



22 February 2013

ASX ANNOUNCEMENT

Half year results – Pental on track to meet Prospectus forecast

Pental Limited (formerly Symex Holdings Limited) (**Pental** or **Company**, **ASX code: PTL**) today released its Financial Report for the Half Year ending 31 December 2012. The Directors are pleased with the performance of the Group for the half-year ended, and advise that the Group is on track to meet its Prospectus forecast for its Consumer Products business of \$10 million EBITDA.

Significant achievements in business turnaround strategy

On 2 November 2012, the Company announced details of its business turnaround strategy and capital raising. Since the announcement the Company has:

- successfully completed its equity raising and raised a net \$17.545 million;
- executed a new three year banking facility with the ANZ that expires on 31 October 2015;
- commenced the closure of the loss making Specialty Chemicals business (shown as discontinued operations in the half-year report), which will be closed by 15 March 2013;
- continued to restore the profitability of the Consumer Products business (continuing operations) which achieved an underlying EBIT of \$3.052 million, 13.8% above last year;
- minimised the Specialty Chemicals business loss (discontinued operations) to an EBIT loss before significant items (closure costs) of \$0.227 million during a period of uncertainty and the continued deterioration of the export market leading up to the closure announcement; and
- is on target with its debt reduction program, with borrowings decreasing \$15.944 million in the half-year (comprising \$5.944 million in repayments and debt forgiveness of \$10.000 million).

The consolidated net profit after tax for the six months ended 31 December 2012 was \$0.247 million (2011 loss of \$20.627 million).

Excluding the impact of the “discontinued operations”, the “continuing operations” (being the Consumer Products business) consolidated Net Loss before Tax (“NLBT”) was \$0.877 million (2011: NLBT \$12.616 million), which included \$1.035 million of one off/significant items.

The “continuing operations” consolidated underlying Net Profit before Tax was \$0.158 million (2011: NLBT \$1.112 million). The difference between the reported “continuing operations” NLBT and the underlying Net Profit before Tax is shown in the table ⁽¹⁾ below:

	\$'000 ⁽¹⁾
Underlying Net Profit Before Tax - Continuing Operations	158
<i>One off/significant items:</i>	
Brand name impairment	(357)
Brand name impairment write back	500
Deferred borrowing costs - written off	(1,178)
Net Loss Before Tax - Continuing Operations	<u>(877)</u>

(1) Unaudited non-IFRS financial table

In the second half of the financial year, the Group will complete the sale of the Port Melbourne site and will be in the process of relocating the bleach plant to Shepparton and relocating its head office in the Melbourne area.

Focus on continued debt reduction

This improved result was impacted by the high level of debt and related interest costs incurred during the restructure of the Group's banking facility and deleveraging of the balance sheet. During the half-year, \$5.944 million in debt was repaid and with the debt forgiveness of \$10.000 million, borrowings decreased from \$64.605 million at 30 June 2012 to \$48.661 million as at 31 December 2012 - gearing (debt/equity) reduced from 144% to 77%. Following the settlement of the sale of the Port Melbourne site on 15 March 2013, borrowings will be further reduced by \$15.750 million to \$32.911 million which will result in a gearing level of 52% based on December 2012 equity. Cash of \$20.451 million at 31 December 2012 will be utilised to pay for the Specialty Chemicals' redundancies and closure costs, fund the relocation and upgrade of the bleach plant and further debt reduction.

Review of Consumer Products business – Continuing Operations

Trading Overview

Trading conditions in the Consumer Products division continue to be challenging with the major chains focusing on driving prices down and introducing a wider range of Private Label Products into the categories that we supply. This strategy by the retailers has placed pressure on the branded suppliers to keep prices down to retain market share.

As a result, the business strategically modified its sales approach to balance profitability with sales growth, and has continued to focus on reducing product costs and its overall cost of doing business. All costs associated with freight, warehousing, raw materials and packaging have been reviewed, and savings identified have started to progressively flow through in the first half. The full benefit of these savings will be recognised in the second half of the year.

Through these initiatives underlying EBIT increased by \$0.370 million to \$3.052 million in the first half, however gross sales were down 3.5%. The decrease in gross sales was due to a strategic decision not to re-tender for certain business and not to participate in all supplier funded half price promotions that returned unacceptable margins to the business. The sales and marketing strategy for the first six months has been to ensure that products returned a profitable contribution and to protect the core product ranges at retailer category reviews.

Raw material costs remained high for the half-year, particularly in relation to core products such as bar soap and bleach. However, this was partly recovered through increasing bar soap prices with the retailers and other costs savings such as packaging. The business has also employed additional resources in the supply chain area, to help execute further cost savings in the supply chain in both Australia and New Zealand.

During the first half, the business focused on developing a number of new products and filling the ideation pipeline. The business now has a two-year pipeline with potential new products to take to market. Some of the new products accepted by the major retailers include:

- New Softly Fabric Softeners
- White King Bleach Stain Lift Wipes
- Private Label 24 pack Fire Lighters
- Private Label Fabric Softeners

Outlook for Consumer Products

While the retail environment remains competitive and margins remain tight, there is a continued growth strategy in place and a strong focus on innovation of existing brands. In addition, further opportunities are expected to continue with Private Label products in most categories that the business supplies, as being an Australian regional manufacturer is highly regarded when dealing with the major retailers.

Based on successful execution of many of the "Profit Delivery Projects" discussed in the 30 June 2012 annual report and the Prospectus dated 2 November 2012, and further costing saving opportunities in the supply chain area, the Consumer Products business is still on plan to achieve its EBITDA forecast of \$10 million for the 12 months ending 30 June 2013.

The business has commenced the relocation of the bleach manufacturing operations from the Port Melbourne site to the Shepparton site. The forecast costs of relocation are being funded from the equity raising and is expected to be completed by August 2013. The relocated bleach facility will enable the business to reduce its overall manufacturing costs by consolidating manufacturing on the one site in Shepparton. Furthermore, it will enable the business to supply previously requested Private Label bleach products in different bottle styles and sizes to the major retailers. The new bleach plant facility will also provide the business with the opportunity to expand into new sales channels.

Review of Specialty Chemicals business – Discontinued Operations

Trading Overview

In the six months to 31 December 2012, the Specialty Chemicals business continued to trade in difficult conditions due to the ongoing volatility of raw material costs outside the control of the business and weakening export markets. Since the announcement of the closure of the Specialty Chemicals business, the key export markets have deteriorated further and the business would have incurred significant unsustainable losses going forward.

The Specialty Chemicals business ceased manufacturing on 1 February 2013 with final distribution of its products expected late February 2013.

Issue of Options

As foreshadowed in Pental's prospectus for its rights issue dated 2 November 2012, Pental is now proposing to offer one free option for every four shares (Offer) held as at 7pm (Melbourne time) on 6 March 2013 (Record Date).

The options are being offered for no consideration and will give Participating Shareholders the opportunity to subscribe for one new share on or before 11 September 2014. The exercise price for each option will be \$0.02. Pental will seek listing of the options on the ASX.

The Offer is being made to Pental shareholders with a registered address in Australia or New Zealand on the Record Date (Participating Shareholder). Please note that if you are a Participating Shareholder you do not need to do anything to receive your free options under the Offer. The options will be automatically issued to you on the Issue Date.

A prospectus in respect of the Offer will be sent to Participating Shareholders shortly.

The indicative timetable for the Offer is set out below.

Announcement and Appendix 3B and Prospectus lodged with ASIC and ASX	22 February 2013
Ex date for and deferred settlement trading of options	28 February 2013
Record Date (7.00 pm Melbourne time)	6 March 2013
Issue Date and dispatch of Prospectus and holding statements	12 March 2013
Expiry Date	11 September 2014

The above dates are indicative only and subject to change. The Company reserves the right, subject to the Corporations Act, ASX Listing Rules and other applicable laws, to vary the dates of the Offer. The Offer does not require the approval of shareholders.

About Pental Limited

Pental is Australia's largest manufacturer of soap, supplying its own brands of Country Life, Natural Selections, Sunlight, Velvet, Knights Castile and Lux Flakes, together with the sale of icon brands such as White King, Janola Jiffy Firelighters, Softly premium wool wash, Huggie fabric softener, Country Homestead wool mix, Sureguard moth and silverfish repellent, Hi Speed iron cleaner and Close Up and Aim toothpastes. More information on Pental is available at: www.pental.com.au