement of profit or loss and other comprehensive income for the half year ended 31 December 2017

	Consolidated	
	Half year ended	
	31 Dec 2017 \$'000	25 Dec 2016 \$'000
Gross sales revenue	54,056	57,588
Trading terms, promotional rebates and discounts	(15,950)	(15,938)
Sales revenue	38,106	41,650
Other revenue and income	65	147
Other gains and losses	(28)	(280)
Changes in inventories of finished goods and work in progress	(820)	(502)
Raw materials, consumables used and utilities	(19,746)	(21,492)
Employee benefits expense	(6,645)	(6,404)
Freight and distribution expense	(2,996)	(3,147)
Marketing expense	(1,410)	(1,617)
Repairs and maintenance expense	(540)	(450)
Selling expense	(556)	(584)
Other expenses	(1,944)	(2,421)
Profit before finance costs, income tax, depreciation and amortisation (EBITDA)	3,486	4,900
Depreciation and amortisation expense	(1,743)	(1,594)
Profit before finance costs and income tax (EBIT)	1,743	3,306
Finance costs	(20)	(22)
Profit before income tax	1,723	3,284
Income tax expense	(526)	(981)
Net profit for the period	1,197	2,303
Profit Attributable to Members of the Parent Entity	1,197	2,303
Other comprehensive income		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Gain on cash flow hedges taken to equity	203	299
Income tax expense relating to other comprehensive income	(61)	(90)
Other comprehensive income for the period, net of tax	142	209
Total comprehensive income for the period	1,339	2,512
Earnings per share		
Basic (cents per share)	0.88	1.69
Diluted (cents per share)	0.86	1.65

Notes to the condensed consolidated financial statements are included on pages 10 to 12.

Condensed consolidated statement of financial position as at 31 December 2017

	Note	Consolidated	
		31 Dec 2017 \$'000	2 July 2017 \$'000
Current Assets			
Cash and cash equivalents		1,171	11,660
Trade and other receivables		21,213	23,613
Inventories		10,907	10,297
Current tax refundable		169	-
Other financial assets		23	-
Other		504	335
Total Current Assets		33,987	45,905
Non-Current Assets			
Property, plant and equipment	3	25,028	18,865
Goodwill	4	29,446	29,446
Other intangible assets	4	14,799	14,865
Total Non-Current Assets		69,273	63,176
Total Assets		103,260	109,081
Current Liabilities			
Trade and other payables		13,871	17,242
Other financial liabilities		-	182
Current tax payables		-	551
Provisions		1,629	1,569
Total Current Liabilities		15,500	19,544
Non-Current Liabilities			
Deferred tax liabilities		4,252	4,446
Provisions		122	131
Total Non-Current Liabilities		4,374	4,577
Total Liabilities		19,874	24,121
Net Assets		83,386	84,960
Equity			
Issued capital		90,658	90,658
Reserves		71	(19)
Accumulated losses		(7,343)	(5,679)
Total Equity		83,386	84,960

Notes to the condensed consolidated financial statements are included on pages 10 to 12.

**Condensed consolidated statement of changes in equity
for the half year ended 31 December 2017**

	Issued capital \$'000	Hedging reserve \$'000	Equity Settled Employee Benefits Reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance at 27 June 2016	90,658	(251)	75	(7,305)	83,177
Profit for the period	-	-	-	2,303	2,303
Other comprehensive income	-	209	-	-	209
Total comprehensive income for the period	-	209	-	2,303	2,512
Recognition of share based payments	-	-	40	-	40
Dividend payment	-	-	-	(2,657)	(2,657)
Balance at 25 December 2016	90,658	(42)	115	(7,659)	83,072
Balance at 02 July 2017	90,658	(127)	108	(5,679)	84,960
Profit for the period	-	-	-	1,197	1,197
Other comprehensive income	-	142	-	-	142
Total comprehensive income for the period	-	142	-	1,197	1,339
Recognition of share based payments	-	-	(52)	-	(52)
Dividend payment	-	-	-	(2,861)	(2,861)
Balance at 31 December 2017	90,658	15	56	(7,343)	83,386

Notes to the condensed consolidated financial statements are included on pages 10 to 12.

Condensed consolidated statement of cash flows for the half year ended 31 December 2017

	Consolidated	
	Half year ended	
	31 Dec 2017 \$'000	25 Dec 2016 \$'000
Cash flows from operating activities		
Receipts from customers	45,763	49,849
Payments to suppliers and employees	(44,058)	(44,751)
Interest and other costs of finance paid	(20)	(22)
Income tax paid	(1,516)	(3,179)
Income tax refund received	18	-
Interest received	25	109
Net cash provided by operating activities	212	2,006
Cash flows from investing activities		
Payment for property, plant and equipment	(7,809)	(2,197)
Payment for other intangible assets	(31)	(60)
Net cash used in investing activities	(7,840)	(2,257)
Cash flows from financing activities		
Dividends paid	(2,861)	(2,657)
Net cash used in financing activities	(2,861)	(2,657)
Net decrease in cash and cash equivalents	(10,489)	(2,908)
Cash and cash equivalents at the beginning of the period	11,660	12,335
Cash and cash equivalents at the end of the period	1,171	9,427

Notes to the condensed consolidated financial statements are included on pages 10 to 12.

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Notes to the condensed consolidated financial statements

1. Significant accounting policies

Statement of compliance

The half year financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 *Interim Financial Reporting*. The half year report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report.

Basis of preparation

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

The half year ended 31 December 2017 comprised of a 26 week period from 3 July to 31 December 2017 (2016: 26 week period from 27 June to 25 December 2016).

The accounting policies and methods of computation adopted in the preparation of the half year financial report are consistent with those adopted and disclosed in the Group's 2017 annual financial report for the financial year ended 2 July 2017, except for the impact of the adoption of the new and revised accounting policies' discussed below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

Change in comparatives

In preparation of the financial report, the Group has reclassified certain comparative amounts for purpose of consistency.

New accounting standards and interpretations

The Group has adopted all of the 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.

New and revised Standards and amendments thereof and Interpretations effective for the current half year that are relevant to the Group include:

- AASB 2016-1 Amendments to Australian Accounting Standards - Recognition of Deferred Tax Assets for Unrealised Losses
- AASB 2016-2 Amendments to Australian Accounting Standards - Disclosure Initiative: Amendments to AASB 107.

The adoption of all new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has had no effect on the amounts reported for the current or prior half years.

The effects of the following Standards that are issued but not yet effective are still being determined:

- AASB 15 Revenue from Contracts with Customers (effective 1 January 2018)
- AASB 16 Leases (effective 1 January 2019)

Further to the disclosures made at 2 July 2017, the Directors are in the process of assessing the impact of adopting these Standards and Interpretations. It is not practicable to provide a reasonable estimate of the financial effect until the assessment of the potential impact is completed by the Group.

2. Segment information

The Group has identified its operating segment based on the internal reports that are reviewed and used by the Chief Executive Officer in assessing performance and determining the allocation of resources.

The Group operates in one business segment, being the manufacture and distribution of personal care and home products.

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:

	31 Dec 2017 \$'000	25 Dec 2016 \$'000
Geographical sales		
Australia	30,697	34,382
New Zealand	6,297	6,610
Asia	1,112	658
Total geographical sales	38,106	41,650

3. Property, plant and equipment

As disclosed in the financial report for the year ending 2 July 2017, management entered into the purchase of the Shepparton property on 3 July 2017, which was the execution of Management's option to buy back the property from related party Mr Johnstone (retired director on 19 November 2015). The total acquisition cost (including stamp duty and related costs) of \$7.312 million was settled on 2 August 2017. Prior to completing the transaction, the directors sought an independent valuation of the property which confirmed that the transaction price reflected market value.

4. Goodwill

Impairment of goodwill and indefinite life intangible assets

As announced to the market on 21 November 2017, the Group has experienced challenging market conditions during the half year which has impacted its financial performance. The directors have assessed that the recoverable amount of the Group's cash generating unit approximates its carrying value at 31st December 2017 based on management's best estimate of the discounted future cash flows for the Group for the next five years and into perpetuity, taking into account risks, uncertainties and opportunities for improvement. If the Group is unable to achieve performance in line with management's expectations due to a sustained change in market conditions or competitive landscape it may result in impairment in future periods.

5. Dividends paid and proposed

	31 Dec 2017 \$'000	25 Dec 2016 \$'000
Dividends paid on ordinary shares during the half year		
Final fully franked dividend for FY2017: 2.10 cents (FY2016: 1.95 cents)	2,861	2,657
Dividends declared on ordinary shares – unrecognised amounts		
Interim fully franked dividend for FY2018: 0.60 cents (FY2017 1.15 cents)	818	1,567

6. Fair value measurements

The only financial assets or financial liabilities carried at fair value are foreign currency contracts. The directors consider the foreign currency contracts to be Level 2 financial instruments because, unlike Level 1 financial instruments, their measurements are derived from inputs other than quoted prices that are observable for the assets or liabilities, either directly (as prices) or indirectly (derived from prices). There have been no transfers between level 1, 2 and 3 for recurring fair value measurements during the half year. The foreign currency contracts fair values have been obtained from third party valuations derived from discounted cash flow forecasts of forward rates (from observable yield curves at the end of the reporting period) and contract rates.

The fair value of the foreign currency contracts at 31 December 2017 was an asset of \$23 thousand (2 July 2017: liability of \$182 thousand).

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

7. Contingent liability

As disclosed in the 2017 Annual Report the Australian Competition and Consumer Commission (ACCC) instituted proceedings against Pental Limited and Pental Products Pty Ltd (Pental) in the Federal Court in relation to a matter previously announced to the Australian Stock Exchange (ASX) on 13 December 2016.

Due to inherent uncertainties, no accurate quantification of any cost, or timing of such cost, which may arise from the above mentioned legal proceedings can be made.

8. Subsequent events

Other than the declaration of the dividend disclosed in Note 5, there has not been any matter or circumstance occurring subsequent to the end of the financial period that has significantly affected, or may significantly affect, the operations of the Group, the results of those operations, or the state of affairs of the Group in subsequent financial periods.

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