Prestal Holdings Limited
ACN 091 035 353
ABN 29 091 035 353
55 Victoria Street Fitzroy VIC
Tel: (03) 9251 2311
www.prestal.com.au

APPENDIX 4D

HALF YEAR FINANCIAL REPORT FOR THE HALF YEAR ENDED 31 DECEMBER 2023

Reporting period	Comparative period
Half year - 26 weeks	Half year - 26 weeks
(3 July to 31 December 2023)	(27 June to 25 December 2022)

RESULTS FOR ANNOUNCEMENT TO THE MARKET

Results	$'000	% change increase/ (decrease)
Revenue from continuing operations	16,772	(15.70%)
Profit / (loss) after tax from continuing operations attributable to members	(19,925)	(997.52%)
Profit / (loss) after tax from discontinued operations attributable to members	18,892	1561.57%
Net profit / (loss) for the period attributable to members	(1,033)	(130.77%)

Dividend	Record date	Payment date	Amount per security	Franked amount per security
Special dividend – FY2024	4 March 2024	11 March 2024	6.00¢	6.00¢
Interim dividend – FY2023	27 February 2023	22 March 2023	1.30¢	1.30¢

Net tangible assets backing (NTA backing)	31 December 2023	25 December 2022
Net tangible assets per ordinary security	37.93¢	22.05¢

Other information regarding the accounts

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

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 31 December 2023.

PRESTAL HOLDINGS LIMITED

ACN 091 035 353

Financial Report
For the half year (26 weeks) ended 31 December 2023

Contents **Page**

Directors' report

The directors of Prestal Holdings Limited (**Prestal, the Company**) submit herewith the Financial Report of Prestal and its subsidiaries (the Group) for the half year (26 weeks) ended 31 December 2023. In order to comply with the provisions of the *Corporations Act 2001*, the Directors' report as follows:

The names of the directors of the Group during or since the end of the half year are:

Name	
Mr Mark Hardgrave Non-Executive Independent Director	Appointed Non-Executive Director 1 May 2019 Appointed Chairman on 31 December 2019
Mr Charles McLeish Managing Director	Appointed CEO 1 January 2014 Appointed Managing Director 6 April 2020
Mr Fred Harrison Non-Executive Independent Director	Appointed Non-Executive Director on 28 August 2019
Mr Jeff Miciulis Non-Executive Independent Director	Appointed Non-Executive Director on 5 March 2019 Retired 30 November 2023
Ms Kerrie Parker Non-Executive Independent Director	Appointed Non-Executive Director on 1 February 2021 Retired 30 November 2023

Financial Performance

Underlying Net Profit After Tax (NPAT) from continuing operations for the 26-week period ended 31 December 2023 (HY 24) was $2.128 million, marginally down by $0.092 million or 4.1% compared to Previous Comparative Period (PCP) ending 25 December 2022 (HY 23). However, after taking into account a non-cash impairment charge of $18.903 million in goodwill and $3.150 million in brand names (net of tax), NPAT from continuing operations was a loss of $19.925 million for HY 24. Including NPAT from discontinued operations of $18.892 million, total reported NPAT for HY24 was a loss of $1.033 million compared to HY23 total NPAT of $3.357 million.

	HY 24 (i) $'000	**HY 23 (i) $'000**	**Change $'000**	**%**
Total Revenue from continuing operations	**16,772**	**19,896**	**(3,124)**	**(15.7%)**
Underlying EBITDA from continuing operations	**3,365**	**3,596**	**(231)**	**(6.4%)**
EBITDA margin on net sales	*20.1%*	*18.1%*		*2.0%*
Depreciation & Amortisation	(226)	(206)	(20)	9.7%
Underlying EBIT from continuing operations	**3,139**	**3,390**	**(251)**	**(7.4%)**
EBIT margin on net sales	*18.7%*	*17.0%*		*1.7%*
Finance costs	(116)	(151)	35	23.2%
Underlying profit before tax from continuing operations	**3,023**	**3,239**	(216)	(6.7%)
Underlying Income tax expense	(895)	(1,019)	124	12.2%
Underlying Profit after tax from continuing operations	**2,128**	**2,220**	**(92)**	**(4.1%)**
Underlying basic EPS (cents)	*1.25*	*1.30*	*(0.05)*	(4.1%)
One off/significant expenses after tax (ii)	(22,053)	-	(22,053)	(100.0%)
Reported net profit after tax from continuing operations	**(19,925)**	**2,220**	**(22,145)**	**(997.5%)**
Profit afrer tax from discontinued operations	18,892	1,137	17,755	1,561.6%
Reported net profit after tax	**(1,033)**	**3,357**	**(4,390)**	**(130.8%)**
Reported basic EPS (cents)	*(0.61)*	*1.97*	*(2.58)*	(131.0%)
Dividend (cents per share)	*6.00*	*1.30*	*4.70*	361.5%
	Dec 23 (i) $'000	**Jun 23 (i) $'000**		
Working Capital (iii)	(40)	20,984	(21,024)	(100.2%)
Cash (iv)	62,050	4,836	57,214	1,183.1%
Borrowings (iv)	-	(5,177)	5,177	100.0%
Gearing (v)	0%	7%		

(i) Unaudited non-IFRS financial table
(ii) Includes goodwill impairment of $18.903 million and brandname impairment of $3.150 million (net of tax)
(iii) Receivables plus inventory less trade and other payables
(iv) Trade advance of $3,052K treated as borrowings for purposes of calculating gearing as at June 23
(v) Debt to equity

- **Revenue:** Net sales revenue for HY 24 of $16.772 million dropped from the PCP by $3.124 million or 15.7%, with the decline driven predominantly by challenging market conditions in the B2C sector. B2B sales (which makes up 68.1% of total sales) for HY24 declined marginally by 5.4% whilst B2C sales were down on PCP by 33.8%. Discretionary spending continues to be supressed in the consumer sector impacted by cost-of-living pressures, high interest rates and persistent inflation. As a result, the number of hampers sold in HY24 declined by 9.9% compared to PCP, a lower decline than revenue (Average hamper value of $73.80 in HY 24 compared to average hamper value of $79.86 in HY23)

- **Underlying NPAT from continuing operations** (i.e. excluding one off non-cash impairment charges) of $2.128 million decreased only marginally by $0.092 million, or 4.1% compared to the PCP of $2.220 million. Reported net profit after tax from continuing operations decreased by $22.145 million compared to PCP as a result of $22.053 million in impairment charges against goodwill ($18.903 million) and brand names ($4.500 million before tax, $3.150 million net of tax).

- **Underlying basic earnings per share (EPS)** from continuing operations of 1.25 cents dropped compared to the PCP by 4.1%. Statutory EPS was 125.4% lower than PCP.

- **Special fully franked dividend** of 6 cents per share declared for HY24 (interim dividend of 1.3 cents per share in HY23) payable on 11 March 2024 with a record date of 4 March 2024.

- **Strong balance sheet** with no net debt, $62.050 million in cash on hand and capacity to fund the Company's strategy of growth through acquisitions, innovation & market expansion. The Company expects to retain sufficient cash after distributing, as advised to shareholders, approximately $52.8 million to shareholders through fully franked dividends and capital returns.

- **Cash flow from operating activities** remained strong at $10.892 million (or $6.614 million excluding cashflow from operating activities related to discontinued operations) compared to the PCP of $4.927 million as a result of effective working capital management.

  - The Group received $53.944 million in net cash relating to sale of the Consumer Products business.
  - The Group made principal repayments of $2.125 million against borrowings relating to the HWB acquisition during the reported period, paying all bank borrowings in order to release security over assets prior to sale of the Consumer Products business.
  - The Company paid a final dividend of $1.705 million in respect of financial year 2023 during the reported period.

Discontinued Operations

As disclosed in the ASX announcement made on 13 September 2023, Prestal entered an agreement to sell its Consumer Products business through sale of its assets to DuluxGroup (Australia) Pty Ltd for a price of $60m subject to agreed and customary adjustments. The acquisition was completed on 8 November 2023 following overwhelming support from Prestal's shareholders with 94.50% shares voting in favour of the sale at the Extraordinary General Meeting (EGM) held on 27 October 2023.

As per the ASX announcement on 13 September 2023, the sale of assets included all plant & equipment, stock, business contracts, equipment leases, intellectual property and any other assets necessary to run the business excluding cash, book debts, Duracell distributorship business and Bondi soap brand. The Group exercised its right to terminate Duracell distribution agreements with a notice period of 90 days and returned or cleared all related stock before 31st December 2023.

The discontinued operations reported a profit after tax of $18.892 million including $18.530 million gain on sale of assets after tax. As at the reporting date, completion accounts are yet to be agreed upon between both parties and a completion adjustment may arise as a result of final completion accounts.

Review of Operations

Sales for the B2B segment, which makes up 68.1% of total Hampers with Bite (HWB) sales were relatively stable with a marginal 5.0% decline compared to previous comparative period. As disclosed in the FY23 report, the B2C segment continued to face tough market conditions in HY24 due to multiple factors including significant inflationary pressure on discretionary spending driven by cost-of-living pressures and high interest rates. B2C sales declined in HY24 by 33.8% compared to the PCP.

In September 2023, HWB officially launched the new 2023 Christmas range, that included 76 new hampers ranging from $30 to $600, offering great value hampers on the market. Inspired from 2022 best sellers, 2023 range included the HWB bright creative flare to reflect the emerging customer towards personalisation and individuality. HWB introduced 3 new Pet Hampers to the maket, alongside a new range of Bridesmaid Boxes and a value range called Mini Moments, offered at $30, in response to the cost-of-living challenges.

HWB continues to increase focus on other annual events outside of Christmas and will target these occasions with carefully curated premium product offerings, to increase revenues outside of the Christmas period.

Cost of hampers to sales as a ratio was maintained in line with last year despite average hamper price dropping from $79.86 to $73.80. However, freight costs saw a sharp increase compared to the PCP due to increased transport costs impacted by fuel and wage increases. Despite sales being below last year by 15.7%, freight costs increased by 13.4%. HWB is assessing all options to mitigate this increased cost including exploring alternative carriers and bulk freight to interstate destinations.

During HY24, investment in operations was a major focus - setting HWB up with a strong foundation for growth over the long and short term. This included preparation for a move to a new warehouse facility, presenting opportunity to redesign production and inventory flows to maximise efficiency. Forecasting improvements during H1 optimised the inventory holdings post-peak demand, particularly for lines being rejuvenated in second half of FY24.

The continued implementation of ERP software will further streamline operations, procurement and provide enhanced end-to-end visibility on revenue streams and their associated costs. Due for completion before EOFY, this will also allow for expansion of the client offering, supported by the purchase of new machinery during HY24.

A CRM implementation, completed during HY24, improved customer insights and increased sales outreach capacity threefold. Integration with HWB's advertising meant marketing could be refined and customers retargeted across all sales channels.

HWB marketing initiatives are centred around the improvements of key metrics through the nurturing retention strategy of B2B clients and optimising the growth potential of our large B2C customer base. As a result HWB achieved:

- Average order value increase by approximately 2% to $127 for web sales
- Website traffic for HY24 up by 43% from previous 6 months
- HWB maintains a client list of more than 238,000 including 47,000 B2B clients

Outlook

Despite the previous challenging 18 months, the Group remains positive about the outlook for the HWB business.

The Group will continue to execute its key strategic objectives:

1. Revamp brand image and brand visual identity to allow for all year round gifting
2. Developing new products for both the B2B and B2C channels
3. Update website to improve ease of shopping experience
4. Continue to explore additional strategically suitable acquisition opportunities.

Dividend

In respect of the half year (26 weeks) ended 31 December 2023, the Company has declared a special dividend of 6.0 cents per share payable on 11 March 2024 with a record date of 4 March 2024.

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 Group 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

Mark Hardgrave
Chairman
Melbourne, 26 February 2024

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222

Auditor's Independence Declaration

To the Directors of Prestal Holdings Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Prestal Holdings Limited for the half-year ended 31 December 2023. I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b no contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M J Climpson
Partner – Audit & Assurance

Melbourne, 26 February 2024

Grant Thornton Audit Pty Ltd
Level 22 Tower 5
Collins Square
727 Collins Street
Melbourne VIC 3008
GPO Box 4736
Melbourne VIC 3001

T +61 3 8320 2222

Independent Auditor's Review Report

To the Members of Prestal Holdings Limited

Report on the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Prestal Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated condensed statement of financial position as at 31 December 2023, and the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of Prestal Holdings Limited does not comply with the *Corporations Act 2001* including:

a giving a true and fair view of the Group's financial position as at 31 December 2023 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES *110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 for the review of the financial report

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 Group's financial position as at 31 December 2023 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*.

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.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M J Climpson
Partner – Audit & Assurance

Melbourne, 26 February 2024

Directors' declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the Group 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

Mark Hardgrave
Chairman
Melbourne, 26 February 2024

Condensed consolidated statement of profit or loss and other comprehensive income for the half year ended 31 December 2023

		Consolidated	
	Note	Half year ended	
Continuing operations		**31 Dec 2023 $'000**	**25 Dec 2022 $'000**
Sales revenue		16,772	19,896
Other revenue and income		457	-
Changes in inventories of finished goods and work in progress		(1,115)	1,834
Raw materials, consumables used and utilities		(4,573)	(8,421)
Employee benefits expense		(2,687)	(3,228)
Freight and distribution expense		(2,830)	(2,715)
Marketing expense		(2,052)	(2,602)
Other expenses		(607)	(1,168)
Significant item: impairment of goodwill	5	(18,903)	-
Significant item: impairment of brand names	6	(4,500)	-
(Loss) / earnings before finance costs, income tax, depreciation and amortisation (EBITDA)		**(20,038)**	**3,596**
Depreciation and amortisation expense		(226)	(206)
(Loss)/profit before finance costs and income tax (EBIT)		**(20,264)**	**3,390**
Finance costs		(116)	(151)
(Loss)/profit before income tax		**(20,380)**	**3,239**
Income tax (expense) / benefit		455	(1,019)
(Loss)/profit from continuing operations		**(19,925)**	**2,220**
Profit from discontinued operations	7	18,892	1,137
(Loss)/profit attributable to Members of the Parent Entity		**(1,033)**	**3,357**
Other comprehensive gain/(loss)			
Items that may be reclassified subsequently to profit or loss			
Loss on cash flow hedges taken to equity		(200)	(140)
Income tax relating to other comprehensive gain/(loss)		60	42
Other comprehensive loss for the period, net of tax	4	(140)	(98)
Total comprehensive income/(loss) for the period		**(1,173)**	**3,259**
Earnings/(loss) per share from continuing operations			
Basic (cents per share)	8	(11.69)	1.30
Diluted (cents per share)	8	(11.69)	1.26
Earnings/(loss) per share			
Basic (cents per share)	8	(0.61)	1.97
Diluted (cents per share)	8	(0.61)	1.91

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

Condensed consolidated statement of financial position as at 31 December 2023

	Note	Consolidated 31 Dec 2023 $'000	Consolidated 2 July 2023 $'000
Current Assets			
Cash and cash equivalents		62,050	1,784
Trade and other receivables		8,961	15,469
Inventories		1,930	18,647
Other financial assets		-	201
Current tax receivable		1,182	523
Other assets		244	940
Total Current Assets		**74,367**	**37,564**
Non-Current Assets			
Right-of-use assets		108	2,105
Property, plant and equipment		361	17,451
Goodwill	5	-	18,903
Other intangible assets	6	5,778	22,447
Total Non-Current Assets		**6,247**	**60,906**
Total Assets		**80,614**	**98,470**
Current Liabilities			
Trade and other payables		10,931	13,132
Borrowings		-	1,700
Provisions		332	2,730
Lease liabilities		86	751
Other financial liabilities		5	54
Total Current Liabilities		**11,354**	**18,367**
Non-Current Liabilities			
Borrowings		-	425
Deferred tax liabilities		541	6,347
Lease liabilities		-	1,368
Provisions		-	84
Total Non-Current Liabilities		**541**	**8,224**
Total Liabilities		**11,895**	**26,591**
Net Assets		**68,719**	**71,879**
Equity			
Issued capital	9	103,830	103,830
Reserves		-	681
Accumulated losses		(35,111)	(32,632)
Total Equity		**68,719**	**71,879**

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 31 December 2023

	Issued capital $'000	Hedging reserve $'000	Equity Settled Employee Benefits Reserve $'000	Accumulated losses $'000	Total $'000
Balance at 26 June 2022	**103,830**	**16**	**374**	**(32,408)**	**71,812**
Profit for the period	-	-	-	3,357	3,357
Other comprehensive loss	-	(98)	-	-	(98)
Total comprehensive income/(loss) for the period	-	(98)	-	3,357	3,259
Recognition of share based payments	-	-	106	-	106
Dividend payment	-	-	-	(2,898)	(2,898)
Balance at 25 December 2022	**103,830**	**(82)**	**480**	**(31,949)**	**72,279**
Profit for the period	-	-	-	1,533	1,533
Other comprehensive gain	-	222	-	-	222
Total comprehensive income for the period	-	222	-	1,533	1,755
Recognition of share based payments	-	-	61	-	61
Dividend payment	-	-	-	(2,216)	(2,216)
Balance at 2 July 2023	**103,830**	**140**	**541**	**(32,632)**	**71,879**
Loss for the period	-	-	-	(1,033)	(1,033)
Other comprehensive loss	-	(140)	-	-	(140)
Total comprehensive loss for the period	-	(140)	-	(1,033)	(1,173)
Recognition of share based payments	-	-	(541)	259	(282)
Dividend payment	-	-	-	(1,705)	(1,705)
Balance at 31 December 2023	**103,830**	**-**	**-**	**(35,111)**	**68,719**

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 31 December 2023

	Note	Consolidated Half year ended 31 Dec 2023 $'000	25 Dec 2022 $'000
Cash flows from operating activities			
Receipts from customers		69,068	75,832
Payments to suppliers and employees		(57,844)	(70,045)
Interest and other costs of finance paid		(89)	(136)
Interest received		437	-
Interest on lease liabilities		(26)	(16)
Income tax refund received		691	-
Income tax paid		(1,345)	(708)
Net cash provided by operating activities		10,892	4,927
Cash flows from investing activities			
Proceeds from sale of assets	7	53,944	-
Payment for property, plant and equipment		(348)	(474)
Payment for other intangible assets		(15)	(51)
Payment for acquisition of Hampers with Bite (net of cash)		-	(3,537)
Net cash provided from / (used in) investing activities		53,581	(4,062)
Cash flows from financing activities			
Repayment of lease liabilities		(328)	(392)
Utilisation/(repayment) of supplier payment facility		(49)	452
Repayment of borrowings		(2,125)	(850)
Dividends paid		(1,705)	(2,898)
Net cash used in financing activities		(4,207)	(3,688)
Net increase/(decrease) in cash and cash equivalents		60,266	(2,823)
Cash and cash equivalents at the beginning of the period		1,784	8,132
Cash and cash equivalents at the end of the period		**62,050**	**5,309**

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 2 July 2023 and any public announcements made by Prestal Holdings 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 31 December 2023 comprised of a 26 week period from 3 July to 31 December 2023 (2022: 26 week period from 27 June to 25 December 2022)

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 2023 annual financial report for the financial year ended 2 July 2023, 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.

Adoption of new and revised Accounting Standards

The consolidated entity has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the company.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

2. Segment information

AASB 8 Operating Segments requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

The Group is viewed as being a single reporting segment which is consistent with the Group's internal reporting provided to the chief operating decision maker, being the Managing Director and Chief Executive Officer after the divestment of the Consumer Goods business (which consisted of previously reported Owned Brands and Contracted Brands segments).

3. Dividends paid and proposed

	31 Dec 2023 $'000	25 Dec 2022 $'000
Dividends paid on ordinary shares during the half year		
Final fully franked dividend for FY2023: 1.0 cents (FY2022: 1.7 cents)	1,705	2,898
Dividends declared on ordinary shares – unrecognised amounts		
Fully franked dividend for HY2024: 6.0 cents per share (HY2023: 1.3 cents)	10,228	2,216

4. Fair value measurements

Historically, the only financial assets or financial liabilities carried at fair value are foreign currency contracts. No such contracts were held as at reporting period.

In the prior period, the fair value of the foreign currency contracts at 25 December 2022 was a financial liability of $117 thousand. The movement in the asset of $140 thousand (net of tax) since 2 July 2023 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.

5. Goodwill

	31 Dec 2023 $'000	2 July 2023 $'000
Cost	93,681	93,681
Accumulated impairment losses	(93,681)	(74,778)
	-	**18,903**
Gross carrying amount		
Balance at beginning of financial year	93,681	93,681
Balance at end of reported period	93,681	93,681
Accumulated impairment losses		
Balance at beginning of financial year	(74,778)	(74,778)
Impairment losses recognised during the reported period	(18,903)	-
Balance at end of reported period	(93,681)	(74,778)

Allocation of goodwill to cash-generating units and key assumptions

The carrying amount of goodwill as at 2 July 2023 has been allocated to the Hampers with Bite Cash Generating Unit (CGU) for impairment testing purposes.

As originally announced to the market in the June 2023 annual report, the Group has experienced challenging market conditions in the current financial year, which have impacted its financial performance.

The Directors have since concluded that, as a result of the sustained change in the consumer market environment, the goodwill associated with the Hampers with Bite CGU of $18.903 million is impaired. This conclusion was reached with reference to management's best estimate of the discounted future cash flows for the Group (value in use), taking into account the risks and uncertainties present in the market. As a result, the Group has recognised a non-cash impairment of $18.903 million in the statement of profit or loss, which represents the carrying value of goodwill allocated to the Hampers with Bite CGU.

The recoverable amount of the Hampers with Bite CGU is determined based on a value in use calculation, which uses cash flow projections based on a financial budget (Target EBITDA) approved by the Board, covering a five-year period. A pre-tax cash flow effect has been taken using a post-tax discount rate (WACC) of 14.5% (2023 13.5%). The cash flow has been extrapolated using a 3% (2023: 3%) growth rate and a terminal value of 5 times of free cash flow in year 5.

6. Other Intangible Assets

	Brand Names at cost $'000	Software at cost $'000	Total $'000
Gross carrying amount			
Balance at 26 June 2022	29,240	1,535	30,775
Additions	-	51	51
Balance at 25 December 2022	**29,240**	**1,586**	**30,826**
Additions	-	45	45
Balance at 2 July 2023	**29,240**	**1,631**	**30,871**
Disposals associated with discontinued operations	(19,000)	(1,579)	(20,579)
Balance at 31 December 2023	**10,240**	**52**	**10,292**
Accumulated Impairment/Amortisation			
Balance at 26 June 2022	(6,994)	(1,318)	(8,312)
Amortisation expense	-	(60)	(60)
Balance at 25 December 2022	**(6,994)**	**(1,378)**	**(8,372)**
Amortisation expense	-	(52)	(52)
Balance at 2 July 2023	**(6,994)**	**(1,430)**	**(8,424)**
Amortisation expense	-	(3)	(3)
Impairment	(4,500)	-	(4,500)
Disposals associated with discontinued operations	6,994	1,419	8,413
Balance at 31 December 2023	**(4,500)**	**(14)**	**(4,514)**
Net book value as at 2 July 2023	22,246	201	22,447
Net book value as at 31 December 2023	**5,740**	**38**	**5,778**

Brand names - Useful life assessment

The Group assesses its brand names as having indefinite useful lives. This assessment has reflected management's intention to continue to utilise the brand names within its portfolio for the foreseeable future.

Each period, the useful lives of the Group's brand names are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the assets.

Impairment testing - Indefinite life brand names

Indefinite life brand names are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's value in use and fair value less costs to sell. Brand names that have incurred an impairment in previous periods are reviewed for possible reversal of the impairment at the end of each reporting period.

The recoverable amount for HWB's brand name is determined using a Value in Use (VIU) approach. HWB brand name is allocated to the HWB CGU when performing impairment testing of the CGU. The key assumptions used in the value in use model of the CGU were as follows were as follows:

- An estimate of maintainable revenue with reference to the FY24 forecast and historic financial performance, with due
- consideration given to the economic uncertainty associated with high inflation and consumer sentiment.
- Discount rate of 14.5% post-tax (June 2023: 13.5%)
- Long term growth rates of 3% (June 2023: 3%)
- A terminal value of 5 times of free cash flow in year 5.

As a result of the impairment testing, the directors have concluded that, as a result of the sustained change in the consumer market environment, the Hampers with Bite brand name impaired by $4.500 million. This conclusion was reached with reference to management's best estimate of the discounted future cash flows for the Group (value in use), taking into account the risks and uncertainties present in the market. The Group has recognised a non-cash impairment of $4.500 million before tax (or $3.150 net of income tax) in the statement of profit or loss.

7. Discontinued operations

Summary of discontinued operations

On 13 September 2023, the Group announced divestment of its consumer products business through sale of assets to DuluxGroup (Australia) Pty Ltd for a total purchase consideration of $60,000,000 subject to customary and agreed adjustments. The Group completed the sale of consumer products business on 8th November 2023.

The Group and the buyer are yet to agree to final completion accounts as of the date of this report.

Details of the proceeds of the sale, net identifiable assets and liabilities disposed on a provisional basis are as follows:

Consideration	**$'000**
Cash received for land and buildings	15,000
Add: cash received for business assets and liabilities	45,000
Less: agreed adjustment for growth capital expenditure	(3,000)
Less: expected completion adjustment in relation to working capital and leave liabilities	(3,056)
Gross proceeds from the sale of assets	**53,944**
Less: costs attributable to sale of assets	(1,178)
Net proceeds from sale of assets	**52,766**

The disposed identifiable assets and liabilities recognised as a result of the divestment are as follows:

Assets and liabilities disposed	**$'000**
Inventories	10,691
Plant & equipment	10,411
Right-of-use assets	1,629
Land and buildings	6,167
Intangibles – software	152
Prepayments	247
Intangibles – brand names	12,006
Leave liabilities	(2,071)
Provisions	(360)
Lease liabilities	(1,705)
Gain on sale of assets before tax	**15,599**
Net taxes	2,931
Gain on sale of assets after tax	**18,530**

The results of discontinued operations for the period are presented below:

	31 Dec 2023 $'000	**25 Dec 2022 $'000**
Revenue	37,010	44,461
Expenses	(36,552)	(42,884)
Underlying EBIT before sale of business	**458**	**1,577**
Gain on sale of assets before tax	15,599	-
Separation and restructure costs	(2,464)	-
Reported EBIT	**13,593**	**1,577**
Net taxes	5,299	(440)
Profit for the period from discontinued operations, net of tax	**18,892**	**1,137**

7. Discontinued operations (continued)

The net cash flows incurred by the discontinued operations are presented below:

	Dec 2023 $'000	Dec 2022 $'000
Net cash flows provided / (used) by operating activities	4,278	(249)
Net cash flows provided / (used) in investing activities	53,622	(447)
Net cash flows provided / (used) in financing activities	(207)	54
Net cash inflow / (outflow) for the period	**57,693**	**(642)**

8. Earnings per share

Continuing operations	Dec 2023 Cents	Dec 2022 Cents
Basic earnings/(loss) per share	(11.69)	1.30
Diluted earnings/(loss) per share	(11.69)	1.26
Attributable to the ordinary equity holders of the company		
Basic earnings/(loss) per share	(0.61)	1.97
Diluted earnings/(loss) per share	(0.61)	1.91

The earnings and weighted average number of ordinary shares used in the calculation of basic and diluted earnings per share are as follows:

Continuing operations	Dec 2023 $'000	Dec 2022 $'000
Net profit/(loss)	(19,925)	2,220
Earnings/(loss) used in the calculation of basic EPS	(19,925)	2,220
Earnings/(loss) used in the calculation of diluted EPS	(19,925)	2,220
Attributable to the ordinary equity holders of the company	(1,033)	3,357
Earnings/(loss) used in the calculation of basic EPS	(1,033)	3,357
Earnings/(loss) used in the calculation of diluted EPS	(1,033)	3,357

	Dec 2023 No.	Dec 2022 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	170,459,499	170,459,499

The weighted average number of ordinary shares for the purposes of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Dec 2023 No.	Dec 2022 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	170,459,499	170,459,499
Shares deemed to be issued for no consideration in respect of:		
- performance rights over ordinary shares	-	5,585,055
Weighted average number of ordinary shares for the purposes of diluted earnings per share	170,459,499	176,044,554

8. Earnings per share (continued)

Classification of securities as potential ordinary shares

Performance rights have been considered non-dilutive for the purposes of calculating diluted loss per share for the reported period due to it being a loss-making period.

Performance rights over ordinary shares in the Group granted under Executive Variable Incentive Plan (EVIP) during the prior periods are deemed to be eligible to vest and treated as dilutive for the purposes of calculating diluted earnings per share in the prior period.

9. Issued capital

Fully paid ordinary shares

Date	Share Capital	Number of shares	Share Issue Price	$'000
27 Jun 2022	Opening balance of ordinary shares, fully paid	170,459,500		103,830
2 July 2023	**Balance at end of reporting period**	**170,459,500**		**103,830**
2 July 2023	Opening balance of ordinary shares, fully paid	170,459,500		103,830
31 Dec 2023	**Balance at end of reporting period**	**170,459,500**		**103,830**

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of the winding up of the Group, ordinary shareholders rank after all creditors and are fully entitled to any proceeds of liquidation.

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Group does not have a limited amount of authorised capital and issued shares do not have a par value.

10. Subsequent events

Dividends

In respect of the half year (26 weeks) ended 31 December 2023 the Group will pay a fully franked dividend of 6.0 cents per ordinary share, payable to shareholders on 11 March 2024, with a record date of 4 March 2024.

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.