

SDI Limited

ABN 27 008 075 581

Appendix 4E Preliminary Final Report - 30 June 2021

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MELBOURNE, Australia – SDI Limited (ASX: SDI). Net profit after tax of \$8.9 million for the year ended 30 June 2021, compared with \$4.2 million for the same period last year.

Summary financials (AUD)	FY 2021	FY 2020	FY 21 / 20 Change %	FY 21 / 19 Change %
Sales (\$m)	81.6	67.4	21.2	2.6
EBITDA (\$m)	16.8	9.8	71.9	18.7
NPAT (\$m)	8.9	4.2	111.2	21.9
Net cash (\$m)	10.6	4.7	127.0	62.9
Earnings per share (cents)	7.52	3.56	112.4	21.9
Final ordinary dividend (cents)	1.65	0.50	230.0	10.0
Full year ordinary dividend (cents)	3.15	1.85	70.3	(14.9)

- Total sales \$81.6 million, up 21.2% on last year, were driven by strong sales in key product categories, new product releases and the normalising of most dental markets. Challenges continued with constraints on shipping products in many markets. When adjusted for currency movements, sales were up 30.5% on 2020 financial year and 7.1% on the 2019 financial year.
- Earnings before interest, tax, depreciation, and amortisation ('EBITDA') was up 71.9% to \$16.8 million, compared to \$9.8 million for the corresponding period last year. When compared to the 2019 financial year, EBITDA increased by 18.7%.
- Earnings per share ('EPS') was up 3.96 cents to 7.52 cents compared to 3.56 cents for the same period last year.
- Strong cash and no debt.
- Operating expenses after adjusting for currency movements and Government assistance is up 1.4% when compared to the 2019 financial year.
- Final fully franked ordinary dividend of 1.65 cents per share, up 10.0% when compared to the 2019 financial year and 3.15 cents per share for the full year, up 70.3% on the 2020 year.
- Investment on research and development continued.
- The strategic restructure of the Brazilian operations is in progress and is expected to be fully operational by December 2021.

Commenting on the result Chief Executive Officer Samantha Cheetham said: "We are beginning to see a strong rebound in many of the regions we operate in, with some yet to fully return to normal operating conditions. We still face some challenges but feel increasingly confident on the outlook. As always through this pandemic the health and safety of our team continues to be at the forefront of our minds, with strict infection control policies and the use of remote conferencing tools for all staff team meetings where practical."

"Throughout this year, the restrictions in many markets began to be eased and we saw a gradual opening up of dental practices. The initial pent-up demand we have spoken about was evident and, as we ended the financial year with many regions operating closer to normal, we have seen steady increases with new product releases key to our momentum as we exited the financial year. While operating conditions are normalising in many regions the cost of freight has had an impact, with delays and cost inflation a new challenge for us".

Sales

Key product category sales	Change in local currency %	Change in AUD %	Total AUD sales %
Aesthetics	27.2	18.6	44.9
Equipment	31.1	17.2	7.4
Whitening	55.3	46.5	32.5
Amalgam	3.8	(5.7)	15.3

Whitening products have shown a strong increase, up 55.3% in local currency on the prior period, reflecting the anticipated pent-up demand, supported by the release of the new Pola Light and Pola Rapid products, and the re-branding of the Pola products. Aesthetics have also shown a strong recovery on the previous pandemic year, up 27.2% in local currency, assisted by the easing of restrictions on dentistry. In markets where the restrictions were progressively eased - Australia, North America, and parts of Europe - growth was strong. Amalgam products increased by 3.8% in local currencies, with the North American market offsetting declines in other markets. The smallest segment, Equipment, grew strongly in local currency terms, up 31.1% on the prior period, driven by increased traction of the Radii LED curing lights.

Product sales by business unit adjusted for currency movements	Amalgam		Non - Amalgam	
	% Change	% of total Sales	% Change	% of total Sales
Australia (including direct exports)	(34.9)	8.9	17.4	91.1
Brazil	(19.0)	22.5	7.0	77.5
Europe	(1.1)	11.5	42.7	88.5
North America	25.3	27.4	45.8	72.6

Sales by business unit	Growth/(decline) in local currency %	Growth/(decline) in AUD %	Total AUD sales %
Australian sales (including direct exports)	9.6	4.1	34.0
North America	54.3	39.5	25.0
Europe	39.9	35.8	34.4
Brazil	33.4	(0.2)	6.6
Total	30.5	21.2	100.0%

Sales by business unit reflect the gradual easing of Government restrictions, signifying a return to normal operating conditions in many markets. The European business unit sales were up 39.9% in local currency for the year driven by strong demand in its key markets and assisted by the United Kingdom, where conditions rapidly improved in the second half of the year. The Australian business unit sales, which also captures the Australian direct export markets, was up 9.6% with the domestic sales up an impressive 44.6%; however, this was offset by direct exports, which were down 3.3% over the year with many of these regions yet to return to normal operating conditions.

Brazilian sales decreased 0.2% in Australian dollars, when adjusted for currency movement, sales increased by 33.4% reflecting the significant weaker Brazilian REAL. The review of the Brazilian operations was completed, and the implementation of the restructure is expected to be completed by December 2021.

Sales by region	FY 2021 (AUD)	FY 2020 (AUD)	% Change
APAC	16.2m	14.2m	14.4
Middle East / Africa	6.1m	6.9m	(11.0)
South America	7.6m	8.0m	(6.0)
North America	20.4m	14.6m	39.5
Europe	31.3m	23.7m	32.5

The regional performances reflect the return to normal operating conditions, with the gradual easing of Government restrictions, but also the successful release of new products. The South American, Middle East / African, and Asian markets continued to experience restrictions. Added to this, the weakness of the Brazilian currency significantly contributed to the overall decline in South America.

Gross profit margins

Gross product margins are a function of the regional and product sales mix. The positive mix affect during the year, underpinned by strong growth in the higher margin whitening and aesthetic product sales, was offset by regional factors and the increase in freight and production costs driven by global logistic turmoil. Reflective of this, when adjusted for these movements the gross margin increased by 1.8% compared to last year; however, in Australian dollars the gross margin declined 3.2% to 61.6%, compared to 64.8% for the corresponding period last year.

Operating expenses

Total operating expenses in Australian dollars increased by 1.2% when compared to the previous corresponding period. After adjusting for currency movements and government assistance programs, underlying operating expenses increased by 8.8% compared to 2020 year; however, when compared to the pre-pandemic levels in financial year 2019, operating expenses increased by 1.4%.

Balance sheet

The consolidated entity's net cash position increased \$5.9 million to \$10.6 million for the year after increasing inventories by \$0.9 million, eliminating debt of \$1.5 million, planned investment in plant and equipment of \$2.3 million and product development expenditure of \$1.2 million. The consolidated entity has actively increased its inventory to mitigate the continued global freighting delays. The consolidated entity has unused bank facilities of \$10 million.

The consolidated entity received \$3.9 million from Government assistance programs in the year ended 30 June 2021. \$1.9 million was allocated to operating expenses and \$2 million to the manufacturing departments to supplement the consolidated entity's commitment to keep its global employees employed while the Group recovered from the reduced demand caused by the COVID-19 pandemic. This was critical, particularly in the first half of the financial year. It does not foresee that it will be eligible to receive any further payments in future years.

The consolidated entity continues the comprehensive review at its manufacturing footprint, including relocation, investment in automation, and review of its manufacturing processes to ensure it continues to operate efficiently and manage future growth.

Strategy and outlook

The consolidated entity continues to drive its strategic priorities. Firstly, the key product categories of Aesthetics and Whitening products are the focus for new product development, for achieving further manufacturing efficiencies and driving sales and marketing teams; secondly, on-going investment in research and development to release one to two products per year is on target; and finally, the consolidated entity's Amalgam replacement product is on schedule to be released in 2023.

It is expected that future years will continue to show strong growth in Aesthetics and Whitening products, and the on-going decline in Amalgam products.

Commenting on the outlook Samantha Cheetham said: "In managing any global business there are uncertainties and SDI is no different. I am encouraged by the strong rebound in our key markets and see genuine momentum in our business underpinned by the opening of markets and new product releases. In the near term the challenges we face are with the increased cost of freight, the potential for further lockdowns and the delayed opening of the remaining regions we operate in. On balance we expect another year of growth and look forward to the return of normal operating conditions in all markets".

Dividends

Showing the Board's confidence in the future of the business, the Directors have declared a final fully franked ordinary dividend of 1.65 cents per share, compared to 0.5 cents for 2020 and 1.5 cents for 2019. The full year ordinary dividends of 3.15 cents equates to payout ratio of 41.9%.

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

About SDI Limited

Founded in 1972 and publicly listed on the Australian Securities Exchange in 1985, SDI Limited is a leading dental technology company that conducts research and development, manufacturing, and marketing of specialist dental materials. SDI's products combine innovation and excellence to provide the ideal restorative materials for the dental profession.

All of SDI's products are manufactured in Victoria, Australia. SDI's products are distributed through distributors and retailers in over 100 countries throughout the world. SDI has offices and warehouses in Australia, USA, Germany, and Brazil.

1. Company details

Name of entity:	SDI Limited
ABN:	27 008 075 581
Reporting period:	For the year ended 30 June 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	21.2% to	81,647
Profit from ordinary activities after tax attributable to the owners of SDI Limited	up	111.0% to	8,941
Profit for the year attributable to the owners of SDI Limited	up	111.0% to	8,941

Dividends

	Amount per security Cents	Franked amount per security Cents
Interim dividend for the year ended 30 June 2021 paid on 23 April 2021	1.50	1.50
Final dividend for the year ended 30 June 2021 to be paid on 20 September 2021	1.65	1.65

On 20 August 2021, the Directors declared a final franked dividend of 1.65 cents per share to be paid on 20 September. This equates to a total estimated distribution of \$1,961,000 based on the number of ordinary shares on issue as at 30 June 2021. The financial effect of dividends declared after the reporting date is not reflected in the 30 June 2021 financial statements and will be recognised in subsequent financial reports.

The record date for determining entitlements to dividends is 6 September 2021.

Comments

The profit for the consolidated entity after providing for income tax amounted to \$8,941,000 (30 June 2020: \$4,237,000).

Earnings before interest, tax, depreciation and amortisation ('EBITDA') increased by 71.9% to \$16,834,000 (30 June 2020: \$9,791,000).

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 2021 \$'000	Consolidated 2020 \$'000
Profit after tax	8,941	4,237
Add: taxation	3,267	878
Add: interest expense	55	19
Less: interest income	(4)	(10)
Add: depreciation and amortisation	4,575	4,667
EBITDA	16,834	9,791

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	46.60	41.24

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 2021 paid on 23 April 2021	1.50	1.50
Final dividend for the year ended 30 June 2021 to be paid on 20 September 2021	1.65	1.65

On 20 August 2021, the Directors declared a final franked dividend of 1.65 cents per share to be paid on 20 September. This equates to a total estimated distribution of \$1,961,000 based on the number of ordinary shares on issue as at 30 June 2021. The financial effect of dividends declared after the reporting date is not reflected in the 30 June 2021 financial statements and will be recognised in subsequent financial reports.

Previous period

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2020 paid on 21 September 2020	0.50	0.50
Interim dividend for the year ended 30 June 2020 paid on 17 April 2020	1.35	1.35

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

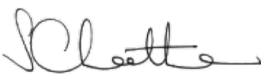
The financial statements are in the process of being audited.

8. Attachments

The Appendix 4E Preliminary Final Report of SDI Limited for the year ended 30 June 2021 is attached.

9. Signed

Authorised by the Board of Directors.

Signed  _____

Samantha Jane Cheetham
Managing Director
Melbourne

Date: 20 August 2021

	Note	Consolidated 2021 \$'000	2020 \$'000
Revenue			
Sales revenue		81,647	67,374
Cost of goods sold		(31,396)	(23,737)
Gross profit		50,251	43,637
Other losses, net	2	(705)	(1,628)
Interest income		4	10
Expenses			
Selling and administration expenses		(33,550)	(33,381)
Research and development costs		(2,142)	(1,773)
Impairment of receivables	4	266	(63)
Other expenses		(1,861)	(1,668)
Finance costs		(55)	(19)
Total expenses		(37,342)	(36,904)
Profit before income tax expense		12,208	5,115
Income tax expense		(3,267)	(878)
Profit after income tax expense for the year attributable to the owners of SDI Limited		8,941	4,237
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign controlled entities		(574)	(144)
Other comprehensive income for the year, net of tax		(574)	(144)
Total comprehensive income for the year attributable to the owners of SDI Limited		8,367	4,093
		Cents	Cents
Basic earnings per share	3	7.52	3.56
Diluted earnings per share	3	7.52	3.56

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

	Note	Consolidated 2021 \$'000	2020 \$'000
Assets			
Current assets			
Cash and cash equivalents		10,559	6,153
Trade and other receivables	4	18,486	9,605
Inventories	5	21,509	20,656
Current tax asset		172	850
Prepayments		1,618	1,780
Total current assets		<u>52,344</u>	<u>39,044</u>
Non-current assets			
Trade and other receivables	4	805	642
Property, plant and equipment	6	19,288	19,225
Right-of-use assets	7	1,571	1,142
Intangibles	8	24,396	24,752
Total non-current assets		<u>46,060</u>	<u>45,761</u>
Total assets		<u>98,404</u>	<u>84,805</u>
Liabilities			
Current liabilities			
Trade and other payables	9	9,286	3,364
Borrowings	10	-	1,500
Lease liabilities	11	325	441
Provision for income tax		2,162	69
Employee benefits		3,173	2,408
Total current liabilities		<u>14,946</u>	<u>7,782</u>
Non-current liabilities			
Lease liabilities	11	1,248	686
Deferred tax liability		2,186	2,334
Employee benefits		244	213
Total non-current liabilities		<u>3,678</u>	<u>3,233</u>
Total liabilities		<u>18,624</u>	<u>11,015</u>
Net assets		<u>79,780</u>	<u>73,790</u>
Equity			
Issued capital		12,890	12,890
Reserves	12	929	1,503
Retained profits		65,961	59,397
Total equity		<u>79,780</u>	<u>73,790</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 2019	12,890	1,647	58,548	73,085
Profit after income tax expense for the year	-	-	4,237	4,237
Other comprehensive income for the year, net of tax	-	(144)	-	(144)
Total comprehensive income for the year	-	(144)	4,237	4,093
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 13)	-	-	(3,388)	(3,388)
Balance at 30 June 2020	<u>12,890</u>	<u>1,503</u>	<u>59,397</u>	<u>73,790</u>
Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2020	12,890	1,503	59,397	73,790
Profit after income tax expense for the year	-	-	8,941	8,941
Other comprehensive income for the year, net of tax	-	(574)	-	(574)
Total comprehensive income for the year	-	(574)	8,941	8,367
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 13)	-	-	(2,377)	(2,377)
Balance at 30 June 2021	<u>12,890</u>	<u>929</u>	<u>65,961</u>	<u>79,780</u>

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

	Note	Consolidated 2021 \$'000	2020 \$'000
Cash flows from operating activities			
Receipts from customers		72,917	75,146
Payments to suppliers and employees		(63,454)	(66,154)
		9,463	8,992
Interest received		4	10
Other revenue		3,924	1,121
Interest and other finance costs paid		(55)	(19)
Income taxes paid		(644)	(3,074)
Net cash from operating activities	14	12,692	7,030
Cash flows from investing activities			
Payments for property, plant and equipment	6	(2,267)	(2,489)
Payments for intangibles	8	(1,788)	(2,222)
Proceeds from disposal of property, plant and equipment		108	87
Net cash used in investing activities		(3,947)	(4,624)
Cash flows from financing activities			
Proceeds/(Repayment) from borrowings	14	(1,500)	1,500
Repayment of lease liabilities	14	(308)	(769)
Dividends paid	13	(2,377)	(3,388)
Net cash used in financing activities		(4,185)	(2,657)
Net increase/(decrease) in cash and cash equivalents		4,560	(251)
Cash and cash equivalents at the beginning of the financial year		6,153	6,481
Effects of exchange rate changes on cash and cash equivalents		(154)	(77)
Cash and cash equivalents at the end of the financial year		10,559	6,153

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 and SDI Dentech Innovations Pty Ltd.
Europe:	SDI Germany GmbH (Germany) and SDI Dental Innovations Limited (United Kingdom).
USA:	SDI (North America), Inc.
Brazil:	SDI Brasil Industria e Comercio 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 - 2021	Australia \$'000	Europe \$'000	USA \$'000	Brazil \$'000	Total \$'000
Revenue					
Sales to external customers	27,780	28,099	20,382	5,386	81,647
Intersegment sales	22,839	3,828	-	-	26,667
Total sales revenue	50,619	31,927	20,382	5,386	108,314
Total segment revenue	50,619	31,927	20,382	5,386	108,314
Intersegment eliminations					(26,667)
Total revenue					81,647
Segment results before tax and adjustments below					
Intersegment adjustments	14,386	1,252	748	684	17,070
Depreciation and amortisation	(236)	-	-	-	(236)
Interest revenue	(4,046)	(265)	(149)	(115)	(4,575)
Finance costs	2	-	-	2	4
	(55)	-	-	-	(55)
Profit before income tax expense	10,051	987	599	571	12,208
Income tax expense					(3,267)
Profit after income tax expense					8,941
Assets					
Segment assets	87,042	13,443	9,565	6,406	116,456
Intersegment eliminations					(18,052)
Total assets					98,404
Liabilities					
Segment liabilities	14,318	9,406	3,683	6,431	33,838
Intersegment eliminations					(15,214)
Total liabilities					18,624

Note 1. Operating segments (continued)

Consolidated - 2020	Australia \$'000	Europe \$'000	USA \$'000	Brazil \$'000	Other segments \$'000	Total \$'000
Revenue						
Sales to external customers	26,678	20,694	14,607	5,395	-	67,374
Intersegment sales	18,540	3,545	-	-	-	22,085
Total sales revenue	45,218	24,239	14,607	5,395	-	89,459
Total segment revenue	45,218	24,239	14,607	5,395	-	89,459
Intersegment eliminations						(22,085)
Total revenue						67,374
Segment results before tax and adjustments below						
Intersegment adjustments	4,929	1,384	662	(591)	454	6,838
Depreciation and amortisation	2,953	-	-	-	-	2,953
Interest revenue	(3,738)	(652)	(202)	(75)	-	(4,667)
Finance costs	3	-	1	6	-	10
	(8)	(3)	(8)	-	-	(19)
Profit/(loss) before income tax expense	4,139	729	453	(660)	454	5,115
Income tax expense						(878)
Profit after income tax expense						4,237
Assets						
Segment assets	76,789	8,428	6,399	5,423	-	97,039
Intersegment eliminations						(12,234)
Total assets						84,805
Liabilities						
Segment liabilities	9,095	4,983	456	6,057	-	20,591
Intersegment eliminations						(9,576)
Total liabilities						11,015

Note 2. Other losses, net

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Net foreign exchange loss	(724)	(1,674)
Net gain on disposal of property, plant and equipment	16	45
Other	3	1
Other losses, net	(705)	(1,628)

Note 3. Earnings per share

	Consolidated	
	2021 \$'000	2020 \$'000
Profit after income tax attributable to the owners of SDI Limited	8,941	4,237
	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	7.52	3.56
Diluted earnings per share	7.52	3.56

Note 4. Trade and other receivables

	Consolidated	
	2021 \$'000	2020 \$'000
<i>Current assets</i>		
Trade receivables	17,422	8,973
Less: Allowance for expected credit losses	(91)	(357)
	17,331	8,616
Other receivables	1,155	989
	18,486	9,605
<i>Non-current assets</i>		
Other receivables	805	642
	19,291	10,247

Allowance for expected credit losses

The consolidated entity has recognised a gain of \$266,000 (2020: loss \$63,000) in profit in respect of the expected credit losses for the year ended 30 June 2021.

Other receivables relate to prepaid taxes and government grant subsidies receivable.

The ageing of the impaired receivables provided for above is as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
	2021 %	2020 %	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Consolidated						
Not overdue	0.22%	0.24%	12,712	5,921	28	14
1 to 4 months overdue	0.22%	0.24%	3,678	1,902	8	5
Over 4 months overdue	6.99%	29.39%	788	1,150	55	338
			17,178	8,973	91	357

Note 5. Inventories

	Consolidated	
	2021	2020
	\$'000	\$'000
<i>Current assets</i>		
Raw materials - at cost	9,311	10,525
Finished goods - at cost	12,353	10,319
Less: Provision for inventory obsolescence	(155)	(188)
	<u>21,509</u>	<u>20,656</u>

Note 6. Property, plant and equipment

	Consolidated	
	2021	2020
	\$'000	\$'000
<i>Non-current assets</i>		
Land and buildings - at cost	11,476	11,216
Less: Accumulated depreciation	(1,966)	(1,821)
	<u>9,510</u>	<u>9,395</u>
Plant and equipment - at cost	37,391	36,066
Less: Accumulated depreciation	(27,613)	(26,236)
	<u>9,778</u>	<u>9,830</u>
	<u>19,288</u>	<u>19,225</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 2019	9,097	9,583	18,680
Additions	435	2,054	2,489
Disposals	-	(42)	(42)
Depreciation expense	(137)	(1,765)	(1,902)
Balance at 30 June 2020	9,395	9,830	19,225
Additions	259	2,008	2,267
Disposals	-	(92)	(92)
Depreciation expense	(144)	(1,968)	(2,112)
Balance at 30 June 2021	<u>9,510</u>	<u>9,778</u>	<u>19,288</u>

Note 7. Right-of-use assets

	Consolidated	
	2021	2020
	\$'000	\$'000
<i>Non-current assets</i>		
Land and buildings - right-of-use	2,359	1,896
Less: Accumulated depreciation	(788)	(754)
	<u>1,571</u>	<u>1,142</u>

Additions to the right-of-use-assets during the year were \$463,000.

The consolidated entity leases land and buildings for offices and warehouses under agreements between 3 to 5 years. On renewal, the terms of the leases are renegotiated.

Note 8. Intangibles

	Consolidated	
	2021	2020
	\$'000	\$'000
<i>Non-current assets</i>		
Product development costs - at cost	28,989	27,407
Less: Accumulated amortisation	(13,641)	(12,180)
	<u>15,348</u>	<u>15,227</u>
Intellectual property - at cost	8,452	7,881
Less: Accumulated amortisation	(5,708)	(5,061)
	<u>2,744</u>	<u>2,820</u>
Development work in progress - at cost	6,304	6,705
	<u>24,396</u>	<u>24,752</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 2019	14,760	3,076	6,767	24,603
Additions	1,891	331	-	2,222
Transfers in/ (out)	-	-	(62)	(62)
Amortisation expense	(1,424)	(587)	-	(2,011)
Balance at 30 June 2020	15,227	2,820	6,705	24,752
Additions	1,158	630	-	1,788
Transfers in/ (out)	401	-	(401)	-
Amortisation expense	(1,438)	(706)	-	(2,144)
Balance at 30 June 2021	<u>15,348</u>	<u>2,744</u>	<u>6,304</u>	<u>24,396</u>

Note 9. Trade and other payables

	Consolidated 2021 \$'000	2020 \$'000
<i>Current liabilities</i>		
Trade payables	4,957	2,314
Other payables and accrued expenses	4,329	1,050
	<u>9,286</u>	<u>3,364</u>

Note 10. Borrowings

	Consolidated 2021 \$'000	2020 \$'000
<i>Current liabilities</i>		
Bank loans	-	1,500

Assets pledged as security

The bank loans were secured by a registered first mortgage debenture over the assets of the parent entity, a registered first mortgage over its freehold properties and a cross guarantee between the Company's subsidiaries. The consolidated entity has a loan facility of \$10,000,000 and an export line facility of \$450,000. The facilities allow for both fixed and variable rate loans. The loan period does not exceed 5 years. Finance is provided under all facilities, which are reviewed annually, provided the parent entity is within the terms and conditions of the Agreement.

The carrying amounts of assets pledged as security for borrowings are:

	Consolidated 2021 \$'000	2020 \$'000
Land and buildings	9,510	9,395
Other assets	41,273	35,143
	<u>50,783</u>	<u>44,538</u>

Financing arrangements

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

	Consolidated 2021 \$'000	2020 \$'000
Total facilities		
Bank loans	10,450	10,450
Used at the reporting date		
Bank loans	-	1,500
Unused at the reporting date		
Bank loans	10,450	8,950

Note 11. Lease liabilities

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
<i>Current liabilities</i>		
Lease liability	325	441
<i>Non-current liabilities</i>		
Lease liability	1,248	686
	<u>1,573</u>	<u>1,127</u>

Note 12. Reserves

	Consolidated 2021 \$'000	Consolidated 2020 \$'000
Foreign currency reserve	566	1,140
Capital profits reserve	363	363
	<u>929</u>	<u>1,503</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 arising from the disposal of investments.

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 2019	1,284	363	1,647
Foreign currency translation	(144)	-	(144)
Balance at 30 June 2020	1,140	363	1,503
Foreign currency translation	(574)	-	(574)
Balance at 30 June 2021	<u>566</u>	<u>363</u>	<u>929</u>

Note 13. Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2021	2020
	\$'000	\$'000
Interim dividend for the year ended 30 June 2021 of 1.5 cents (2020: 1.35 cents) per ordinary share	1,783	-
Previous year:		
Final dividend for the year ended 30 June 2020 of 0.5 cents (2019: 1.5 cents) per ordinary share	594	-
Final dividend for the year ended 30 June 2019 of 1.5 cents (2018: 1.4 cents) per ordinary share	-	1,783
Interim dividend for the year ended 30 June 2020 of 1.35 cents (2019: 1.2 cents) per ordinary share	-	1,605
	<u>2,377</u>	<u>3,388</u>

On 20 August 2021, the Directors declared a final franked dividend of 1.65 cents per share to be paid on 20 September 2021. This equates to a total estimated distribution of \$1,961,000, based on the number of ordinary shares on issue as at 30 June 2021. The financial effect of dividends declared after the reporting date is not reflected in the 30 June 2021 financial statements and will be recognised in subsequent financial reports.

Note 14. Cash flow information

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

	Consolidated	
	2021	2020
	\$'000	\$'000
Profit after income tax expense for the year	8,941	4,237
Adjustments for:		
Depreciation and amortisation	4,575	4,667
Net gain on disposal of non-current assets	(16)	(45)
Other revenue	4,645	-
Foreign currency differences	(705)	(67)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	(9,768)	8,175
Increase in inventories	(853)	(3,414)
Decrease/(increase) in income tax refund due	678	(850)
Decrease/(increase) in prepayments	162	(680)
Increase/(decrease) in trade and other payables	2,292	(2,752)
Increase/(decrease) in provision for income tax	2,093	(1,317)
Decrease in deferred tax liabilities	(148)	(29)
Increase/(decrease) in employee benefits	796	(895)
Net cash from operating activities	<u>12,692</u>	<u>7,030</u>

Note 14. Cash flow information (continued)

Changes in liabilities arising from financing activities

Consolidated	Bank loans \$'000	Lease liability \$'000	Total \$'000
Balance at 1 July 2019	-	-	-
Net cash from/(used in) financing activities	1,500	(769)	731
Leases recognised on the adoption of AASB 16	-	1,699	1,699
Acquisition of leases	-	197	197
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2020	1,500	1,127	2,627
Net cash used in financing activities	(1,500)	(308)	(1,808)
Acquisition of leases	-	754	754
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2021	<u>-</u>	<u>1,573</u>	<u>1,573</u>