

SDI Limited

ABN 27 008 075 581

Appendix 4E Preliminary Final Report - 30 June 2023

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MELBOURNE, Australia – SDI Limited (ASX: SDI). Net profit after tax of \$7.1 million for the twelve months ending 30 June 2023, a decrease of \$0.2 million when compared to the previous corresponding period last year.

Summary financials (AUD)	FY 2023	FY 2022	Change %
Sales (\$m)	107.9	95.2	13.4
Gross product margin (%)	56.8	55.8	100 bps
EBITDA (\$m)	16.2	14.7	9.6
NPAT (\$m)	7.1	7.3	(3.1)
Earnings per share (cents)	5.94	6.13	(3.1)
Cash on hand	6.0	7.0	(14.3)
Final ordinary dividend (cents)	1.75	1.75	-

FY23 Highlights

- Record total sales of \$107.6 million, up 13.4% on the previous corresponding period (“pcp”), with strong growth in Aesthetics and Amalgam product categories.
- Product margin improvement to 56.8%, up by 100 bps on pcp, reflecting price increases and some relief from lower logistic costs.
- Operating expenses of \$52.1 million, up 19.6% on pcp, driven by the return to normalised travel costs, increase in marketing costs, inflationary cost pressures, and increased interest expense.
- EBITDA increased by 9.6% to 16.2 million (FY22 \$14.7 million).
- Earnings per share (‘EPS’) down 0.19 cents to 5.94 cents compared to 6.13 cents for the same period last year.
- Cash position down with continued investment in research and development, and capital expenditure.
- Strategic purchase of six-acre site to support future growth was financed by bank debt.
- Final fully franked ordinary dividend maintained at 1.75 cents per share.

Commenting on the result Chief Executive Officer Samantha Cheetham said: ““We are very pleased with the continued revenue growth momentum over the last 12 months, resulting in record sales of \$107.9 million driven by further market share gains. Operating expenses are back to normalised levels with trade shows and travelling back in the calendar and we have seen logistics costs slowly trending towards pre-pandemic levels. Whilst there has been some additional costs and some inefficiencies in the short term as we support our customers, we remain confident that our strategy of meeting customer needs will continue to deliver longer term profitability for our group.”

Key product category sales

Category	\$m AUD	Change in local currency %	Change in AUD. %	Total AUD sales %
Aesthetics	51.1	13.0	18.3	47.4
Equipment	6.5	-10.7	-5.5	6.0
Whitening	31.3	1.2	4.8	29.0
Amalgam	19.0	17.8	24.2	17.6

In local currencies, Aesthetics sales continued to show strong growth, up 13.0% on pcp, increasing across all regions. Growth in aesthetics was largely driven by market share gains, with the release of new products in prior periods gaining momentum in the market. A modest increase of 1.2% in Whitening, was attributable to stronger results in most regions, apart from Europe. Equipment sales, SDI’s smallest product category and largely a complimentary product, fell by 10.7% across all markets, apart from in Australia. Amalgam grew strongly, led by increased demand in the UK market, continued strong demand in North America and successful Government tenders in the Middle East.

Although there is very little sales focus on Amalgam, this category increased by 17.8% in local currencies on pcp, and now represents 17.6% (\$19.0 million) of total sales. Recent market share gains are largely driven by two competitors leaving the category.

Sales by business unit

Business unit	\$m AUD	Growth/(decline) in local currency %	Growth/(decline) in AUD %	Total AUD sales %
Australian sales (including direct exports)	36.3	5.4	11.4	33.6
North America	25.6	7.3	15.9	23.8
Europe	36.9	10.9	11.3	34.2
Brazil	9.1	13.7	24.0	8.4
Total	107.9	8.4	13.4	100.0%

The business unit performance reflects a return to normal operating conditions.

European sales were up 10.9% in local currencies, driven by strong demand in the UK market where conditions have now normalised.

Australian sales, which include Australian domestic and direct export markets, were up by 5.4% on pcp, with Australian direct exports increasing by 7.1% when adjusted for currency movements. Australian domestic sales were up 1.7% reflecting normalised local Australian dental market.

Brazilian sales increased by 13.7% on pcp in local currencies reflecting overall market growth and aesthetic products gaining traction.

North American sales increased by 7.3% on pcp reflecting the strong increase in the Amalgam sales driven by the exit of two major competitors in the Amalgam market. Aesthetics grow by 12.8% reflecting the gradual transition of the market towards Aesthetic products and the release of new products in prior periods gaining momentum in the market.

Sales by region

Region	\$m AUD	FY 2023 (\$m AUD)	FY 2022 (\$m AUD)	% Change
APAC	18.4	18.4	17.1	8.0
Middle East / Africa	12.4	12.4	10.0	23.1
South America	11.7	11.7	10.2	14.8
North America	25.6	25.6	22.1	15.9
Europe	39.8	39.8	35.8	11.1

The strong growth across most regions was underpinned by the normalising of operating conditions including the success following the return of government tenders in the Middle East/Africa region.

Gross profit margins

Product margins in Australian dollars increased 1.0 bps to 56.8%, driven by moderately improved logistics costs and price increases. SDI exports to over 100 countries with margins not uniform, impacting the overall outcome. Additionally, with respect to product differences, the strong sales growth in the lower margin Amalgam tenders impacted overall gross margin for the group.

Expenses

Total operating expenses in Australian dollars increased by 19.6% on pcp. After adjusting for currency movements operating expenses increased by 16.8% compared to pcp. Adjusting for a \$0.4 million asset impairment in the Brazilian operation and interest expense, operating expenses in local currencies, increased by 14.0%

Operating Expense (Non-Production)	% Increase AUD	
Employee related	8.7	Increased superannuation and payroll tax rates, employee pay rate pressure
Marketing /Travel	25.1	New products releases, exhibition & travel costs back to pre-pandemic levels.
Information technology	29.2	Increase expenditure on cyber security and other IT projects

When looking at total costs which also include costs relating to production which are reported in cost of sales, the following table reflects the category with significant movements.

Cost category (incl production related costs)	% to Sales	% Change	Comment
Inward /outbound Freight	4.8	(18.9)	Moderating but still elevated
Employee costs (incl. operations and production)	37.6	4.2	Increased superannuation and payroll tax rates, employee pay rate pressure
Marketing/Travel	14.7	25.1	New product releases, exhibition costs and travel back to pre-pandemic levels

While freight costs have moderated, as a percentage of sales they remain elevated and are expected to ease further in the coming years. The most notable increase in operating expenses are marketing and travel expenses, up 25.1% on pcp. These increases relate to operating conditions returning to normal and the recommencement of important education and marketing activities such as trade shows. Inflation is having an impact across several expense categories; however, employee cost growth has eased since FY22.

Tax Expense

Tax expense increase by 5.8% due to the non-deductibility of an asset impairment of \$0.4 million and a prior year tax adjustment \$0.3 million relating to the Brazilian subsidiary. Adjusted for these items tax expense was 29.9%.

Balance sheet

Cash decreased by \$1.0 million after investing an additional \$4.6 million in plant and equipment, \$3.4 million in product development expenditure, and proceeds of \$1.1 million from the sale of property. The Company has also invested \$24.3 million in the purchase of land and buildings financed by bank borrowings. The Company has unused bank facilities of \$8.5 million and \$6.0 million cash in bank.

Strategy and outlook

The Company intends to provide an update on expectations for the coming financial year at the November 2023 AGM, but remains focused on its strategic priorities:

- **Aesthetics and Whitening products** continue to be the focus for new product development. The Company's Aesthetic product 'Stela', designed as an Amalgam replacement product and general posterior restorative, and will compete in the wider Aesthetic categories due to its natural tooth colour and strength. It has been released in several key markets apart from Europe, where EU approval is pending.
- **Achieving manufacturing and logistic efficiencies.** The Company has reviewed its footprint, has purchased a six-acre property for \$19.0 million which has an existing 4,000 sqm warehouse, and is expecting to relocate its current warehousing in September 2023. Planning is currently in progress to redevelop the site to relocate its current manufacturing operations in the next 2 to 3 years. With the relocation of the Company's current warehouses much needed space for manufacturing will accommodate new machinery and deliver manufacturing efficiencies. SDI believes that the investment in the new facility will require a total capital expenditure, expected to be completed by the end of FY 2027, of \$60 million and expects this will generate a pre-tax return on capital of greater the 20%.

- **Investment in production automation** and processes to achieve operating efficiencies and manage new and existing future product growth. The Company has recently purchased a high-speed production machine which will increase its syringe output on four products, moving from one to approximately eight syringes per minute. Other machines are on order for delivery over the next 12 months.
- **On-going investment in research and development** of new products. As part of the R&D initiatives, the team will be focused on meeting the updated regulatory requirements in Europe for restorative products and securing registrations. SDI embraces the stringent regulatory requirements as these provide high barriers of entry and a competitor advantage.
- **ESG** – The Company has made a commitment, including the creation of an internal working group, to make significant progress in establishing a risk framework for sustainability and has appointed a consultant to assist in this process.

Dividends

Showing the Board's confidence in the future of the business, the Directors have maintained the dividend payment by declaring a final fully franked ordinary dividend of 1.75 cents per share (FY22 1.75 cents).

The Board has decided that the Company's Dividend Reinvestment Plan ('DRP') will not be offered to Shareholders for these dividend payments.

1. Company details

Name of entity:	SDI Limited
ABN:	27 008 075 581
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	13.35% to	107,855
Profit from ordinary activities after tax attributable to the owners of SDI Limited	down	3.09% to	7,056
Profit for the year attributable to the owners of SDI Limited	down	3.09% to	7,056

Dividends

	Amount per security Cents	Franked amount per security Cents
Interim dividend for the year ended 30 June 2023 paid on 28 April 2023	1.50	1.50
Final dividend for the year ended 30 June 2023 to be paid on 22 September 2023	1.75	1.75

The record date for determining entitlements to dividends is 8 September 2023.

Comments

The profit for the consolidated entity after providing for income tax amounted to \$7,056,000 (30 June 2022: \$7,281,000).

Earnings before interest, tax, depreciation and amortisation ('EBITDA') increased by 9.6% to \$16,164,000 (30 June 2022: \$14,743,000). The directors consider EBITDA to reflect the core earnings of the Group.

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit adjusted for specific items.

The following table summarises key reconciling items between statutory profit after tax and EBITDA:

	Consolidated 2023 \$'000	Consolidated 2022 \$'000
Profit after tax	7,056	7,281
Add: taxation	3,634	2,858
Add: interest expense	759	34
Less: interest income	(8)	(14)
Add: depreciation and amortisation	4,278	4,584
Add: impairment of assets	445	-
EBITDA	16,164	14,743

Further information on the results is detailed in the 'Commentary - Full year results' immediately following this report.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>50.98</u>	<u>49.22</u>

NTA includes the written down value of right-of-use assets.

4. Control gained over entities

Not applicable.

5. Dividends

Current period

	Amount per security Cents	Franked amount per security Cents
Interim dividend for the year ended 30 June 2023 paid on 28 April 2023	1.50	1.50
Final dividend for the year ended 30 June 2023 to be paid on 22 September 2023	1.75	1.75

Previous period

	Amount per security Cents	Franked amount per security Cents
Interim dividend for the year ended 30 June 2022 paid on 22 April 2022	1.50	1.50
Final dividend for the year ended 30 June 2022 paid on 19 September 2022	1.75	1.75

6. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

The Company has a Dividend Reinvestment Plan ('DRP'). However the Directors have decided that the DRP will not be offered to Shareholders for the dividend payments.

7. Audit qualification or review

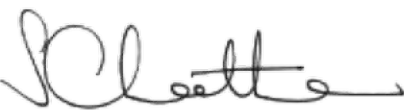
The financial statements are in the process of being audited.

8. Attachments

The Appendix 4E Preliminary Final Report of SDI Limited for the year ended 30 June 2023 is attached.

9. Signed

Authorised by the Board of Directors.

Signed 

Date: 24 August 2023

Samantha Jane Cheetham
Managing Director
Melbourne

SDI Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2023



	Note	Consolidated 2023 \$'000	2022 \$'000
Revenue			
Sales revenue		107,855	95,151
Cost of goods sold		(46,588)	(42,041)
Gross profit		61,267	53,110
Other gains	2	1,556	614
Interest income		8	14
Expenses			
Selling and administration expenses		(47,583)	(40,889)
Research and development costs		(1,354)	(1,232)
Impairment of receivables	4	(17)	(4)
Other expenses		(2,428)	(1,440)
Finance costs		(759)	(34)
Total expenses		(52,141)	(43,599)
Profit before income tax expense		10,690	10,139
Income tax expense		(3,634)	(2,858)
Profit after income tax expense for the year attributable to the owners of SDI Limited		7,056	7,281
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign controlled entities		933	195
Other comprehensive income for the year, net of tax		933	195
Total comprehensive income for the year attributable to the owners of SDI Limited		7,989	7,476
		Cents	Cents
Basic earnings per share	3	5.94	6.13
Diluted earnings per share	3	5.94	6.13

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

	Note	Consolidated 2023 \$'000	2022 \$'000
Assets			
Current assets			
Cash and cash equivalents		6,022	7,013
Trade and other receivables	4	21,124	19,598
Inventories	5	25,553	26,005
Current tax asset		250	4
Prepayments		4,643	3,384
		<u>57,592</u>	<u>56,004</u>
Non-current assets classified as held for sale	6	1,138	-
Total current assets		<u>58,730</u>	<u>56,004</u>
Non-current assets			
Trade and other receivables	4	-	847
Property, plant and equipment	7	45,829	18,634
Right-of-use assets	8	1,432	1,377
Intangibles	9	27,318	25,208
Total non-current assets		<u>74,579</u>	<u>46,066</u>
Total assets		<u>133,309</u>	<u>102,070</u>
Liabilities			
Current liabilities			
Trade and other payables	10	11,986	9,017
Borrowings	11	7,820	669
Lease liabilities	12	557	437
Provision for income tax		371	918
Employee benefits		3,920	3,606
Total current liabilities		<u>24,654</u>	<u>14,647</u>
Non-current liabilities			
Borrowings	11	16,300	-
Lease liabilities	12	919	918
Deferred tax liability		3,274	2,582
Employee benefits		246	189
Total non-current liabilities		<u>20,739</u>	<u>3,689</u>
Total liabilities		<u>45,393</u>	<u>18,336</u>
Net assets		<u>87,916</u>	<u>83,734</u>
Equity			
Issued capital		12,890	12,890
Reserves	13	2,335	1,346
Retained profits		72,691	69,498
Total equity		<u>87,916</u>	<u>83,734</u>

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

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2021	12,890	929	65,961	79,780
Profit after income tax expense for the year	-	-	7,281	7,281
Other comprehensive income for the year, net of tax	-	195	-	195
Total comprehensive income for the year	-	195	7,281	7,476
<i>Transactions with owners in their capacity as owners:</i>				
Capital reserve	-	222	-	222
Dividends paid (note 14)	-	-	(3,744)	(3,744)
Balance at 30 June 2022	12,890	1,346	69,498	83,734
Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2022	12,890	1,346	69,498	83,734
Profit after income tax expense for the year	-	-	7,056	7,056
Other comprehensive income for the year, net of tax	-	933	-	933
Total comprehensive income for the year	-	933	7,056	7,989
<i>Transactions with owners in their capacity as owners:</i>				
Capital reserve	-	56	-	56
Dividends paid (note 14)	-	-	(3,863)	(3,863)
Balance at 30 June 2023	12,890	2,335	72,691	87,916

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

	Note	Consolidated 2023 \$'000	2022 \$'000
Cash flows from operating activities			
Receipts from customers		109,049	94,634
Payments to suppliers and employees		(91,375)	(87,683)
		17,674	6,951
Interest received		8	14
Government grants received		180	873
Interest and other finance costs paid		(1,064)	(34)
Income taxes paid		(3,735)	(3,538)
Net cash from operating activities	15	13,063	4,266
Cash flows from investing activities			
Payments for property, plant and equipment		(30,669)	(1,673)
Payments for intangibles	9	(3,817)	(2,654)
Proceeds from disposal of property, plant and equipment		1,080	80
Net cash used in investing activities		(33,406)	(4,247)
Cash flows from financing activities			
Net proceeds from borrowings	15	23,451	669
Repayment of lease liabilities	15	(391)	(414)
Dividends paid	14	(3,863)	(3,744)
Net cash from/(used in) financing activities		19,197	(3,489)
Net decrease in cash and cash equivalents		(1,146)	(3,470)
Cash and cash equivalents at the beginning of the financial year		7,013	10,559
Effects of exchange rate changes on cash and cash equivalents		155	(76)
Cash and cash equivalents at the end of the financial year		6,022	7,013

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Operating segments

Identification of reportable operating segments

The consolidated entity's operations consist of the manufacture of dental restorative products, teeth whitening systems and small dental equipment for sale to dental distributors, dental dealers and dentists worldwide.

Operating segments are determined using the 'management approach', where the information presented is on the same basis as the internal reports reviewed by the Board of Directors (identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. The consolidated entity comprises four separate reportable operating segments which are primarily identified on the basis of subsidiary companies in different geographical markets.

Reportable segments

The consolidated entity's reportable segments are as follows:

Australia:	SDI Limited
Europe:	SDI Germany GmbH (Germany) and SDI Dental Innovations Limited (United Kingdom)
USA:	SDI (North America), Inc.
Brazil:	SDI Brasil Industria e Comercio Ltda and SDI Holdings Do Brazil Ltda

Intersegment transactions

The segment revenues, expenses and results include transfers between segments. The pricing of the intersegment transactions is based on cost plus an appropriate mark-up, which reflects market conditions of the segment into which the sales are made. These transfers are eliminated on consolidation.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

Major customers

The consolidated entity has a number of customers to whom it sells products. No single customer represents 10% or more of the consolidated entity's revenue.

Note 1. Operating segments (continued)

Operating segment information

Consolidated - 2023	Australia \$'000	Europe \$'000	USA \$'000	Brazil \$'000	Total \$'000
Revenue					
Sales to external customers	36,237	36,922	25,624	9,072	107,855
Intersegment sales	28,297	6,347	-	2,024	36,668
Total sales revenue	64,534	43,269	25,624	11,096	144,523
Total segment revenue	64,534	43,269	25,624	11,096	144,523
Intersegment eliminations					(36,668)
Total revenue					107,855
Segment results before tax and adjustments below					
Intersegment adjustments	12,395	1,521	938	796	15,650
Depreciation and amortisation	69	-	-	-	69
Interest revenue	(3,673)	(280)	(160)	(165)	(4,278)
Finance costs	6	-	-	2	8
Profit before income tax expense	(735)	(12)	(5)	(7)	(759)
Income tax expense	8,062	1,229	773	626	10,690
Profit after income tax expense					7,056
Assets					
Segment assets	117,624	13,984	10,014	9,317	150,939
Intersegment eliminations					(17,630)
Total assets					133,309
Liabilities					
Segment liabilities	39,956	8,022	2,322	7,879	58,179
Intersegment eliminations					(12,786)
Total liabilities					45,393

Note 1. Operating segments (continued)

Consolidated - 2022	Australia \$'000	Europe \$'000	USA \$'000	Brazil \$'000	Total \$'000
Revenue					
Sales to external customers	32,531	33,201	22,101	7,318	95,151
Intersegment sales	30,989	5,118	-	2,922	39,029
Total sales revenue	63,520	38,319	22,101	10,240	134,180
Total segment revenue	63,520	38,319	22,101	10,240	134,180
Intersegment eliminations					(39,029)
Total revenue					95,151
Segment results before tax and adjustments below					
	12,466	1,479	818	1,160	15,923
Intersegment adjustments	(1,170)	-	-	-	(1,170)
Depreciation and amortisation	(4,048)	(274)	(175)	(97)	(4,594)
Interest revenue	-	-	-	14	14
Finance costs	(11)	(15)	(6)	(2)	(34)
Profit before income tax expense	7,237	1,190	637	1,075	10,139
Income tax expense					(2,858)
Profit after income tax expense					7,281
Assets					
Segment assets	89,187	16,870	10,600	10,378	127,035
Intersegment eliminations					(24,965)
Total assets					102,070
Liabilities					
Segment liabilities	14,024	12,177	3,728	9,338	39,267
Intersegment eliminations					(20,931)
Total liabilities					18,336

Note 2. Other gains

	Consolidated 2023 \$'000	2022 \$'000
Net foreign exchange gain	828	346
Net gain on disposal of property, plant and equipment	496	55
Other	232	213
Other gains	1,556	614

Note 3. Earnings per share

	Consolidated 2023 \$'000	2022 \$'000
Profit after income tax attributable to the owners of SDI Limited	7,056	7,281
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	118,865,530	118,865,530
Weighted average number of ordinary shares used in calculating diluted earnings per share	118,865,530	118,865,530
	Cents	Cents
Basic earnings per share	5.94	6.13
Diluted earnings per share	5.94	6.13

Note 4. Trade and other receivables

	Consolidated 2023 \$'000	2022 \$'000
<i>Current assets</i>		
Trade receivables	19,938	18,388
Less: Allowance for expected credit losses	(144)	(95)
	19,794	18,293
Other receivables	1,330	1,305
	21,124	19,598
<i>Non-current assets</i>		
Other receivables	-	847
	21,124	20,445

Allowance for expected credit losses

The consolidated entity has recognised a loss of \$17,000 (2022: loss \$4,000) in profit in respect of the expected credit losses for the year ended 30 June 2023.

Note 5. Inventories

	Consolidated 2023 \$'000	2022 \$'000
<i>Current assets</i>		
Raw materials - at cost	12,889	11,670
Finished goods - at cost	13,032	14,501
Less: Provision for inventory obsolescence	(368)	(166)
	25,553	26,005

Note 6. Non-current assets classified as held for sale

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Current assets</i>		
Land & Buildings	1,138	-

Note 7. Property, plant and equipment

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Non-current assets</i>		
Land and buildings - at cost	36,006	11,482
Less: Accumulated depreciation	(2,251)	(2,112)
	<u>33,755</u>	<u>9,370</u>
 Plant and equipment - at cost	 43,052	 38,667
Less: Accumulated depreciation	(30,978)	(29,403)
	<u>12,074</u>	<u>9,264</u>
	<u><u>45,829</u></u>	<u><u>18,634</u></u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land and buildings \$'000	Plant and equipment \$'000	Total \$'000
Balance at 1 July 2021	9,510	9,778	19,288
Additions	6	1,692	1,698
Depreciation expense	(146)	(2,206)	(2,352)
	<u>9,370</u>	<u>9,264</u>	<u>18,634</u>
Balance at 30 June 2022	9,370	9,264	18,634
Additions	26,219	4,785	31,004
Assets classified as held for sale (note 6)	(1,138)	-	(1,138)
Disposals	(556)	(1)	(557)
Depreciation expense	(140)	(1,974)	(2,114)
	<u>33,755</u>	<u>12,074</u>	<u>45,829</u>
Balance at 30 June 2023	<u><u>33,755</u></u>	<u><u>12,074</u></u>	<u><u>45,829</u></u>

Note 8. Right-of-use assets

	Consolidated 2023 \$'000	2022 \$'000
<i>Non-current assets</i>		
Land and buildings - right-of-use	2,591	2,542
Less: Accumulated depreciation	(1,606)	(1,165)
	<u>985</u>	<u>1,377</u>
Plant and equipment - right-of-use	447	-
	<u>1,432</u>	<u>1,377</u>

Additions to the right-of-use-assets during the year were \$496,000.

The consolidated entity leases land and buildings for offices and warehouses and motor vehicles under agreements between 2 to 5 years. On renewal, the terms of the leases are renegotiated.

Note 9. Intangibles

	Consolidated 2023 \$'000	2022 \$'000
<i>Non-current assets</i>		
Product development costs - at cost	32,773	32,705
Less: Accumulated amortisation	(15,916)	(14,910)
	<u>16,857</u>	<u>17,795</u>
Intellectual property - at cost	8,911	8,665
Less: Accumulated amortisation	(6,643)	(6,270)
	<u>2,268</u>	<u>2,395</u>
Development work in progress - at cost	8,193	5,018
	<u>27,318</u>	<u>25,208</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Product development costs \$'000	Intellectual property \$'000	Development work in progress \$'000	Total \$'000
Balance at 1 July 2021	15,348	2,744	6,304	24,396
Additions	2,406	248	-	2,654
Transfers in/ (out)	1,286	-	(1,286)	-
Amortisation expense	(1,245)	(597)	-	(1,842)
Balance at 30 June 2022	17,795	2,395	5,018	25,208
Additions	175	467	3,175	3,817
Amortisation expense	(1,113)	(594)	-	(1,707)
Balance at 30 June 2023	<u>16,857</u>	<u>2,268</u>	<u>8,193</u>	<u>27,318</u>

Note 10. Trade and other payables

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	4,280	3,977
Other payables and accrued expenses	7,706	5,040
	<u>11,986</u>	<u>9,017</u>

Note 11. Borrowings

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Current liabilities</i>		
Bank loans (i)	7,000	-
Short term borrowing (ii)	820	669
	<u>7,820</u>	<u>669</u>
<i>Non-current liabilities</i>		
Bank loans (i)	16,300	-
	<u>24,120</u>	<u>669</u>

- (i) This facility has been used to fund the purchase of the properties held in Power Road, Bayswater, Victoria and Canterbury Road, Montrose, Victoria.
- (ii) This facility is used to fund the Company's annual insurance premium. This funding is unsecured.

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2023	2022
	\$'000	\$'000
Total facilities		
Bank loans	<u>31,750</u>	<u>10,450</u>
Used at the reporting date		
Bank loans	<u>23,300</u>	<u>-</u>
Unused at the reporting date		
Bank loans	<u>8,450</u>	<u>10,450</u>

Note 12. Lease liabilities

	Consolidated 2023 \$'000	2022 \$'000
<i>Current liabilities</i>		
Lease liability	557	437
<i>Non-current liabilities</i>		
Lease liability	919	918
	<u>1,476</u>	<u>1,355</u>

Note 13. Reserves

	Consolidated 2023 \$'000	2022 \$'000
Foreign currency reserve	1,694	761
Capital profits reserve	641	585
	<u>2,335</u>	<u>1,346</u>

Foreign currency reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Capital profits reserve

The reserve is used to recognise non-taxable capital profits.

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency \$'000	Capital profits \$'000	Total \$'000
Balance at 1 July 2021	566	363	929
Foreign currency translation	195	-	195
Capital reserve	-	222	222
	<u>761</u>	<u>585</u>	<u>1,346</u>
Balance at 30 June 2022	761	585	1,346
Foreign currency translation	933	-	933
Capital reserve	-	56	56
	<u>1,694</u>	<u>641</u>	<u>2,335</u>
Balance at 30 June 2023	1,694	641	2,335

Note 14. Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2023	2022
	\$'000	\$'000
Interim dividend for the year ended 30 June 2023 of 1.5 cents (2022: 1.5 cents) per ordinary share	1,783	1,783
Previous year:		
Final dividend for the year ended 30 June 2022 of 1.75 cents (2021: 1.65 cents) per ordinary share	2,080	1,961
	<u>3,863</u>	<u>3,744</u>

On 24 August 2023, the Directors declared a final franked dividend of 1.75 cents per share to be paid on 22 September 2023. This equates to a total estimated of \$2,080,000, based on the number of ordinary shares on issue as at 30 June 2023. The financial effect of dividends declared after the reporting date is not reflected in the 30 June 2023 financial statements and will be recognised in subsequent financial reports.

Note 15. Cash flow information

Reconciliation of profit after income tax to net cash from operating activities

	Consolidated	
	2023	2022
	\$'000	\$'000
Profit after income tax expense for the year	7,056	7,281
Adjustments for:		
Depreciation and amortisation	4,278	4,584
Net gain on disposal of non-current assets	(496)	(55)
Foreign currency differences	834	493
Change in operating assets and liabilities:		
Increase in trade and other receivables	(706)	(1,204)
Decrease/(increase) in inventories	452	(4,496)
Decrease/(increase) in income tax refund due	(246)	168
Increase in prepayments	(1,259)	(1,766)
Increase/(decrease) in trade and other payables	2,634	(269)
Decrease in provision for income tax	(547)	(1,244)
Increase in deferred tax liabilities	692	396
Increase in employee benefits	371	378
Net cash from operating activities	<u>13,063</u>	<u>4,266</u>

Note 15. Cash flow information (continued)

Changes in liabilities arising from financing activities

Consolidated	Bank loans \$'000	Short term borrowing \$'000	Lease liability \$'000	Total \$'000
Balance at 1 July 2021	-	-	1,573	1,573
Net cash from/(used in) financing activities	-	669	(414)	255
Acquisition of leases	-	-	196	196
Balance at 30 June 2022	-	669	1,355	2,024
Net cash from/(used in) financing activities	23,300	151	(391)	23,060
Acquisition of leases	-	-	512	512
Balance at 30 June 2023	<u>23,300</u>	<u>820</u>	<u>1,476</u>	<u>25,596</u>