

SDI Limited

ABN 27 008 075 581

Appendix 4E Preliminary Final Report - 30 June 2024

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Commentary - Full-year results

MELBOURNE, Australia – SDI Limited (ASX: SDI). Net profit after tax increased by 47.7% to \$10.4 million for the twelve months ending 30 June 2024, compared to \$7.1 million for the previous corresponding period last year.

Summary financials (AUD)	FY 2024	FY 2023	Change %
Sales (\$m)	111.2	107.9	+3.1%
Gross product margin (%)	62.1	56.8	+530 bps
EBITDA (\$m)	21.9	16.2	+35.5%
NPAT (\$m)	10.4	7.1	+47.7%
Underlying NPAT (\$m)	11.4	7.5	+51.8%
Earnings per share (cents)	8.77	5.94	+47.6%
Final ordinary dividend (cents)	1.90	1.75	+8.6%

FY24 Highlights

Record total sales of \$111.2 million, up 3.1% on the previous corresponding period (“pcp”), with good growth in Aesthetics products, partially offset by a decline in Amalgam product categories.
 Product margin improvement to 62.1%, up by 530 bps on pcp, reflecting operational efficiencies, lower logistic costs, price increases, and geographical and product mix.
 Operating expenses of \$51.0 million, in line with pcp, excluding impairment expenses of \$1.0 million (FY23 \$0.4 million).
 EBITDA increased by 35.5% to \$21.9 million (FY23 \$16.2 million).
 Underlying after tax profit, excluding impairments, increased by 51.8% to \$11.4 million (FY23 \$7.5 million).
 Earnings per share (‘EPS’) up 2.83 cents to 8.77 cents compared to 5.94 cents for the same period last year.
 Final fully franked ordinary dividend up 8.6% to 1.90 cents per share.

Commenting on the result, Chief Executive Officer Samantha Cheetham said: “Continued sales growth along with improved product margins and well managed operating expenses have resulted in a record profit for the year. Product margins have been driven by operational efficiencies plus favourable product mix with the growth in our higher margin Aesthetic products. Amalgam sales declined as expected, and we expect Whitening sales to improve with our planned rebranding in the first half of 2025.”

Key product category sales

Category	\$m AUD	Change in local currency %	Change in AUD %	Total AUD sales %
Aesthetics	55.3	4.5	8.1	49.7
Equipment	6.5	(2.1)	1.0	5.9
Whitening	31.0	(4.2)	(1.0)	27.9
Amalgam	18.4	(6.5)	(3.3)	16.5

In local currencies, Aesthetics sales continued to show good growth, up 4.5% on pcp. Sales increased across all regions apart from North America with Aesthetic sales down 5.2%. SDI saw market share gains in Aesthetics, with the release of new products in prior periods gaining momentum in the market in FY 2024. Whitening sales decreased by 4.2%, with a decline in most regions apart from Europe which saw a modest increase of 0.7%. Decline in Whitening reflects strong global competition, but also some declines in discretionary spend. Equipment sales, SDI’s smallest product category and largely a complimentary product, fell by 2.1% reflecting a decrease in all markets apart from Brazil which increased by 20.5%. Amalgam decreased by 6.5%, declining in most markets after an abnormally strong period in the prior year.

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)	36.4	(1.3)	0.3	32.7
North America	24.7	(5.7)	(3.7)	22.2
Europe	41.3	6.2	11.9	37.2
Brazil	8.8	(7.2)	(2.6)	7.9
Total	111.2	(0.3)	3.1	100.0

The business unit performance reflects favourable currency movements and strong growth from the European business.

European sales were up 6.2% in local currencies, driven by demand for Aesthetic products in most European markets.

Australian sales, which include Australian domestic and direct export markets, were down by 1.3%, with Australian direct exports decreasing by 2.4% when adjusted for currency movements. Direct export sales were also impacted by the strategic decision to reduce contract manufacturing, redirecting this capacity to SDI products.

Brazilian sales decreased by 7.2% on pcp in local currencies partly due to a major distributor reducing its inventory in the first half of FY24 (down 20.2%).

North American sales decreased by 5.7% on pcp due to a 5.9% decline in Amalgam sales which represents 30.0% of its total sales. Additionally sales were affected by lower private label Composite sales due to over stocking by a customer in the previous financial year.

Sales by region

Region	FY 2024 (\$m AUD)	FY 2023 (\$m AUD)	Growth/(decline) in AUD
APAC	19.7	18.4	7.3
Middle East / Africa	11.3	12.4	(8.9)
South America	12.6	11.7	7.8
North America	24.7	25.6	(3.7)
Europe	42.9	39.8	7.9

Sales by regions reflects good growth in APAC, European and South American markets which were aided by increased demand for Aesthetic products and favourable currency movements. Middle Eastern / African sales were predominately affected by deliberate delays in shipment due to short term issues around customer payments.

Gross profit margins

Product margins in Australian dollars increased by 530 bps to 62.1%, driven by operational efficiencies, strong growth in the Aesthetic products, price increases, and improved logistics costs. Product and geographical sales are a significant influence on the gross margin, with sales growth in Aesthetics in the European market attracting higher product margins. In September 2023 the warehousing operations were moved to the new site resulting in operational efficiencies and cost savings relating to 3PL warehousing.

Expenses

Operating expenses in Australian dollars up 1.0% on pcp. After adjusting for currency movements operating expenses decreased by 0.9% compared to pcp. Further adjusting for a \$1.0 million asset impairment (FY23 \$0.4 million) relating to land and buildings and the Brazilian operation, operating expenses in local currencies, decreased by 1.9%.

Tax Expense

Tax expense of 31.6% reflected the non-deductibility of asset impairments of \$1.0 million. After adjusting for this, the underlying tax expense was 29.7%.

Balance sheet

Cash increased by \$0.3 million after investing \$5.4 million in property, plant and equipment, and \$4.3 million in product development expenditure, and reducing debt by \$1.0 million for the twelve months ending 30 June 2024. The Company has unused bank facilities of \$8.5 million and \$6.3 million cash in bank.

Strategy and outlook

The Company 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', originally designed as an Amalgam replacement product, will compete in the wider Aesthetic categories due to its natural tooth colour and strength. It has been released in several key markets in FY24 and released in Europe in July 2024.
- **Achieving manufacturing and logistic efficiencies.** In FY23 the Company purchased a six-acre property for \$19 million which has an existing 4,000 sqm warehouse and has relocated its current warehousing. Planning is currently in progress to redevelop the site to relocate its current manufacturing operations by December 2027, with a construction and refurbishing cost of \$26 million and additional equipment of \$15 million. It is expected that this will generate a pre-tax return on capital of 20%.
Investment in production automation and processes to achieve operating efficiencies and manage new and existing future product growth. The Company has recently purchased several high-speed production machines which will start showing returns in the next six months. Other machines are on order for delivery over the next 12 months which will result in further efficiencies and increase future production capacity.
On-going investment in research and development of new products. The product launch plan is back on to ensure one new product by December 2024. The team will continue to focus on ensuring European regulatory requirement deadlines are met. SDI embraces the stringent regulatory requirements as these provide high barriers to entry and a competitive 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. The United Nations have planned that dental Amalgam products will be phased out in 2030.

Dividends

Showing the Board's confidence in the future of the business, the Directors have increased the final dividend payment by 8.6%, declaring a final fully franked ordinary dividend of 1.90 cents per share (FY23 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 2024
Previous period:	For the year ended 30 June 2023

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	3.11% to	111,206
Profit from ordinary activities after tax attributable to the owners of SDI Limited	up	47.69% to	10,421
Profit for the year attributable to the owners of SDI Limited	up	47.69% to	10,421

Dividends

	Amount per security Cents	Franked amount per security Cents
Interim dividend for the year ended 30 June 2024 paid on 30 April 2024	1.50	1.50
Final dividend for the year ended 30 June 2024 paid on 20 September 2024	1.90	1.90

The record date for determining entitlements to dividends is 6 September 2024.

Comments

The profit for the consolidated entity after providing for income tax amounted to \$10,421,000 (30 June 2023: \$7,056,000).

Earnings before interest, tax, depreciation and amortisation ('EBITDA') increased by 35.54% to \$21,909,000 (30 June 2022: \$16,164,000). 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 2024 \$'000	2023 \$'000
Profit after tax	10,421	7,056
Add: taxation	4,817	3,634
Add: interest expense	1,535	759
Less: interest income	(19)	(8)
Add: depreciation and amortisation	4,187	4,278
Add: impairment of assets	968	445
EBITDA	21,909	16,164

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	50.98	51.02

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 2024 paid on 30 April 2024	1.50	1.50
Final dividend for the year ended 30 June 2024 paid on 20 September 2024	1.90	1.90

Previous 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

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 2024 is attached.

9. Signed

Authorised by the Board of Directors.



Signed _____

Date: 27 August 2024

Samantha Jane Cheetham
Managing Director
Melbourne

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SDI Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2024



	Note	Consolidated 2024 \$'000	2023 \$'000
Revenue			
Sales revenue		111,206	107,855
Cost of goods sold		(42,168)	(46,588)
Gross profit		69,038	61,267
Other (losses)/gains	2	(166)	1,556
Interest income		19	8
Expenses			
Selling and administration expenses		(47,468)	(47,583)
Research and development costs		(1,151)	(1,354)
Impairment of receivables	4	(27)	(49)
Impairment of other assets		(968)	-
Other expenses		(2,504)	(2,396)
Finance costs		(1,535)	(759)
Total expenses		(53,653)	(52,141)
Profit before income tax expense		15,238	10,690
Income tax expense		(4,817)	(3,634)
Profit after income tax expense for the year attributable to the owners of SDI Limited		10,421	7,056
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign controlled entities		(322)	933
Other comprehensive income for the year, net of tax		(322)	933
Total comprehensive income for the year attributable to the owners of SDI Limited		10,099	7,989
		Cents	Cents
Basic earnings per share	3	8.77	5.94
Diluted earnings per share	3	8.77	5.94

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

	Note	Consolidated	
		2024 \$'000	2023 \$'000
Assets			
Current assets			
Cash and cash equivalents		6,275	6,022
Trade and other receivables	4	21,045	21,124
Inventories	5	28,748	25,553
Current tax asset		-	250
Prepayments		3,781	4,643
		<u>59,849</u>	<u>57,592</u>
Assets classified as held for sale	6	4,837	1,138
Total current assets		<u>64,686</u>	<u>58,730</u>
Non-current assets			
Property, plant and equipment	7	43,643	45,829
Right-of-use assets	8	1,631	1,432
Intangibles	9	30,564	27,318
Deferred tax asset		137	-
Non-current assets classified as held for sale		-	-
Total non-current assets		<u>75,975</u>	<u>74,579</u>
Total assets		<u>140,661</u>	<u>133,309</u>
Liabilities			
Current liabilities			
Trade and other payables	10	11,616	11,986
Borrowings	11	7,818	7,820
Lease liabilities	12	657	557
Provision for income tax		1,663	371
Employee benefits		3,957	3,920
Total current liabilities		<u>25,711</u>	<u>24,654</u>
Non-current liabilities			
Borrowings	11	15,300	16,300
Lease liabilities	12	1,004	919
Deferred tax liability		4,401	3,274
Employee benefits		271	246
Total non-current liabilities		<u>20,976</u>	<u>20,739</u>
Total liabilities		<u>46,687</u>	<u>45,393</u>
Net assets		<u>93,974</u>	<u>87,916</u>
Equity			
Issued capital		12,890	12,890
Reserves	13	1,835	2,335
Retained profits		79,249	72,691
Total equity		<u>93,974</u>	<u>87,916</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 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

Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2023	12,890	2,335	72,691	87,916
Profit after income tax expense for the year	-	-	10,421	10,421
Other comprehensive loss for the year, net of tax	-	(322)	-	(322)
Total comprehensive income for the year	-	(322)	10,421	10,099
<i>Transactions with owners in their capacity as owners:</i>				
Transfer from Foreign Currency Reserve to Retained Earnings	-	(178)	-	(178)
Capital reserve	-	-	-	-
Dividends paid (note 14)	-	-	(3,863)	(3,863)
Balance at 30 June 2024	12,890	1,835	79,249	93,974

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	Note	Consolidated 2024 \$'000	2023 \$'000
Cash flows from operating activities			
Receipts from customers		111,938	109,049
Payments to suppliers and employees		(93,810)	(91,375)
		18,128	17,674
Interest received		19	8
Government grants received		-	180
Interest and other finance costs paid		(1,535)	(1,064)
Income taxes paid		(2,285)	(3,735)
Net cash from operating activities	15	14,327	13,063
Cash flows from investing activities			
Payments for property, plant and equipment		(5,337)	(30,669)
Payments for intangibles		(4,960)	(3,817)
Proceeds from disposal of property, plant and equipment		1,521	1,080
Net cash used in investing activities		(8,776)	(33,406)
Cash flows from financing activities			
Net proceeds from borrowings	15	(1,002)	23,451
Repayment of lease liabilities	15	(469)	(391)
Dividends paid	14	(3,863)	(3,863)
Net cash (used in)/from financing activities		(5,334)	19,197
Net increase/(decrease) in cash and cash equivalents		217	(1,146)
Cash and cash equivalents at the beginning of the financial year		6,022	7,013
Effects of exchange rate changes on cash and cash equivalents		36	155
Cash and cash equivalents at the end of the financial year		6,275	6,022

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

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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.

The information reported to the CODM is on a monthly basis.

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.

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Note 1. Operating segments (continued)

Operating segment information

Consolidated - 2024	Australia \$'000	Europe \$'000	USA \$'000	Brazil \$'000	Total \$'000
Revenue					
Sales to external customers	36,349	41,333	24,686	8,838	111,206
Intersegment sales	29,907	5,910	-	-	35,817
Total sales revenue	66,256	47,243	24,686	8,838	147,023
Total segment revenue	66,256	47,243	24,686	8,838	147,023
Intersegment eliminations					(35,817)
Total revenue					111,206
Segment results before tax and adjustments below					
	21,130	1,833	933	1,403	25,299
Intersegment adjustments	(3,390)	-	-	-	(3,390)
Impairment of assets	(499)	-	-	(469)	(968)
Depreciation and amortisation	(3,594)	(320)	(178)	(95)	(4,187)
Interest revenue	15	-	-	4	19
Finance costs	(1,512)	(15)	(2)	(6)	(1,535)
Profit before income tax expense	12,150	1,498	753	837	15,238
Income tax expense					(4,817)
Profit after income tax expense					10,421
Assets					
Segment assets	127,027	16,681	8,099	6,969	158,776
Intersegment eliminations					(18,115)
Total assets					140,661
Liabilities					
Segment liabilities	41,300	12,295	1,047	5,187	59,829
Intersegment eliminations					(13,142)
Total liabilities					46,687

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Note 1. Operating segments (continued)

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					(3,634)
					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 2. Other (losses)/gains

	Consolidated 2024 \$'000	2023 \$'000
Net foreign exchange (loss)/gain	(691)	828
Net gain on disposal of property, plant and equipment	216	496
Other	309	232
Other (losses)/gains	(166)	1,556

Note 3. Earnings per share

	Consolidated 2024 \$'000	2023 \$'000
Profit after income tax attributable to the owners of SDI Limited	10,421	7,056
	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

Note 3. Earnings per share (continued)

	Cents	Cents
Basic earnings per share	8.77	5.94
Diluted earnings per share	8.77	5.94

Note 4. Trade and other receivables

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current assets</i>		
Trade receivables	20,653	19,938
Less: Allowance for expected credit losses	(72)	(144)
	<u>20,581</u>	<u>19,794</u>
Other receivables	464	1,330
	<u>21,045</u>	<u>21,124</u>

Allowance for expected credit losses

The consolidated entity has recognised a loss of \$27,000 (2023: loss \$49,000) in profit in respect of the expected credit losses for the year ended 30 June 2024.

Note 5. Inventories

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current assets</i>		
Raw materials	12,940	12,889
Finished goods	15,808	12,664
	<u>28,748</u>	<u>25,553</u>

Note 6. Assets classified as held for sale

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current assets</i>		
Land and building	4,837	1,138
<i>Non-current assets</i>		
Land and building	-	-
	<u>4,837</u>	<u>1,138</u>

Land and buildings located at No, 40 Barry Road, Baywater Vic 3153 were settled 30th April 2024

Land and buildings located at 69 Power road, Bayswater, VIC 3153 has an expected settlement date of 16 January 2025.

An impairment expense of \$499,000 was recognised against the asset held for sale during the period.

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Note 7. Property, plant and equipment

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Non-current assets</i>		
Land and buildings - at cost	31,430	36,006
Less: Accumulated depreciation	(2,297)	(2,251)
	29,133	33,755
Plant and equipment - at cost	47,091	43,052
Less: Accumulated depreciation	(32,581)	(30,978)
	14,510	12,074
	43,643	45,829

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 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)
	33,755	12,074	45,829
Balance at 30 June 2023	33,755	12,074	45,829
Additions	891	4,446	5,337
Assets classified as held for sale (note 6)	(5,336)	-	(5,336)
Disposals	(33)	(134)	(167)
Depreciation expense	(144)	(1,876)	(2,020)
	29,133	14,510	43,643
Balance at 30 June 2024	29,133	14,510	43,643

Note 8. Right-of-use assets

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Non-current assets</i>		
Land and buildings - right-of-use	3,245	2,591
Less: Accumulated depreciation	(2,440)	(1,606)
	805	985
Plant and equipment - right-of-use	826	447
	1,631	1,432
	1,631	1,432

Additions to the right-of-use-assets during the year were \$654,000.

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	
	2024	2023
	\$'000	\$'000
<i>Non-current assets</i>		
Product development costs - at cost	37,649	32,773
Less: Accumulated amortisation	(16,980)	(15,916)
	20,669	16,857
Intellectual property - at cost	9,586	8,911
Less: Accumulated amortisation	(7,281)	(6,643)
	2,305	2,268
Development work in progress - at cost	7,590	8,193
	30,564	27,318

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 2022	17,795	2,395	5,018	25,208
Additions	175	467	3,175	3,817
Amortisation expense	(1,113)	(594)	-	(1,707)
	16,857	2,268	8,193	27,318
Balance at 30 June 2023	16,857	2,268	8,193	27,318
Additions	4,272	688	-	4,960
Transfers in/ (out)	603	-	(603)	-
Amortisation expense	(1,063)	(651)	-	(1,714)
	20,669	2,305	7,590	30,564

Note 10. Trade and other payables

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	5,255	4,280
Other payables and accrued expenses	6,361	7,706
	11,616	11,986

Note 11. Borrowings

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Current liabilities</i>		
Bank loans (i)	7,000	7,000
Short term borrowing (ii)	818	820
	7,818	7,820
<i>Non-current liabilities</i>		
Bank loans (i)	15,300	16,300
	23,118	24,120

(i) This facility has been used to fund the purchase of properties to accommodate future warehousing and manufacturing capacity.

(ii) This facility is used to fund the Company's annual insurance premium. This funding is unsecured.

The above bank loans are secured by a registered first mortgage debenture over the assets of the parent entity and a registered first mortgage over its freehold properties. The consolidated entity has:

Loan facility of \$20,300,000 used to fund the recent purchase of properties;
Working capital facility of \$10,000,000; and
Export line facility of \$450,000.

The facilities allow for both fixed and variable rate loans. The loan period does not exceed 3 years. Finance is provided under all facilities, which are reviewed annually, provided the parent entity is within the terms and conditions of the Agreement.

Financing arrangements

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

	Consolidated	
	2024	2023
	\$'000	\$'000
<i>Total facilities</i>		
Bank loans	30,750	31,750
Short term borrowings	818	820
	31,568	32,570
<i>Used at the reporting date</i>		
Bank loans	22,300	23,300
Short term borrowings	818	820
	23,118	24,120
<i>Unused at the reporting date</i>		
Bank loans	8,450	8,450
Short term borrowings	-	-
	8,450	8,450

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Note 12. Lease liabilities

	Consolidated 2024 \$'000	2023 \$'000
<i>Current liabilities</i>		
Lease liability	657	557
<i>Non-current liabilities</i>		
Lease liability	1,004	919
	<u>1,661</u>	<u>1,476</u>

Note 13. Reserves

	Consolidated 2024 \$'000	2023 \$'000
Foreign currency reserve	1,020	1,694
Capital profits reserve	815	641
	<u>1,835</u>	<u>2,335</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 2022	761	585	1,346
Foreign currency translation Capital reserve	933 -	- 56	933 56
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2023	1,694	641	2,335
Foreign currency translation	(322)	-	(322)
Transfer from Foreign Currency Reserve to Retained Earnings Transfer to retained profits	(178)	-	(178)
	<hr/>	<hr/>	<hr/>
Balance at 30 June 2024	<u>1,194</u>	<u>641</u>	<u>1,835</u>

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Note 14. Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2024 \$'000	2023 \$'000
Interim dividend in respect of the year ended 30 June 2024 of 1.5 cents (2023: 1.5 cents) per ordinary share	1,783	1,783
Previous year: Final dividend in respect of the year ended 30 June 2023 of 1.75 cents (2022: 1.75 cents) per ordinary share	2,080	2,080
	<u>3,863</u>	<u>3,863</u>

On 27 February, 2024, the Directors declared a final franked dividend of 1.90 cents per share to be paid on 20 September, 2024. This equates to a total dividend of \$2,258,000, based on the number of ordinary shares on issue as at 30 June 2024. The financial effect of dividends declared after the reporting date is not reflected in the 30 June 2024 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	
	2024 \$'000	2023 \$'000
Profit after income tax expense for the year	10,421	7,056
Adjustments for:		
Depreciation and amortisation	4,189	4,278
Impairment of Assets	499	-
Net gain on disposal of non-current assets	(216)	(496)
Foreign currency differences	(536)	834
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	79	(706)
Decrease/(increase) in inventories	(3,195)	452
Decrease/(increase) in income tax refund due	250	(246)
Increase in deferred tax assets	(137)	-
Decrease/(increase) in prepayments	862	(1,259)
Increase/(decrease) in trade and other payables	(370)	2,634
Increase/(decrease) in provision for income tax	1,292	(547)
Increase in deferred tax liabilities	1,127	692
Increase in employee benefits	62	371
Net cash from operating activities	<u>14,327</u>	<u>13,063</u>

Note 15. Cash flow information (continued)

Non-cash investing and financing activities

Changes in liabilities arising from financing activities

Consolidated	Bank loans \$'000	Short term borrowing \$'000	Lease liability \$'000	Total \$'000
Balance at 1 July 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	23,300	820	1,476	25,596
Net cash used in financing activities	(1,000)	(2)	(469)	(1,471)
Acquisition of leases	-	-	654	654
Balance at 30 June 2024	<u>22,300</u>	<u>818</u>	<u>1,661</u>	<u>24,779</u>

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