

SDI Limited

ABN 27 008 075 581

Interim Report - 31 December 2023

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Commentary - Half-year results

MELBOURNE, Australia – SDI Limited (ASX: SDI). Net profit after tax increased by 37.0% to \$3.7 million for the six months ending 31 December 2023, compared to \$2.7 million for the previous corresponding period last year.

Summary financials (AUD)	HY2024	HY2023	Change
Sales (\$m)	52.2	50.5	+3.5%
Gross product margin (%)	61.5	56.2	+530 bps
EBITDA (\$m)	9.0	6.1	+48.9%
NPAT (\$m)	3.7	2.7	+37.0%
Earnings per share (cents)	3.11	2.28	+36.4%
Cash on hand	7.1	6.0	+1.1m
Short-term borrowings	1.50	1.50	Unchanged
Long-term borrowings			
Interim ordinary dividend (cents)			

1H FY24 Highlights

- Record total sales of \$52.2 million, up 3.5% on the previous corresponding period (“pcp”), with strong growth in Aesthetics product, partially offset by a decline in Amalgam product categories.
- Product margin improvement to 61.5%, up 530 bps on pcp, reflecting price increases and some relief from lower logistic costs and geographical and product mix.
- Operating expenses of \$26.0 million, up 4.2% on pcp, driven by, inflationary cost pressures and impairment expense of \$0.7 million.
- EBITDA increased by 48.9% to \$9.0 million (HY23 \$6.1 million).
- Earnings per share (‘EPS’) was up 0.83 cents to 3.11 cents compared to 2.28 cents for the same period last year.
- Cash position up with continued investment in research and development, and capital expenditure.
- Interim fully franked ordinary dividend maintained at 1.5 cents per share.

Commenting on the result Chief Executive Officer Samantha Cheetham said: “We are pleased with the continued sales growth in the business but particularly pleased with the strong improvement in our gross margins, now back to levels seen in FY21. This has been driven by favourable product mix with the growth in our higher margin Aesthetic products. Our Amalgam sales declined as expected, following an unusually strong year last year, with some players having exited the market. In summary, the combination of solid revenue growth, ongoing expense control and impressive product margin improvement has led to a solid first half profit, setting a strong base for the second half of the financial year.”

Key product category sales

Category	\$m AUD	Change in local currency %	Change in AUD %	Total AUD sales %
Aesthetics	26.3	5.0	10.0	50.4
Equipment	3.0	-7.7	-2.9	5.9
Whitening	15.2	-0.6	4.1	29.1
Amalgam	7.7	-17.1	-12.9	14.6

In local currencies, Aesthetics sales continued to show strong growth, up 5.0% on pcp. Sales increased across all regions apart from Brazil with Aesthetic sales down 17.4%. Growth in Aesthetics was largely driven by market share gains, with the release of new products in prior periods gaining momentum in the market. A modest decrease of 0.6% in Whitening reflected a decline in most regions apart from Europe up 3.6% and North America up 1.9%. Equipment sales, SDI’s smallest product category and largely a complimentary product, fell by 7.7% across all markets. Amalgam decreased by 17.1%, declining in most markets after an abnormally strong period in the prior year.

Sales by business unit

Business unit	\$m AUD	Growth/(decline) in local currency %	Growth/(decline) in AUD %	Total AUD sales %
Australia (including direct exports)	18.2	-0.9	-2.5	34.9
North America	11.5	-3.5	-1.4	22.0
Europe	18.7	6.9	16.2	35.9
Brazil	3.8	-20.3	-12.7	7.2
Total	52.2	-1.2	3.5	100.0

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

European sales were up 6.9% in local currencies, driven by strong demand in most European markets.

Australian sales, which include Australian domestic and direct export markets, were down by 0.9%, with Australian direct exports decreasing by 4.7% when adjusted for currency movements. Direct export markets, including the Middle East, South America (excluding Brazil) and Asia saw inconsistent ordering patterns, affected by customer import licences, payment terms and credit limits. Australian domestic sales were up 3.3% reflecting normalised market conditions.

Brazilian sales decreased by 20.3% on pcp in local currencies partly due to a major distributor reducing its inventory. It is expected that this distributor will return to its normal ordering patterns in the second half of the financial year.

North American sales decreased by 3.5% on pcp due to a 10.0% decline in Amalgam sales which represents 28.9% of its total sales. Additionally sales were affected by lower private label Composite sales and a cyber-attack on a major Distributor.

Sales by region

Region	HY 2024 (\$m AUD)	HY 2023 (\$m AUD)	HY 2023 (\$m AUD)
APAC	10.2m	9.2m	11.0
Middle East / Africa	5.6m	5.6m	-
South America	5.4m	6.2m	-13.3
North America	11.5m	11.7m	-1.4
Europe	19.5m	17.8m	9.7

Sales by regions reflects strong growth in APAC and European markets were aided by favourable currency movements and strong demand for Aesthetic products. South American markets reflect the decreased sales in the Brazilian and Australian direct export markets.

Gross profit margins

Product margins in Australian dollars increased 530 bps to 61.5%, driven by strong growth in the Aesthetic products and improved logistics costs. Product mix is a significant influence on the gross margin, with strong sales growth in Aesthetics, which are higher margin products, a positive driver of the overall gross margin for the group.

Expenses

Total operating expenses in Australian dollars increased by 4.2% on pcp. After adjusting for currency movements operating expenses increased by 1.4% compared to pcp. Adjusting for a \$0.7 million asset impairment relating to buildings and the Brazilian operation, operating expenses in local currencies, decreased by 1.6%.

Tax expenses

Tax expense increase by 5.2% due to the non-deductibility of asset impairments of \$0.7 million. After adjusting for this, tax expense was 28.3%.

Balance sheet

Cash increased by \$1.1 million after investing an additional \$3.0 million in property, plant and equipment, and \$2.2 million in product development expenditure, and debt increasing by \$0.9 million for the six months ending 31 December 2023. The Company has unused bank facilities of \$6.0 million and \$7.1 million cash in bank.

Strategy and outlook

The Company remains focused on its strategic priorities:

- **Aesthetics and Whitening products** continue to be the focus for new product development. The Company's Aesthetic product 'Stela', originally designed as an Amalgam replacement product, but used for many indications, and will compete in the wider Aesthetic categories due to its natural tooth colour and strength. It has been released in several key markets apart from Europe, where European approval is pending.
- **Achieving manufacturing and logistic efficiencies.** The Company has purchased a six-acre property for \$19.0 million which has an existing 4,000 sqm warehouse and has relocated its current warehousing. Planning is currently in progress to redevelop the site to relocate its current manufacturing operations by the end of FY 2027, with a construction and refurbishing cost of \$45 million and additional equipment of \$15 million. It is expected that this will generate a pre-tax return on capital of greater than 20%.
- **Investment in production automation** and processes to achieve operating efficiencies and manage new and existing future product growth. The Company has recently purchased several high-speed production machines which will start showing returns in the next six months. Other machines are on order for delivery over the next 12 months which will result in further efficiencies and increase future production capacity.
- **On-going investment in research and development** of new products. The product launch plan is back on to ensure one new product by December 2024. The team will also be focused on meeting the updated regulatory requirements in Europe for restorative products and securing registrations. SDI embraces the stringent regulatory requirements as these provide high barriers to entry and a competitive advantage.
- **ESG** - The Company has made a commitment, including the creation of an internal working group, to make significant progress in establishing a risk framework for sustainability and has appointed a consultant to assist in this process.
- **The United Nations** have planned that dental Amalgam products will be phased out in 2030.

Dividends

Showing the Board's confidence in the future of the business, the Directors have maintained the dividend payment by declaring an interim fully franked ordinary dividend of 1.50 cents per share (HY23 1.50 cents).

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

1. Company details

Name of entity:	SDI Limited
ABN:	27 008 075 581
Reporting period:	For the half-year ended 31 December 2023
Previous period:	For the half-year ended 31 December 2022

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	3.5% to	52,244
Profit from ordinary activities after tax attributable to the owners of SDI Limited	up	36.3% to	3,697
Profit for the half-year attributable to the owners of SDI Limited	up	36.3% to	3,697

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2023 paid on 22 September 2023	1.75	1.75

On 28 February 2024, the Directors declared an interim franked dividend of 1.5 cents per share to be paid on 30 April 2024. This equates to a total estimated distribution of \$1,783,000 based on the number of ordinary shares on issue as at 31 December 2023. The financial effect of dividends declared after the reporting date is not reflected in the 31 December 2023 financial statements and will be recognised in subsequent financial reports.

The record date for determining entitlements to dividends is 16 April, 2024.

Comments

The profit for the consolidated entity after providing for income tax amounted to \$3,697,000 (31 December 2022: \$2,713,000).

Earnings before interest, tax, depreciation and amortisation ('EBITDA') increased by 49.1% to \$9,030,000 (31 December 2022: \$6,050,000).

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit adjusted for specific items. The directors consider EBITDA to reflect the underlying earnings measure of the consolidated entity.

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

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Profit after tax	3,697	2,713
Add: taxation	1,747	991
Add: interest expense	698	231
Add: depreciation and amortisation	2,149	2,121
Add: impairment of assets	739	-
EBITDA	9,030	6,056

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

3. Net tangible assets

	Reporting period 31 Dec 2023 Cents	Previous period 31 Dec 2022 Cents
Net tangible assets per ordinary security	50.60	49.22

NTA includes the written down value of right of use assets.

4. Control gained over entities

Not applicable.

5. Dividends

Current period

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2023 paid on 22 September 2023	1.75	1.75

Previous period

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2022 paid on 19 September 2022	1.75	1.75

6. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

The Company has a Dividend Reinvestment Plan ("DRP"). However the Directors have decided that the DRP will not be offered to Shareholders for the dividend payments.

7. Audit qualification or review

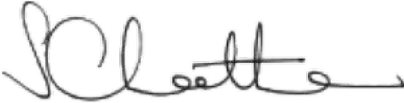
The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

8. Attachments

The Interim Report of SDI Limited for the half-year ended 31 December 2023 is attached.

9. Signed

Authorised by the Board of Directors.

Signed 

Date: 28 February 2024

Samantha Jane Cheetham
Managing Director
Melbourne

The Directors present their report, together with the financial statements, on 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 financial half-year ended 31 December 2023 (referred to hereafter as the 'consolidated entity').

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 OAM - Chairman
Samantha Jane Cheetham
John Joseph Slaviero
Dr Geoffrey Macdonald Knight AM
Gerald Allan Bullon
Cameron Neil Allen
Gerard Desmond Kennedy

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:

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Final dividend for the year ended 30 June 2023 of 1.75 (2022: 1.75 cents) per ordinary share	2,080	2,080

On 28 February 2024, the Directors declared an interim franked dividend of 1.5 cents per share to be paid on 30 April 2024. This equates to a total estimated distribution of \$1,783,000 based on the number of ordinary shares on issue as at 31 December 2023. The financial effect of dividends declared after the reporting date is not reflected in the 31 December 2023 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 \$3,697,000 (31 December 2022: \$2,713,000).

Highlights of the results from operations for the financial half-year ended 31 December 2023 are provided below:

Net profit after tax increased by 36.3% to \$3,697,000 compared to \$2,713,000 for the previous half-year. Profit before tax increased by 47.0% to \$5,444,000 compared to \$3,704,000 for the previous half-year.

	31 Dec 2023	31 Dec 2022	Change	Change (%)
Net profit (\$'000)	3,697	2,713	984	36.3%
EPS (cents)	3.11	2.28	0.83	36.4%
PBT (\$'000)	5,444	3,704	1,740	47.0%
EBITDA (\$'000)	9,030	6,056	2,974	49.1%

Earnings per share for the half-year ended 31 December 2023 increased by 0.83 cents to 3.11 cents compared to 2.28 cents for the same period last half-year.

Earnings before interest, taxation, depreciation and amortisation ('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 directors consider EBITDA to represent the underlying earnings measure of the consolidated entity.

EBITDA increased by 49.1% to \$9,030,000 (31 December 2022: \$6,050,000).

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

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Profit after tax	3,697	2,713
Add: taxation	1,747	991
Add: interest expense	698	231
Add: depreciation and amortisation	2,149	2,121
Add: impairment of assets	739	-
EBITDA	<u>9,030</u>	<u>6,056</u>

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

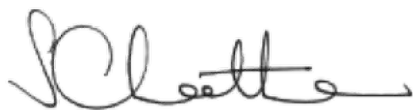
The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument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

28 February 2024
Melbourne

28 February 2024

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 2023, 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



Rachel Smith
Partner
Chartered Accountants

SDI Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2023



	Note	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Revenue			
Sales revenue	4	52,244	50,491
Cost of goods sold		(20,140)	(22,091)
Gross profit		32,104	28,400
Other (losses)/gains	5	(7)	433
Expenses			
Selling and administration expenses		(23,947)	(23,388)
Research and development costs		(588)	(753)
Impairment of receivables		(7)	(30)
Other expenses		(1,413)	(715)
Finance costs	6	(698)	(243)
Total expenses		(26,653)	(25,129)
Profit before income tax expense		5,444	3,704
Income tax expense		(1,747)	(991)
Profit after income tax expense for the half-year attributable to the owners of SDI Limited		3,697	2,713
Other comprehensive income/(loss)			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign controlled entities		(448)	226
Other comprehensive income/(loss) for the half-year, net of tax		(448)	226
Total comprehensive income/(loss) for the half-year attributable to the owners of SDI Limited		3,249	2,939
		Cents	Cents
Basic earnings per share	7	3.11	2.28
Diluted earnings per share	7	3.11	2.28

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

	Note	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Assets			
Current assets			
Cash and cash equivalents		7,087	6,022
Trade and other receivables	8	17,325	21,124
Inventories		26,301	25,553
Current tax asset		-	250
Prepayments		3,581	4,643
		54,294	57,592
Non-current assets classified as held for sale	9	1,138	1,138
Total current assets		55,432	58,730
Non-current assets			
Property, plant and equipment	10	41,926	45,829
Right-of-use assets		1,752	1,432
Intangibles	11	28,938	27,318
Non-current assets classified as held for sale	9	4,837	-
Total non-current assets		77,453	74,579
Total assets		132,885	133,309
Liabilities			
Current liabilities			
Trade and other payables		8,915	11,986
Borrowings	12	9,208	7,820
Lease liabilities		724	557
Provision for income tax		634	371
Employee benefits		3,696	3,920
Total current liabilities		23,177	24,654
Non-current liabilities			
Borrowings	12	15,800	16,300
Lease liabilities		1,150	919
Deferred tax liability		3,425	3,274
Employee benefits		250	246
Total non-current liabilities		20,625	20,739
Total liabilities		43,802	45,393
Net assets		89,083	87,916
Equity			
Issued capital	13	12,890	12,890
Reserves		1,885	2,335
Retained profits		74,308	72,691
Total equity		89,083	87,916

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

	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2022	12,890	1,346	69,498	83,734
Profit after income tax expense for the half-year	-	-	2,713	2,713
Other comprehensive income/(loss) for the half-year, net of tax	-	226	-	226
Total comprehensive income/(loss) for the half-year	-	226	2,713	2,939
<i>Transactions with owners in their capacity as owners:</i>				
Capital reserve	-	50	-	50
Dividends paid (note 14)	-	-	(2,080)	(2,080)
Balance at 31 December 2022	12,890	1,622	70,131	84,643
	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2023	12,890	2,335	72,691	87,916
Profit after income tax expense for the half-year	-	-	3,697	3,697
Other comprehensive income/(loss) for the half-year, net of tax	-	(448)	-	(448)
Total comprehensive income/(loss) for the half-year	-	(448)	3,697	3,249
<i>Transactions with owners in their capacity as owners:</i>				
Capital reserve	-	(2)	-	(2)
Dividends paid (note 14)	-	-	(2,080)	(2,080)
Balance at 31 December 2023	12,890	1,885	74,308	89,083

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

	Note	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Cash flows from operating activities			
Receipts from customers		56,005	51,426
Payments to suppliers and employees		(46,272)	(46,680)
		9,733	4,746
Interest received		10	6
Other revenue		-	401
Interest and other finance costs paid		(785)	(243)
Income taxes paid		(1,083)	(2,278)
Net cash from operating activities		7,875	2,632
Cash flows from investing activities			
Payments for property, plant and equipment	10	(2,957)	(25,831)
Payments for intangibles	11	(2,480)	(1,778)
Proceeds from disposal of property, plant and equipment		35	27
Net cash used in investing activities		(5,402)	(27,582)
Cash flows from financing activities			
Proceeds from borrowings		2,500	26,800
Repayment of lease liabilities		(253)	(197)
Dividends paid	14	(2,080)	(2,080)
Repayment of borrowings		(1,612)	(669)
Net cash (used in)/from financing activities		(1,445)	23,854
Net increase/(decrease) in cash and cash equivalents		1,028	(1,096)
Cash and cash equivalents at the beginning of the financial half-year		6,022	7,013
Effects of exchange rate changes on cash and cash equivalents		37	86
Cash and cash equivalents at the end of the financial half-year		7,087	6,003

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 comprising of SDI Limited ('Company' or 'parent entity') and its subsidiaries (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 28 February 2024. The Directors have the power to amend and reissue the financial statements.

Note 2. Material accounting policy information

These general purpose financial statements for the interim half-year reporting period ended 31 December 2023 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 2023 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, unless otherwise stated.

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 relevant to its operations and effective for the current reporting period. 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 2023 and are not expected to have a significant impact for the full financial year ending 30 June 2024.

Any new or amended 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. Refer to note 4 for revenue from product lines.

Operating segments are determined using the 'management approach', where the information presented is on the same basis as the internal reports reviewed by the Board of Directors (identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. The consolidated entity comprises four separate reportable operating segments which are primarily identified on the basis of subsidiary companies in different geographical markets.

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

Note 3. Operating segments (continued)

Reportable segments

The consolidated entity's reportable segments are as follows:

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

Intersegment transactions

The segment revenues, expenses and 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.

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.

Operating segment information

31 Dec 2023	Australia \$'000	Europe \$'000	USA \$'000	Brazil \$'000	Total \$'000
Revenue					
Sales to external customers	18,244	18,742	11,503	3,755	52,244
Intersegment sales	14,238	3,061	-	-	17,299
Total sales revenue	32,482	21,803	11,503	3,755	69,543
Total segment revenue	32,482	21,803	11,503	3,755	69,543
Intersegment eliminations					(17,299)
Total revenue					52,244
Segment results before tax and adjustments below					
Intersegment adjustments	6,931	937	433	(361)	7,940
Depreciation and amortisation	347	-	-	-	347
Interest revenue	(1,746)	(281)	(78)	(50)	(2,155)
Finance costs	8	-	-	2	10
Profit/(loss) before income tax expense	(698)	-	-	-	(698)
Profit/(loss) before income tax expense	4,842	656	355	(409)	5,444
Income tax expense					(1,747)
Profit after income tax expense					3,697
Assets					
Segment assets	117,757	14,875	9,014	7,394	149,040
Intersegment eliminations					(16,155)
Total assets					132,885
Liabilities					
Segment liabilities	39,542	8,656	1,238	6,399	55,835
Intersegment eliminations					(12,033)
Total liabilities					43,802

Note 3. Operating segments (continued)

31 Dec 2022	Australia \$'000	Europe \$'000	USA \$'000	Brazil \$'000	Total \$'000
Revenue					
Sales to external customers	18,402	16,125	11,661	4,303	50,491
Intersegment sales	12,600	3,023	-	1,985	17,608
Total sales revenue	31,002	19,148	11,661	6,288	68,099
Total segment revenue	31,002	19,148	11,661	6,288	68,099
Intersegment eliminations					(17,608)
Total revenue					50,491
Segment results before tax and adjustments below					
	4,353	682	430	444	5,909
Intersegment adjustments	153	-	-	-	153
Depreciation and amortisation	(1,792)	(136)	(75)	(118)	(2,121)
Interest revenue	1	-	-	5	6
Finance costs	(243)	-	-	-	(243)
Profit before income tax expense	2,472	546	355	331	3,704
Income tax expense					(991)
Profit after income tax expense					2,713
30 Jun 2023					
Assets					
Segment assets	117,624	13,984	10,014	9,317	150,939
Intersegment eliminations					(17,630)
Total assets					133,309
Liabilities					
Segment liabilities	39,956	8,022	2,322	7,879	58,179
Intersegment eliminations					(12,786)
Total liabilities					45,393

Note 4. Sales revenue

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Sales revenue	52,244	50,491

Note 4. Sales revenue (continued)

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
<i>Major product lines</i>		
Aesthetics	26,308	23,918
Amalgam	7,678	8,816
Equipment	3,067	3,157
Whitening	15,191	14,600
	<u>52,244</u>	<u>50,491</u>
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	<u>52,244</u>	<u>50,491</u>

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

Note 5. Other (losses)/gains

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Net foreign exchange (loss)/gain	(185)	323
Net gain on disposal of property, plant and equipment	21	26
Interest revenue	10	6
Other	147	78
	<u>(7)</u>	<u>433</u>
Other (losses)/gains		

Note 6. Expenses

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Buildings	73	74
Plant and equipment	885	981
Right-of-use-assets	331	214
Total depreciation	1,289	1,269
<i>Amortisation</i>		
Product development costs	533	570
Intellectual property	327	282
Total amortisation	860	852
Total depreciation and amortisation	2,149	2,121
<i>Impairment</i>		
Buildings	499	-
Other Receivables	240	-
Total impairment	739	-
<i>Employee benefit expense</i>		
Employee costs other than superannuation expense	20,806	19,017
Superannuation expenses	1,231	1,098
Total employee benefit expense	22,037	20,115
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	765	231
Interest and finance charges paid/payable on lease liabilities	20	12
Less finance costs capitalised	(87)	-
Total finance costs	698	243

Note 7. Earnings per share

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Profit after income tax attributable to the owners of SDI Limited	3,697	2,713
	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	3.11	2.28
Diluted earnings per share	3.11	2.28

Note 8. Trade and other receivables

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
<i>Current assets</i>		
Trade receivables	16,748	19,938
Less: Allowance for expected credit losses	(148)	(144)
	<u>16,600</u>	<u>19,794</u>
Other receivables	725	1,330
	<u>17,325</u>	<u>21,124</u>

Allowance for expected credit losses

The consolidated entity has recognised an expense of \$7,000 (31 December 2022: loss of \$30,000) in profit or loss in respect of the expected credit losses for the half-year ended 31 December 2023.

Other receivables relate to prepaid taxes.

Note 9. Non-current assets classified as held for sale

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
<i>Current assets</i>		
Land and building ⁽¹⁾	<u>1,138</u>	<u>1,138</u>
<i>Non-current assets</i>		
Land and building ⁽²⁾	<u>4,837</u>	<u>-</u>
	<u>5,975</u>	<u>1,138</u>

(1) 40 Barry Street, Bayswater, VIC 3153 has an expected settlement date of 30 April 2024

(2) 69 Power Road, Bayswater, VIC 3153 has an expected settlement date of 16 January 2025

Note 10. Property, plant and equipment

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
<i>Non-current assets</i>		
Land and buildings - at cost	32,451	36,006
Less: Accumulated depreciation	(2,324)	(2,251)
	<u>30,127</u>	<u>33,755</u>
Plant and equipment - at cost	43,568	43,052
Less: Accumulated depreciation	(31,769)	(30,978)
	<u>11,799</u>	<u>12,074</u>
	<u>41,926</u>	<u>45,829</u>

Note 10. Property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Land and Building \$'000	Plant and equipment \$'000	Total \$'000
Balance at 1 July 2023	33,755	12,074	45,829
Additions	2,420	624	3,044
Classified as held for sale (note 9)	(5,975)	-	(5,975)
Disposal	-	(14)	(14)
Depreciation expense	(73)	(885)	(958)
Balance at 31 December 2023	30,127	11,799	41,926

Note 11. Intangibles

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
<i>Non-current assets</i>		
Product development costs - at cost	32,796	32,773
Less: Accumulated amortisation	(16,449)	(15,916)
	16,347	16,857
Intellectual property - at cost	9,215	8,911
Less: Accumulated amortisation	(6,970)	(6,643)
	2,245	2,268
Development work in progress - at cost	10,346	8,193
	28,938	27,318

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

	Product development costs \$'000	Intellectual property \$'000	Development work in progress \$'000	Total \$'000
Balance at 1 July 2023	16,857	2,268	8,193	27,318
Additions	23	304	2,153	2,480
Amortisation expense	(533)	(327)	-	(860)
Balance at 31 December 2023	16,347	2,245	10,346	28,938

Note 12. Borrowings

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
<i>Current liabilities</i>		
Bank loans (i)	9,000	7,000
Short term borrowings (ii)	208	820
	<u>9,208</u>	<u>7,820</u>
<i>Non-current liabilities</i>		
Bank loans (i)	15,800	16,300
	<u>25,008</u>	<u>24,120</u>

- (i) This facility has been used to fund the purchase of properties to accommodate future warehousing and manufacturing capacity.
- (ii) This facility is used to fund the Company's annual insurance premium. This funding is unsecured.

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

- Loan facility of \$20,800,000 used to fund the recent purchase of properties;
- Working capital facility of \$10,000,000; and
- Export line facility of \$450,000.

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

Financing arrangements

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

	31 Dec 2023 \$'000	30 Jun 2023 \$'000
<i>Total facilities</i>		
Bank loans	31,250	31,750
Short term borrowings	208	820
	<u>31,458</u>	<u>32,570</u>
<i>Used at the reporting date</i>		
Bank loans	24,800	23,300
Short term borrowings	208	820
	<u>25,008</u>	<u>24,120</u>
<i>Unused at the reporting date</i>		
Bank loans	6,450	8,450
Short term borrowings	-	-
	<u>6,450</u>	<u>8,450</u>

Note 13. Issued capital

	31 Dec 2023 Shares	30 Jun 2023 Shares	31 Dec 2023 \$'000	30 Jun 2023 \$'000
Ordinary shares - fully paid	118,865,530	118,865,530	12,890	12,890

Note 13. Issued capital (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends and any proceeds attributable to shareholders should the Company be wound up, in proportions that consider both the number of shares held and the extent to which those shares are paid up. 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 14. Dividends

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

	31 Dec 2023 \$'000	31 Dec 2022 \$'000
Final dividend for the year ended 30 June 2023 of 1.75 (2022: 1.75 cents) per ordinary share	2,080	2,080

On 28 February 2024, the Directors declared an interim franked dividend of 1.5 cents per share to be paid on 30 April 2024. This equates to a total estimated distribution of \$1,783,000 based on the number of ordinary shares on issue as at 31 December 2023. The financial effect of dividends declared after the reporting date is not reflected in the 31 December 2023 financial statements and will be recognised in subsequent financial reports.

Note 15. Contingent liabilities

The consolidated entity had no contingent liabilities as at 31 December 2023 and 30 June 2023.

Note 16. Events after the reporting period

Apart from the dividend declared as disclosed in note 14, no other matter or circumstance has arisen since 31 December 2023 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.

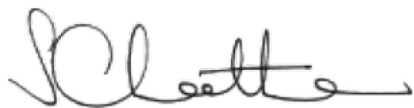
In the Directors' opinion:

- 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 2023 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.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

28 February 2024
Melbourne

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

Conclusion

We have reviewed the half-year financial report of SDI Limited (the "Entity") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the Director's Declaration.

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 the Group is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2023 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*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Half-year Financial Report* section of our report. We are independent of the Group in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Entity, would be in the same terms if given to the directors as at the time of this auditor's review report.

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 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. ASRE 2410 requires us to conclude whether 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 the Group's financial position as at 31 December 2023 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*.

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.



DELOITTE TOUCHE TOHMATSU



Rachel Smith

Partner

Chartered Accountants

Melbourne, 28 February 2024