Pental Limited
ACN 091 035 353
ABN 29 091 035 353
Level 6, 390 St Kilda Road
Melbourne Victoria 3004
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APPENDIX 4D

HALF YEAR FINANCIAL REPORT FOR THE HALF YEAR ENDED 30 DECEMBER 2018

Reporting period
Half year - 26 weeks
(2 July to 30 December 2018)

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

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results	**$'000**	**% change increase/ (decrease)**
Revenue from ordinary activities	48,025	26.03%
Profit from ordinary activities after tax attributable to members	1,438	20.13%
Net profit for the period attributable to members	1,438	20.13%

Dividend	**Record Date**	**Payment Date**	**Amount per security**	**Franked amount per security**
Interim dividend – FY2019	4 March 2019	27 March 2019	0.70¢	0.70¢
Interim dividend – FY2018	5 March 2018	28 March 2018	0.60¢	0.60¢

Net tangible assets backing (NTA backing)	**30 December 2018**	**31 December 2017**
Net tangible assets per ordinary security	31.99¢	31.93¢

Other information regarding the accounts

The information contained in this Appendix 4D is based on financial statements, which have been subject to review. For additional Appendix 4D disclosures, refer to the accompanying Media Release, Investor presentation, Director's Report and the Financial Report for the half year ended 30 December 2018.

PENTAL LIMITED

ACN 091 035 353

Financial report
For the half year (26 weeks) ended 30 December 2018

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 30 December 2018. 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 Resigned 31 December 2018
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

Financial Performance

EBIT (Earnings Before Interest and Tax) was up 19.6% on the corresponding period last half year. Net profit after tax for the 26 week period ended 30 December 2018 was $1.438 million (31 Dec 2017: $1.197 million).

	Dec 18 (i)	**Dec 17 (i)**	**Change**	
	$'000	**$'000**	**$'000**	**%**
Gross Sales	**74,190**	54,056	20,134	37.2%
Trading terms, promotional rebates & discounts	**(26,165)**	(15,950)	(10,215)	64.0%
Net Sales Revenue	**48,025**	**38,106**	**9,919**	**26.0%**
EBITDA	**3,716**	**3,486**	**230**	**6.6%**
EBITDA to gross sales	*5.0%*	*6.4%*		*(1.40%)*
Depreciation & Amortisation	**(1,631)**	(1,743)	112	*(6.43%)*
EBIT	**2,085**	**1,743**	**342**	**19.6%**
EBIT to gross sales	*2.8%*	*3.2%*		*(0.41%)*
Profit after Tax	**1,438**	1,197	241	20.1%
Basic EPS (cents)	**1.06**	0.88		20.5%
	Dec 18 (i)	**Dec 17 (i)**		
	$'000	**$'000**		
Working Capital (ii)	**21,743**	18,249	3,494	19.1%
Net Cash/(Debt)	**(245)**	1,171	(1,416)	(120.92%)

(i) Non-IFRS financial table
(ii) Receivables plus inventory less trade and other payables

- **Gross sales** for the first half were up on the previous corresponding period by $20.134 million or 37.2% comprising:
    - Gross sales in the Australian market were up 47.80%, predominantly driven by the new Duracell distributorship. Excluding Duracell, sales grew in Firelighters, Cleaners and Fabric Softeners. However, Toilet category saw relentless price pressure from competitors. Personal care sales also dropped in Soaps and Body wash categories mainly due to stabilised discounting and focus on promotions that return a respectable margin along with volume uplifts.
    - New Zealand market sales grew in a number of categories such as Cleaners, Bleach and Toilet, however the ongoing aggressive marketing by competitors in the Dish Wash category, caused gross sales to be 3.1% down (3.9% in New Zealand dollars). To offset these pressures, several new innovative products will be launched over the next 12 months.
    - Asia gross sales were $1m for the reported period (2017: $1.134 million)
- **Trade spend** (trading terms, promotional activities and discounts) at 35.27% of gross sales increased on last year (2017: 29.51%) mainly due to Duracell. Pental inherited existing promotions and rebate structures for Duracell from previous distributor, which is on average higher than Pental's categories. Excluding Duracell, trade spend was largely in line with the previous corresponding period.
- **Net sales** for the first half increased by $9.919 million or 26.03% on the previous corresponding period, and EBIT increased by 19.6% to $2.085 million.
- **Duracell Distributorship** commenced into Australia and New Zealand markets from September 2018. Duracell sales commenced slower than anticipated mainly because of major retailers increasing their stock levels prior to change in distributors to avoid any potential supply issues relating to transition. However, the transition was executed seamlessly and supply chain was operational in a very short period.
- **Staff restructure** undertaken in the second half of financial year 2018 delivered substantial cost savings. Indirect wages were down $0.464 million on last year after absorbing additional Duracell business.
- **Net profit after tax** increased by $0.241 million to $1.438 million.
- **Basic earnings per share** of 1.06 cents (Dec 2017: 0.88 cents).
- **Interim fully franked dividend** increased by 17% to 0.70 cents.
- **Strong balance sheet** with minimal debt and capacity to fund The Company's strategy of growth through agency agreements and innovation.
- **Working capital** was up $7.7m compared to June 2018 mainly due to additional Duracell business. Excluding Duracell, working capital was in line with June 2018.
- **Cash flow from operating activities** was negative $5 million. However, excluding the working capital impact of additional Duracell business, Cash flow from "operating activities" remains healthy.

Review of Operations

Domestic Sales (Australia): The first six months in the domestic consumer goods market has seen the continuation of aggressive price points in all the product categories that Pental competes in. Brand growth is becoming a lot more difficult with the retail market continuing to focus on private label and consumers conditioned to purchase on promotion only. However, Pental participated in a successful campaign of Coles little shop, which performed better than expected and provided White King additional exposure with consumers.

Pental has been very successful in its strategy to add on additional sales agency agreements following on the success with the Unilever International Brand Pears Soap.

Effective the 1st of September 2018 Pental signed a sales agency agreement with Duracell Australia/New Zealand. Pental now supplies Duracell Batteries to the Australian and New Zealand Retailers boosting sales revenue substantially. 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 market place.

Expansion into Asia has been slower than anticipated although it continued at a steady pace with a range of personal care (Country Life and Velvet) and cleaning products (White King and Softly) continue to be successful across China, Vietnam and Thailand. Asia gross sales were $1m for the reported period (2017: $1.134 million). Brand communication plans will be rolled out in the next 12 months to make consumers aware of Australian brands and the quality on offer.

Manufacturing: The Business continues to be focused on waste reduction with both product and energy. Four new boilers have been commissioned resulting in a reduction in energy usage. Implementation of a new trade waste system is in progress to reduce both water and chemical usage.

Capital Projects: The business will be investing capital to increase the measurement and reporting of live plant performance, product waste and yields.

The Group is also evaluating possible investment in a new bottle filling line to achieve effectiveness in both private label and branded growth opportunities.

Marketing: The Group has continued to execute on its 4 Brand Focus in both Australia and New Zealand, upgrading and modernising the packaging designs of the core brands.

90% of Australians aged 14+ say they are more likely to buy products made in Australia up from 80% four years ago. Much of our Branded portfolio now carries the official "Made in Australia" logo, with the aim of increasing this further by the end of FY19. This emphasises the importance continuing our strategy of communicating Pental's Australian made products.

2018 saw the continuation of White King's partnership with the Western Bulldogs. Throughout the 2018 home and away season, White King branding generated $545k worth of media exposure and reached a TV and digital audience of 10M+ viewers.

The Group has continued its focus on the digital strategy supporting the White King brand through targeted online channels capitalising on the power of Influencer Marketing. Social media platforms and standalone websites for the core brands is also being explored.

The Group spent the last 6 months preparing for upcoming Product Range Reviews by major retailers, developing a range of new and exciting products for presentation. The Group has focused on innovation led products with unique selling points to fill white space within the marketplace

Strategy

We have continued with the 3 Year 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

To combat the increase in promotional spend, we have focused on the core brands which include White King/Janola, Softly, Sunlight and Country Life, developing new products for the market as well as enhancing the current product range.

Dividend

In respect of the half year (26 weeks) ended 30 December 2018 the Company will pay an interim fully franked dividend of 0.70 cents per ordinary share, payable to shareholders on 27 March 2019, with a record date of 4 March 2019.

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

Peter Robinson
Chairman
Melbourne, 26 February 2019

Deloitte.

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

26 February 2019

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 30 December 2018, 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 30 December 2018, 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 30 December 2018 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 30 December 2018 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

T Simkin

Travis Simkin
Partner
Chartered Accountants
Melbourne, 26 February 2019

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the Group.

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

On behalf of the Directors

Peter Robinson
Chairman
Melbourne, 26 February 2019

Condensed consolidated statement of profit or loss and other comprehensive income for the half year ended 30 December 2018

	Consolidated	
	Half year ended	
	30 Dec 2018 $'000	31 Dec 2017 $'000
Revenue before trading terms, promotional rebates and discounts	74,190	54,056
Trading terms, promotional rebates and discounts	(26,165)	(15,950)
Sales revenue	48,025	38,106
Other revenue and income	52	65
Other gains and losses	243	(28)
Changes in inventories of finished goods and work in progress	5,187	(820)
Raw materials, consumables used and utilities	(35,739)	(19,746)
Employee benefits expense	(6,149)	(6,645)
Freight and distribution expense	(3,413)	(2,996)
Marketing expense	(1,397)	(1,410)
Repairs and maintenance expense	(602)	(540)
Selling expense	(581)	(556)
Other expenses	(1,910)	(1,944)
Profit before finance costs, income tax, depreciation and amortisation (EBITDA)	**3,716**	**3,486**
Depreciation and amortisation expense	(1,631)	(1,743)
Profit before finance costs and income tax (EBIT)	**2,085**	**1,743**
Finance costs	(25)	(20)
Profit before income tax	**2,060**	**1,723**
Income tax expense	(622)	(526)
Net profit for the period	**1,438**	**1,197**
Profit Attributable to Members of the Parent Entity	**1,438**	**1,197**
Other comprehensive (loss)/income		
Items that may be reclassified subsequently to profit or loss		
(Loss)/Gain on cash flow hedges taken to equity	(107)	203
Income tax (benefit)/expense relating to other comprehensive income	33	(61)
Other comprehensive (loss)/income for the period, net of tax	(74)	142
Total comprehensive income for the period	**1,364**	**1,339**
Earnings per share		
Basic (cents per share)	1.06	0.88
Diluted (cents per share)	1.05	0.86

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

Condensed consolidated statement of financial position as at 30 December 2018

	Note	Consolidated 30 Dec 2018 $'000	Consolidated 1 July 2018 $'000
Current Assets			
Cash and cash equivalents	5(a)	(245)	7,045
Trade and other receivables		28,956	19,280
Inventories		16,157	10,970
Current tax refundable		20	-
Other financial assets		125	231
Other		553	272
Total Current Assets		**45,566**	**37,798**
Non-Current Assets			
Property, plant and equipment		23,186	23,688
Other intangible assets	6	14,665	14,728
Total Non-Current Assets		**37,851**	**38,416**
Total Assets		**83,417**	**76,214**
Current Liabilities			
Trade and other payables		23,370	16,247
Current tax payables		-	48
Provisions		1,809	1,755
Total Current Liabilities		**25,179**	**18,050**
Non-Current Liabilities			
Deferred tax liabilities		4,225	4,357
Provisions		118	100
Total Non-Current Liabilities		**4,343**	**4,457**
Total Liabilities		**29,522**	**22,507**
Net Assets		**53,895**	**53,707**
Equity			
Issued capital		90,658	90,658
Reserves		222	246
Accumulated losses		(36,985)	(37,197)
Total Equity		**53,895**	**53,707**

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 30 December 2018

	Issued capital $'000	Hedging reserve $'000	Equity Settled Employee Benefits Reserve $'000	Accumulated losses $'000	Total $'000
Balance at 02 July 2017	90,658	(127)	108	(5,679)	84,960
Profit for the period	-	-	-	1,197	1,197
Other comprehensive income	-	142	-	-	142
Total comprehensive income for the period	-	142	-	1,197	1,339
Recognition of share based payments	-	-	(52)	-	(52)
Dividend payment	-	-	-	(2,861)	(2,861)
Balance at 31 December 2017	90,658	15	56	(7,343)	83,386
Profit for the period	-	-	-	(29,036)	(29,036)
Other comprehensive income	-	146	-	-	146
Total comprehensive income for the period	-	146	-	(29,036)	(28,890)
Recognition of share based payments	-	-	29	-	29
Dividend payment	-	-	-	(818)	(818)
Balance at 01 July 2018	90,658	161	85	(37,197)	53,707
Profit for the period	-	-	-	1,438	1,438
Other comprehensive income/(loss)	-	(74)	-	-	(74)
Total comprehensive income 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

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 30 December 2018

		Consolidated	
		Half year ended	
	Note	30 Dec 2018 $'000	31 Dec 2017 $'000
Cash flows from operating activities			
Receipts from customers		44,157	45,763
Payments to suppliers and employees		(48,367)	(44,058)
Interest and other costs of finance paid		(25)	(20)
Income tax paid		(785)	(1,516)
Income tax refund received		-	18
Interest received		22	25
Net cash provided by operating activities	5(b)	(4,998)	212
Cash flows from investing activities			
Payment for property, plant and equipment		(1,066)	(7,809)
Payment for other intangible assets		-	(31)
Net cash used in investing activities		(1,066)	(7,840)
Cash flows from financing activities			
Dividends paid		(1,226)	(2,861)
Net cash used in financing activities		(1,226)	(2,861)
Net decrease in cash and cash equivalents		(7,290)	(10,489)
Cash and cash equivalents at the beginning of the period		7,045	11,660
Cash and cash equivalents at the end of the period		**(245)**	**1,171**

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 and should be read in conjunction with the most recent annual financial report.

Basis of preparation

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

The half year ended 30 December 2018 comprised of a 26 week period from 2 July to 30 December 2018 (2017: 26 week period from 3 July to 31 December 2017).

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 2018 annual financial report for the financial year ended 1 July 2018, except for the impact of the adoption of the new and revised accounting policies' discussed below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

Change in comparatives

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

New accounting standards and interpretations

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for the current annual reporting period. New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

(i) AASB 9 Financial Instruments and related amending Standards

The Group has adopted AASB 9 *Financial Instruments* from 2 July 2018 which replaces AASB 139 *Financial Instruments: Recognition and Measurement*.

The impact on the Group from the adoption of AASB 9 is set out below.

Credit losses on trade receivables

The Group has measured expected credit losses, using the lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. A provision matrix is then determined based on the historic credit loss rate for each group, adjusted for any material expected changes to the future credit risk for that group. There has been no material adjustment from the adoption of this expected credit loss model.

Hedge accounting

The Group has applied the AASB 9 hedge accounting requirements prospectively from the date of initial application on 2 July 2018. There has been no change in the Groups transactions that are subject to hedge accounting from the adoption of AASB 9, being foreign currency exchange contracts. Accordingly, there has been no impact on the hedging reserve from the adoption of AASB 9.

(ii) *AASB 15 Revenue from Contracts with Customers*

The Group has adopted AASB 15 Revenue from Contracts with Customers from 2 July 2018, which replaces AASB 118 Revenue.

AASB 15 establishes a single comprehensive model for entities to use to account for revenue arising from contracts with customers. The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration, which the entity expects to be entitled in exchange for those goods, or services. As previously disclosed, the application of AASB 15 did not result in any material changes to the Group's financial statements or require material adjustment to the comparative financial information.

Sale of products

The Group has one revenue stream being the sale of personal care and household cleaning products to retail customers. Sales revenue is recognised at a point in time, when control of the product has transferred to the customer when deliver of the goods is completed in line with the trading terms.

Revenue is measured based on the contracted selling price, trading terms, promotional rebates and discounts. Trading terms, promotional rebates and discounts are deducted from the selling price when revenue is recognised.

Customer credit terms range from 14 day to 60 days, a receivable is recognised when the products are delivered, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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

AASB 16 Leases (effective 1 January 2019) distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. The Group will apply AASB 16 in FY20. At the 30 December 2018, the Group had non-cancellable undiscounted operating leases commitments of $2.319 million. These commitments predominately relate to the lease of office space (corporate office) and leased equipment which will require recognition of right of use assets and associated liabilities. The Group is currently assessing the impact of the new requirements in order to determine the likely impact on the financial report and the transition approach it will adopt.

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 manufacturing 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:

	30 Dec 2018 $'000	31 Dec 2017 $'000
Geographical sales		
Australia	41,090	30,697
New Zealand	5,941	6,297
Asia	994	1,112
Total geographical sales	48,025	38,106

3. Dividends paid and proposed

	30 Dec 2018 $'000	31 Dec 2017 $'000
Dividends paid on ordinary shares during the half year		
Final fully franked dividend for FY2018: 0.90 cents (FY2017: 2.10 cents)	1,226	2,861
Dividends declared on ordinary shares – unrecognised amounts		
Interim fully franked dividend for FY2019: 0.70 cents (FY2018: 0.60 cents)	954	818

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 30 December 2018 was an asset of $125 thousand (1 July 2018: asset of $231 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. 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:

	2018 $'000	2017 $'000
Cash and bank balances	59	7,045
Overdraft facility	(304)	-
Net Cash and Cash Equivalents	(245)	7,045

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

	2018 $'000	2017 $'000
Profit for the reported period	1,438	1,197
Depreciation and amortisation expense	1,631	1,743
Provision for equity settled employee benefits reserve	50	(52)
Changes in net assets and liabilities, net of effects from acquisition of businesses:		
(Increase)/decrease in assets:		
Trade and other receivables	(9,676)	2,400
Inventories	(5,187)	(610)
Other assets	(195)	(361)
Increase/(decrease) in liabilities and reserves:		
Trade and other payables	7,123	(3,371)
Provisions and hedging reserve	(2)	193
Current and deferred tax liabilities	(180)	(745)
Other liabilities	-	(182)
Net cash from operating activities	(4,998)	212

6. Other intangible assets

	Brand Names at cost $'000	Software at cost $'000	Total $'000
Cost as at 30 December 2018	19,000	1,929	20,764
Accumulated amortisation	-	(1,803)	(1,802)
Accumulated impairment losses	(4,461)	-	(4,461)
Net book value as at 30 December 2018	**14,539**	**126**	**14,665**
Cost as at 1 July 2018	19,000	1,929	20,929
Accumulated amortisation	-	(1,740)	(1,740)
Accumulated impairment losses	(4,461)	-	(4,461)
Net book value as at 1 July 2018	**14,539**	**189**	**14,728**

Indefinite useful life brands

Management have determined that all of the Group's brands have indefinite useful lives. These assets have no legal, technical or commercial factors indicating that their useful life should be considered limited. Management intends to continue to promote, maintain and defend the brands to the extent necessary to enhance or maintain their value for the foreseeable future.

Brand names with indefinite useful lives are not amortised and are tested for impairment annually or more frequently if events or changes in circumstances indicate that they might be impaired. Historically, the Group has assessed its brand names for impairment using a 'value-in-use' discounted cash flow model based on forward looking key assumptions that are, by nature, uncertain.

A review of impairment indicators using both internal and external sources of information has been undertaken for the half year ended 30 December 2018, the results of which are discussed below.

Impairment assessment – 30 December 2018

The Group has undertaken a review of impairment indicators and updated its impairment models to allow for the commencement of the Duracell distribution arrangement and current trading performance. The results of this assessment identified impairment indicators for the "Huggie" and "Country Life" brands. No impairment indicators were identified for the Group's other brand names.

Huggie

The recoverable amount for Huggie (carrying value $0.35 million) is sensitive to achieving performance in line with forecast expectations and the outcome of initiatives aimed at expanding channels to market.

The Group recently agreed a new supply arrangement with Woolworths and have plans to reduce input costs through a combination of initiatives associated with production. In combination, these factors are expected to enhance the financial contribution of Huggie in the second half of FY19 and beyond.

If the financial performance of Huggie does not meet forecast expectations, there is a risk of impairment in future periods. For the recoverable amount to reduce to a level that is equal to carrying amount, the following would need to occur in isolation: gross margin reduce by 3.1%, post tax discount rate increase from 10.0% (as used to measure the recoverable amount) to 11.6%.

Assumptions:

- Long term growth rate: 2% (1 July 2018: 2.5%)
- Discount rate: 10% post tax (1 July 2018: 10% post tax)

Country Life

The recoverable amount for Country Life (carrying value $1.87 million) is sensitive to achieving performance in line with forecast expectations and the outcome of initiatives aimed at expanding channels to market.

The Group has recently secured a supply arrangement with Chemist Warehouse which is expected to commence prior to the end of the current financial year. In addition, the Group continues to explore opportunities to export Country Life product into Asia. In combination, these factors are expected to enhance the financial contribution of Country Life in the second half of FY19 and beyond.

Assumptions:

- Long term growth rate: 2% (1 July 2018: 2.5%)
- Discount rate: 10% post tax (1 July 2018: 10% post tax)

7. Subsequent events

Other than the declaration of the dividend disclosed in Note 3, and the resignation of Mel Sutton as a Director of the Company on 31 December 2018 as disclosed in the Directors' Report, 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.