

SDI Limited

ABN 27 008 075 581

Financial Report for the six months ended - 31 December 2017

| | |
|---|----|
| Appendix 4D | 2 |
| Commentary on half-year results | 4 |
| Directors' report | 6 |
| Auditor's independence declaration | 8 |
| Consolidated statement of profit or loss and other comprehensive income | 9 |
| Consolidated statement of financial position | 10 |
| Consolidated statement of changes in equity | 11 |
| Consolidated statement of cash flows | 12 |
| Notes to the consolidated financial statements | 13 |
| Directors' declaration | 19 |
| Independent auditor's review report to the members of SDI Limited | 20 |

1. Company details

| | |
|-------------------|--|
| Name of entity: | SDI Limited |
| ABN: | 27 008 075 581 |
| Reporting period: | For the half-year ended 31 December 2017 |
| Previous period: | For the half-year ended 31 December 2016 |

2. Results for announcement to the market

| | | | \$'000 |
|---|------|----------|--------|
| Revenues from ordinary activities | down | 2.1% to | 33,625 |
| Profit from ordinary activities after tax attributable to the owners of SDI Limited | down | 43.1% to | 1,150 |
| Profit for the half-year attributable to the owners of SDI Limited | down | 43.1% to | 1,150 |

Dividends

| | Amount per security Cents | Franked amount per security Cents |
|--|------------------------------|--------------------------------------|
| Interim dividend payable on 6 April 2018 | 1.1 | 1.1 |

On 15 February 2018 the Directors declared an interim dividend of 1.1 cents per ordinary share with a record date of 23 March 2018 to be paid on 6 April 2018.

Comments

The profit for the consolidated entity after providing for income tax amounted to \$1,150,000 (31 December 2016: \$2,020,000).

Earnings before interest, tax, depreciation and amortisation ('EBITDA') decreased by 27.7% to \$3,573,000 (31 December 2016: \$4,943,000).

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

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

| | Consolidated | |
|------------------------------------|-----------------------|-----------------------|
| | 31 Dec 2017 \$'000 | 31 Dec 2016 \$'000 |
| Profit after tax | 1,150 | 2,020 |
| Add: taxation | 391 | 805 |
| Add: interest expense | 80 | 113 |
| Less: interest income | (17) | (3) |
| Add: depreciation and amortisation | 1,969 | 2,008 |
| EBITDA | <u>3,573</u> | <u>4,943</u> |

Further information on the results is detailed in the 'Commentary on half-year results' and 'Review of operations' section of the Directors' report which is part of the Interim Report.

3. Net tangible assets

| | Reporting period Cents | Previous period Cents |
|---|------------------------------|-----------------------------|
| Net tangible assets per ordinary security | <u>35.88</u> | <u>36.58</u> |

4. Dividends

Current period

| | Amount per security Cents | Franked amount per security Cents |
|--|---------------------------------|--|
| Interim dividend payable on 6 April 2018 | 1.1 | 1.1 |

On 15 February 2018 the Directors declared an interim dividend of 1.1 cents per ordinary share with a record date of 23 March 2018 to be paid on 6 April 2018.

Previous period

| | Amount per security Cents | Franked amount per security Cents |
|--|---------------------------------|--|
| Final dividend for the financial year ended 30 June 2017 paid on 22 September 2017 | 1.3 | 1.3 |

5. 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.

6. Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Financial Report for the six months ended.

7. Attachments

The Financial Report for the six months ended 31 December 2017 is attached.

8. Signed

Signed 

Date: 15 February 2018

Samantha Jane Cheetham
Managing Director
Melbourne

HY18 HIGHLIGHTS

- **Aesthetics sales up 9% in local currencies (AUD 8%)**
- **Cash increased by \$2.3m for the 6 months**
- **Interim fully franked dividends up by 10% to 1.1 cents**

MELBOURNE, Australia – SDI Limited (ASX: SDI). Profit after tax for the 6 months ended 31 December 2017 decreased by \$0.8 million to \$1.2 million compared to \$2.0 million for the previous year.

| | HY 2018 (AUD) | HY 2017 (AUD) | Change % |
|---------------------------|---------------|---------------|----------|
| Sales | 33.6m | 34.4m | (2.1) |
| EBITDA | 3.6m | 4.9m | (27.7) |
| NPBT | 1.5m | 2.8m | (46.4) |
| NPAT | 1.2m | 2.0m | (42.6) |
| Borrowings | 4.4m | 5.4m | (18.5) |
| Cash | 8.1m | 3.7m | 118.9 |
| Declared / paid dividends | 1.1c | 1.0c | 10.0 |

Profit before tax decreased by \$1.3 million to \$1.5 million, compared to \$2.8 million for the previous year. Earnings before interest, tax, depreciation and amortisation ('EBITDA') decreased by 27.7% to \$3.6 million, compared to \$4.9 million for the corresponding period last year. Earnings per share for the 6 months ended 31 December 2017 decreased by 0.73 cents to 0.97 cents compared to 1.70 cents for the same period last year.

Sales reported in Australian dollars decreased by 2.1% to \$33.6 million for the period, compared to \$34.4 million for the corresponding period last year. SDI exports approximately 90 % of its products and when adjusted for currency movements, sales decreased by 1.5 %.

| Sales by business unit | Growth in local currency | Growth in AUD | Total AUD sales |
|--|--------------------------|---------------|-----------------|
| Australia sales (including direct exports) | (5.0%) | (6.3%) | 35.0% |
| North America | 0.5% | (3.2%) | 24.5% |
| Europe | 0.2% | 3.8% | 32.2% |
| Brazil | 0.7% | (2.4%) | 8.3% |
| TOTAL | (1.5%) | (2.1%) | 100% |

Business unit sales were impacted by lower than expected sales from the South American (included in Australian direct exports) and UK markets, down 36.5% and 13.2% respectively, primarily driven by weaker Amalgam and whitening sales. The South American market, traditionally an Amalgam and price competitive market, has been impacted by aggressive pricing from local manufacturers and the lower level of Government tenders driven by challenging political and economic circumstances. The Company considers the drop in UK sales as temporary and is confident that these sales will be back on track in the second six months of the financial year.

| Sales by region | HY 2018 (AUD) | HY 2017 (AUD) | Change % |
|----------------------|---------------|---------------|----------|
| APAC | 6.1m | 6.4m | (3.1) |
| Middle East / Africa | 3.0m | 3.0m | - |
| North America | 8.2m | 8.5m | (3.2) |
| South America | 4.1m | 4.9m | (16.8) |
| Europe | 12.2m | 11.6m | 5.3 |

Aesthetics sales performed strongly, up 8.7% in local currency, offset by the continuing trend of declining Amalgam sales, down 14.3% in local currency, which represented 26.0% of the Company's total sales

| Product category sales | Growth in local currency | Growth in AUD | Total AUD Sales |
|------------------------|--------------------------|---------------|-----------------|
| Aesthetics | 8.7% | 8.2% | 39.6% |
| Whitening | (1.9%) | (2.2%) | 25.7% |
| Equipment | - | (2.3%) | 8.7% |
| Amalgam | (14.3%) | (15.3%) | 26.0% |

Total product margins decreased by 0.9% to 59.3%, compared to 60.2% for the corresponding period last year, primarily due to product and market sales mix. SDI is aware that it must continue to review its operating cost structure to stay competitive in the global market, while at the same time not undermining its future growth plans. The Company has identified approximately \$1.1m of manufacturing overhead cost reductions, through the implementation of efficiencies in its Australian manufacturing plant. These savings will be fully realised over the next 12 months.

Total operating expenses in Australian dollars increased by 3.2% when compared to the previous year. Approximately 55% of SDI's total operating expenses relate to its offshore subsidiaries and are subject to currency movements when reporting in Australian dollars. When adjusted for currency movements, expenses increased by 1.7%.

The Company's total cash holdings for the 6 months increased by \$2.3 million after dividend payments of \$1.4 million and decreasing inventories by \$1.6 million, highlighting better inventory management due to improved manufacturing processes.

The Board of Directors has declared an interim fully franked dividend of 1.1 cents per share which is 0.1 cents higher than the previous interim dividend and will be paid on 6 April 2018.

The Directors have decided that the Company's Dividend Reinvestment Plan ('DRP') will not be offered to Shareholders for this dividend payment.

About SDI Limited

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

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

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of SDI Limited (referred to hereafter as the 'Company', 'SDI' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2017.

Directors

The following persons were Directors of SDI Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Jeffery James Cheetham O.A.M - Chairman
Samantha Jane Cheetham
John Joseph Slaviero
Dr Geoffrey Macdonald Knight
Gerald Allan Bullon
Cameron Neil Allen
Gerard Desmond Kennedy

Alternate director

Pamela Joy Cheetham (alternate for Jeffery James Cheetham)

Principal activities

During the financial half-year the principal activities of the consolidated entity consisted of the manufacture and distribution of dental restorative materials, whitening systems, other dental materials and product research and development.

Dividends

Dividends paid during the financial half-year were as follows:

| | Consolidated | |
|--|---------------------|--------------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| | \$'000 | \$'000 |
| Final dividend for the year ended 30 June 2017 of 1.3 cents (2016: 1.2 cents) per ordinary share | 1,545 | 1,426 |

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$1,150,000 (31 December 2016: \$2,020,000).

Earnings before interest, tax, depreciation and amortisation ('EBITDA') decreased by 27.7% to \$3,573,000 (31 December 2016: \$4,943,000).

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

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

| | Consolidated | |
|------------------------------------|---------------------|--------------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| | \$'000 | \$'000 |
| Profit after tax | 1,150 | 2,020 |
| Add: taxation | 391 | 805 |
| Add: interest expense | 80 | 113 |
| Less: interest income | (17) | (3) |
| Add: depreciation and amortisation | 1,969 | 2,008 |
| EBITDA | 3,573 | 4,943 |

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the consolidated entity during the financial half-year.

Rounding of amounts

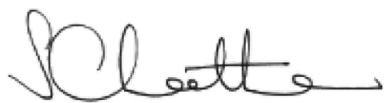
The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Samantha Jane Cheetham
Managing Director

15 February 2018
Melbourne

15 February 2018

The Board of Directors
SDI Limited
5-9 Brunsdon Street
BAYSWATER VIC 3153

Dear Board Members

SDI Limited

In accordance with section 307C of the *Corporations Act 2001*, I am pleased to provide the following declaration of independence to the directors of SDI Limited.

As lead audit partner for the review of the financial statements of SDI Limited for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Anneke du Toit
Partner
Chartered Accountants

SDI Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017



| | | Consolidated | |
|--|-------------|---------------------|--------------------|
| | Note | 31 Dec 2017 | 31 Dec 2016 |
| | | \$'000 | \$'000 |
| Revenue | | | |
| Sales revenue | | 33,625 | 34,358 |
| Cost of goods sold | | (13,676) | (13,690) |
| Gross profit | | 19,949 | 20,668 |
| Other income | 4 | 17 | 16 |
| Expenses | | | |
| Selling and administration expenses | | (16,636) | (16,275) |
| Research and development costs | | (614) | (450) |
| Other expenses | | (1,095) | (1,021) |
| Finance costs | | (80) | (113) |
| Profit before income tax expense | | 1,541 | 2,825 |
| Income tax expense | | (391) | (805) |
| Profit after income tax expense for the half-year attributable to the owners of SDI Limited | | 1,150 | 2,020 |
| Other comprehensive income | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | |
| Exchange differences arising on translation of foreign controlled entities | | 198 | 220 |
| Other comprehensive income for the half-year, net of tax | | 198 | 220 |
| Total comprehensive income for the half-year attributable to the owners of SDI Limited | | 1,348 | 2,240 |
| | | Cents | Cents |
| Basic earnings per share | 6 | 0.97 | 1.70 |
| Diluted earnings per share | 6 | 0.97 | 1.70 |

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

SDI Limited
Consolidated statement of financial position
As at 31 December 2017



| | Consolidated | |
|----------------------------------|---------------------|--------------------|
| Note | 31 Dec 2017 | 30 Jun 2017 |
| | \$'000 | \$'000 |
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 8,083 | 5,754 |
| Trade and other receivables | 14,831 | 15,451 |
| Inventories | 15,534 | 17,135 |
| Prepayments | 985 | 818 |
| Total current assets | 39,433 | 39,158 |
| Non-current assets | | |
| Other receivables | 1,362 | 1,124 |
| Property, plant and equipment | 17,596 | 18,121 |
| Intangibles | 23,493 | 22,859 |
| Total non-current assets | 42,451 | 42,104 |
| Total assets | 81,884 | 81,262 |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 5,397 | 4,551 |
| Borrowings | 1,396 | 1,137 |
| Derivative financial instruments | - | 62 |
| Provision for income tax | 280 | 248 |
| Employee benefits | 3,254 | 3,506 |
| Total current liabilities | 10,327 | 9,504 |
| Non-current liabilities | | |
| Borrowings | 3,000 | 3,000 |
| Deferred tax liability | 2,216 | 2,206 |
| Employee benefits | 195 | 209 |
| Total non-current liabilities | 5,411 | 5,415 |
| Total liabilities | 15,738 | 14,919 |
| Net assets | 66,146 | 66,343 |
| Equity | | |
| Issued capital | 12,890 | 12,890 |
| Reserves | 961 | 763 |
| Retained profits | 52,295 | 52,690 |
| Total equity | 66,146 | 66,343 |

7

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

SDI Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2017



| Consolidated | Issued capital \$'000 | Reserves \$'000 | Retained profits \$'000 | Total equity \$'000 |
|--|--------------------------------------|----------------------------|--|--------------------------------|
| Balance at 1 July 2016 | 12,890 | 1,160 | 49,729 | 63,779 |
| Profit after income tax expense for the half-year | - | - | 2,020 | 2,020 |
| Other comprehensive income for the half-year, net of tax | - | 220 | - | 220 |
| Total comprehensive income for the half-year | - | 220 | 2,020 | 2,240 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Dividends paid (note 8) | - | - | (1,426) | (1,426) |
| Balance at 31 December 2016 | <u>12,890</u> | <u>1,380</u> | <u>50,323</u> | <u>64,593</u> |
| Consolidated | Issued capital \$'000 | Reserves \$'000 | Retained profits \$'000 | Total equity \$'000 |
| Balance at 1 July 2017 | 12,890 | 763 | 52,690 | 66,343 |
| Profit after income tax expense for the half-year | - | - | 1,150 | 1,150 |
| Other comprehensive income for the half-year, net of tax | - | 198 | - | 198 |
| Total comprehensive income for the half-year | - | 198 | 1,150 | 1,348 |
| <i>Transactions with owners in their capacity as owners:</i> | | | | |
| Dividends paid (note 8) | - | - | (1,545) | (1,545) |
| Balance at 31 December 2017 | <u>12,890</u> | <u>961</u> | <u>52,295</u> | <u>66,146</u> |

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

SDI Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2017



| | Consolidated | |
|---|---------------------|--------------------|
| Note | 31 Dec 2017 | 31 Dec 2016 |
| | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Receipts from customers | 34,007 | 35,069 |
| Payments to suppliers and employees | (27,876) | (31,657) |
| | 6,131 | 3,412 |
| Other revenue | 17 | 16 |
| Interest and other finance costs paid | (80) | (113) |
| Income taxes paid | (349) | (1,759) |
| Net cash from operating activities | 5,719 | 1,556 |
| Cash flows from investing activities | | |
| Payments for property, plant and equipment | (727) | (724) |
| Payments for intangibles | (1,407) | (1,401) |
| Proceeds from disposal of property, plant and equipment | 43 | - |
| Net cash used in investing activities | (2,091) | (2,125) |
| Cash flows from financing activities | | |
| Proceeds from borrowings | 396 | 148 |
| Dividends paid | (1,545) | (1,426) |
| Repayment of borrowings | (137) | (511) |
| Net cash used in financing activities | (1,286) | (1,789) |
| Net increase/(decrease) in cash and cash equivalents | 2,342 | (2,358) |
| Cash and cash equivalents at the beginning of the financial half-year | 5,754 | 6,001 |
| Effects of exchange rate changes on cash and cash equivalents | (13) | 25 |
| Cash and cash equivalents at the end of the financial half-year | 8,083 | 3,668 |

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

Note 1. General information

The financial statements cover SDI Limited as a consolidated entity consisting of SDI Limited (the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year (collectively referred to as the 'consolidated entity'). The financial statements are presented in Australian dollars, which is SDI Limited's functional and presentation currency.

SDI Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

5 - 9 Brunsdon Street
Bayswater VIC 3153

Principal place of business

3 - 15 Brunsdon Street
Bayswater VIC 3153

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 15 February 2018. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

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 relevant to their operations and effective for the current half-year. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity during the financial half-year ended 31 December 2017 and are not expected to have any significant impact for the full financial year ending 30 June 2018.

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

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity's operations consist of the manufacture of dental restorative products, tooth 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.

Note 3. Operating segments (continued)

Reportable segments

The consolidated entity's reportable segments are as follows:

| | |
|------------|---|
| Australia: | SDI Limited |
| Europe: | 31 December 2016: SDI Dental Limited (Ireland), SDI Germany GmbH (Germany) and SDI Italy S.r.l (Italy) 31 December 2017: SDI Germany GmbH (Germany) (which now incorporates the operations of Ireland and Italy) |
| USA: | SDI (North America), Inc. |
| Brazil: | SDI Brasil Industria e Comercio Ltda |

SDI New Zealand Limited's segment result has been included under other segments as the results were judged as being immaterial for separate inclusion in the segment report.

Information detailing revenue by individual country has not been included as this information is not available and the cost to develop such information would be excessive.

Intersegment transactions

The segment revenues, expenses and result 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 of the consolidated entity's financial statements.

Intersegment receivables, payables and loans

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

Major customers

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

Note 3. Operating segments (continued)

Operating segment information

| Consolidated - 31 Dec 2017 | SDI Australia \$'000 | SDI Europe \$'000 | SDI USA \$'000 | SDI Brazil \$'000 | Other segments \$'000 | Total \$'000 |
|---|-------------------------------------|----------------------------------|-------------------------------|----------------------------------|--------------------------------------|-------------------------|
| Revenue | | | | | | |
| Sales to external customers | 11,709 | 10,847 | 8,222 | 2,796 | 51 | 33,625 |
| Intersegment sales | 10,158 | - | - | - | - | 10,158 |
| Total sales revenue | 21,867 | 10,847 | 8,222 | 2,796 | 51 | 43,783 |
| Total segment revenue | 21,867 | 10,847 | 8,222 | 2,796 | 51 | 43,783 |
| Intersegment eliminations | | | | | | (10,158) |
| Total revenue | | | | | | 33,625 |
| Segment results before tax | 2,782 | 413 | 297 | 428 | 4 | 3,924 |
| Intersegment eliminations | (355) | - | - | - | - | (355) |
| Depreciation and amortisation | (1,853) | (38) | (24) | (46) | (4) | (1,965) |
| Interest revenue | - | - | - | 17 | - | 17 |
| Finance costs | (77) | - | - | (3) | - | (80) |
| Profit before income tax expense | 497 | 375 | 273 | 396 | - | 1,541 |
| Income tax expense | | | | | | (391) |
| Profit after income tax expense | | | | | | 1,150 |
| Assets | | | | | | |
| Segment assets | 78,019 | 8,042 | 7,132 | 7,137 | 107 | 100,437 |
| Intersegment eliminations | | | | | | (18,553) |
| Total assets | | | | | | 81,884 |
| Liabilities | | | | | | |
| Segment liabilities | 13,955 | 6,091 | 1,539 | 6,755 | 627 | 28,967 |
| Intersegment eliminations | | | | | | (13,229) |
| Total liabilities | | | | | | 15,738 |

Note 3. Operating segments (continued)

| Consolidated - 31 Dec 2016 | SDI Australia \$'000 | SDI Europe \$'000 | SDI USA \$'000 | SDI Brazil \$'000 | Other segments \$'000 | Total \$'000 |
|--|-------------------------------------|----------------------------------|-------------------------------|----------------------------------|--------------------------------------|-------------------------|
| Revenue | | | | | | |
| Sales to external customers | 12,499 | 10,452 | 8,495 | 2,866 | 46 | 34,358 |
| Intersegment sales | 12,154 | - | - | - | - | 12,154 |
| Total sales revenue | 24,653 | 10,452 | 8,495 | 2,866 | 46 | 46,512 |
| Total segment revenue | 24,653 | 10,452 | 8,495 | 2,866 | 46 | 46,512 |
| Intersegment eliminations | | | | | | (12,154) |
| Total revenue | | | | | | 34,358 |
| Segment results before tax | 2,571 | 1,238 | 553 | 339 | (63) | 4,638 |
| Intersegment eliminations | 305 | - | - | - | - | 305 |
| Depreciation and amortisation | (1,822) | (108) | (26) | (50) | (2) | (2,008) |
| Interest revenue | - | - | - | 3 | - | 3 |
| Finance costs | (113) | - | - | - | - | (113) |
| Profit/(loss) before income tax expense | 941 | 1,130 | 527 | 292 | (65) | 2,825 |
| Income tax expense | | | | | | (805) |
| Profit after income tax expense | | | | | | 2,020 |

Consolidated - 30 Jun 2017

| | | | | | | |
|---------------------------|--------|-------|-------|-------|-----|---------------|
| Assets | | | | | | |
| Segment assets | 78,088 | 8,493 | 7,542 | 8,087 | 112 | 102,322 |
| Intersegment eliminations | | | | | | (21,060) |
| Total assets | | | | | | 81,262 |
| Liabilities | | | | | | |
| Segment liabilities | 13,123 | 6,853 | 2,035 | 8,088 | 652 | 30,751 |
| Intersegment eliminations | | | | | | (15,832) |
| Total liabilities | | | | | | 14,919 |

Note 4. Other income

| | Consolidated 31 Dec 2017 \$'000 | 31 Dec 2016 \$'000 |
|---------------------|--|-------------------------------|
| Interest revenue | 17 | 3 |
| Other income | - | 13 |
| Other income | 17 | 16 |

Note 5. Expenses

| | Consolidated | |
|--|---------------------|--------------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| | \$'000 | \$'000 |
| Profit before income tax includes the following specific expenses: | | |
| <i>Depreciation</i> | | |
| Land and buildings | 56 | 58 |
| Plant and equipment | 1,140 | 1,187 |
| Total depreciation | 1,196 | 1,245 |
| <i>Amortisation</i> | | |
| Development costs | 489 | 566 |
| Trademarks and licences | 284 | 197 |
| Total amortisation | 773 | 763 |
| Total depreciation and amortisation | 1,969 | 2,008 |
| <i>Net loss on disposal</i> | | |
| Net loss on disposal of property, plant and equipment | 13 | 72 |
| <i>Other</i> | | |
| Foreign exchange loss | 372 | 346 |

Note 6. Earnings per share

| | Consolidated | |
|---|---------------------|--------------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| | \$'000 | \$'000 |
| Profit after income tax attributable to the owners of SDI Limited | 1,150 | 2,020 |
| | Number | Number |
| Weighted average number of ordinary shares used in calculating basic earnings per share | 118,865,530 | 118,865,530 |
| Weighted average number of ordinary shares used in calculating diluted earnings per share | 118,865,530 | 118,865,530 |
| | Cents | Cents |
| Basic earnings per share | 0.97 | 1.70 |
| Diluted earnings per share | 0.97 | 1.70 |

Note 7. Equity - reserves

| | Consolidated | |
|--------------------------|---------------------|--------------------|
| | 31 Dec 2017 | 30 Jun 2017 |
| | \$'000 | \$'000 |
| Foreign currency reserve | 598 | 400 |
| Capital profits reserve | 363 | 363 |
| | 961 | 763 |

Note 7. Equity - reserves (continued)

Movements in reserves

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

| Consolidated | Foreign currency \$'000 | Capital profits \$'000 | Total \$'000 |
|------------------------------|-------------------------------|------------------------------|-----------------|
| Balance at 1 July 2017 | 400 | 363 | 763 |
| Foreign currency translation | 198 | - | 198 |
| Balance at 31 December 2017 | <u>598</u> | <u>363</u> | <u>961</u> |

Note 8. Equity - dividends

Dividends paid during the financial half-year were as follows:

| | Consolidated | |
|--|---------------------|--------------------|
| | 31 Dec 2017 | 31 Dec 2016 |
| | \$'000 | \$'000 |
| Final dividend for the year ended 30 June 2017 of 1.3 cents (2016: 1.2 cents) per ordinary share | <u>1,545</u> | <u>1,426</u> |

Note 9. Fair value measurement

The directors consider that the carrying amounts of financial assets and financial liabilities recognised in the consolidated financial statements approximate their fair values.

Note 10. Contingent liabilities

The consolidated entity had no contingent liabilities as at 31 December 2017 and 30 June 2017.

Note 11. Events after the reporting period

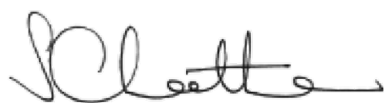
No matter or circumstance has arisen since 31 December 2017 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Samantha Jane Cheetham
Managing Director

15 February 2018
Melbourne

Independent Auditor's Review Report to the members of SDI Limited

We have reviewed the accompanying half-year financial report of SDI Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 19.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including, giving a true and fair view of SDI Limited's financial position as at 31 December 2017 and its performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of SDI Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of SDI Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Anneke du Toit
Partner
Chartered Accountants
Melbourne, 15 February 2018