INTERIM REPORT 2018

METHVEN

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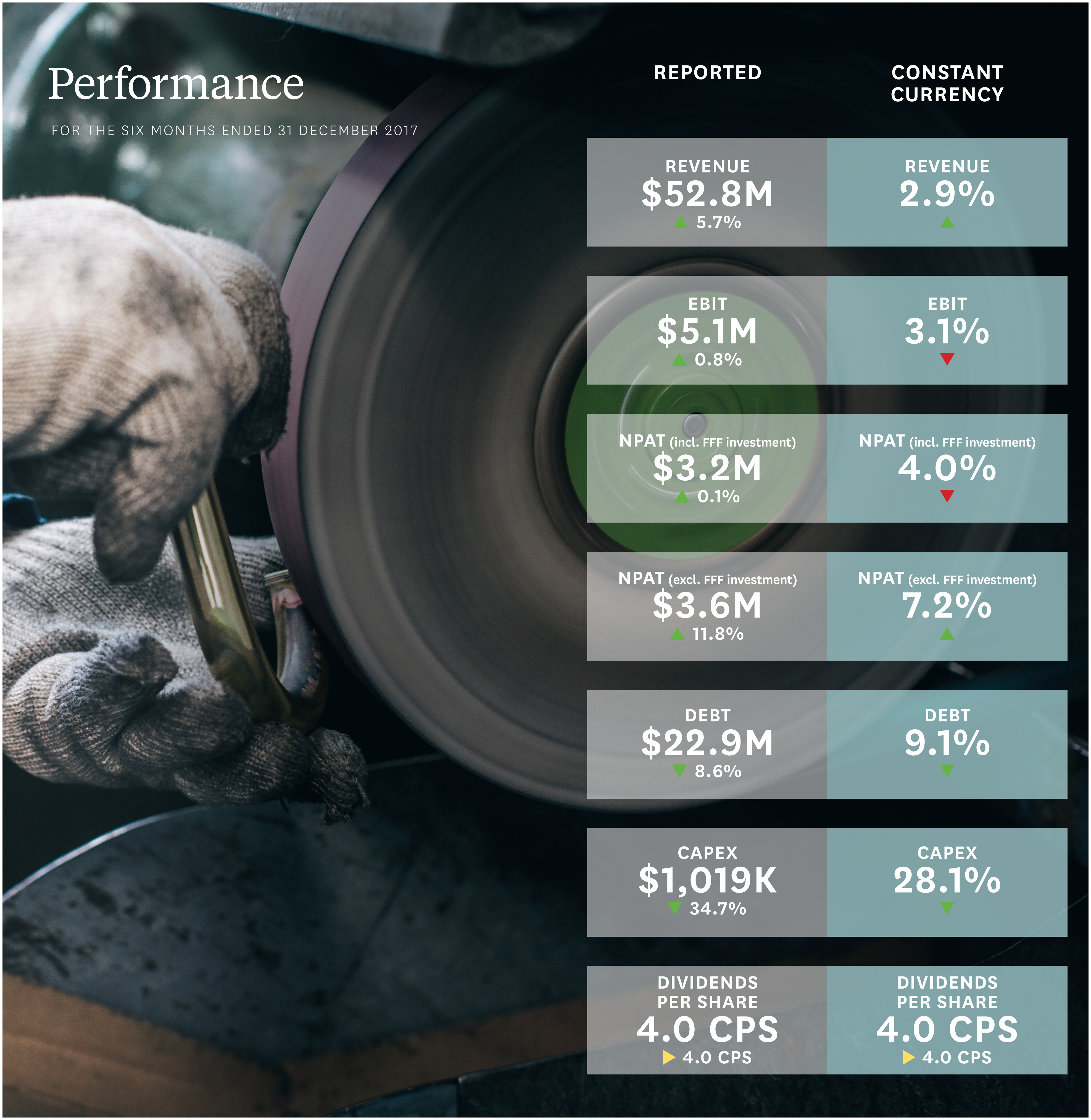


Performance

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

	REPORTED	CONSTANT CURRENCY
REVENUE	$52.8M ▲ 5.7%	2.9% ▲
EBIT	$5.1M ▲ 0.8%	3.1% ▼
NPAT (incl. FFF investment)	$3.2M ▲ 0.1%	4.0% ▼
NPAT (excl. FFF investment)	$3.6M ▲ 11.8%	7.2% ▲
DEBT	$22.9M ▼ 8.6%	9.1% ▼
CAPEX	$1,019K ▼ 34.7%	28.1% ▼
DIVIDENDS PER SHARE	4.0 CPS ▶ 4.0 CPS	4.0 CPS ▶ 4.0 CPS

Results

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

New Zealand tapware underperforms, international sales accelerate, and Fit 4 the Future on track to deliver.

	REPORTED PERFORMANCE 6 months ended December		
NZ $000	**2017 Unaudited**	2016 Unaudited	Variance %
Sales revenue	**52,770**	49,911	5.7%
Earnings before interest and tax[1]	**5,129**	5,090	0.8%
Net profit after tax	**3,198**	3,196	0.1%
NPAT % of sales	**6.1%**	6.4%	-0.3 ppts
Net debt[2]	**22,899**	25,061	-8.6%
Excluding Fit 4 the Future investment			
Net profit after tax	**3,573**	3,196	11.8%
NPAT % of sales	**6.8%**	6.4%	0.4 ppts

	CONSTANT CURRENCY PERFORMANCE 6 months ended December		
NZ $000	**2017 Unaudited**	2016 Restated Unaudited	Variance %
Sales revenue	**52,770**	51,276	2.9%
Earnings before interest and tax[1]	**5,129**	5,295	-3.1%
Net profit after tax	**3,198**	3,332	-4.0%
NPAT % of sales	**6.1%**	6.5%	-0.4 ppts
Net debt[2]	**22,899**	25,202	-9.1%
Excluding Fit 4 the Future investment			
Net profit after tax	**3,573**	3,332	7.2%
NPAT % of sales	**6.8%**	6.5%	0.3 ppts

Consistent with previous reports, commentary focuses on results on a constant currency basis due to significant movement in fx translation rates during the year. Constant currency is the previous year's individual trading entities' performance in their local currency translated into NZ$ at the current year's fx rates (detailed in footnote[3]).

[1] Earnings before interest and tax (EBIT). Refer to the reconciliation of EBIT to the consolidated income statement in note 4 of the interim financial statements.

[2] Refer to the reconciliation of net debt to the consolidated balance sheet in note 9 of the interim financial statements.

[3] Constant currency is the previous year's individual trading entities' performance in their local currency translated into NZ$ at the current year's fx rates. These rates are GBP/NZD 0.5379 (PY 0.5625), AUD/NZD 0.9141 (PY 0.9523) and RMB/NZD 4.7275 (PY 4.8308).

SUMMARY

- Revenue finished the half year at $52.8m, a 5.7% increase on the same period FY17 and a 2.9% increase in constant currency.
- EBIT finished at $5.1m, broadly flat on the same period FY17 and down 3.1% in constant currency.
- NPAT finished at $3.2m, flat with HY17 on a reported basis and down by $134k in constant currency.
- Normalised NPAT (excluding investment in Fit 4 the Future ("FFF")) increased by 11.8% or 7.2% in constant currency.
- Net debt reduced by $2.2m or 8.6%, and cashflow from continuous operations improved by 56% due to improved inventory control and SKU reduction activity supporting organisational simplification.
- Revenue in New Zealand declined by 10.4% as tapware category sales continued to underperform and demand normalised in the Canterbury region. $1.35m of this negative performance occurred in the first quarter, with market tests showing improved results in Q2. We will relaunch our core trade tapware in May and our new tapware range in Q4 FY18/Q1 FY19. In addition, our first significant new technology in tapware innovation in recent years will launch in Q1 FY19. EBIT impact was minimised due to FFF initiatives. Customer-facing investment was maintained.
- International sales accelerated year-on-year, increasing by 10% to $36.8m in this period and international EBIT by 58% to $3.1m. This represents 70% of Group revenue and 61% of Group EBIT, as FFF initiatives ensured that the top-line sales and market share growth flowed through to earnings.
  - Australia recorded revenue and market share growth, with sales up 7.5% (A$1.5m) over the period due to range extensions and contract wins. EBIT improved by 75.9% as we achieved better operating leverage, and margin benefits flowed through.
  - UK revenue grew by 12.6% and EBIT by 15.2% as volume margin benefits flowed and Methven-branded share of total sales increased. Gross margin was negatively impacted by GBP/USD exchange rate over the period, with price increases passed on to the trade in January to offset.
  - Encouraging performance in both USA and China.
- Our business transformation plan Fit 4 The Future has made good progress and is on track to deliver to target. $516k in one-off costs was invested in the programme over this period.
- The Directors declared a 4.0 cents per share dividend payable on 29 March 2018. No imputation credits will be attributable for this period.
- Guidance for the year ending 30 June 2018 is maintained.

Overview

FIX, TRANSFORM AND GROW

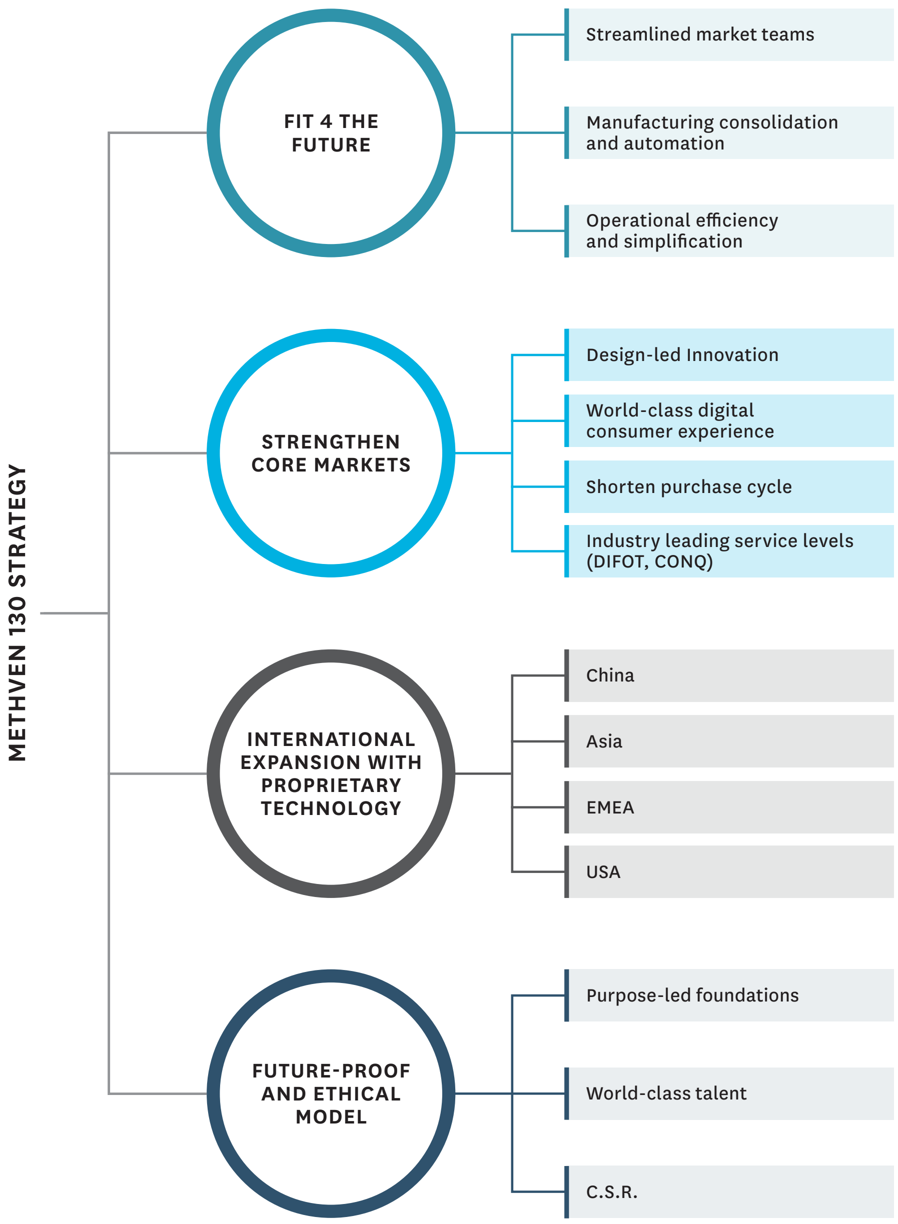
At the Annual Shareholder Meeting, we set out our plan to fix the issues that caused our underperformance in FY17, transform our core operations through delivery of expected benefits of our two-year FFF plan, and then to significantly grow the business internationally by better leveraging our proprietary technology.

Fix
Our performance in New Zealand was negatively impacted by 1: Underperformance in tapware, and 2: Normalisation of demand in the Canterbury region. Resolving tapware underperformance remains our absolute focus, with pricing and ranging activity that is underway showing encouraging results. From 2014-2017, we focused innovation and technology development on showering, with good results and great technology delivered, but now our focus turns to tapware. We will launch our new tapware range in Q4 FY18/ Q1 FY19, and also launch our first significant new technology in tapware in recent years in Q1 FY19. Normalisation of demand in Canterbury affected the business throughout H2 FY 2017. This year-on-year impact will annualise in line with the previous year in February, and is not expected to have further impact.

Transform
Our FFF plan is targeted to deliver a 300 bps (3%) improvement in margin, reduce fixed costs by $3m per year (to be re-invested in international brand building), and to reduce the revenue needed to break even by $1m per month. In this period, we have seen strong progress on all elements of the plan, with the streamlining of market teams completed, in-sourcing into our own factories underway, SKU reduction on track, and new systems and process integration delivering organisational efficiency and freeing up cash.
The FFF plan is on track to deliver to our expectations.

Grow
We recognise that we will only realise the true potential of the organisation with a transformed and simplified operating structure supporting a far bigger international business leveraging our proprietary technology. To that end, it is very encouraging that international sales grew by 10% in this period with a strong performance evidenced in both Australia and UK. We have seen promising results in South East Asia and USA which are starting to show that they can deliver long-term profitable growth. We have two models under test – a disruptive digital model in the USA, and a more traditional model in Asia. Both models are showing promise, and we look forward to sharing the outcomes of these trials in the future. Our new breakthrough range of showers, taps and accessories will launch in late Q4 and has already been well received in early trade presentations and most importantly, consumer focus groups.

Strategy



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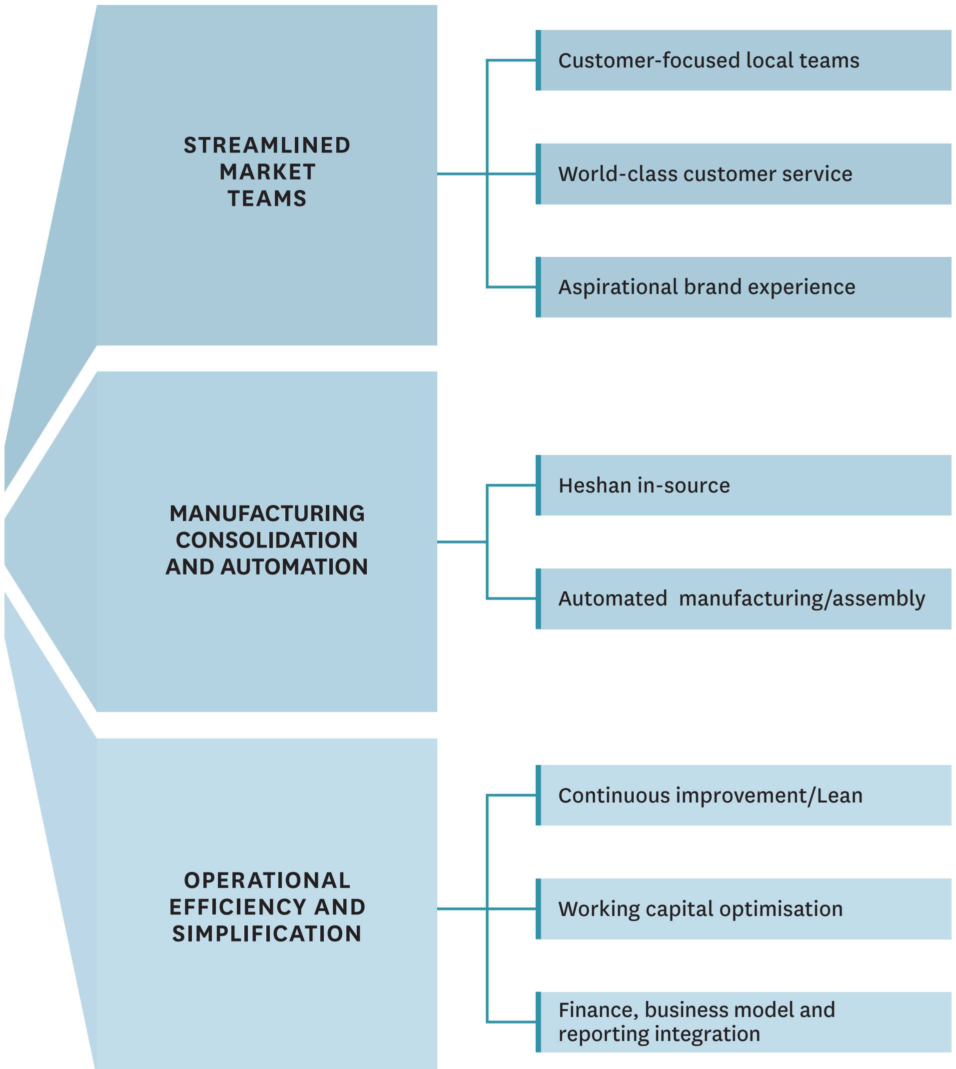
We retain our target to increase sales to $130m by June 2020 (constant currency), and to improve NPAT ratio to sales towards our 10% goal. Breaking this down, we aim to grow core market sales to $117m over the period (core markets being NZ, Australia and UK). Outside these markets, we are targeting international sales of $13m. Sales of proprietary technology in showering, and our international business model, will drive margin expansion.

Fit 4 the Future



Fit 4 the Future is an investment in the business to transform our operating model and to create a strong platform for future growth. The goal of this transformation is targeted to:

- deliver a 300 bps (3%) improvement in gross margin;
- deliver a 10% reduction in fixed costs for re-investment in international growth.
- decrease the sales required to break-even by $1m per month.

Good progress has been made in H1 FY18, with 52% profitability and 39% of efficiency projects in execution or completed (at 25% time gone).

To achieve these future benefits, the business has invested $0.5m year to date.

OUR GOALS IN FY18

STREAMLINED MARKET TEAMS

Streamlining of New Zealand and Australian market teams has been completed. Core shared services will free up local market teams to focus on sales and marketing activation to support their customers' needs. Methven Heshan labour utilisation has been optimised to lower our factory break-even point.

MANUFACTURING CONSOLIDATION AND AUTOMATION

Progress of our manufacturing and in-sourcing strategy is performing as planned, with three phases currently underway. Phase 1 benefits remain in line with our expectations, with delivery of these key volume lines scheduled in July 2018.

OPERATIONAL EFFICIENCY AND SIMPLIFICATION

A number of initiatives are underway to simplify the underlying business, free up cash, and reduce complexity to enable the business to scale profitably. Continuous improvement projects have delivered anticipated operational cost savings, while we have reduced our active SKUs by over 900 (ahead of target by 16%). In addition, by automating intercompany transactions and consolidation, we will be better placed to manage more market risks centrally and at the same time, enhance our forecasting accuracy. Further projects to simplify warehousing processes and improve business systems add to efficiency gains being experienced.

Business Review

Our Goals in FY18

Profitable growth in New Zealand and Australia	Achieved Australia, Not achieved NZ
Double digit growth in UK	Achieved H1 , margins impacted by GBP
Fit 4 the Future – fixed cost savings realised	Good progress on cost savings
Fit 4 the Future – manufacturing in-source delivering margin improvement	First products showing margin Improvements
Tapware innovation launched in Australia and New Zealand	Due to launch late Q4 FY18
Heshan utilisation and productivity increase	Productivity improvements
Improvement in Group NPAT % to sales	Flat year-on-year

More detailed updates on progress are contained in each market/trading segment.

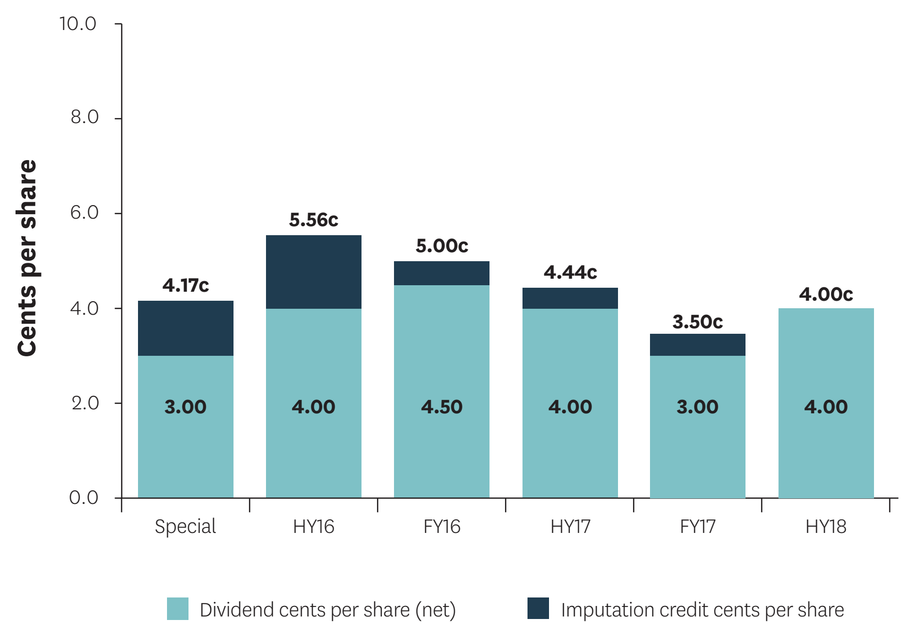
Dividend & Guidance

NET DEBT AND CASHFLOW

Net debt decreased by $2.2m or 8.6%, with free cashflow from continuous operations improved by 56%.

INTERIM DIVIDEND

The Directors have declared an interim dividend of 4.0 cents per share to be paid on 29 March 2018. No imputation credits will be attributable for this period.



GUIDANCE FOR THE FULL YEAR TO 30 JUNE 2018

Guidance for the full year to 30 June 2018 is maintained.

Market Review

NEW ZEALAND

NZ $000	2017 Unaudited	2016 Unaudited	Variance %
	6 months ended December		
Sales revenue	**15,943**	17,802	-10.4%
EBIT	**2,292**	2,239	2.4%
EBIT % of revenue	**14.4%**	12.6%	1.8 ppts

Our Goals in FY18

Revenue growth in New Zealand	**Revenue -10%**
Fit 4 the Future fixed cost savings realised	**Fixed costs reduced by $330k**
Fit 4 the Future – manufacturing in-source delivering margin improvement	**Margin improved by 1.9 ppts**
Tapware revenue growth	**Not achieved**
SKU reduction supporting simplification	**SKU count reduced by 29%**

Revenue growth in New Zealand

- Sales revenue decreased by 10% to $15.9m (c. $1.35m of this decline occurred in Q1). Approximately 40% of the decline was the impact of the Canterbury region returning to pre-quake levels, and the remainder being ongoing underperformance of tapware as reported at the Annual Shareholder Meeting.
- Pricing and proposition tests are ongoing and showing promise, however the tapware technology required to materially shift our performance will only land in late Q4 FY18/Q1 FY19.

Fit 4 the Future fixed cost savings realised

- Fit 4 the Future operational efficiency projects delivering fixed cost savings of $330k.

Fit 4 the Future – manufacturing in-source delivering margin improvement

- Margin improved by 190 bps (1.9%) over the half, with further benefits expected from in-sourcing activity.

Tapware revenue growth

- As reported at the Annual Shareholder Meeting, tapware sales have continued to underperform in the New Zealand market. We have undertaken pricing and proposition tests, and will be rolling these out in late Q4, however the focus is on delivering technology that differentiates us from our competitors. We expect to launch new tapware technology in late Q4 FY18/early Q1 FY19, and are planning our most significant tapware launch in late FY19.

SKU reduction supporting simplification

- The SKU reduction project is a key initiative in supporting the simplification of our business and improving cashflow. This project is on track, with over 55% of the overall target achieved at 50% time gone.

AUSTRALIA

AU $000	2017 Unaudited	2016 Unaudited	Variance %
	6 months ended December		
Sales revenue	**21,619**	20,109	7.5%
EBIT	**2,274**	1,293	75.9%
EBIT % of revenue	**10.5%**	6.4%	4.1 ppts

Our Goals in FY18

Revenue and market share growth	**Achieved: Revenue +7.5%**
% EBIT improvement	**EBIT improved by 76%**
Digitisation	**Activity in progress**
Tapware revenue growth	**Double digit growth but below expectations**
SKU reduction supporting simplification	**SKU count reduced by 40%**

Revenue and market share growth

- Revenue and market share growth achieved. Revenue +7.5% year-on-year through significant contract wins with a major customer.
- Positive full year outlook for top-line performance, with a number of new products contracted for distribution in H2.

% EBIT improvement

- EBIT improved by 76% as we achieved better operating leverage (by streamlining local teams), and margin benefits flowed through. In addition, one-off factors from the prior year did not repeat. Projects in Operations and Supply Chain delivered cost savings and service improvements.
- EBIT % of revenue of 10.5% is encouraging.

Digitisation

- Specification website launched, making it easier to specify Methven in the Australian market.
- $1 handset trial and a new business-to-business website to be rolled out in H2.

Tapware revenue growth

- Double digit growth in tapware sales through increased ranging with major customers, however still not at the planned level.
- Ranging for new breakthrough shower and tapware secured for late H2.

SKU reduction supporting simplification

- SKU reduction of 40% to date will continue to support simplified operations and deliver better inventory and working capital turns.

UNITED KINGDOM

GB £000	2017 Unaudited	2016 Unaudited	Variance %
	6 months ended December		
Sales revenue	**6,662**	5,919	12.6%
EBIT	**304**	264	15.2%
EBIT % of revenue	**4.6%**	4.5%	0.1 ppts

Our Goals in FY18

Double digit growth in UK	**Achieved 10% excluding international sales**
Tapware market share growth	**On track**
Digitisation	**Specification site, £1 handset trial launched**
Category captaincy	**Appointed category captain by major partner**
Improved EBIT to sales ratio	**Good progress**

Double digit growth in UK

- UK growth +10% (excluding international) through new distribution in B2C and B2B, in addition to securing new specification contracts with existing customer base. International pipeline growing, and digital launch in USA in Q2 has delivered above expectations, with distribution in place to deliver growth in the second half.

Tapware market share growth

- Tapware value growth +4% ahead of the market. New contract wins expected to accelerate this performance in H2.

Digitisation

- Dedicated Specification site launched in November 2017 to service the Architect and Design community to create specifications. Handset test initiative to trial Methven shower technology for £1 underway.

Category captaincy

- Appointed category captains with a major partner, driving category merchandising, promotion planning and analytical reporting.

Improved EBIT to sales ratio

- EBIT sales ratio increased to 4.6% from 4.5%, sales growth +12.6%, and EBIT at +15.2%, though held back by GBP/USD rates during this period. Price increase passed to the trade in January to offset impact of GBP devaluation.

CHINA

NZ $000	2017 Unaudited	2016 Unaudited	Variance %
	6 months ended December		
Sales revenue	**507**	81	525.9%
EBIT	**3**	(89)	-103.4%
EBIT % of revenue	**0.6%**	-109.9%	110.5 ppts

Our Goals in FY18

30 – 40 high quality distributors China	**22 distributors now operational - 30 agreed**
Business model Proof of Concept - Revenue	**First distributor on track for RMB 750k – 1m pa**
Business model Proof of Concept – EBIT	**Break-even achieved in H1**
New market launch in SEA	**New markets launched Singapore & Malaysia**

30 – 40 high quality distributors China

- We have now signed up 30 good quality distributors in the China market, with 22 open and 8 under refurbishment. We are in final negotiations with a number of additional distributors that will significantly enhance our brand presence in China.

Business model Proof of Concept - Revenue

- Our business model assumes that we can deliver between RMB500k - 1m (NZD100-200k) per distributor per year. In this period, our first distributor delivered sales of RMB500k through one site.

Business model Proof of Concept – EBIT

- Very encouraging that we have been able to break even in this half. Business model assumptions assume break-even Year 1 and 10% EBIT Year 2 (June 2019).

New market launch in SEA

- In July, we signed a new distribution agreement with our new partner Ipmuda in Malaysia, and followed this up with three additional partners in Singapore. Progress is encouraging.
- Working with NZTE through the IGF grant to secure new distribution partners in 3-4 South East Asian markets.

GROUP OPERATIONS (Including NZ and China Manufacturing)

	6 months ended December		
NZ $000	**2017 Unaudited**	2016 Unaudited	Variance %
Sales revenue - internal & external customers	**12,275**	15,424	-20.4%
EBIT	**(230)**	1,177	-119.5%
EBIT % of revenue	**-1.9%**	7.6%	-9.5 ppts

- Segment includes all group functions and both manufacturing sites.
- Performance negatively impacted by year-on-year change in NZ market inventory and performance of tapware (in NZ) impacting factory throughput.
- NZ market inventory levels decreased during the current period by $0.5m verses an increase during prior comparative year of $2.7m, which affected year-on-year factory recoveries. These are forecast to recover in H2.

Financial Statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

The Directors have pleasure in presenting the interim financial statements of Methven Limited, set out on pages 18 to 27, for the six months ended 31 December 2017. The Directors authorised these financial statements for issue on 1 March 2018.

Alison Barrass
Chair

Richard Cutfield
Chair of the Audit, Compliance and Risk Management Committee

Consolidated income statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

NZ $000	Notes	**6 months ended 31 Dec 17 Unaudited**	6 months ended 31 Dec 16 Unaudited
Sales revenue	4	**52,770**	49,911
Cost of sales		**(31,058)**	(28,149)
Gross profit		**21,712**	21,762
Other income		**393**	259
Expenses			
Research, design and engineering		**(1,243)**	(1,146)
Sales, distribution, marketing and brand development		**(10,755)**	(11,128)
Administration and other expenses		**(4,978)**	(4,657)
Finance costs		**(649)**	(623)
Profit before income tax		**4,480**	4,467
Income tax expense		**(1,282)**	(1,271)
Net profit attributable to shareholders	4	**3,198**	3,196
Earnings per share for profit attributable to the shareholders:			
Basic earnings per share (cents)		**4.5**	4.5
Diluted earnings per share (cents)		**4.5**	4.5

The above consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated statement of comprehensive income

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

NZ $000	**6 months ended 31 Dec 17 Unaudited**	6 months ended 31 Dec 16 Unaudited
Net Profit for the period	**3,198**	3,196
Items that may be reclassified subsequently to profit or loss		
Movement in foreign currency translation reserve	**2,474**	(1,713)
Movement in cashflow hedge reserve	**81**	504
Income tax relating to items that may be reclassified	**(25)**	(160)
Total items that may be reclassified subsequently to profit or loss	**2,530**	(1,369)
Other comprehensive income/(loss) for the period net of tax	**2,530**	(1,369)
Total comprehensive income for the period attributable to the shareholders	**5,728**	1,827

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated statement of financial position

AS AT 31 DECEMBER 2017

NZ $000	As at 31 Dec 17 Unaudited	As at 31 Dec 16 Unaudited	As at 30 Jun 17 Audited
Assets			
Current assets			
Cash and cash equivalents	**6,175**	3,970	3,624
Trade receivables	**14,190**	13,676	16,274
Inventories	**23,348**	25,376	23,264
Derivative financial instruments	**97**	1,328	109
Income tax receivable	**791**	465	651
Prepayments and other assets	**2,289**	2,366	1,729
Total current assets	**46,890**	47,181	45,651
Non-current assets			
Property, plant and equipment	**9,110**	9,692	9,449
Deferred tax assets	**2,373**	2,806	2,585
Intangible assets	**38,382**	37,110	36,894
Derivative financial instruments	**-**	-	5
Total non-current assets	**49,865**	49,608	48,933
Total assets	**96,755**	96,789	94,584
Liabilities			
Current liabilities			
Trade creditors	**9,151**	13,504	8,866
Interest bearing liabilities	**81**	92	158
Derivative financial instruments	**786**	181	776
Income tax payable	**334**	204	39
Provisions	**507**	392	545
Other creditors and accruals	**4,279**	3,423	4,194
Employee accruals	**2,073**	1,982	2,524
Total current liabilities	**17,211**	19,778	17,102
Non-current liabilities			
Interest bearing liabilities	**28,993**	28,939	30,592
Derivative financial instruments	**25**	9	8
Non-current employee accruals	**210**	207	200
Total non-current liabilities	**29,228**	29,155	30,800
Total liabilities	**46,439**	48,933	47,902
Net assets	**50,316**	47,856	46,682
Equity			
Share capital	**52,291**	52,291	52,291
Reserves	**(10,090)**	(11,833)	(12,679)
Retained earnings	**8,115**	7,398	7,070
Total equity	**50,316**	47,856	46,682

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

NZ $000 Unaudited	Share capital	Hedge reserve	Share-based payments reserve	Currency translation reserve	Retained earnings	Total equity
Balance at 1 July 2016	52,080	113	197	(10,813)	7,425	49,002
Movement in foreign currency translation reserve	-	-	-	(1,713)	-	(1,713)
Movement in cashflow hedge reserve	-	504	-	-	-	504
Movement in deferred tax on hedge reserve	-	(160)	-	-	-	(160)
Profit for the period	-	-	-	-	3,196	3,196
Total comprehensive income	-	**344**	**-**	**(1,713)**	**3,196**	**1,827**
Dividends	-	-	-	-	(3,223)	(3,223)
Shares issued	211	-	-	-	-	211
Movement in share-based payments reserve	-	-	39	-	-	39
Balance at 31 December 2016	**52,291**	**457**	**236**	**(12,526)**	**7,398**	**47,856**

NZ $000 Audited	Share capital	Hedge reserve	Share-based payments reserve	Currency translation reserve	Retained earnings	Total equity
Balance at 1 July 2016	52,080	113	197	(10,813)	7,425	49,002
Movement in foreign currency translation reserve	-	-	-	(1,653)	-	(1,653)
Movement in cashflow hedge reserve	-	(605)	-	-	-	(605)
Movement in deferred tax on hedge reserve	-	118	-	-	-	118
Profit for the period	-	-	-	-	5,800	5,800
Total comprehensive income	-	**(487)**	**-**	**(1,653)**	**5,800**	**3,660**
Dividends	-	-	-	-	(6,086)	(6,086)
Shares issued	211	-	-	-	(69)	142
Movement in share based payments reserve	-	-	(36)	-	-	(36)
Balance at 30 June 2017	**52,291**	**(374)**	**161**	**(12,466)**	**7,070**	**46,682**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity (continued)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

NZ $000 Unaudited	Share capital	Hedge reserve	Share-based payments reserve	Currency translation reserve	Retained earnings	Total equity
Balance at 1 July 2017	52,291	(374)	161	(12,466)	7,070	46,682
Movement in foreign currency translation reserve	-	-	-	2,474	-	2,474
Movement in cashflow hedge reserve	-	81	-	-	-	81
Movement in deferred tax on hedge reserve	-	(25)	-	-	-	(25)
Profit for the period	-	-	-	-	3,198	3,198
Total comprehensive income	-	**56**	-	**2,474**	**3,198**	**5,728**
Dividends	-	-	-	-	(2,153)	(2,153)
Shares issued	-	-	-	-	-	-
Movement in share-based payments reserve	-	-	59	-	-	59
Balance at 31 December 2017	**52,291**	**(318)**	**220**	**(9,992)**	**8,115**	**50,316**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated cashflow statement

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

NZ $000	Notes	6 months ended 31 Dec 17 Unaudited	6 months ended 31 Dec 16 Unaudited
Cashflows from operating activities			
Receipts from customers		**55,434**	53,810
Government grants		**313**	280
Payments to suppliers		**(34,682)**	(38,896)
Payments to employees		**(12,065)**	(11,882)
		9,000	3,312
Interest paid		**(647)**	(637)
Income taxes paid		**(859)**	(1,384)
Net cash inflow from operating activities	5	**7,494**	1,291
Cashflows from investing activities			
Payments for property, plant and equipment, patents, trademarks and software		**(1,019)**	(1,560)
Proceeds from sale of property, plant and equipment		**-**	88
Net cash outflow from investing activities		**(1,019)**	(1,472)
Cashflows from financing activities			
Issue of ordinary shares		**-**	190
Proceeds from/(repayments of) borrowings		**(1,938)**	4,991
Dividends paid		**(2,153)**	(3,223)
Net cash (outflow)/inflow from financing activities		**(4,091)**	1,958
Net increase in cash and cash equivalents		**2,384**	1,777
Cash and cash equivalents at the beginning of the period		**3,624**	2,240
Foreign currency translation adjustment		**167**	(47)
Cash and cash equivalents at the end of the period		**6,175**	3,970

The above consolidated cashflow statement should be read in conjunction with the accompanying notes.

Notes to the financial statements

FOR THE SIX MONTHS ENDED 31 DECEMBER 2017

1 GENERAL INFORMATION

Methven Limited (the "Company") and its subsidiaries (together "Methven" or the "Group") designs, manufactures and supplies showerware, tapware and water control valves.

The Group's operating revenues are broadly evenly split between the two half years. Seasonality exists only in the Group's assets and liabilities between December and June and therefore we have presented the Group's Balance Sheet as at 31 December 2016 as an additional comparative.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 41 Jomac Place, Avondale, Auckland.

These financial statements have been approved for issue by the Board of Directors on 1 March 2018. The directors do not have the power to amend these financial statements after issuance.

2 BASIS OF PREPARATION

These interim financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP), IAS 34 and NZ IAS 34 Interim Financial Reporting as applicable for profit-oriented entities.

The interim financial statements should be read in conjunction with the Annual Report for the year ended 30 June 2017 and NZX announcements made by Methven Limited during the interim reporting period.

3 ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Group in these interim financial statements are the same as those applied by the Group in its consolidated financial statements for the year ended 30 June 2017 and the comparative interim reporting period.

4 SEGMENT INFORMATION

(a) Description of segments

The Group operates in one industry segment, being the design and supply of showerware, tapware and domestic water control valves.

The Group's strategic steering committee, consisting of the chief executive officer, the chief financial officer and executive management, examines the Group's performance from a geographic perspective and has identified four reportable segments of its business:

Group Operations

The Group Operations are the global base for:

- Supply chain services with products sourced by Group Operations on behalf of the other segments,
- Research and development leading to new design, technology and Intellectual Property,
- Marketing and brand development activity,
- Manufacturing operations including locations in New Zealand and China, and
- Strategic and management support, IT and corporate services.

New Zealand

Comprises sales and marketing operations in New Zealand supplying showerware, tapware and domestic water control valves.

4 SEGMENT INFORMATION (CONTINUED)

Australia

Comprises sales and marketing operations in Australia supplying showerware, tapware and domestic water control valves.

United Kingdom

Comprises sales and marketing operations in the United Kingdom, the European Union and the Middle East, supplying showerware, tapware and domestic water control valves.

Once a reportable segment becomes material and enhances the evaluation of business activities in the Group, the segment will be reported separately. Profit is before inter-segmental dividends as this is the way it is viewed by the strategic steering committee.

Six months ended 31 December 2017 Unaudited NZ $000	New Zealand	Australia	UK	Group Operations	Inter-segment eliminations/ unallocated and Other	**Total**
Sales revenue from external trade customers	15,943	23,650	12,385	285	507	**52,770**
Sales revenue from internal customers	-	96	8	11,990	(12,094)	**-**
Total sales revenue	15,943	23,746	12,393	12,275	(11,587)	**52,770**
Earnings before interest and tax	2,292	2,488	565	(230)	14	**5,129**
Interest expenses	-	(129)	(292)	(228)	-	**(649)**
Net profit/(loss) before income tax	2,292	2,359	273	(458)	14	**4,480**
Income tax (expense) / credit	(629)	(710)	(52)	110	(1)	**(1,282)**
Net profit/(loss) for the period	1,663	1,649	221	(348)	13	**3,198**

Six months ended 31 December 2016 Unaudited NZ $000	New Zealand	Australia	UK	Group Operations	Inter-segment eliminations/ unallocated and Other	**Total**
Sales revenue from external trade customers	17,802	21,117	10,522	390	80	**49,911**
Sales revenue from internal customers	-	120	-	15,034	(15,154)	**-**
Total sales revenue	17,802	21,237	10,522	15,424	(15,074)	**49,911**
Earnings before interest and tax	2,239	1,355	470	1,177	(151)	**5,090**
Interest received/(paid)	-	(127)	(303)	(193)	-	**(623)**
Net profit before income tax	2,239	1,228	167	984	(151)	**4,467**
Income tax (expense) / credit	(626)	(370)	(30)	(276)	31	**(1,271)**
Net profit/(loss) for the period	1,613	858	137	708	(120)	**3,196**

5 RECONCILIATION OF PROFIT AFTER INCOME TAX TO NET CASH INFLOW FROM OPERATING ACTIVITIES

NZ $000	**6 months ended 31 Dec 17 Unaudited**	6 months ended 31 Dec 16 Unaudited
Profit for the period	**3,198**	3,196
Depreciation	**1,198**	1,135
Amortisation of intangible assets	**480**	618
Share options expensed	**59**	39
Impacts of changes in working capital items		
Trade receivables	**2,589**	3,924
Inventories	**806**	(7,143)
Prepayments and other assets	**(428)**	(934)
Trade creditors	**(249)**	2,891
Employee accruals	**(506)**	(812)
Provisions and other creditors and accruals	**(77)**	(1,510)
Tax receivable/(payable)	**161**	(245)
Deferred income tax	**263**	132
Net cash inflow from operating activities	**7,494**	1,291

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6 FAIR VALUE MEASUREMENT

The carrying value of all balance sheet financial instruments approximates their fair value. Derivatives are carried at fair value. Receivables and payables are short term in nature and therefore approximate to their fair value. Interest bearing bank deposits and bank finance facilities re-price every 1 to 90 days and are therefore approximate to their fair value.

The Group's hedging derivatives, being interest rate swaps and forward exchange contracts, are over-the-counter derivatives and are classified as tier 2 financial instruments under NZIFRS 7, meaning that their fair value is estimated using present value and other valuation techniques based on observable market rates.

7 EVENTS OCCURRING AFTER THE REPORTING PERIOD

The following events have occurred subsequent to the half year end:

- The Board of Directors resolved to pay an interim dividend of 4.0 cents per share. The dividend will be paid on 29 March 2018 to all shareholders on the Company's register on 16 March 2018.

There have been no other events occurring after balance date which would materially affect the accuracy of these financial statements.

8 CAPITAL COMMITMENTS AND CONTINGENCIES

The Group had $238,000 capital commitments as at 31 December 2017 (June 2017: $Nil; December 2016: $Nil) and no contingent liabilities or assets as at 31 December 2017 (June 2017: $Nil; December 2016: $Nil).

9 NON-GAAP MEASURES

Methven comments on non-GAAP measures to provide data that management uses in assessing the financial position of the Group.

Reconciliation of Net Debt to the consolidated balance sheet

NZ $000	**As at 31 Dec 17 Unaudited**	As at 31 Dec 16 Unaudited	As at 30 Jun 17 Audited
Cash and cash equivalents	**6,175**	3,970	3,624
Finance leases	**(625)**	(806)	(702)
Bank facility loans	**(28,449)**	(28,225)	(30,048)
Net Debt	**(22,899)**	(25,061)	(27,126)

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25	**4**	**37**	**731**	**43**	**41**
kg of landfill	kg CO_2 and greenhouse gases	km travel in the average European car	litres of water	kWh of energy	kg of wood