Appendix 4D and Interim Financial Report
for the half year (26 weeks) ended 25 December 2016

Name of entity

Pental Limited

ABN or equivalent company reference

29 091 035 353

Half year ended ('current period')

From 27 June to 25 December 2016

Previous corresponding period ended

From 29 June to 27 December 2015

Pental Limited

Results For Announcement To The Market

For the half year (26 weeks) ended 25 December 2016

Revenue and Net Profit		Change %		Amount $'000
Revenue from operations	**up**	**6.82%**	**to**	**41,650**
Profit after tax attributable to members	**up**	**16.02%**	**to**	**2,303**

NTA Backing	**Current Period (cents per share)**	**Previous Corresponding Period (cents per share)**
Net tangible asset backing per ordinary security	31.57	30.06

Interim Dividends (distributions)	**Amount per security (cents per share)**	**Franked amount per security (cents per share)**
Current period	1.15	1.15
Previous corresponding period	1.00	1.00
Record date for determining entitlements to the dividend	1 March 2017	

This half year report should be read in conjunction with the most recent annual report.

This report is designed to meet the half yearly reporting requirements and does not include the full disclosures as contained in the annual financial statements.

PENTAL LIMITED

ACN 091 035 353

Financial report for the half year (26 weeks) ended 25 December 2016

Contents | **Page**

Directors' report

The directors of Pental Limited submit herewith the financial report of Pental Limited (the Company) and its subsidiaries (the Group) for the half year (26 weeks) ended 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:

Name	
Mr Peter Robinson B.Eco (Mon) Non-Executive Independent Chairman	Appointed Non-Executive Director on 29 November 2002 Appointed Chairman on 5 March 2009
Mr Mel Sutton Non-Executive Vice-Chairman	Appointed Non-Executive Director on 3 October 2013
Mr John Rishworth Non-Executive Independent Director	Appointed Non-Executive Director on 8 September 2004
Mr John Etherington Non-Executive Independent Director	Appointed Non-Executive Director on 2 April 2013
Ms Kimberlee Wells Non-Executive Independent Director	Appointed Non-Executive Director 19 November 2015

Review of operations

EBIT (Earnings Before Interest and Tax) was up 7.3% on the corresponding period last half year. Net profit after tax for the 26 week period ended 25 December 2016 was $2.303 million (27 Dec 2015: $1.985 million).

	Dec 16 [i]	**Dec 15 [i]**	**Change**	
	$'000	**$'000**	**$'000**	**%**
Gross Sales	**57,588**	54,046	3,542	6.6%
Trading terms, promotional rebates & discounts	**(15,938)**	(15,056)	(882)	5.9%
Net Sales Revenue	**41,650**	38,990	2,660	6.8%
EBITDA	**4,900**	4,225	675	16.0%
EBITDA to gross sales	***8.5%***	*7.8%*		*0.7%*
Depreciation & Amortisation	**(1,594)**	(1,145)	(449)	
EBIT	**3,306**	3,080	226	7.3%
EBIT to gross sales	***5.7%***	*5.7%*		*0.0%*
Profit after Tax	**2,303**	1,985	318	16.0%
Basic EPS (cents)	**1.69**	1.46		15.8%
	Dec 16 [i]	**Jun 16 [i]**		
	$'000	**$'000**		
Working Capital [ii]	**15,191**	15,789	(598)	-3.8%
Net Cash/(Debt)	**9,427**	12,335	(2,908)	-23.6%

[i] Unaudited non-IFRS financial table

[ii] Receivables plus inventory less trade and other payables

Overview

- Gross sales for the first half were up on the previous corresponding period by $3.542 million or 6.6% comprising:
    - Gross sales in the Australian market were up 7.7%, with strong growth with the White King cleaning range; personal care following the successful launch of Country Life liquids; ongoing promotional activities with Pear soaps; a strong firelighter season and solid growth in Private Label.
    - New Zealand market sales grew in a number of categories such as Toilet and Household Cleaning, however the ongoing aggressive marketing by competitors in the Dish Wash category, caused gross sales to be 3.3% down (7.2% in New Zealand dollars). To offset these pressures, several new innovative products will be launched over the next 12 months.
    - Expansion into Asia continues to grow at a steady pace with a range of personal care (Country Life and Velvet) and cleaning products (White King and Softly) launched in a number of brick and mortar stores and through online channels in China. Sale enquiries continue to be solid, with $0.664 million in gross sales achieved for the half year.
- Trade spend (trading terms, promotional activities and discounts) at 27.68% of gross sales was largely in line with the previous corresponding period, with the current period also including the promotional activities to launch the new Country Life Liquids range in the Australian market and support for expansion of the White King range.
- As a result, net sales for the first half increased by $2.660 million or 6.8% on the previous corresponding period, and EBITDA increased by 16.0% to $4.900 million.
- EBIT of $3.306 million was $0.226 million (or 7.3%) up on the previous corresponding period, which included:
    - Additional marketing, and specific in store promotional activities and catalogues (that is, trade spend) to support the launch of the new Country Life Liquids range in the Australian market; and
    - Foreign exchange loss of $0.277 million compared to previous corresponding period gain of $0.201 million arising from the deterioration of the Australian dollar against the United States and New Zealand currencies. Pentai continues to actively hedge its currency exposures on a rolling 12 months basis.

    Excluding the FX loss in the current period, the underlying EBIT was $3.583 million.

  Whilst depreciation also increased $0.450 million, this cost was offset by ongoing plant efficiency improvements, reduced supply chain costs and improved sourcing of raw materials. Ongoing significant cost reductions are foreseen from the Shepparton operations as it continues to drive costs down.

- Innovation is a key priority for Pental in driving short term and long-term growth. In the first half The Australian Country Life power brand (mainly known for bar soaps) was successfully launched into the liquid wash categories. Entry into these categories (which were new to Pental) required significant investment through in-house development, digital marketing and instore promotional activities (trade spend). The outcome of this programme has seen Pental now competing in the personal care liquid categories, with exciting plans to evolve its liquid and bar soap ranges, in order to remain front of mind with its consumers.

  The White King brand also continues to grow strongly, with White King on track to becoming the number two brand in Bathroom and Toilet Cleaning categories (as defined by Aztec data). Furthermore, the new White King (non bleach) Bathroom Cleaner and Kitchen Cleaner, has been accepted by retailers, and will be ranged in the third quarter of 2017 financial year. This will further strengthen the White King brand.

- Installation of the new bulk plant was completed on budget in September 2016 and delivering on the first objective that of, reducing the cost of bulk products previously outsourced. Furthermore, the new equipment was commissioned to produce a new range of commercial and industrial cleaning products such as White King Sanitiser & Disinfectant, White King Floor cleaner, White King Glass Cleaner, Sunlight Rinse Aid, Sunlight Laundry Liquid and Sunlight Hand Wash. These are ready for release in the second half, which will drive the second objective of growing in the commercial and industrial channels.
- Net profit after tax increased by $0.318 million to $2.303 million.
- Basic earnings per share of 1.69 cents (Dec 2015: 1.46 cents).
- Interim fully franked dividend increased by 15% to 1.15 cents.
- Strong balance sheet with cash at bank of $9.427 million (with $8.0 million on short-term deposit) – no debt and substantial capacity to fund its capital expenditure program and repurchase of the Shepparton property (with an estimated option exercise price including stamp duty of $7.300 million, with settlement expected July/August 2017).

- Working capital improved by $0.598 million from continued improvement in managing working capital.
- Cash flow from "operating activities" of $2.006 million remains healthy. Compared to the corresponding prior period, cash from operating activities decreased by $3.520 million mainly due to income tax paid arising for the 2016 financial year, as provided for as at 26 June 2016.

Improving Manufacturing and Supply Chain

- Production and customer fill rates arising from our key liquid lines A and B are back on track (following last year's disruption arising from long lead times waiting for the new equipment to arrive and prolonged teething issues with the new equipment). The current key focus of the Shepparton operational team is to consistently achieve the high throughputs from the liquids lines, whilst accelerating its focus on minimising waste ranging from raw material to downtime.
- We expect the liquid lines and firelighters line ongoing efficiency improvements will be driven by continuous improvement routines. Furthermore, significant cost savings are foreseen to be achieved from the soap automation project. This project will not only increase operational flexibility and reduce operating costs, but also support our increasing export demand.

Outlook

Based on solid sales growth experienced in the first half and steadfastly focused on executing our strategic plan, the Board is confident that Pental's underlying EBITDA will continue to grow through:

- the launch of innovative new product ranges;
- optimising the growth potential of our power and trading brands;
- driving export sales into China and other Asian countries;
- building its non-retail commercial and industrial channels using its power brands;
- undertaking the soap automation project and its continued focus of becoming a low cost producer for all the products it manufacturers; and
- targeting further substantial cost savings and margin improvements via Profit Delivery Projects.

Pental is well placed and in a healthy position to continue with executing its growth strategies, whilst growing its current market position through innovation of its power brands.

Dividend

In respect of the half year (26 weeks) ended 25 December 2016 the Company will pay an interim fully franked dividend of 1.15 cents per ordinary share, payable to shareholders on 24 March 2017, with a record date of 1 March 2017.

Auditor's independence declaration

The auditor's independence declaration is included on page 5 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, 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.

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, 20 February 2017

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

20 February 2017

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

DELOITTE TOUCHE TOHMATSU

Andrew Reid
Partner
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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 25 December 2016, 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, selected explanatory notes a 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 8 to 14.

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 25 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.

Deloitte.

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 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 25 December 2016 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

Andrew Reid
Partner
Chartered Accountants
Melbourne, 20 February 2017

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 as at 25 December 2016 and performance for the half year ended on that date 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, 20 February 2017

Condensed consolidated statement of profit or loss and other comprehensive income for the half year ended 25 December 2016

	Consolidated	
	Half year ended	
	25 Dec 2016 $'000	27 Dec 2015 $'000
Gross sales revenue	57,588	54,046
Trading terms, promotional rebates and discounts	(15,938)	(15,056)
Sales revenue	41,650	38,990
Other revenue and income	147	145
Other gains and losses	(280)	201
Changes in inventories of finished goods and work in progress	(502)	517
Raw materials, consumables used and utilities	(21,492)	(21,411)
Employee benefits expense	(6,404)	(6,115)
Freight and distribution expense	(3,147)	(3,403)
Depreciation and amortisation expense	(1,594)	(1,145)
Marketing expense	(1,617)	(1,565)
Repairs and maintenance expense	(450)	(368)
Selling expense	(584)	(557)
Other expenses	(2,421)	(2,209)
Profit before interest and tax	**3,306**	**3,080**
Finance costs	(22)	(42)
Profit before tax	**3,284**	**3,038**
Income tax expense	(981)	(1,053)
Net profit	**2,303**	**1,985**
Profit Attributable to Members of the Parent Entity	**2,303**	**1,985**
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Gain/(Loss) on cash flow hedges taken to equity	299	(338)
Income tax relating to components of other comprehensive income	(90)	101
Other comprehensive income/(loss) for the period (net of tax)	209	(237)
Total comprehensive income for the period	**2,512**	**1,748**
Earnings per share Attributable to the Members of the Parent Entity		
Basic (cents per share)	1.69	1.46
Diluted (cents per share)	1.65	1.42

Notes to the condensed consolidated financial statements are included on pages 13 to 14.

Condensed consolidated statement of financial position as at 25 December 2016

	Note	Consolidated 25 Dec 2016 $'000	Consolidated 26 Jun 2016 $'000
Current Assets			
Cash and cash equivalents		9,427	12,335
Trade and other receivables		20,768	23,582
Inventories		8,289	8,866
Other		633	260
Total Current Assets		**39,117**	**45,043**
Non-Current Assets			
Property, plant and equipment		19,729	18,949
Goodwill		25,084	25,084
Other intangible assets		14,975	15,091
Total Non-Current Assets		**59,788**	**59,124**
Total Assets		**98,905**	**104,167**
Current Liabilities			
Trade and other payables		13,866	16,659
Other financial liabilities		60	358
Current tax payables		332	2,275
Provisions		1,441	1,394
Total Current Liabilities		**15,699**	**20,686**
Non-Current Liabilities			
Deferred tax liabilities		24	192
Provisions		110	112
Total Non-Current Liabilities		**134**	**304**
Total Liabilities		**15,833**	**20,990**
Net Assets		**83,072**	**83,177**
Equity			
Issued capital		90,658	90,658
Reserves		73	(176)
Accumulated losses		(7,659)	(7,305)
Total Equity		**83,072**	**83,177**

Notes to the condensed consolidated financial statements are included on pages 13 to 14.

Condensed consolidated statement of changes in equity for the half year ended 25 December 2016

	Issued capital $'000	Hedging reserve $'000	Equity Settled Employee Benefits Reserve $'000	Accumulated losses $'000	Total $'000
Balance at 29 June 2015	90,658	193	-	(9,117)	81,734
Profit for the period	-	-	-	1,985	1,985
Gain/(loss) on cash flow hedges	-	(338)	-	-	(338)
Deferred tax arising on hedges	-	101	-	-	101
Total comprehensive income for the period	-	(237)	-	1,985	1,748
Recognition of share based payments	-	-	71	-	71
Dividend Payment	-	-	-	(2,453)	(2,453)
Balance at 27 December 2015	90,658	(44)	71	(9,585)	81,100
Balance at 27 June 2016	90,658	(251)	75	(7,305)	83,177
Profit for the period	-	-	-	2,303	2,303
Gain/(loss) on cash flow hedges	-	299	-	-	299
Deferred tax arising on hedges	-	(90)	-	-	(90)
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

Notes to the condensed consolidated financial statements are included on pages 13 to 14.

Condensed consolidated statement of cash flows for the half year ended 25 December 2016

	Consolidated Half year ended 25 Dec 2016 $'000	Consolidated Half year ended 27 Dec 2015 $'000
Cash flows from operating activities		
Receipts from customers	69,541	67,897
Payments to suppliers and employees	(64,443)	(62,298)
Interest and other costs of finance paid	(22)	(42)
Income tax paid	(3,179)	(144)
Interest received	109	113
Net cash provided by operating activities	2,006	5,526
Cash flows from investing activities		
Payment for plant and equipment	(2,197)	(2,866)
Payment for other intangible assets	(60)	(45)
Net cash used in investing activities	(2,257)	(2,911)
Cash flows from financing activities		
Dividends Paid	(2,657)	(2,453)
Net cash (used in) / provided by financing activities	(2,657)	(2,453)
Net increase/(decrease) in cash and cash equivalents	(2,908)	162
Cash and cash equivalents at the beginning of the period	12,335	11,040
Cash and cash equivalents at the end of the period	**9,427**	**11,202**

Notes to the condensed consolidated financial statements are included on pages 13 to 14.

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 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 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.

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 2016 annual financial report for the financial year ended 26 June 2016, 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 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 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation
- AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle
- AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101

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

The report presents the results of the current period, which comprised the 26 week period that commenced 27 June 2016 and ended 25 December 2016. The prior period results were based on 26 week period that commenced on 29 June 2015 and ended on 27 December 2015.

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:

	25 Dec 2016 $'000	27 Dec 2015 $'000
Geographical sales		
Australia	34,382	32,376
New Zealand	6,610	6,532
Asia	658	82
Total geographical sales	41,650	38,990

3. Dividends paid and proposed

	25 Dec 2016 $'000	27 Dec 2015 $'000
Dividends paid on ordinary shares during the half year		
Final fully franked dividend for FY2016: 1.95 cents (FY2015: 1.80 cents)	2,657	2,453
Dividends declared on ordinary shares – unrecognised amounts		
Interim fully franked dividend for FY2016: 1.15 cents (FY2015 1.0 cents)	1,567	1,363

4. 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 25 December 2016 was a liability of $60 thousand (26 June 2016: liability of $358 thousand).

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

5. Contingent liability

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 abovementioned legal proceedings can be made.

6. 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 half year (26 weeks) ended 25 December 2016 the Company will pay an interim fully franked dividend of 1.15 cents per ordinary share, payable to shareholders on 24 March 2017, with a record date of 1 March 2017.