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APPENDIX 4D

HALF YEAR FINANCIAL REPORT FOR THE HALF YEAR ENDED 29 DECEMBER 2019

Reporting period	**Comparative period**
Half year - 26 weeks	Half year - 26 weeks
(1 July to 29 December 2019)	(2 July to 30 December 2018)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results	**$'000**	**% change increase/ (decrease)**
Revenue from ordinary activities	55,259	15.06%
Profit from ordinary activities after tax attributable to members	1,475	2.57%
Net profit for the period attributable to members	1,475	2.57%

Dividend	**Record Date**	**Payment Date**	**Amount per security**	**Franked amount per security**
Interim dividend – FY2020	2 March 2020	25 March 2020	0.70¢	0.70¢
Interim dividend – FY2019	4 March 2019	27 March 2019	0.70¢	0.70¢

Net tangible assets backing (NTA backing)	**29 December 2019**	**30 December 2018**
Net tangible assets per ordinary security	32.35¢	31.99¢

Other information regarding the accounts

The information contained in this Appendix 4D is based on financial statements, which have been subject to review by Deloitte.

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 29 December 2019.

PENTAL LIMITED

ACN 091 035 353

Financial report
For the half year (26 weeks) ended 29 December 2019

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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 29 December 2019. 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 Non-Executive Independent Chairman	Appointed Non-Executive Director on 29 November 2002 Appointed Chairman on 5 March 2009 Resigned 31 December 2019
Mr John Etherington Non-Executive Independent Director	Appointed Non-Executive Director on 2 April 2013
Mr Jeff Miciulis Non-Executive Independent Director	Appointed Non-Executive Director on 5 March 2019
Mr Mark Hardgrave Non-Executive Independent Director	Appointed Non-Executive Director 1 May 2019 Appointed Chairman on 31 December 2019
Mr Fred Harrison Non-Executive Independent Director	Appointed Non-Executive Director on 28 August 2019
Mr John Rishworth Non-Executive Independent Director	Appointed Non-Executive Director on 8 September 2004 Resigned 28 August 2019

Financial Performance

Net profit after tax for the 26 week period ended 29 December 2019 was $1.475 million (30 Dec 2018: $1.438 million). EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) was up 5% on the previous corresponding period on a like for like basis i.e. excluding the impact of new accounting standard AASB 16 recognised in reported period.

	Dec 19 (i)	**Dec 18 (i)**	**Change**	
	$'000	**$'000**	**$'000**	**%**
Gross Sales	85,288	74,190	11,098	15.0%
Trading terms, promotional rebates & discounts	(30,029)	(26,165)	(3,864)	14.8%
Net Sales Revenue	**55,259**	**48,025**	**7,234**	**15.1%**
EBITDA	**4,169**	**3,716**	**453**	**12.2%**
EBITDA *(excluding impact of AASB 16)* (iv)	**3,900**	**3,716**	**184**	**5.0%**
EBITDA (excluding impact of AASB 16) to net sales	*7.1%*	*7.7%*		*(0.7%)*
EBIT	**2,214**	**2,085**	**129**	**6.2%**
EBIT to net sales	*4.0%*	*4.3%*		*(0.4%)*
Profit after Tax	1,475	1,438	37	2.6%
Basic EPS (cents)	*1.08*	*1.06*		
	Dec 19 (i)	**Jun 19 (i)**		
	$'000	**$'000**		
Working Capital (ii)	**22,956**	23,377	(421)	-1.8%
Net Cash	**1,119**	246	873	354.9%
Gearing (iii)	**Nil**	Nil		

(i) Non-IFRS financial table
(ii) Receivables plus inventory less trade and other payables
(iii) Net debt to equity
(iv) Refer to note 3 to the financial statements

- **Net sales revenue** for the first half was up on the previous corresponding period by $7.234 million or 15.1% comprising:
  - Net sales in the Australian market were up 16.18%, predominantly driven by the 2 additional months (July & August) of trading from Duracell distributorship. Excluding Duracell, sales grew in fabric softeners and toilet sales also stabilised. However, bleach, firelighters and soakers sales saw marginal declines.
  - New Zealand market performed strongly in the first half with net sales revenue up by 10.81% (or 8.36% in New Zealand dollars before conversion to Australian dollars). Whilst manual dishwash category continues to face competition and price compression, sales grew in bleach, cleaners, toilet and fabric softeners.
  - Asia sales were $0.936m for the reported period (prior comparative period: $0.994 million)
- **Trade spend** (trading terms, promotional activities and discounts) at 35.2% of gross sales was in line with last year.
- **Net profit after tax** increased by 2.57% to $1.475 million.
- **Basic earnings per share** of 1.08 cents (Dec 2018: 1.06 cents).
- **Interim fully franked dividend** in line with last year at 0.70 cents.
- **Strong balance sheet** with effectively no debt (cash in excess of financial liabilities) and capacity to fund The Company's strategy of growth through agency agreements, innovation & market expansion
- **Working capital** was down by $0.421m compared to June 2019 due to effective inventory and debtor management.
- **Cash flow from operating activities** was $3.325 million compared to prior comparative period of negative $4.998 million. Cash went up $0.873 million compared to June 2019 balance despite funding $1.771 million of dividend payments in September 2019 and capital expenditure of $1.053 million in the first half. The Group remains effectively debt free as at the reporting date (cash in excess of financial liabilities).

Review of Operations

Domestic Sales (Australia): As disclosed in June 2019, the retail conditions continue to remain tough in non-food perishable categories with aggressive price points from competitors and pressure from increasing share of retailers' own brands on supermarket shelves. Whilst Pental benefitted from launch of its new Huggie range in May 2019, bleach category saw sales declines following strategic review of promotions aimed at improving the margins. Firelighters, soakers and wool wash categories were also challenged by competition with low price point promotions. However, Pental's Jiffy brand firelighters, White King bleach and lemon toilet gel continue to enjoy their number 1 position on shelf.

To offset the retail pressures, Pental continues to invest in developing new products with unique points of difference in line with retailer range reviews. The Group is also focusing on refreshing and modernising the packaging of its products to resonate better with the younger generation. In addition, Pental successfully launched 3 new innovative dishwashing liquids range in IGA.

On a like for like basis i.e. excluding the trade for July 2019 and August 2019 periods, Duracell performed strongly compared to the same four months as last year i.e. for September to December period, resulting in a 20.31% growth driven by a strong Christmas season execution coupled with expansion in additional retailers (Target & Coles Express).

With the proven success of its distributor partnerships with Unilever and Berkshire Hathaway, Pental is continuing to explore other agency opportunities where the Group can leverage its existing distribution channels as a competitive advantage.

Export Sales: New Zealand remains a very successful market for Pental even though the heavy discounting remains prevalent in the marketplace especially in manual dishwash category.

Expansion into Asia has been slow for the first half of the year with sales marginally down on last year. However, Pental has recently commenced a partnership with The Export Group to target and execute an aggressive growth in the following 12 months. The Export Group have a significant presence in various regions of Asia and will be instrumental in executing Pental's brand communication plans as well as managing its distribution network. Following the outspread of coronavirus in China, the demand for Pental's bleach-based products has seen healthy uplifts recently due to its efficacy and strong performance against germs.

Manufacturing: The Group invested in a new liquid filling line with in-house sleeving to service its recently ranged Huggie fabric softeners. The new line will also provide the business flexibility and capacity to target other non-bleach based liquids including private label.

Capital Projects: Apart from investing in a new liquid line, the Group also implemented air-conditioned temperature control for its batteries stock holding to guard against fluctuations in Shepparton weather. The Group also invested in upgrading 2 of its bleach tanks to provide longevity against erosion caused by hypochlorite-based products.

Marketing: Pental has continued to focus on value added product development aimed at delivering margin improvement across all core portfolios. This dedication to premiumisation and innovation has led to the development of potential first to market products within the Toilet cleaning, Personal Care and Fire Needs categories for the second half of FY20.

The launch of our Country Life Soap for Tradies was supported by a radio partnership with SEN, a great fit between the stations core audience and our target market. This activation supported the launch of the product in Independent Retailers across Australia.

Video production of White King's Toilet Cleaning NPD was created and presented to major Grocery Channels as part of Pental's commitment to supporting its brands and new product launch plans. Once ranging is confirmed, the videos will appear on free to air televisions and digital platforms nationally from May 2020 onwards.

Stage 2 of Softly's master brand strategy will commence in second half of the financial year. This next step will continue the modernisation of the much-loved master brand to capture younger consumers, stretch the brand into complimentary segments and bolster the innovation pipeline.

Alignment between Pental and Digital on Demand (DOD) will lead to the finalisation of our Core brands' digital strategy. The launch of a new branded website, influencer blogs and social media communication campaigns will go live throughout fourth quarter of this financial year.

Strategy

We have continued with the Business Strategy of:

1. Driving sales growth
2. Developing new products
3. New agency agreements
4. Focusing on export growth through Asia
5. Manufacturing continuous improvement

Dividend

In respect of the half year (26 weeks) ended 29 December 2019 the Company will pay an interim fully franked dividend of 0.70 cents per ordinary share, payable to shareholders on 25 March 2020, with a record date of 2 March 2020.

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 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

M WHardgrave

Mark Hardgrave
Chairman
Melbourne, 24 February 2020

Deloitte.

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

24 February 2020

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 29 December 2019, 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

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 29 December 2019, 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.

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 29 December 2019 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 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 29 December 2019 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
Partner
Chartered Accountants
Melbourne, 24 February 2020

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

M W Hardgrave

Mark Hardgrave
Chairman
Melbourne, 24 February 2020

Condensed consolidated statement of profit or loss and other comprehensive income for the half year ended 29 December 2019

		Consolidated	
		Half year ended	
		29 Dec 2019 $'000	30 Dec 2018 $'000
Revenue before trading terms, promotional rebates and discounts	2	85,288	74,190
Trading terms, promotional rebates and discounts	2	(30,029)	(26,165)
Sales revenue	2	55,259	48,025
Other revenue and income		57	52
Other gains and (losses)		(86)	243
Changes in inventories of finished goods and work in progress		(81)	5,187
Raw materials, consumables used and utilities		(37,059)	(35,739)
Employee benefits expense		(6,641)	(6,149)
Freight and distribution expense		(3,429)	(3,413)
Marketing expense		(993)	(1,397)
Repairs and maintenance expense		(444)	(602)
Selling expense		(605)	(581)
Other expenses		(1,809)	(1,910)
Profit before finance costs, income tax, depreciation and amortisation (EBITDA)		**4,169**	**3,716**
Depreciation and amortisation expense		(1,955)	(1,631)
Profit before finance costs and income tax (EBIT)		**2,214**	**2,085**
Finance costs		(101)	(25)
Profit before income tax		**2,113**	**2,060**
Income tax expense		(638)	(622)
Net profit for the period		**1,475**	**1,438**
Profit Attributable to Members of the Parent Entity		**1,475**	**1,438**
Other comprehensive (loss)/income			
Items that may be reclassified subsequently to profit or loss			
(Loss)/Gain on cash flow hedges taken to equity		(43)	(107)
Income tax relating to other comprehensive income		14	33
Other comprehensive (loss)/income for the period, net of tax		(29)	(74)
Total comprehensive income for the period		**1,446**	**1,364**
Earnings per share			
Basic (cents per share)		1.08	1.06
Diluted (cents per share)		1.08	1.05

Notes to the condensed consolidated financial statements are included on pages 13 to 18.

Condensed consolidated statement of financial position as at 29 December 2019

	Note	Consolidated 29 Dec 2019 $'000	30 June 2019 $'000
Current Assets			
Cash and cash equivalents	6(a)	1,119	246
Trade and other receivables		15,386	17,617
Inventories		22,696	22,777
Other		636	268
Total Current Assets		**39,837**	**40,908**
Non-Current Assets			
Property, plant and equipment		21,976	22,588
Right-of-use assets	3	1,357	-
Other intangible assets	7	12,484	12,501
Total Non-Current Assets		**35,817**	**35,089**
Total Assets		**75,654**	**75,997**
Current Liabilities			
Trade and other payables		15,126	17,017
Current tax payables		206	336
Provisions		2,008	1,961
Lease liabilities	3	526	-
Other financial liabilities	8	678	26
Total Current Liabilities		**18,544**	**19,340**
Non-Current Liabilities			
Deferred tax liabilities		3,217	3,344
Lease liabilities	3	837	-
Provisions		197	129
Total Non-Current Liabilities		**4,251**	**3,473**
Total Liabilities		**22,795**	**22,813**
Net Assets		**52,859**	**53,184**
Equity			
Issued capital		90,658	90,658
Reserves		(47)	(18)
Accumulated losses		(37,752)	(37,456)
Total Equity		**52,859**	**53,184**

Notes to the condensed consolidated financial statements are included on pages 13 to 18.

Condensed consolidated statement of changes in equity for the half year ended 29 December 2019

	Issued capital $'000	Hedging reserve $'000	Equity Settled Employee Benefits Reserve $'000	Accumulated losses $'000	Total $'000
Balance at 1 July 2018	90,658	161	85	(37,197)	53,707
Profit for the period	-	-	-	1,438	1,438
Other comprehensive loss	-	(74)	-	-	(74)
Total comprehensive income/(loss) for the period	-	(74)	-	1,438	1,364
Recognition of share based payments	-	-	50	-	50
Dividend payment	-	-	-	(1,226)	(1,226)
Balance at 30 December 2018	90,658	87	135	(36,985)	53,895
Profit for the period	-	-	-	483	483
Other comprehensive loss	-	(105)	-	-	(105)
Total comprehensive income/(loss) for the period	-	(105)		483	378
Recognition of share based payments	-	-	(135)	-	(135)
Dividend payment	-	-	-	(954)	(954)
Balance at 30 June 2019	90,658	(18)	-	(37,456)	53,184
Profit for the period	-	-	-	1,475	1,475
Other comprehensive loss	-	(29)	-	-	(29)
Total comprehensive income/(loss) for the period	-	(29)	-	1,475	1,446
Dividend payment	-	-	-	(1,771)	(1,771)
Balance at 29 December 2019	90,658	(47)	-	(37,752)	52,859

Notes to the condensed consolidated financial statements are included on pages 13 to 18.

Condensed consolidated statement of cash flows for the half year ended 29 December 2019

		Consolidated	
		Half year ended	
	Note	29 Dec 2019 $'000	30 Dec 2018 $'000
Cash flows from operating activities			
Receipts from customers		64,002	44,157
Payments to suppliers and employees		(59,697)	(48,367)
Interest and other costs of finance paid		(70)	(25)
Interest on lease liabilities		(31)	-
Income tax paid		(879)	(785)
Interest received		-	22
Net cash provided by operating activities	6(b)	3,325	(4,998)
Cash flows from investing activities			
Payment for property, plant and equipment		(1,029)	(1,066)
Payment for other intangible assets		(24)	-
Net cash used in investing activities		(1,053)	(1,066)
Cash flows from financing activities			
Repayment of lease liabilities		(239)	-
Utilisation of supplier payment facility		611	-
Dividends paid		(1,771)	(1,226)
Net cash used in financing activities		(1,399)	(1,226)
Net decrease in cash and cash equivalents		873	(7,290)
Cash and cash equivalents at the beginning of the period		246	7,045
Cash and cash equivalents at the end of the period		**1,119**	**(245)**

Notes to the condensed consolidated financial statements are included on pages 13 to 18.

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. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by Pental Limited during the half-year reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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 29 December 2019 comprised of a 26 week period from 1 July to 29 December 2019 (2018: 26 week period from 2 July to 30 December 2018).

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 2019 annual financial report for the financial year ended 30 June 2019, 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.

In preparation of the financial report, the Group has reclassified certain comparative amounts for purpose of consistency. These reclassifications had no effect on previously reported net profit or cash flows.

Adoption of new and revised Accounting Standards

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

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

- AASB 16 *Leases*

  AASB 16 *Leases* became effective for the Group on 1 July 2019. As a result, the Group changed its related accounting policies resulting in recognition of Right-of-use assets and associated lease liabilities at 1 July 2019. The nature and effect of these changes are disclosed in Note 3.

- AASB 2018-1 *Amendments to Australian Accounting Standards - Annual Improvements 2015 - 2017 Cycle*

  The adoption of this amending Standard did not have any impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements

- Interpretation 23 *Uncertainty over Income Tax Treatments*

  The adoption of this amending Standard did not have any impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements

The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

2. Segment information

The Group's business activities are based in Australia and encompass the manufacturing, marketing and distribution of goods targeted at the household essentials market in Australia, New Zealand and Asia.

The Group is organised into one operating segment, consistent with the centralised nature of its operations in Australia and management reporting provided to the Group's Chief Executive Officer (the chief operating decision maker), which is used to manage the business and allocate resources.

Accordingly, the information provided in this half year report reflects the one operating and reporting segment.

The Group's segment revenue is geographically as follows:

	29 Dec 2019 $'000	30 Dec 2018 $'000
Geographical sales		
Australia	47,740	41,090
New Zealand	6,583	5,941
Asia	936	994
Total geographical sales	55,259	48,025

3. Adoption of AASB 16 leases

The Group has adopted AASB 16 *Leases* from 1 July 2019. AASB 16 replaces existing leases guidance, including AASB 117 *Leases* and related Interpretations. The Group has elected to transition to the new standard using the modified retrospective approach with practical expedients. Under this approach, the group has recognised right-of-use assets and equivalent lease liabilities as at 1 July 2019, with no restatement of comparative information.

(a) Accounting policy for leases

Until the end of the 2019 financial year, leases of warehouses, machinery and office facilities were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on straight-line basis over the period of the lease.

From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability, at the date the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Lease liabilities reflect the net present value of fixed payments, less any lease incentives receivable. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- estimated restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets primarily comprise office equipment such as printers and photocopiers.

In applying AASB 16 for the first time, the Group used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the use of hindsight in determining the lease term where the contract contains options to extend the lease; and
- not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

3. Adoption of AASB 16 leases (continued)

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option. Extension options are only included in the lease term if the lease is reasonably certain to be extended.

Impact of adoption of AASB 16

Lease liabilities recognised at the date of initial application are reconciled as follows:

Lease Liabilities	Total $'000
Operating lease commitments at 30 June 2019	**2,226**
Impact of discounting using the lessees incremental borrowing rate:	(179)
Less: Short term leases and leases of low value assets recognised as operating expenses	(570)
Add: adjustments as a result of extension options	124
Balance at 1 July 2019	**1,601**
Current lease liabilities	529
Non-current liabilities	1,072
Balance at 1 July 2019	**1,601**

The lessee's incremental borrowing rate applied to the lease liabilities on 1 July 2019 was between 3.3% and 4.4%

(b) Movement schedule 1 July 2019 to 29 December 2019

The movement in the lease liability from the date of transition to 29 December 2019 is as follows:

Lease Liabilities	Total $'000
Opening balance on adoption of AASB at 1st July 2019	1,601
Interest incurred	31
Payments on lease liabilities	(269)
Balance at 29 December 2019	**1,363**
Current lease liabilities	526
Non-current liabilities	837
Balance at 29 December 2019	**1,363**

The movement in the right-of-use asset from the date of transition to 29 December 2019 is as follows:

Right-of-use assets	Property $'000	Plant & Equipment $'000	Total $'000
Balance at 1 July 2019	1,152	478	1,630
Additions	-	-	-
Depreciation charge for the year	(187)	(86)	(273)
Balance at 29 December 2019	**965**	**392**	**1,357**

3. Adoption of AASB 16 leases (continued)

(c) Impact on financial performance

The overall earnings impact for the period ended 29 December 2019 arising from the adoption of AASB 16 is:

- An increase in EBITDA of $269 thousand and a corresponding increase in depreciation of $273 thousand. This has resulted in a reduction in EBIT of $4 thousand.
- An increase in interest expense of $31 thousand. In combination with the reduction in EBIT, this has resulted in a reduction in net profit before tax of $35 thousand.

4. Dividends paid and proposed

	29 Dec 2019 $'000	30 Dec 2018 $'000
Dividends paid on ordinary shares during the half year		
Final fully franked dividend for FY2019: 1.3 cents (FY2018: 0.90 cents)	1,771	1,226
Dividends declared on ordinary shares – unrecognised amounts		
Interim fully franked dividend for FY2020: 0.70 cents (FY2019: 0.70 cents)	954	954

5. Fair value measurements

The only financial assets or financial liabilities carried at fair value are foreign currency contracts.

The fair value of the foreign currency contracts at 29 December 2019 was a liability of $67 thousand (30 June 2019: liability of $26 thousand). The movement in this liability net of tax of $27 thousand has been recorded as a comprehensive loss and transferred to the Hedging reserve.

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

6. Cash and cash equivalents

(a) Reconciliation of cash and cash equivalents

For the purposes of the cash flow statement, cash includes balance of overdraft facility, cash on hand and at bank. Cash and cash equivalents at the end of the financial year as shown in the cash flow statement is reconciled to the related items in the statement of financial position as follows:

	29 Dec 2019 $'000	30 Jun 2019 $'000
Cash and bank balances	1,119	1,423
Overdraft facility	-	(1,177)
Net Cash and Cash Equivalents	1,119	246

6. Cash and cash equivalents (continued)

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

	29 Dec 2019 $'000	30 Dec 2018 $'000
Profit for the reported period	1,475	1,438
Depreciation and amortisation expense	1,955	1,631
Provision for equity settled employee benefits reserve	-	50
Changes in net assets and liabilities, net of effects from acquisition of businesses:		
(Increase)/decrease in assets:		
Trade and other receivables	2,231	(9,676)
Inventories	81	(5,187)
Other assets	(368)	(195)
Increase/(decrease) in liabilities:		
Trade and other payables	(1,891)	7,123
Provisions	99	(2)
Current and deferred tax liabilities	(257)	(180)
Net cash from operating activities	**3,325**	**(4,998)**

7. Other intangible assets

	Brand Names at cost $'000	Software at cost $'000	Total $'000
Cost as at 29 December 2019	19,000	2,030	21,030
Accumulated amortisation	-	(1,900)	(1,900)
Accumulated impairment losses	(6,646)	-	(6,646)
Net book value as at 29 December 2019	**12,354**	**130**	**12,484**
Cost as at 30 June 2019	19,000	2,006	21,006
Accumulated amortisation	-	(1,859)	(1,859)
Accumulated impairment losses	(6,646)	-	(6,646)
Net book value as at 30 June 2019	**12,354**	**147**	**12,501**

Indefinite useful life brands

The Group completed a review of impairment indicators as at 29 December 2019.

The results of this assessment identified impairment indicators for:

- White King (carrying value $8.25 million); and
- Little Lucifer (carrying value $0.40 million)

7. Other intangible assets (continued)

No other impairment indicators were identified for the Group's other brand names.

Impairment testing was performed as at 29 December 2019 for White King and Little Lucifer using the 'relief from royalty' method, based on management's best estimate of maintainable revenue. All other assumptions were consistent with those applied and disclosed as at 30 June 2019.

The results of this review highlighted that the recoverable amount for both brands approximate their respective carrying values. The impairment position for both brands is sensitive to achieving performance in line with forecast expectations and the outcome of initiatives aimed at expanding channels to market.

8. Other Financial Liabilities

	29 Dec 2019 $'000	30 Jun 2018 $'000
Foreign currency forward contracts	67	26
Supplier payment facility	611	-
	678	**26**

Th Group implemented a new American Express supplier payment facility during the reported period. As at the reporting date, the facility had a maximum limit of $4.3 million of which $0.611 million was utilised.

9. Subsequent events

- Mr Peter Robinson resigned as Chairman on 31 December 2019
- Mr Mark Hardgrave was appointed as new Chairman on 31 December 2019
- Declaration of the dividend disclosed in note 4

Other than the above disclosures, 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.