SDI Limited

ABN 27 008 075 581

Interim Report - 31 December 2018

1. Company details

Name of entity:	SDI Limited
ABN:	27 008 075 581
Reporting period:	For the half-year ended 31 December 2018
Previous period:	For the half-year ended 31 December 2017

2. Results for announcement to the market

The consolidated entity applied AASB 9 and AASB 15 from 1 July 2018 with no restatement of comparative figures. There were no material impact of the adoption of these accounting standards.

				$'000
Revenues from ordinary activities	up	10.3%	to	37,109
Profit from ordinary activities after tax attributable to the owners of SDI Limited	up	171.8%	to	3,126
Profit for the half-year attributable to the owners of SDI Limited	up	171.8%	to	3,126

Dividends

	Amount per security Cents	**Franked amount per security Cents**
Final dividend for the year ended 30 June 2018 paid on 21 September 2018	1.4	1.4
Interim dividend for the year ending 30 June 2019 to be paid on 12 April 2019	1.2	1.2
Special dividend for the year ending 30 June 2019 to be paid on 12 April 2019	1.0	1.0

On 15th February 2019 the Directors declared an interim dividend for the year ending 30 June 2019 of 1.2 cents per ordinary share and a special dividend of 1.0 cents per ordinary share with a record date of 29th March 2019 to be paid on 12th April 2019.

Comments
The profit for the consolidated entity after providing for income tax amounted to $3,126,000 (31 December 2017: $1,150,000).

Earnings before interest, tax, depreciation and amortisation ('EBITDA') increased by 78.9% to $6,392,000 (31 December 2017: $3,573,000).

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 2018 $'000	**31 Dec 2017 $'000**
Profit after tax	3,126	1,150
Add: taxation	1,320	391
Add: interest expense	33	80
Less: interest income	(6)	(17)
Add: depreciation and amortisation	1,919	1,969
EBITDA	6,392	3,573

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	39.96	35.88

4. Dividends

Current period

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2018 paid on 21 September 2018	1.4	1.4
Interim dividend for the year ending 30 June 2019 to be paid on 12 April 2019	1.2	1.2
Special dividend for the year ending 30 June 2019 to be paid on 12 April 2019	1.0	1.0

On 15th February 2019 the Directors declared an interim dividend for the year ending 30 June 2019 of 1.2 cents per ordinary share and a special dividend of 1.0 cents per ordinary share with a record date of 29th March 2019 to be paid on 12th April 2019.

Previous period

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2017 paid on 22 September 2017	1.3	1.3
Interim dividend for the year ended 30 June 2018 paid on 6 April 2018	1.1	1.1

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 Interim Report.

7. Attachments

The Interim Report of SDI Limited for the half-year ended 31 December 2018 is attached.

8. Signed

Signed ____________________________ Date: 15 February 2019

Samantha Jane Cheetham
Managing Director
Melbourne

SDI Limited
Commentary on half-year results
31 December 2018

HY19 Highlights

- **After tax profit up 172% to $3.1 million**
- **Total sales up 6% in local currencies (AUD 10%)**
- **Aesthetics sales up 13% in local currencies (AUD 18%)**
- **Total debt fully paid**
- **Interim fully franked dividend up by 9% to 1.2 cents**
- **Special fully franked dividend of 1.0 cent**

MELBOURNE, Australia – SDI Limited (ASX: SDI). After-tax profit increased by $1.9 million to $3.1 million, compared with $1.2m for the same period last year. This result was driven by strong sales increase and favourable currency movements. Unrealised currency gains contributed $0.5 million to the after-tax profit due to the favourable closing rates on 31 December 2018.

Earnings before interest, tax, depreciation and amortisation (‘EBITDA’) increased by 78.8 per cent to $6.4 million, compared to $3.6 million for the corresponding period last year. Earnings per share for the 6 months ended 31 December 2018 increased by 1.66 cents to 2.63 cents compared to 0.97 cents for the same period last year.

	HY 2019 (AUD)	HY 2018 (AUD)	Change %
Sales	37.1m	33.6m	10.2
EBITDA	6.4m	3.6m	78.8
NPBT	4.4m	1.5m	188.5
NPAT	3.1m	1.2m	171.8
Borrowings	0	4.4m	(100.0)
Cash	6.1m	8.1m	(24.7)
Declared interim dividend	1.2c	1.1c	9.1
Declared special dividend	1.0c	0	N/A

Sales in Australian dollars for the 6 months ended 31 December 2018 were $37.1 million, up 10.2% on the previous corresponding period of $33.6 million. Approximately 90% of sales are exported, and when adjusted for currency movements, sales were up 6.2%. This growth was driven by continued strong growth in Aesthetics sales, including Glass Ionomers and Composites, and modest growth in Amalgam sales, reversing previous declining trend for this product.

Product category sales	Growth in local currency	Growth in AUD	% of Total AUD Sales
Aesthetics	13.4%	17.7%	42.5%
Equipment	(0.5%)	1.3%	7.9%
Whitening	1.6%	6.1%	24.7%
Amalgam	2.1%	5.7%	24.9%

Sales growth was driven by strong Australian direct exports of Aesthetics and Amalgam products in the Middle East and increased Aesthetics sales in Asia and Australia. Brazilian sales were down due to the de-stocking of a major Distributor. The Company expects that Brazilian sales in the second half will be back to normal levels.

Sales by business unit	Growth in local currency	Growth in AUD	% of Total AUD Sales
Australian sales (including direct exports)	17.8%	21.7%	38.6%
North America	0.1%	7.5%	23.9%
Europe	1.4%	6.7%	31.2%
Brazil	(6.0%)	(16.1%)	6.3%
TOTAL	**6.2%**	**10.2%**	**100.0%**

Regional sales highlighted the strong sales from the Middle East and lower than expected sales from South America (excluding Brazil). North American sales were impacted by a 14.4% decline in Amalgam sales which represents 35.1% of this region's total sales. This decline was partially offset by an increase of 10.1% in Aesthetics sales driven by strong Glass Ionomer sales. The South American region, traditionally an amalgam region, has been impacted by aggressive pricing from local manufacturers and the lower level of Government tenders, reflecting the challenging political and economic environment.

Sales by region	HY 2019 (AUD)	HY 2018 (AUD)	Growth
APAC	7.0m	6.1m	14.5%
Middle East / Africa	4.7m	3.0m	56.0%
North America	8.8m	8.2m	7.5%
South America	3.8m	4.1m	(7.7%)
Europe	12.8m	12.2m	4.7%

Gross product margins improved to 60.9% compared to 59.3% for the corresponding period last year. When adjusted for favourable currency movements, gross margin was in line with the previous corresponding period. This result is encouraging and reflective of the improved product mix, given strong direct export sales traditionally attract a lower margin.

Total operating expenses in Australian dollars increased by 4.5% when compared to the previous corresponding period. Approximately 53% of SDI's total operating expenses relate to its offshore subsidiaries and after adjusting for currency movements and an increase in amortisation expense, expenses increased by 1.6%.

The Company's total cash holdings for the six months decreased by $2.2 million after reducing debt by $2.2 million and increasing inventories by $2.9 million. Inventories have deliberately been increased to further improve customer service and support expected increase in sales.

The Board of Directors has declared an interim fully franked dividend of 1.2 cents per share which is 0.1 cent higher than the previous interim dividend. The Board has also declared an additional fully franked special dividend of 1.0 cent per share. Shareholders will therefore receive a total of 2.2 cents with both dividends being paid on 12 April 2019.

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

About SDI Limited

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

All of SDI's products are manufactured in Victoria, Australia. SDI's products are distributed through distributors and retailers in over 100 countries throughout the world. SDI has offices and warehouses in 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 2018.

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 2018 $'000	**31 Dec 2017 $'000**
Final dividend for the year ended 30 June 2018 of 1.4 cents (2017: 1.3 cents) per ordinary share	1,664	1,545

On 15 February 2019, the Directors declared an interim dividend of 1.2 cents per share and a special dividend of 1.0 cents per share to be paid on 12 April 2019. This equates to a total interim dividend of 2.2 cents per share or a total estimated distribution of $2,615,000, based on the number of ordinary shares on issue as at 31 December 2018. The financial effect of dividends declared after the reporting date are not reflected in these financial statements and will be recognised in subsequent financial reports.

Review of operations

The profit for the consolidated entity after providing for income tax amounted to $3,126,000 (31 December 2017: $1,150,000).

Earnings before interest, tax, depreciation and amortisation ('EBITDA') increased by 78.9% to $6,392,000 (31 December 2017: $3,573,000).

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Add: taxation	1,320	391
Add: interest expense	33	80
Less: interest income	(6)	(17)
Add: depreciation and amortisation	1,919	1,969
EBITDA	6,392	3,573

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 2019
Melbourne

Deloitte Touche Tohmatsu
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15 February 2019

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 2018, 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

Your Smile. Our Vision.

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Revenue			
Sales revenue	4	37,103	33,625
Cost of goods sold		(14,495)	(13,676)
Gross profit		22,608	19,949
Other income	5	669	-
Interest revenue calculated using the effective interest method		6	17
Expenses			
Selling and administration expenses		(17,505)	(16,636)
Research and development costs		(648)	(614)
Impairment of receivables		(84)	-
Other expenses		(567)	(1,095)
Finance costs		(33)	(80)
Profit before income tax expense		4,446	1,541
Income tax expense		(1,320)	(391)
Profit after income tax expense for the half-year attributable to the owners of SDI Limited		3,126	1,150
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign controlled entities		444	198
Other comprehensive income for the half-year, net of tax		444	198
Total comprehensive income for the half-year attributable to the owners of SDI Limited		3,570	1,348
		Cents	**Cents**
Basic earnings per share	7	2.63	0.97
Diluted earnings per share	7	2.63	0.97

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

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 30 Jun 2018 $'000
Assets			
Current assets			
Cash and cash equivalents		6,068	8,246
Trade and other receivables	8	15,059	16,225
Inventories		17,501	14,558
Prepayments		1,376	750
Total current assets		40,004	39,779
Non-current assets			
Other receivables	9	1,125	885
Property, plant and equipment		17,944	17,569
Intangibles		23,967	23,657
Total non-current assets		43,036	42,111
Total assets		83,040	81,890
Liabilities			
Current liabilities			
Trade and other payables		5,283	3,957
Borrowings		-	214
Provision for income tax		508	182
Employee benefits		3,204	3,363
Total current liabilities		8,995	7,716
Non-current liabilities			
Borrowings		-	2,000
Deferred tax liability		2,402	2,437
Employee benefits		183	183
Total non-current liabilities		2,585	4,620
Total liabilities		11,580	12,336
Net assets		71,460	69,554
Equity			
Issued capital	10	12,890	12,890
Reserves		1,610	1,166
Retained profits		56,960	55,498
Total equity		71,460	69,554

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

Consolidated	**Issued capital $'000**	**Reserves $'000**	**Retained profits $'000**	**Total equity $'000**
Balance at 1 July 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
Transactions with owners in their capacity as owners:				
Dividends paid (note 11)	-	-	(1,545)	(1,545)
Balance at 31 December 2017	12,890	961	52,295	66,146

Consolidated	**Issued capital $'000**	**Reserves $'000**	**Retained profits $'000**	**Total equity $'000**
Balance at 1 July 2018	12,890	1,166	55,498	69,554
Profit after income tax expense for the half-year	-	-	3,126	3,126
Other comprehensive income for the half-year, net of tax	-	444	-	444
Total comprehensive income for the half-year	-	444	3,126	3,570
Transactions with owners in their capacity as owners:				
Dividends paid (note 11)	-	-	(1,664)	(1,664)
Balance at 31 December 2018	12,890	1,610	56,960	71,460

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

	Note	Consolidated 31 Dec 2018 $'000	Consolidated 31 Dec 2017 $'000
Cash flows from operating activities			
Receipts from customers		38,029	34,007
Payments to suppliers and employees		(32,792)	(27,876)
		5,237	6,131
Interest received		6	17
Interest and other finance costs paid		(33)	(80)
Income taxes paid		(1,029)	(349)
Net cash from operating activities		4,181	5,719
Cash flows from investing activities			
Payments for property, plant and equipment		(1,388)	(727)
Payments for intangibles		(1,245)	(1,407)
Proceeds from disposal of property, plant and equipment		27	43
Net cash used in investing activities		(2,606)	(2,091)
Cash flows from financing activities			
Proceeds from borrowings		-	396
Dividends paid	11	(1,664)	(1,545)
Repayment of borrowings		(2,214)	(137)
Net cash used in financing activities		(3,878)	(1,286)
Net increase/(decrease) in cash and cash equivalents		(2,303)	2,342
Cash and cash equivalents at the beginning of the financial half-year		8,246	5,754
Effects of exchange rate changes on cash and cash equivalents		125	(13)
Cash and cash equivalents at the end of the financial half-year		6,068	8,083

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	**Principal place of business**
5 - 9 Brunsdon Street Bayswater VIC 3153	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 2019. 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 2018 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 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 as stated below.

New or amended Accounting Standards and Interpretations adopted

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

Any new or amended 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:

Note 2. Significant accounting policies (continued)

AASB 9 Financial Instruments
The consolidated entity adopted AASB 9 from 1 July 2018 with the option not to restate comparatives. The standard introduced new classification and measurement models for financial assets. New impairment requirements use a forward looking expected credit loss ('ECL') model to recognise an allowance for impairment.

This new model has resulted in a change to the approach under which the consolidated entity has determined its allowance for ECL, which replaces the previous provision for doubtful debts. For receivables, a simplified approach to measuring ECL using a lifetime expected loss allowance is available. This simplified approach requires the identification of groups within trade receivables with shared credit risk characteristics in order to determine ECL. The consolidated entity has used historical credit loss, adjusted for any other observable data based on groupings of trade receivables by ageing, trade terms and geography.

The allowance for ECL on transition, 1 July 2018, and at the reporting date 31 December 2018 were determined in a manner consistent with this approach. The impact on the amounts reported at 30 June 2018 did not result in any material changes.

The changes in relation to classification and measurement models for financial assets and financial liabilities did not have any impact on existing classifications of financial assets and liabilities, which continue to be classified and measured at amortised cost.

The consolidated entity currently did not have any hedging instruments. Therefore the changes in the hedging requirements in the standard had no effect on the consolidated entity.

AASB 15 Revenue from Contracts with Customers
The consolidated entity adopted AASB 15 from 1 July 2018 using the modified retrospective approach where comparatives have not been restated. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue.

In previous reporting periods revenue from the sale of goods was recognised on the transfer of risk and rewards of ownership. Under AASB 15, revenue for the sale of goods is recognised at a point-in-time basis when the performance obligation is satisfied, which occurs when control of goods is transferred to the customer. The timing of revenue recognition under AASB 15 is consistent with the previous standard AASB 118 'Revenue' and consequently the adoption of AASB 15 has not resulted in an impact during the current period nor on transition, 1 July 2018.

Accounting Standards or Interpretations that are issued but not yet effective

AASB 16 Leases (effective 1 January 2019)
AASB 16 introduces a comprehensive model for the identification of lease arrangements and guidance for the associated accounting treatment, replacing the existing AASB 117 'Leases', Interpretation 4 'Determining whether an Arrangement contains a Lease' and Interpretation 127 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

Subject to exceptions, a lease liability and 'right-of-use' asset shall be recognised in the statement of financial position. The lease liability will initially be measured at the present value of the unavoidable future lease payments to be made over the lease term and subsequently adjusted for lease payments made and reflecting modifications to the lease. The right-of-use asset corresponding to the capitalised lease liability will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any re-measurements in the lease liability.

Note 2. Significant accounting policies (continued)

The consolidated entity has made progress in its assessment of the impact of adoption of AASB 16 by identifying all leases that it expects to be subject to the new standard and collated all data associated with the leases. However, at present it is not practical to provide a reliable estimate of the financial impact of the adoption of this standard. Final determination of the impact of the adoption of AASB 16 is subject to the resolution of the following key matters:
- finalisation of choice of transition method;
- finalisation of discount rates to be applied; and
- consideration of the impact of practical expedients.

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.

Reportable segments
The consolidated entity's reportable segments are as follows:

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

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.

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.

Note 3. Operating segments (continued)

Operating segment information

Consolidated - 31 Dec 2018	Australia $'000	Europe $'000	USA $'000	Brazil $'000	Other segments $'000	Total $'000
Revenue						
Sales to external customers	14,289	11,573	8,841	2,346	54	37,103
Intersegment sales	13,709	-	-	-	-	13,709
Total sales revenue	27,998	11,573	8,841	2,346	54	50,812
Total segment revenue	27,998	11,573	8,841	2,346	54	50,812
Intersegment eliminations						(13,709)
Total revenue						37,103
Segment results before tax	5,976	1,158	305	421	35	7,895
Intersegment eliminations	(1,503)	-	-	-	-	(1,503)
Depreciation and amortisation	(1,812)	(21)	(40)	(43)	(3)	(1,919)
Interest revenue	6	-	-	-	-	6
Finance costs	(33)	-	-	-	-	(33)
Profit before income tax expense	2,634	1,137	265	378	32	4,446
Income tax expense						(1,320)
Profit after income tax expense						3,126
Assets						
Segment assets	77,397	11,000	7,601	6,136	64	102,198
Intersegment eliminations						(19,158)
Total assets						83,040
Liabilities						
Segment liabilities	9,387	7,801	1,040	6,088	548	24,864
Intersegment eliminations						(13,284)
Total liabilities						11,580

Note 3. Operating segments (continued)

Consolidated - 31 Dec 2017	Australia $'000	Europe $'000	USA $'000	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	(351)	-	-	-	-	(351)
Depreciation and amortisation	(1,857)	(38)	(24)	(46)	(4)	(1,969)
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
Consolidated - 30 Jun 2018						
Assets						
Segment assets	78,160	7,657	7,608	6,469	84	99,978
Intersegment eliminations						(18,088)
Total assets						81,890
Liabilities						
Segment liabilities	11,214	5,403	1,539	6,800	580	25,536
Intersegment eliminations						(13,200)
Total liabilities						12,336

Note 4. Sales revenue

	Consolidated	
	31 Dec 2018 $'000	**31 Dec 2017 $'000**
Sales revenue	37,103	33,625

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated 31 Dec 2018 $'000
Timing of revenue recognition	
Goods transferred at a point in time	37,103

AASB 15 was adopted using the modified retrospective approach and as such comparatives have not been provided for disaggregation of revenue. There has been no impact on the prior year reported revenues.

Refer to note 3 for disaggregation of revenue from contracts with customers based on geographical regions.

Note 5. Other income

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Foreign exchange gain	669	-

Note 6. Expenses

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Land and buildings	50	56
Plant and equipment	934	1,140
Total depreciation	984	1,196
Amortisation		
Development costs	694	489
Trademarks and licences	241	284
Total amortisation	935	773
Total depreciation and amortisation	1,919	1,969
Net loss on disposal		
Net loss on disposal of property, plant and equipment	2	13
Other		
Foreign exchange loss	-	372

Note 7. Earnings per share

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Profit after income tax attributable to the owners of SDI Limited	3,126	1,150
	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	2.63	0.97
Diluted earnings per share	2.63	0.97

Note 8. Current assets - trade and other receivables

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Trade receivables	14,763	15,322
Less: Allowance for expected credit losses (30 Jun 2018: Provision for impairment of receivables)	(373)	(274)
	14,390	15,048
Other receivables	669	1,177
	15,059	16,225

Allowance for expected credit losses
The consolidated entity has recognised a loss of $84,000 (31 December 2017: $nil) in respect of the expected credit losses for the half-year ended 31 December 2018.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate 31 Dec 2018 %	Carrying amount 31 Dec 2018 $'000	Allowance for expected credit losses 31 Dec 2018 $'000
Not overdue	0.18%	10,180	18
1 to 4 months overdue	0.18%	3,817	7
Over 4 months overdue	45.40%	766	348
		14,763	373

Note 9. Non-current assets - other receivables

	Consolidated	
	31 Dec 2018 $'000	30 Jun 2018 $'000
Other receivables	1,125	885

Note 10. Equity - issued capital

	Consolidated			
	31 Dec 2018 Shares	30 Jun 2018 Shares	31 Dec 2018 $'000	30 Jun 2018 $'000
Ordinary shares - fully paid	118,865,530	118,865,530	12,890	12,890

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll, each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Note 11. Equity - dividends

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

	Consolidated	
	31 Dec 2018 $'000	31 Dec 2017 $'000
Final dividend for the year ended 30 June 2018 of 1.4 cents (2017: 1.3 cents) per ordinary share	1,664	1,545

On 15 February 2019, the Directors declared an interim dividend of 1.2 cents per share and a special dividend of 1.0 cents per share to be paid on 12 April 2019. This equates to a total interim dividend of 2.2 cents per share or a total estimated distribution of $2,615,000, based on the number of ordinary shares on issue as at 31 December 2018. The financial effect of dividends declared after the reporting date are not reflected in these financial statements and will be recognised in subsequent financial reports.

Note 12. 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 13. Contingent liabilities

The consolidated entity had no contingent liabilities as at 31 December 2018 and 30 June 2018.

Note 14. Events after the reporting period

Apart from the dividend declared as disclosed in note 11, no other matter or circumstance has arisen since 31 December 2018 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 2018 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 2019
Melbourne

Deloitte.

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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 2018, 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 10 to 22.

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 2018 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 2018 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 2019