SOMNOMED LIMITED
ABN 35 003 255 221
ASX Preliminary final report – 30 June 2023

Lodged with the ASX under Listing Rule 4.3A

Contents

SomnoMed Limited
Year ended 30 June 2023
Results for Announcement to the Market

				2023	**2022**
Revenue from ordinary activities	Increased by $11,035,761	Increased by 15.2%	to	$83,616,164	$72,580,403
Revenue from ordinary activities, interest revenue and other income	Increased by $10,754,630	Increased by 14.8%	to	$83,621,496	$72,866,866
Loss from ordinary activities after tax attributable to members	Increased by ($3,562,077)	Increased by 80.3%	to	($7,999,044)	($4,436,967)
Loss from ordinary activities before tax attributable to members	Increased by ($3,671,047)	Increased by 104.7%	to	($7,177,407)	($3,506,360)

Additional dividend/distribution information

Details of dividends/distributions declared or paid during or subsequent to the year ended 30 June 2023 are as follows:

Dividends/distributions	Amount per security	Franked amount per security
Final dividend	Nil	Nil
Interim dividend	Nil	Nil

The Board has resolved that no dividend will be paid for the year ended 30 June 2023.

Record date for determining entitlements to the dividend N/A

FY23 results meet guidance with FY24 outlook of revenue growth of +12%

SomnoMed Limited (ASX "SOM", or the Company), a leading company in the provision of treatment solutions for sleep-related breathing disorders and obstructive sleep apnea ('OSA'), is pleased to provide its report for the Financial Year (FY23) and a further update on the development of its technology-enabled oral sleep appliance, Rest Assure®.

Financial Review

- FY23 revenue of $83.6 million, up +15% on FY22 (+12% constant currency) and in line with the revised guidance of +15% growth for FY23
- Product (MAS) gross margin of 72% (FY22: 70%)
- EBITDA[1] increased to $2.1 million (FY22: $1.3 million), in line with guidance, despite investment in sales & marketing initiatives and the continued development of the connected device technology
- Net cash outflow for the period of $3.7 million (FY22: net cash outflow of $4.5 million)
- SomnoMed had available cash of $12.0 million and drawn debt of $17.6 million as at 30 June 2023
- Total patients treated worldwide now exceeds 810,000

FY23 Revenue Growth vs FY22	Q1	Q2	1H	Q3	Q4	2H	FY
North America	44%	17%	28%	19%	13%	16%	22%
Europe	4%	18%	11%	16%	10%	13%	12%
APAC	31%	8%	18%	7%	8%	8%	13%
SomnoMed Group	**19%**	**17%**	**18%**	**16%**	**10%**	**13%**	**15%**

Revenue FY23 $k AUD	Q1	Q2	1H	Q3	Q4	2H	FY
North America	7,345	7,898	15,244	6,847	8,073	14,921	30,165
Europe	9,679	11,956	21,636	11,840	13,857	25,696	47,332
APAC	1,529	1,553	3,082	1,491	1,547	3,037	6,119
SomnoMed Group	**18,553**	**21,408**	**39,961**	**20,178**	**23,477**	**43,655**	**83,616**

Operational Review

SomnoMed continues to experience positive engagement with all its key stakeholders and retains a strong position within the global OSA market. The Company remains confident that it can increase the addressable market while at the same time driving up its share in this market by providing an alternative to the traditional default CPAP recommendations by sleep physicians.

Throughout FY23 SomnoMed maintained a strong focus on cost management, implementing significant cost control measures in the core business, including a headcount freeze in Q4 in all regions except manufacturing. These measures will help the Company protect and grow its margins. Employee numbers across the group are expected to be stable through FY24, with the exception of hiring for the necessary manufacturing, engineering and electronic skills required in the manufacturing facility to launch Rest Assure® once regulatory approvals are received.

[1] EBITDA does not include AASB16 lease payments, share/option expenses, unrealised forex gain/(loss) and discontinued operations

Operational Review (continued)

Technology development spend is expected to decline over FY24 now that the design of the Rest Assure® device and software, including the design history file ("DHF") needed for U.S. Food and Drug Administration ("FDA") submission, is complete (except for one outstanding test report expected mid-September). This will result in improved performance across a range of financial metrics as the technology is distributed into the market. It is expected that the first Rest Assure® commercial sales will take place in Q2 FY24 in Europe.

SomnoMed remains "treatment focused" in its approach and continues to provide a best in class, superior comfort, "fit right first time" and durable oral appliance for the treatment of OSA. While the Company faced some competition and market challenges towards the back half of the year, it remains focused on driving ongoing customer and medical sector engagement while continuing to address the key challenges of awareness and adoption to drive growth and further acceptance of OAT.

North America

Revenue in FY23 increased 22% versus pcp (+13% in constant currency terms) to $30.2 million. The region experienced a challenging end to the first half of FY23 with increased competition and general economic pressures impacting consumer spending. Additionally, sales of SomnoDent Avant®, the Company's flagship product, were impacted by the lagged effect of changes to Medicare reimbursement rules and coding structures for oral appliances in North America in the second half. The SomnoDent Avant® did not receive full Medicare reimbursement coding approval including a second submission also being declined. SomnoMed is now exploring alternative avenues for appeal in the hope to achieve full Medicare reimbursement in 1H24.

SomnoMed remains confident that its competitive positioning in the North American market will continue to improve as the growing demand for OAT products remains positive, indicating that patients and physicians are looking more at OAT as an alternate treatment path for mild and moderate OSA patients. Implementation of the two new partnership agreements recently signed with Nexus Dental and Rest AssureD is underway.

Europe

Revenue from European operations excluding HIC[2] in FY23 was $47.3 million, up 12% versus pcp (+12% in constant currency terms). Patient demand for the Company's OAT technology remains strong across Europe, driven by positive reimbursement trends and a growing acceptance of the benefits of improved compliance with the SomnoDent™ devices for mild and moderate OSA patients.

Europe is an important region for SomnoMed and the previously reported revenue downturns in two core markets has been corrected. The Company will continue to focus on increasing sales and marketing efforts to ensure ongoing strong product take-up and growth. Product development and technological innovation remains key to the continued success in the region.

Asia Pacific

Asia Pacific revenues in FY23 increased +13% versus pcp to $6.1 million (+14% in constant currency terms). Growth in non-device revenues was limited during the first half by the global shortage of raw materials for the manufacturing of SOMTabs (SomnoMed's proprietary cleaning tablets). However, SomnoMed has continued to focus on its clinical education programs and investment in new sales and marketing resources to advance the adoption of oral appliances within the medical sector while facing the non-reimbursed challenges within a tightening economy.

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[2] HIC (Health Care Companies) Revenue is associated with allowances received in the Netherlands in FY22 which compensated SOM for a portion of lost managed care income in country due to COVID-19

Rest Assure® Update

The development process for Rest Assure® commenced in early 2020, with the aim of building a connected device providing nightly patient usage and treatment effectiveness data. The resulting Rest Assure® system includes a smart device with in-mouth sensors, cloud-based algorithms, the Rest Assure Healthcare Provider (HCP) portal for physicians and dentists to review patient data, and the Rest Assure® patient app.

The development of a first-in-class integrated hardware and software system of this nature is revolutionary for the OSA market and is a fundamental game-changer. To date, the Rest Assure project team has:

- Generated 240,000 individual documents that now define SomnoMed IP
- Performed 300 different tests to confirm functionality, safety and durability of the Rest Assure® device and software
- Produced 335 test reports and supporting documents required by regulatory agencies
- Conducted the first production run of 400+ Rest Assure® devices
- Completed all reports and documents required for the 510k submission to the US FDA.

SomnoMed has spent considerable time and effort to ensure it is operationally prepared for regulatory approval. All key components to produce the Rest Assure® technology have been secured and our production facility is now finalising the manufacturing process with the production teams. The Company is now focusing on the implementation of manufacturing related IT systems including compliance with patient privacy legislation, quality processes and the development of marketing materials for the upcoming launch. All technical teams will be in place and ready to commercialise Rest Assure® once approvals are granted.

Commercialisation in the United States is expected to commence once these approvals have been received. Due to the different regulatory classifications with Europe, first sales of Rest Assure® are expected during Q2 FY24.

Outlook

The Company remains optimistic about core trading activity levels and the outlook for the commercialisation of Rest Assure® in FY24. SomnoMed is committed to its long-term transformation plans and its FY24 guidance as follows:

- Revenue growth of at least 12%
- EBITDA[3] of at least $3 million
- CAPEX investment of c.$5 million of which technology innovation spend expected to be c.$3 million

[3] EBITDA does not include AASB16 lease payments share/option expenses, unrealised forex gain/(loss) and discontinued operations

SomnoMed Limited
Preliminary Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2023

	Note	2023 $	2022 $
Continuing operations			
Revenue from sale of goods and services, net of discounts	9	83,616,164	72,580,403
Cost of sales		(31,694,464)	(28,301,655)
Gross margin		51,921,700	44,278,748
Sales and marketing expenses		(24,491,238)	(19,740,159)
Administrative expenses		(13,114,322)	(12,622,481)
Operating profit before corporate, research and business development expenses, other items of income and expenses and income tax		14,316,140	11,916,108
Corporate, research and business development expenses		(12,236,466)	(10,921,023)
Interest income	9	2,008	430
Share based payments		(1,035,349)	(1,190,352)
Depreciation and amortisation		(5,116,954)	(3,936,190)
Government grants and other income	9	3,324	286,033
Interest expense	21	(2,626,697)	(380,327)
Unrealised foreign exchange (loss)/profit		(351,269)	729,625
Loss before income tax		**(7,045,263)**	**(3,495,696)**
Income tax expense attributable to operating loss	19	(821,637)	(930,607)
Loss after income tax from continuing operations		**(7,866,900)**	**(4,426,303)**
Discontinued operation			
Loss from discontinued operation		(132,144)	(10,664)
Net loss for the Group		**(7,999,044)**	**(4,436,967)**
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange translation difference for foreign operations		983,677	(1,138,064)
Other comprehensive income/(loss) for the year, net of tax		983,677	(1,138,064)
Total comprehensive loss for the year attributable to the owners of SomnoMed Limited		**(7,015,367)**	**(5,575,031)**

SomnoMed Limited
Preliminary Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2023 (continued)

	Note	2023 $	2022 $
Earnings per share			
Basic earnings per share (cents)	10	(10.18)	(5.65)
Diluted earnings per share (cents)	10	(10.18)	(5.65)
Earnings per share – continuing operations			
Basic earnings per share (cents)	10	(10.01)	(5.63)
Diluted earnings per share (cents)	10	(10.01)	(5.63)
Earnings per share – discontinued operation			
Basic earnings per share (cents)	10	(0.17)	(0.01)
Diluted earnings per share (cents)	10	(0.17)	(0.01)

The above statement should be read in conjunction with the consolidated notes.

SomnoMed Limited
Preliminary Consolidated Statement of Financial Position
as at 30 June 2023

ASSETS	Note	2023 $	2022 $
Current Assets			
Cash and cash equivalents		11,956,406	15,644,331
Trade and other receivables	18	11,123,766	11,313,650
Inventory		4,100,122	3,089,324
Lease receivables		315,379	267,953
Total Current Assets		27,495,673	30,315,258
Non-Current Assets			
Trade and other receivables		39,910	264,004
Property, plant and equipment	13	6,230,260	4,440,101
Intangible assets	14	18,974,198	15,447,516
Deferred tax assets	19	3,251,745	2,950,977
Right-of-use assets	20	6,499,653	4,675,691
Total Non-Current Assets		34,995,766	27,778,289
Total Assets		62,491,439	58,093,547
LIABILITIES			
Current Liabilities			
Trade and other payables	25	12,823,761	12,854,260
Borrowings	15	313,034	4,877,475
Lease liabilities	16	2,256,307	1,779,819
Provisions		2,508,262	3,152,980
Current tax liabilities		458,279	1,110,374
Total Current Liabilities		18,359,643	23,774,908
Non-Current Liabilities			
Trade and other payables		-	-
Borrowings	15	16,356,185	2,013,461
Lease liabilities	16	4,585,201	3,339,572
Provisions		787,036	1,177,371
Total Non-Current Liabilities		21,728,422	6,530,404
Total Liabilities		40,088,065	30,305,312
Net Assets		**22,403,374**	**27,788,235**
EQUITY			
Issued capital	17	74,271,419	74,271,419
Reserves		10,426,890	7,812,707
Accumulated losses		(62,294,935)	(54,295,891)
Total Equity		**22,403,374**	**27,788,235**

The above statement should be read in conjunction with the consolidated notes.

SomnoMed Limited
Preliminary Consolidated Statement of Changes in Equity
for the year ended 30 June 2023

	Issued Capital	Reserves	Accumulated Losses	Owners of parent	Total
	$	$	$	$	$
Balance at 1 July 2022	74,271,419	7,812,707	(54,295,891)	27,788,235	27,788,235
Loss after income tax expense for the year	-	-	(7,999,044)	(7,999,044)	(7,999,044)
Other comprehensive loss for the year, net of tax	-	983,677	-	983,677	983,677
Total comprehensive loss for the year	-	983,677	(7,999,044)	(7,015,367)	(7,015,367)
Transactions with owners in their capacity as owners:					
Share option reserve on recognition of remuneration options	-	1,035,349	-	1,035,349	1,035,349
Capital reserve adjustment	-	595,157	-	595,157	595,157
Balance at 30 June 2023	74,271,419	10,426,890	(62,294,935)	22,403,374	22,403,374

	Issued Capital	Reserves	Accumulated Losses	Owners of parent	Total
	$	$	$	$	$
Balance at 1 July 2021	74,256,794	7,760,420	(49,858,913)	32,158,301	32,158,301
Loss after income tax expense for the year	-	-	(4,436,967)	(4,436,967)	(4,436,967)
Other comprehensive loss for the year, net of tax	-	(1,138,064)	-	(1,138,064)	(1,138,064)
Total comprehensive loss for the year	-	(1,138,064)	(4,436,967)	(5,575,031)	(5,575,031)
Transactions with owners in their capacity as owners:					
Shares issued during the period*	14,625	-	-	14,625	14,625
Share option reserve on recognition of remuneration options	-	1,190,352	-	1,190,352	1,190,352
Capital reserve adjustment	-	(1)	(11)	(12)	(12)
Balance at 30 June 2022	74,271,419	7,812,707	(54,295,891)	27,788,235	27,788,235

The above statement should be read in conjunction with the consolidated notes.

* 'Shares issued during the period' amount of $14,625 corresponds to receipts of monies from the Employee Share Trust for previously issued shares.

SomnoMed Limited
Preliminary Consolidated Statement of Cash Flows
for the year ended 30 June 2023

	Note	2023 $	2022 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		83,986,231	71,469,620
Payments to suppliers and employees (inclusive of GST)		(84,244,856)	(68,503,593)
Interest received		7,360	10,930
Interest paid	22	(1,854,198)	(380,327)
Income tax paid		(1,774,741)	(738,940)
Net cash (outflow)/inflow from operating activities	11	(3,880,204)	1,857,690
Cash flows from investing activities			
Proceeds from term deposits		-	316,565
Payments for intangible assets		(3,276,223)	(7,780,073)
Payments for property, plant and equipment		(3,138,359)	(1,008,260)
Net cash outflow from investing activities		(6,414,582)	(8,471,768)
Cash flows from financing activities			
Proceeds from borrowings		15,403,862	4,542,710
Repayments of borrowings		(6,344,978)	-
Proceeds from issue of shares		-	14,625
Payment of finance lease	22	(2,450,978)	(2,465,158)
Net cash inflow/(outflow) from financing activities		6,607,907	2,092,177
Net (decrease)/increase in cash and cash equivalents		(3,686,880)	(4,521,901)
Cash at beginning of the financial year		15,644,331	21,109,841
Exchange rate adjustment		(1,044)	(943,609)
Cash at the end of the financial year		11,956,406	15,644,331

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

The above statement should be read in conjunction with the consolidated notes.

SomnoMed Limited
Notes to the preliminary consolidated financial statements
for the year ended 30 June 2023

1. REPORTING ENTITY

SomnoMed Limited is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2023 comprise the Company and its controlled entities (together referred to as the Consolidated Entity). The Consolidated Entity produces and sells devices for the oral treatment of sleep related disorders.

2. BASIS OF PREPARATION

a. Statement of compliance

The preliminary financial report has been prepared in accordance with Australian Accounting Standards and Interpretations as issued by the Australian Standards Board and the Corporations Act 2001 as appropriate for-profit oriented entities. The preliminary financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2022 and any public pronouncements made by the Consolidated Entity during the year in accordance with the continuous disclosure requirements of the Corporations Act 2001. Unless otherwise detailed in this note, accounting policies have been consistency applied by the entities in the group and are consistent with those applied in the 30 June 2022 annual report.

b. Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis, except for derivative financial instruments, which are measured at fair value.

c. Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

d. Use of judgements and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, unless otherwise stated, and have been applied consistently by all entities in the Consolidated Entity.

a. Basis of Consolidation

Controlled entities

Controlled entities are entities controlled by the Company. Control exists when the Company has power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of controlled entities are included in the consolidated financial statements from the date that control commences until the date that control ceases. Investments in controlled entities are carried at their cost of acquisition less any impairment in the Company's financial statements.

Transactions eliminated on consolidation

Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Business combinations

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Basis of Consolidation (continued)

Business combinations (continued)

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not re-measured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is re-measured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations are recognised as expenses in profit or loss when incurred.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

b. Income Recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST).

Sales revenue

Revenue derived from the sale of devices for the treatment of sleep related disorders and related products is recognised at the point in time when the performance obligations are satisfied, which usually occurs after final quality control is passed and goods are ready for pick up by customers. Warranties are not considered as separate performance obligations.

Government Grants

Government Grants are recognised on the consolidated statement of profit or loss when there is reasonable assurance that the entity will comply with the conditions attaching to them, and the grant will be received. Such grants are presented on a gross basis under Government Grants on the consolidated statement of profit or loss.

Other income

Other income is recognised on a systematic basis over the periods necessary to match it with the related costs for which it is intended to compensate or, if the costs have already been incurred, in the period in which it becomes receivable. The income is deemed to be receivable when the entitlement is confirmed.

c. Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the relevant taxation authority is included as a current asset or liability in the consolidated statement of financial position. Cash flows are included in the consolidated statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the relevant taxation authority are classified as operating cash flows.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Foreign Currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of controlled entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the foreign exchange rate ruling at that date. Non-monetary transactions denominated in foreign currencies that are stated at historical cost are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at the foreign exchange rates ruling at the date the fair value was determined. Foreign exchange differences arising on translation are recognised in the consolidated statement of profit or loss and other comprehensive income.

Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, generally are translated to the functional currency at foreign exchange rates ruling at the reporting date. The revenues and expenses of foreign operations are translated to the functional currency at rates approximating the foreign exchange rates ruling at the dates of transactions. Foreign currency differences arising from translation of controlled entities with a different functional currency to that of the Consolidated Entity are recognised in the foreign currency translation reserve (FCTR). When a foreign operation is disposed of, in part or in full, the relevant amount of its FCTR is transferred to profit or loss.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the FCTR.

e. Financial Instruments

Derivative financial instruments

The Consolidated Entity does not currently hold derivative financial instruments to hedge its exposure to foreign exchange risk arising from operating, investing and financing activities. In accordance with its treasury policy, the Consolidated Entity does not hold or issue derivative financial instruments for trading purposes. However, derivatives are not hedge accounted and are accounted for as trading instruments.

Derivative financial instruments are recognised initially at fair value. Attributable transaction costs are recognised in the consolidated statement of profit or loss when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value with changes in fair value accounted for in the consolidated statement of profit or loss.

Non-derivative financial assets and liabilities

Non-derivative financial instruments comprise investments in equity, trade and other receivables, cash and cash equivalents, borrowings, lease liabilities and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the consolidated statement of profit or loss, any attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

Accounting for finance income is discussed in accounting policy (m).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less.

Trade and other receivables

Trade receivables are recognised when the control of ownership of the underlying sales transactions have passed to the customer in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components when they are recognised at fair value. The Consolidated Entity holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e. Financial Instruments (continued)

Trade and other receivables (continued)

Other receivables arise principally from financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition on issue and are subsequently recognised at amortised cost using the effective interest rate method, less allowance for expected credit losses (see accounting policy (g)).

Trade and other payables

Trade and other payables are stated at amortised cost.

Trade and other payables represent liabilities for goods and services provided to the Consolidated Entity prior to the end of the financial period that are unpaid when the Consolidated Entity becomes obliged to make future payments in respect of the purchase of those goods and services. The amounts are unsecured and are usually paid within 30 to 60 days of purchase. They are recognised initially at the fair value and subsequently measured at amortised cost using the effective interest method.

Determination of fair values

The fair value of forward exchange contracts is based upon the listed market price, if available. If a listed market price is not available, the fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate based upon government bonds.

Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less any allowance for expected credit losses.

f. Provisions

A provision is recognised in the consolidated statement of financial position when the Consolidated Entity has a present legal or constructive obligation as a result of a past event that can be measured reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Warranties

Provisions for warranty claims are made for claims in relation to sales made prior to the reporting date, based on historical claim rate, respective product populations and average costs of returns and repairs. Warranty periods on MAS devices are dependent on individual market and regulatory conditions in different countries.

Make good lease costs

The Consolidated Entity has leases on its premises that require the premises to be returned to the lessor in its original condition. The operating lease payments do not include an element for the repairs/overhauls. A provision for make good lease costs is recognised at the time it is determined that it is probable that such costs will be incurred in a future period, measured at the expected cost of returning the asset to the lessor in its original condition. An offsetting asset of the same value is also recognised and is classified in property, plant and equipment. This asset is depreciated to the consolidated statement of profit or loss over the life of the lease.

Onerous contracts

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

g. Impairment

The carrying amounts of the Consolidated Entity's assets, other than inventories (see accounting policy (i)) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

g. Impairment (continued)

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the consolidated statement of profit or loss unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the consolidated statement of profit or loss. Impairment losses recognised in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash generating unit or a group of units and then, to reduce the carrying amount of the other assets in the unit or a group of units on a pro-rata basis.

The Consolidated Entity's trade and other receivables at year end are assessed under the impairment requirements which use an expected credit loss (ECL) model to recognise an allowance. Impairment is measured using a 12-month ECL model unless the credit risk on a financial asset has increased significantly since initial recognition in which case the lifetime ECL method is adopted.

Other assets

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash flows from continuing use that are largely independent of the cash flows of other assets or groups of assets (cash generating units). The goodwill acquired in a business combination, for the purpose of impairment testing is allocated to the cash generating units that are expected to benefit from the synergies of the combination. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

h. Property, Plant and Equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation (see below) and impairment losses (see accounting policy (g)). An asset's cost is determined as the consideration provided plus incidental costs directly attributable to the acquisition. Subsequent costs in relation to replacing a part of property, plant and equipment are recognised in the carrying amount of the item if it is probable that future economic benefits embodied within the part will flow to the Consolidated Entity and its cost can be measured reliably. All other costs are recognised in the consolidated statement of profit or loss as incurred.

Depreciation

Depreciation is recognised in the consolidated statement of profit or loss on a straight-line basis. Items of property, plant and equipment, including leasehold assets, are depreciated using the straight-line method over their estimated useful lives, taking into account estimated residual values. Assets are depreciated from the date of acquisition or, in respect of internally constructed assets, from the time an asset is completed and held ready for use. Depreciation rates and methods, useful lives and residual values are reviewed at each reporting date. When changes are made, adjustments are reflected prospectively in current and future financial periods only. The estimated useful lives in the current and comparative periods are as follows:

Leasehold improvements	1 – 3 years
Plant & equipment	3 – 20 years

i. Inventories

Inventories are measured at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and selling, marketing and distribution expenses. Cost is based on the first-in-first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

j. Intangibles

Goodwill

All business combinations are accounted for by applying the acquisition method. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash generating units and is tested annually for impairment. Negative goodwill arising on an acquisition is recognised directly in the consolidated statement of profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

j. Intangibles (continued)

Other intangible assets

Intellectual property acquired is stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (g)).

Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation

Amortisation is recognised in the consolidated statement of profit or loss on a straight-line basis over the estimated useful lives of the intangible assets from the date they are available for use unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment annually. The estimated useful lives for the current and comparative periods are as follows:

Patents and trademarks	10 years
Product development expenditure capitalised	5 years

Research and development expenditure

Research and development expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project is expected to deliver future economic benefits and these benefits can be measured reliably. Development costs have a finite life and are amortised on a systematic basis based on the future economic benefits over the useful life of the project.

Software

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of 2-5 years.

k. Employee benefits

Wages, salaries and annual leave

Liabilities for employee benefits for wages, salaries and annual leave expected to settle within 12 months of the year end represent present obligations resulting from employees' services provided up to reporting date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay as at reporting date including related on-costs, such as workers' compensation insurance and payroll tax.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are recognised in non-current liabilities, provided there is an unconditional right to defer settlement of the liability. The liability is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Share based payments

The Company has granted options to certain directors and employees. The fair value of options and shares granted is recognised as share based payments expense with a corresponding increase in equity. The fair value is measured at the date the options or shares are granted taking into account market-based criteria and expensed over the vesting period after which the employees become unconditionally entitled to the options and shares. The fair value of the options granted is measured using the Black-Scholes method, taking into account the terms and conditions attached to the options. The fair value of the performance shares granted is measured using the weighted average share price of ordinary shares in the Company, taking into account the terms and conditions attached to the shares. The amount recognised as an expense is adjusted to reflect the actual number of options and shares that vest except where forfeiture is due to market related conditions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Taxation

Income tax expense in the consolidated statement of profit or loss for the periods presented comprises current and deferred tax. Income tax is recognised in the consolidated statement of profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at reporting date, and any adjustment to tax payable in respect of previous years. Deferred tax is calculated using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences are not provided for the initial recognition of goodwill and other assets or liabilities in a transaction that affects neither accounting nor taxable profit nor differences relating to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based upon the laws that have been enacted at reporting date. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that the related tax benefit will be realised. Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity or on a different tax entity but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

m. Finance income and expense

Interest income is recognised as it accrues in the consolidated statement of profit or loss using the effective interest method.

n. Earnings per share

The Consolidated Entity presents basic and diluted earnings per share (EPS) for its ordinary shares. Basic EPS is calculated by dividing the net profit or loss attributable to equity holders of the parent for the financial period, after excluding any costs of servicing equity (other than ordinary shares) by the weighted average number of ordinary shares of the Company, adjusted for any bonus issue.

Diluted EPS is calculated using the basic EPS earnings as the numerator. The weighted average number of shares used as the denominator is adjusted by the after-tax effect of financing costs associated with the dilutive potential ordinary shares and the effect on revenues and expenses of conversion to ordinary shares associated with dilutive potential ordinary shares adjusted for any bonus issue.

o. Segment Reporting - Determination and presentation of operating segments

An operating segment is a component of the Consolidated Entity that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Consolidated Entity’s other components if separately reported and monitored. An operating segment’s operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Directors include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate head office results.

p. Accounting judgement and estimates

Management discussed with the Audit Committee the development, selection and disclosure of the Consolidated Entity's critical accounting policies and estimates and the application of these policies and estimates.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Accounting judgement and estimates (continued)

Key sources of estimation uncertainty

In particular, information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements is described in the following areas:

Lease term

The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the Consolidated Entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The Consolidated Entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate

Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the Consolidated Entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Share based payment transactions

The Consolidated Entity measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using the Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

Goodwill and other indefinite life intangible assets

The Consolidated Entity tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 3 (g). The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

Income tax

The Consolidated Entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Consolidated Entity recognises liabilities for anticipated tax audit issues based on the Consolidated Entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets

The Consolidated Entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible assets at each reporting date by evaluating conditions specific to the Consolidated Entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Accounting judgement and estimates (continued)

Recovery of deferred tax assets

Deferred tax assets are recognised for deductible temporary differences only if the Consolidated Entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision

As discussed, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Lease make good provision

A provision has been made for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with closure of the premises. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for each site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for sites are recognised in the consolidated statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in the consolidated statement of profit or loss.

Warranty provision

In determining the level of provision required for warranties the Consolidated Entity has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

Recoverability of receivables

The Consolidated Entity assesses at the end of each reporting period whether there is objective evidence that the receivables are impaired. The recoverable amount of the receivables is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (that is, the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted. An allowance for expected credit losses of receivables is based on the historical default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates.

Development costs

An intangible asset arising from development expenditure is recognised only when the Consolidated Entity can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure capitalised is amortised over the period of expected benefits from the related project commencing from the commercial release of the project. The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

q. Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any income tax benefit.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

r. New, revised or amending Accounting Standards and Interpretations adopted

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

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

The following Accounting Standards and Interpretations are most relevant to the Consolidated Entity:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The consolidated entity has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the consolidated entity's financial statements.

s. Current and non-current classification

Assets and liabilities are presented in the consolidated statement of financial position based on current and non-current classification.

An asset is current when: it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within twelve months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. All other assets are classified as non-current.

A liability is current when: it is expected to be settled in normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within twelve months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

t. Fair value measurement

When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principle market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

t. Fair value measurement

Fair value measurement hierarchy

The Consolidated Entity is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

Borrowings

Borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

u. Right-of-use assets

A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Consolidated Entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

v. Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

w. Discontinued operations

A discontinued operation is a component of the Consolidated Entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the consolidated statement of profit or loss.

4. FINANCIAL RISK MANAGEMENT

Overview

The Company and Consolidated Entity have exposure to the following risks from the use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk
- Currency risk
- Interest rate risk

This note presents information about the Company's and the Consolidated Entity's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures will be included in the consolidated financial statements. The Board of Directors has overall responsibility for the establishment and oversight of the risk management and monitors operational and financial risk management throughout the Consolidated Entity. Monitoring risk management includes ensuring appropriate policies and procedures are published and adhered to. The Management reports to the Audit Committee.

The Board aims to manage the impact of short-term fluctuations on the Company's and the Consolidated Entity's earnings. Over the longer term, permanent changes in market rates will have an impact on earnings.

The Company and the Consolidated Entity are exposed to risks from movements in exchange rates and interest rates that affect revenues, expenses, assets, liabilities and forecast transactions. Financial risk management aims to limit these market risks through ongoing operational and finance activities.

Exposure to credit, foreign exchange and interest rate risks arises in the normal course of the Company's and the Consolidated Entity's business. Derivative financial instruments are used to hedge exposure to fluctuations in foreign exchange rates. The Audit Committee oversees adequacy of the Company’s risk management framework in relation to the risks faced by the Company and the Consolidated Entity.

Credit Risk

Credit risk is the risk of financial loss to the Company or the Consolidated Entity if a customer, controlled entity or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the Company's and the Consolidated Entity's receivables from customers.

Trade and other receivables

The Company's and Consolidated Entity's exposure to credit risk is influenced mainly by the geographical location and characteristics of individual customers. The Consolidated Entity does not have a significant concentration of credit risk with a single customer.

Policies and procedures of credit management and administration of receivables are established and executed at a regional level. Individual regions deliver reports to management and the Board on debtor ageing and collection activities on a monthly basis.

In monitoring customer credit risk, the ageing profile of total receivables balances is reviewed by management by geographic region on a monthly basis. Regional management are responsible for identifying high risk customers and placing restrictions on future trading, including suspending future shipments and administering dispatches on a prepayment basis.

The Company and the Consolidated Entity have established an allowance for impairment that represents their estimate of expected losses in respect of trade and other receivables based on the ECL model.

Liquidity Risk

Liquidity risk is the risk that the Consolidated Entity will not be able to meet its financial obligations as they fall due. The Consolidated Entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Consolidated Entity's reputation.

The Consolidated Entity monitors cash flow requirements and produces cash flow projections for the short and long term with a view to optimising return on investments. Typically, the Consolidated Entity ensures that it has sufficient cash on demand to meet expected operational net cash flows for a period of at least 30 days, including the servicing of financial obligations. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

4. FINANCIAL RISK MANAGEMENT (continued)

Overview (continued)

Market Risk

Market risk is the risk that changes in market prices such as foreign exchange rates, interest rates and equity prices will affect the Company's and the Consolidated Entity's net profit or loss or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Currency Risk

The Consolidated Entity is exposed to currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the controlled entities, primarily Australian dollars (AUD), but also United States dollars (USD), Euros (EUR), Swiss francs (CHF), Canadian dollars (CAD), Singapore dollars (SGD) and Japanese Yen (JPY). The currencies in which these transactions primarily are denominated are AUD, USD, CAD, EUR, CHF, SGD, JPY and Philippine Peso (PHP) and South Korean Won (KRW).

Over 93% (2022-93%) of the Consolidated Entity's revenues and over 90% (2022-92%) of costs are denominated in currencies other than AUD. Risk resulting from the translation of assets and liabilities of foreign operations into the Consolidated Entity's reporting currency is not hedged.

Interest Rate Risk

The Consolidated Entity is exposed to interest rate risks in Australia.

Capital Management

The Consolidated Entity's objectives when managing capital are to safeguard its ability to continue as a going concern, to provide returns to shareholders, to provide benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Board aims to maintain and develop a capital base appropriate to the Consolidated Entity. In order to maintain or adjust the capital structure, the Consolidated Entity can issue new shares. The Board of Directors undertakes periodic reviews of the Consolidated Entity's capital management position to assess whether the capital management structure is appropriate to meet the Consolidated Entity's medium and long-term strategic requirements. Neither the Company nor any of its subsidiaries is subject to externally imposed capital requirements. There were no significant changes in the Consolidated Entity's approach to capital management during the year.

5. Events occurring after reporting date

On 31 August 2023 the Company announced a $15.5m fully underwritten capital raising comprising an Institutional Placement of $2.5m and a non-renounceable entitlement offer of $13.0m, to strengthen the Company's balance sheet, provide additional working capital and support the continued development and commercialisation of Rest Assure®. The capital raising also enables a $5m reduction in the Company's debt facility and the establishment of more favorable lending covenants (refer Note 15). The settlement of the capital raise is expected to occur in September 2023.

The directors are not aware of any matter or circumstance other than mentioned above that has arisen since the end of the year to the date of this report that has significantly affected or may affect,

(i) The operations of the company and the entities that it controls,

(ii) The results of those operations,

(iii) The state of affairs of the Consolidated Entity in subsequent years.

6. Other significant information

N/A.

7. Foreign Accounting standards

N/A.

8. NTA Backing

	2023	2022
Net tangible asset backing per ordinary share	(7.6 cents)	5.7 cents

9. Revenue and other income

	2023 $	2022 $
Operating activities		
Revenue from sale of goods and services, net of discounts	83,616,164	72,580,403
Interest income	2,008	430
Government Grants	-	285,382
Other income	3,324	651
Total revenue and other income	83,621,496	72,866,866

Government Grants – Europe	-	2,790
Government Grants – Asia Pacific	-	282,592
Subtotal Government Grants	-	285,382
Other income	3,324	651
Grand total Government Grants and Other Income	3,324	286,033

10. Earnings per share

	2023	2022
Earnings per share		
Net loss used in calculating basic and diluted earnings per share	($7,999,044)	($4,436,967)
Basic earnings per share (cents)	(10.18)	(5.65)
Diluted earnings per share (cents)	(10.18)	(5.65)
Earnings per share – continuing operations		
Net loss used in calculating basic and diluted earnings per share	($7,866,900)	($4,426,303)
Basic earnings per share (cents)	(10.01)	(5.63)
Diluted earnings per share (cents)	(10.01)	(5.63)
Earnings per share – discontinued operation		
Net loss used in calculating basic and diluted earnings per share	($132,144)	($10,664)
Basic earnings per share (cents)	(0.17)	(0.01)
Diluted earnings per share (cents)	(0.17)	(0.01)
Weighted average number of shares used in the calculation of basic earnings per share	78,560,815	78,555,610
Weighted average number of shares used in the calculation of diluted earnings per share	82,759,315	82,863,685
Shares on issue at year end per accounts	78,560,815	78,560,815
Number of options on issue at year end – each option is exercisable at between $2.00 and $2.46 per share and converts to one ordinary share	4,597,000	4,597,000

Adjustment has been made to the weighted average number of shares used in calculating diluted earnings per share for the options on issue that have an exercise price below the average market price for the year.

Shares on issue at end of year	82,759,315	82,759,315
Less: Share issued but not recorded in accounts (being units in the Employee Share Trust for executives to acquire shares in the Company by utilising funds advanced by the Company)	(4,198,500)	(4,198,500)
Number of shares recorded as issued capital in Company's accounts	78,560,815	78,560,815

11. Cash flow reconciliation

Reconciliation of operating loss after income tax to net cash outflow from operating activities	**2023** **$**	**2022** **$**
Operating loss after income tax	(7,999,044)	(4,436,967)
Share based payments	1,035,349	1,190,352
Capitalised interest	251,677	-
Unwinding borrowing costs	477,488	-
Depreciation and amortisation	2,767,822	1,977,833
Depreciation and amortisation (AASB 16)	2,349,133	1,950,587
Revaluation of retirement liability	29,688	-
Net exchange differences	351,269	(729,625)
Change in operating assets and liabilities		
Increase in inventories	(1,010,798)	(759,442)
Decrease/(increase) in trade and other receivables	366,743	(373,418)
(Decrease)/increase in trade and other payables	(986,877)	2,248,841
(Decrease)/increase in provisions*	(559,791)	597,862
(Decrease)/increase in tax liabilities	(652,095)	104,419
(Increase)/decrease in deferred tax assets	(300,769)	87,248
Net cash (outflow)/inflow from operating activities	(3,880,204)	1,857,690

* As part of the implementation of AASB16 for RSS as a discontinued business (practical expedient AASB 16.C10(b)), a total of A$0 (FY22: A$115,628) in provisions were offset against the closing balance of right-of-use assets for RSS.

12. Segment operations

The Consolidated Entity produces and sells devices for the oral treatment of sleep related disorders primarily in the Asia Pacific region, the United States and Europe.

The Consolidated Entity has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Consolidated Entity is managed primarily on the basis of geographical segments and the operating segments are therefore determined on the same basis.

SomnoMed's operations during the period related to the production and sale of products treating sleep disordered breathing, which is the only business segment.

Basis of accounting for purposes of reporting by operating segments

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Consolidated Entity.

*Unallocated item*s

The following items of revenue and expenses are not allocated to operating segments as they are not considered part of the core operations of any segment:

- derivatives and foreign exchange gains and losses; and
- corporate, research and development expenses.

Information about reportable segments

Geographical location: **2023**	**North America** **$**	**Europe** **$**	**Asia Pacific** **$**	**CORE** **$**	**RSS** **$**	**GROUP** **$**
Total sales/billing revenue	30,330,409	48,892,922	18,164,373	97,387,704	-	97,387,704
Intersegment eliminations	(165,313)	(1,561,072)	(12,045,155)	(13,771,540)	-	(13,771,540)
External sales revenue	**30,165,096**	**47,331,850**	**6,119,218**	**83,616,164**	**-**	**83,616,164**
Segment net profit before tax	**3,772,721**	**9,315,598**	**876,552**	**13,964,871**	**-**	**13,964,871**
Unallocated expense items	-	-	(13,271,815)	(13,271,815)	(135,179)	(13,406,994)
Depreciation and amortisation	(696,751)	(1,621,437)	(2,798,766)	(5,116,954)	-	(5,116,954)
Government grant and other income	-	691	2,633	3,324	-	3,324
Interest income	-	1,522	486	2,008	5,351	7,359
Interest expense	(542,049)	285,558	(2,370,206)	(2,626,697)	(2,075)	(2,628,772)
(Loss)/profit before tax	**2,533,921**	**7,981,932**	**(17,561,116)**	**(7,045,263)**	**(131,903)**	**(7,177,166)**
Income tax expense	(96,725)	(615,999)	(108,913)	(821,637)	(241)	(821,878)
(Loss)/profit after tax	**2,437,196**	**7,365,933**	**(17,670,029)**	**(7,866,900)**	**(132,144)**	**(7,999,044)**

Total Assets	**10,415,952**	**24,335,656**	**27,424,452**	**62,176,060**	**315,379**	**62,491,439**
Total Liabilities	**3,891,062**	**11,289,180**	**24,468,030**	**39,648,272**	**439,793**	**40,088,065**

12. Segment operations (continued)

Information about reportable segments

Geographical location: 2022	North America $	Europe $	Asia Pacific $	CORE $	RSS $	GROUP $
Total sales/billing revenue	24,829,706	43,517,382	15,450,931	83,798,019	-	83,798,019
Intersegment eliminations	(141,546)	(1,052,082)	(10,023,988)	(11,217,616)	-	(11,217,616)
External sales revenue	**24,688,160**	**42,465,300**	**5,426,943**	**72,580,403**	**-**	**72,580,403**
Segment net profit before tax	**3,330,018**	**8,153,390**	**1,162,325**	**12,645,733**	**-**	**12,645,733**
Unallocated expense items	-	-	(12,111,375)	(12,111,375)	(5,515)	(12,116,890)
Depreciation and amortisation	(635,809)	(1,334,312)	(1,966,069)	(3,936,190)	-	(3,936,190)
Government grant and other income	651	2,790	282,592	286,033	-	286,033
Interest income	-	231	199	430	13,049	13,479
Interest expense	(106,350)	(157,409)	(116,568)	(380,327)	(18,198)	(398,525)
(Loss)/profit before tax	**2,588,510**	**6,664,690**	**(12,748,896)**	**(3,495,696)**	**(10,664)**	**(3,506,360)**
Income tax expense	(91,614)	(644,468)	(194,525)	(930,607)	-	(930,607)
(Loss)/profit after tax	**2,496,896**	**6,020,222**	**(12,943,421)**	**(4,426,303)**	**(10,664)**	**(4,436,967)**

Total Assets	**10,498,119**	**26,499,949**	**20,729,389**	**57,727,457**	**366,090**	**58,093,547**
Total Liabilities	**4,802,697**	**17,255,465**	**7,704,564**	**29,762,726**	**542,586**	**30,305,312**

13. Property, plant and equipment

	2023 $	2022 $
Plant and equipment		
Plant and equipment - at cost	13,963,615	12,414,666
Accumulated depreciation	(8,234,506)	(8,154,676)
	5,729,109	4,259,990
Leasehold improvements		
Leasehold improvement - at cost	1,122,735	723,464
Accumulated depreciation	(621,584)	(543,353)
	501,151	180,111
Total property, plant and equipment	6,230,260	4,440,101

13. Property, plant and equipment (continued)

Movements in the carrying amounts of property, plant and equipment during the current financial year:

	Plant and equipment	Leasehold improvements	Total
	$	$	$
Balance at 30 June 2021	**4,496,722**	**229,964**	**4,726,686**
Additions	1,131,650	32,018	1,163,668
Depreciation expense	(1,206,522)	(79,456)	(1,285,978)
FX impact	(161,860)	(2,415)	(164,275)
Balance at 30 June 2022	**4,259,990**	**180,111**	**4,440,101**
Additions	2,760,347	369,071	3,129,418
Disposals at cost	(1,311,655)	(30,200)	(1,341,855)
Disposals accumulated depreciation	1,311,655	30,200	1,341,855
Depreciation expense	(1,439,010)	(60,905)	(1,499,915)
FX impact	147,782	12,874	160,656
Balance at 30 June 2023	**5,729,109**	**501,151**	**6,230,260**

.14. Intangibles

	2023	2022
	$	$
Patents and trademarks – at cost	1,975,327	1,820,152
Accumulated amortisation	(1,534,614)	(1,359,328)
	440,713	460,824
Product development expenditure capitalised	10,540,488	7,317,062
Accumulated amortisation	(872,037)	(697,109)
	9,668,451	6,619,953
Software	5,072,918	4,043,521
Accumulated amortisation	(2,698,732)	(1,714,756)
	2,374,186	2,328,765
Goodwill	6,490,848	6,037,974
	18,974,198	**15,447,516**

14. Intangibles (continued)

	2023 $	2022 $
Movements in patents and trademarks		
Balance at beginning of year	460,824	614,625
Additions	89,843	-
Amortisation expense	(123,509)	(142,928)
FX impact	13,555	(10,873)
Balance at end of year	440,713	460,824
Movements in product development expenditure capitalised		
Balance at beginning of year	6,619,953	1,253,709
Additions	3,223,426	5,475,151
Amortisation expense	(174,928)	(108,907)
Balance at end of year	9,668,451	6,619,953
Movements in software		
Balance at beginning of year	2,328,765	452,316
Additions	1,009,349	2,304,922
Amortisation expense	(969,469)	(440,020)
FX impact	5,541	11,547
Balance at end of year	2,374,186	2,328,765
Movements in goodwill		
Balance at beginning of year	6,037,974	6,259,968
FX impact	452,874	(221,994)
Balance at end of year	6,490,848	6,037,974

Intangible assets, other than goodwill, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expenses per the consolidated statement of profit or loss and other comprehensive income. Goodwill has an indefinite useful life.

Goodwill is allocated to cash generating units, which are based on the Group's geographic reporting segments.

15. Borrowings

	2023	2022
	$	$
Current borrowings	313,034	4,877,475
Non-current borrowings	16,356,185	2,013,461
	16,669,219	6,890,936

HSBC credit facility (Commercial Borrowing)

- In June 2019, SomnoMed Limited secured a EUR 3 million (A$4.8 million) credit facility, in the form of an overdraft facility, with HSBC France, Amsterdam Branch. The facility was fully repaid by SomnoMed on 21st July 2022.

Unsecured loan facilities (Government Borrowings)

- In March 2020, SomnoMed AG (Switzerland) secured a CHF 0.5 million (A$0.721 million) Government-backed unsecured loan facility with Credit Suisse (maturity of 5 years). The interest payable is currently at 0.50% per annum. This loan was fully repaid on 15th August-22.
- In May 2020, SomnoMed France SAS (France) secured a EUR 0.515 million (A$0.816 million Government-backed unsecured loan facility with Société Générale. The interest payable is at 0.5% per annum in the first year (after a grace period of 12 months. Maturity of 5 years). This loan expires on 20 May 2026.
- In June 2020, SomnoMed Germany GmbH (Germany) secured a EUR 0.5 million (A$0.792 million) Government-backed unsecured loan facility with Commerzbank (maturity of up to 6 years). The interest payable is 3% per annum. This loan expires on 30 June 2030.

Epsilon direct lending loan facility (Commercial Borrowing)

- On 25 July 2022, SomnoMed Limited entered into a A$16 million debt facility with Epsilon Debt Lending. The facility, which is supported by a first ranking general security interest, is for a term of 3 years, with no amortisation payments. SomnoMed has fully drawn A$16 million under the facility. Interest payable is calculated quarterly at BBSW, plus a 9% margin.

  The financial covenants specified in the facility agreement were complied with at 30 June 2023. Epsilon Direct Lending (EDL) has agreed to suspend the existing gross leverage and interest cover covenants for FY24, to be replaced by a minimum quarterly EBITDA covenant. EDL's approval to amend the covenants is contingent on a partial debt repayment of $5m (refer Note 5) and maintenance of a minimum cash balance of $5m. SomnoMed expects to be compliant with the revised covenants.

16. Lease Liabilities

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	30 June 2023 $	30 June 2022 $	30 June 2023 $	30 June 2022 $	30 June 2023 $	30 June 2022 $
Less than one year	2,527,106	2,006,166	270,799	226,347	2,256,307	1,779,819
Between one year and five years	4,730,231	3,522,573	293,165	289,689	4,437,066	3,232,884
More than five years	150,162	108,095	2,027	1,407	148,135	106,688
	7,407,499	5,636,834	565,991	517,443	6,841,508	5,119,391

17. Issued Capital

	2023 $	2022 $
Issued and fully paid ordinary shares		
82,759,315 (2022: 82,759,315) ordinary shares		
Balance of issued capital at the beginning of year	84,002,809	84,002,809
Shares issued during period:	-	-
Less issue costs	-	-
Balance of issued capital at end of year	84,002,809	84,002,809
Less shares issued but not recorded in accounts		
- 1,830,000 shares (2022: 1,830,000) issued at $1.17	(2,141,100)	(2,141,100)
- 150,000 shares (2022: 150,000) issued at $1.18	(177,000)	(177,000)
- 20,000 shares (2022: 20,000) re-issued at $1.64	(32,800)	(32,800)
- 200,000 shares (2022: 200,000) issued at $1.67	(334,000)	(334,000)
- 20,000 shares (2022: 20,000) re-issued at $1.79	(35,800)	(35,800)
- 456,000 shares (2022: 456,000) re-issued at $1.87	(852,720)	(852,720)
- 350,000 shares (2022: 350,000) issued at $2.09	(731,500)	(731,500)
- 664,000 shares (2022: 664,000) re-issued at $2.184	(1,450,176)	(1,450,176)
- 493,000 shares (2022: 493,000) issued at $2.40	(1,183,200)	(1,183,200)
- 12,500 shares (2022: 12,500) issued at $3.44	(43,000)	(43,000)
- 3,000 shares (2022: 3,000) issued at $3.61	(10,830)	(10,830)
Total advances to executives to acquire shares in the Company	(6,992,126)	(6,992,126)
Cancellation and re-issue of units within Employee Share Trust*	(2,739,264)	(2,739,264)
Issued share capital recorded in the Company accounts	74,271,419	74,271,419

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. At shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

At 30 June 2023 there were 8,795,500 (2022: 8,795,500) unissued ordinary shares for which options were outstanding (including 4,198,500 (2022: 4,198,500) issued ordinary shares which are treated as options in these accounts).

*In prior years ordinary shares were issued to the Company's Employee Share Trust on behalf of management of the Company at issue prices up to $3.61 per share. These shares were financed by non-recourse loans and have been treated as options in the Company's accounts. In June 2020 share units issued by the EST in 2016 at $3.44 and in 2017 at $3.61 to existing employees were cancelled and an identical number of units were reissued at $1.17 to those employees with extended vesting conditions. The amount payable by the EST to the Company as non-recourse loans relating to those prior issues at $3.44 and $3.61 per share was recorded as being non recoverable and a new loan at the lesser amount of $1.17 per share is reflected in these accounts. The additional share option expense incurred in relation to the issue of units at $1.17 will be bought to account over the revised vesting periods and no further share option expense will be brought to account for the issues at $3.44 and $3.61 per share.

18. Trade and other receivables

	2023	2022
Current	**$**	**$**
Trade receivables	7,329,870	7,571,797
Less allowance for expected credit losses	(112,371)	(194,719)
	7,217,499	7,377,078
Other receivables	1,496,244	1,556,812
Prepayments	2,410,023	2,379,760
	11,123,766	11,313,650

19. Income tax expense

a. The components of tax expense* comprise:		
Current tax	682,085	857,111
Deferred tax	139,552	73,496
	821,637	930,607

* Excludes RSS

b. The prima facie tax on loss before income tax is reconciled to the income tax expense as follows:		
Prima facie income tax expense calculated using the Australian tax rate of 30% (2022: 30%)	(2,113,579)	(1,048,709)
Decrease in income tax expense due to non-assessable and other items	2,935,216	1,979,316
Income tax expense*	821,637	930,607

* Excludes RSS

c. Deferred tax assets		
Recognised deferred tax assets		
Plant and equipment	(47,721)	(62,417)
Accruals	784,986	683,569
Provisions	585,355	547,492
Deferred revenue	46,891	54,530
Future royalty deduction	1,054,159	1,045,721
Tax losses carried forward	828,075	682,082
Deferred tax assets	3,251,745	2,950,977

d. Movement in temporary differences and tax losses during the year		
Carrying amount at beginning of financial year	2,950,977	3,038,225
Recognised in the consolidated statement of profit or loss and other comprehensive income	(139,552)	(73,496)
FX impact	440,320	(13,752)
Carrying amount at end of financial year	3,251,745	2,950,977

19. Income tax expense (continued)

	2023 $	2022 $
e. Deferred tax assets not brought to account		
Deferred tax assets not brought to account, the benefits of which will only be realised if the conditions for deductibility set out in Note 3(l) occur		
Tax losses	8,739,067	4,835,217
Temporary differences	3,170,754	2,950,100

20. Right-of-use assets

Right-of-use assets - non-current	6,499,653	4,675,691
	6,499,653	4,675,691
Land and buildings - right-of-use	11,135,376	7,773,518
Lease modifications*	261,541	129,128
Less: accumulated depreciation	(5,733,136)	(4,044,483)
	5,663,781	3,858,163
Plant and equipment - right-of-use	184,190	168,332
Lease modifications*	-	-
Less: accumulated depreciation	(140,104)	(110,162)
	44,086	58,170
Vehicles - right-of-use	2,153,255	1,717,060
Lease modifications*	41,519	-
Less: accumulated depreciation	(1,402,988)	(957,702)
	791,786	759,358

‘Land and buildings’ include offices utilised as administration offices, laboratories and also the lease for the global manufacturing site. ‘Plant and equipment’ are comprised mostly of leased printers and, to a smaller extent, intra-oral scanners. ‘Vehicles’ relate to leased cars to sales and administration staff.

*Lease modifications for surrender of leases, early terminations and changes to lease terms.

20. Right-of-use assets (continued)

	2023 $	2022 $
Balance at the beginning of the year	4,675,691	5,615,740
Additions	3,870,035	881,410
Lease modifications*	303,060	129,128
Depreciation expense (AASB 16)	(2,349,133)	(1,950,587)
Balance at end of the year	6,499,653	4,675,691
Depreciation expense - land and buildings	(1,856,521)	(1,542,220)
Depreciation expense - plant and equipment	(29,942)	(29,299)
Depreciation expense - vehicles	(462,670)	(379,068)
Total depreciation expense (AASB 16)	(2,349,133)	(1,950,587)

*Lease modifications for surrender of leases, early terminations and changes to lease terms.

21. Interest expense

Interest expense due to Borrowings and Capital Leases	(2,304,452)	(84,033)
Interest expense due to AASB 16	(322,245)	(296,294)
	(2,626,697)	(380,327)

22. Cash outflows - leases

Total Cash outflows - leases	(4,305,176)	(2,830,860)
	(4,305,176)	(2,830,860)
Interest payment due to Borrowings and Capital Leases	(1,529,877)	(84,033)
Interest payment due to AASB 16	(324,321)	(296,294)
Total interest paid - leases (cash outflow from operating activities)	(1,854,198)	(380,327)
Principal payment of Capital Leases	-	(172,308)
Principal payment due to AASB 16	(2,498,403)	(2,412,202)
Proceeds from leases as lessor (RSS)	47,426	133,977
Total principal payment - leases (cash outflow from financing activities)	(2,450,978)	(2,450,533)

23. Committed and not yet commenced leases

There were no leases committed at the end of June 2023 which had not initiated before 30 June 2023 and which are not represented on the consolidated statement of financial position.

24. Short-term and low value leases

The table below outlines leases which were elected not to apply AASB 16 paragraphs 22 to 49 and, as such, are recognised directly as an expense on the consolidated statement of profit or loss.

	2023 $	2022 $
Expenses with short-term leases (2023: 2 agreements; 2022: 3 agreements)	(18,117)	(18,409)
Expenses with low-value assets (2023: 8 agreements; 2022: 7 agreements)	(6,156)	(7,659)
	(24,273)	(26,068)

25. Trade and other payables

	2023	2022
CURRENT	**$**	**$**
Trade payables, other payables and accruals	12,590,318	12,593,253
Deferred revenue	1,530	1,339
Deferred rent	231,913	259,668
	12,823,761	12,854,260

Audit

This report is based on accounts which are in the process of being audited.

Sign here: (Director)

Date: 31 August 2023

Print name: G Russo