

**SDI Limited**

**ABN 27 008 075 581**

**Interim Report - 31 December 2020**

MELBOURNE, Australia – SDI Limited (ASX: SDI). Net profit after tax of \$4.6 million for the six months ending 31 December 2020, compared with \$3.5 million for the same period last year.

Summary financials (AUD)	HY 2021	HY 2020	Change %
Sales (\$m)	36.8	40.0	(8.0)
EBITDA (\$m)	8.7	7.1	21.8
NPAT (\$m)	4.6	3.5	30.9
Net cash (\$m)	11.1	6.1	82.6
Interim ordinary dividend (cents per share)	1.50	1.35	11.1

- Total sales \$36.8 million, down 8.0% on last year, reflecting the continued pandemic challenges faced in UK and Australian direct export markets and the constraints on shipping products in many markets. When adjusted for currency movements, sales were down 3.9%.
- Earnings before interest, tax, depreciation, and amortisation ('EBITDA') was up 21.8% to \$8.7 million, compared to \$7.1 million for the corresponding period last year.
- Earnings per share ('EPS') was up 0.91 cents to 3.85 cents compared to 2.94 cents for the same period last year.
- Strong cash and no debt.
- Interim fully franked ordinary dividend of 1.50 cents per share, up 11.1% for the same period last year.
- Year-on-year operating expenses were carefully managed, down 19.0% in local currencies, after adjusting for government assistance programs, expenses were down 12.9%.
- Investment on research and development continued.
- The strategic review was completed on the Brazilian operations, and implementation is in progress. The Brazilian Real devaluated by 31% against the Australian Dollar in the last 6 months having a material impact, resulting in \$0.7 million of realised currency losses.

Commenting on the result Chief Executive Officer Samantha Cheetham said: "This has been a challenging period for the group. The health and safety of our team was always at the forefront of our minds and we continue today with strict infection control policies and the use of remote conferencing tools for all staff team meetings where practical."

"While conditions began to improve in many regions, there were still several key markets impacted by strict government controls on dental practices. As some of these restrictions began to lift, we saw the pent-up demand we had spoken about at the full year begin to gain traction, with some regions close to normal. We knew this was always going to be a tough half, given the record result in comparable period, but despite this and the fact that we saw constraints on shipping, key markets including the UK and direct exports materially affected, our performance was very good".

### Key product category sales

Product category sales	Change in local currency %	Change in AUD. %	Total AUD sales %
Aesthetics	(7.3)	(10.6)	44.7
Equipment	12.6	2.6	7.7
Whitening	19.3	16.0	33.5
Amalgam	(32.1)	(36.7)	14.1

Whitening products have shown a strong increase, up 19.3% in local currency on the prior period, due to the anticipated pent-up demand, supported by the release of the new Pola Light product, and the re-branding of the Pola products. Aesthetics overall were weak, down 7.3% in local currency, impacted by the UK and direct exports. In markets where the restrictions were progressively eased - Australia, North America, and parts of Europe - growth was strong and further evidence of pent-up demand. As has been seen in recent results the trend in the Amalgam product continues, down 32.1% in local currency. This significant decline was due in part to recent trends, but also in this period due to government restrictions in the UK and in many export markets. Further, the pandemic impacted government tender activity in the half. The smallest segment, Equipment, grew strongly in local currency terms, up 12.6% on the prior period, driven primarily by increased traction of the Raddi Xpert LED curing light.

Product sales by Business Unit adjusted for currency movements	Amalgam		Non - Amalgam	
	% Change	% of Total Sales	% Change	% of Total Sales
Australia (including direct exports)	(51.9)	8.0	(3.7)	92.0
Brazil	18.4	25.3	(1.2)	74.7
Europe	(41.7)	10.5	0.4	89.5
North America	(21.9)	25.3	25.3	74.7

Sales by business unit	Growth/(decline) in local currency %	Growth/(decline) in AUD %	Total AUD sales %
Australian sales (including direct exports)	(10.5)	(12.5)	36.6
North America	9.4	3.7	25.0
Europe	(6.9)	(6.2)	32.7
Brazil	3.1	(27.7)	5.7
<b>Total</b>	<b>(3.9)</b>	<b>(8.0)</b>	<b>100.0%</b>

Sales by business unit reflect the impact of the pandemic, and the varying status of government restrictions in each region. The European Unit was down only 6.9% in local currency, despite its largest market the UK seeing sales down 41.7% on the prior period. The Australian sales unit, with sales down 10.5% in local currency, was impacted by the sharp drop in Australian direct export markets, down 29.7%, with the Australia domestic sales up an impressive 43.2% on the prior period.

Brazilian sales decreased 27.7% in Australian dollars, when adjusted for currency movement, sales increased by 3.1% reflecting the significant devaluation of the REAL. In addition to this, there were significant supply issues due to backlogs at shipping ports to Brazil. The review of the Brazilian operations was completed, and the implementation of the restructure is in progress. The restructure aimed to simplify the business model resulting in a 50% reduction in employees, lower rental costs by moving the business to southern Brazil, and using a third-party company to assist warehousing, packing and distribution.

Sales by region	HY 2021 (AUD)	HY 2020 (AUD)	% Change
APAC	8.7m	7.8m	11.1
Middle East / Africa	2.0m	4.4m	(53.9)
South America	3.3m	4.5m	(28.3)
North America	9.2m	8.9m	3.7
Europe	13.6m	14.3m	(5.1)

Reflecting the pandemic status by region, APAC, North America, and parts of Europe showed a gradual easing of restrictions and the UK, Latin America, and the Middle East markets continued to experience restrictions. Added to this, the overall logistics of supplying product to many markets, due to shipping constraints, delayed shipments in the months of November and December with these orders fulfilled in the new year.

### Gross profit margins

Gross product margins in Australian Dollars, reflecting regional and product sales mix, declined by 1.3% to 64.9%, compared to the record 66.2% result for the corresponding period last year. However, when adjusted for currency, gross margin was in-line with last year.

### Operating expenses

Total operating expenses in Australian dollars decreased by 21.6% when compared to the previous corresponding period. Approximately 53% of the consolidated entity's total operating expenses relate to its offshore subsidiaries and after adjusting for currency movements and government assistance programs, operating expenses decreased by 12.9%.

### **Balance sheet**

The consolidated entity's net cash position increased \$4.9 million for the six months after decreasing inventories by \$2.6 million, eliminating debt of \$1.5 million, planned investment in plant and equipment of \$0.9 million and product development expenditure of \$1.0 million. The Company has unused bank facilities of \$10 million.

The consolidated entity received \$2.4 million from Jobkeeper payments in the six months ending 31 December 2020. It is not eligible to receive further payments in the third quarter of the 2021 financial year.

The consolidated entity is undertaking a comprehensive review at its manufacturing footprint, including relocation, investment in automation, and review of its manufacturing processes to ensure it continues to operate efficiently and manage future growth.

### **Strategy and outlook**

The Company continues to drive its strategic priorities. Firstly, the key product categories of Aesthetics and Whitening products are the focus for new product development, for achieving further manufacturing efficiencies and driving sales and marketing teams; secondly, on-going investment in research and development to release one to two products per year is on target; and finally, the consolidated entity's Amalgam replacement product is on schedule to be released in 2023.

It is expected that the second half of the 2021 financial year will show growth in Aesthetics products, continued strong growth in the Whitening products, and the on-going decline in Amalgam products. The Company will continue to invest in research and development with the aim of launching at least one new product in the next financial year.

Commenting on the outlook Samantha Cheetham said: "Although the future is uncertain, we are seeing a recovery in sales assisted by pent-up demand in many of the global markets we operate in. The logistics to supply our overseas markets continues to be challenging, but we are fortunate that we operate in over 100 countries therefore not relying on only a few markets. With these remaining markets getting closer to resuming activity, we are looking forward to the trends we are seeing to continue into the second half of the financial year".

### **Dividends**

The Board of Directors has declared an interim fully franked ordinary dividend of 1.50 cents per share which is 11.1% higher than the previous interim dividend.

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 Australia, USA, Germany, and Brazil.

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## 1. Company details

Name of entity:	SDI Limited
ABN:	27 008 075 581
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

## 2. Results for announcement to the market

				\$'000
Revenues from ordinary activities	down	8.0%	to	36,764
Profit from ordinary activities after tax attributable to the owners of SDI Limited	up	30.9%	to	4,578
Profit for the half-year attributable to the owners of SDI Limited	up	30.9%	to	4,578

### Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2020 paid on 21 September 2020	0.50	0.50

On 18 February 2021, the Directors declared an interim franked dividend of 1.50 cents per share to be paid on 23 April 2021. This equates to a total estimated distribution of \$1,783,000 based on the number of ordinary shares on issue as at 31 December 2020. The financial effect of dividends declared after the reporting date is not reflected in the 31 December 2020 financial statements and will be recognised in subsequent financial reports.

### Comments

The profit for the consolidated entity after providing for income tax amounted to \$4,578,000 (31 December 2019: \$3,497,000).

Earnings before interest, tax, depreciation and amortisation ('EBITDA') increased by 21.8% to \$8,674,000 (31 December 2019: \$7,119,000).

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 2020 \$'000	31 Dec 2019 \$'000
Profit after tax	4,578	3,497
Add: taxation	1,732	1,456
Add: interest expense	52	41
Less: interest income	(2)	(6)
Add: depreciation and amortisation	2,314	2,131
EBITDA	<u>8,674</u>	<u>7,119</u>

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

### 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	43.69	41.58

### 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 2020 paid on 21 September 2020	0.50	0.50

*Previous period*

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2019 paid on 22 August 2019	1.50	1.50
Interim dividend for the year ended 30 June 2020 paid on 17 April 2020	1.35	1.35

### 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

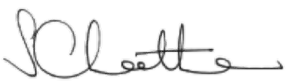
The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

### 8. Attachments

The Interim Report of SDI Limited for the half-year ended 31 December 2020 is attached.

### 9. Signed

Authorised by the Board of Directors.

Signed  \_\_\_\_\_

Date: 18 February 2021

Samantha Jane Cheetham  
Managing Director  
Melbourne

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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 half-year ended 31 December 2020 (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 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:

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Final dividend for the year ended 30 June 2020 of 0.5 cents (2019: 1.5 cents) per ordinary share	594	1,783

On 18 February 2021, the Directors declared an interim franked dividend of 1.50 cents per share to be paid on 23 April 2021. This equates to a total estimated distribution of \$1,783,000 based on the number of ordinary shares on issue as at 31 December 2020. The financial effect of dividends declared after the reporting date is not reflected in the 31 December 2020 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 \$4,578,000 (31 December 2019: \$3,497,000).

Highlights of the results from operations for the financial half-year ended 31 December 2020 are provided below:

Net profit after tax increased by 30.9% to \$4,578,000 compared to \$3,497,000 for the previous half-year. Profit before tax increased by 27.4% to \$6,310,000 compared to \$4,953,000 for the previous half-year.

Earnings per share for the half-year ended 31 December 2020 increased by 0.91 cents to 3.85 cents compared to 2.94 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.

EBITDA increased by 21.8% to \$8,674,000 (31 December 2019: \$7,119,000).

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

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit after tax	4,578	3,497
Add: taxation	1,732	1,456
Add: interest expense	52	41
Less: interest income	(2)	(6)
Add: depreciation and amortisation	2,314	2,131
EBITDA	<u>8,674</u>	<u>7,119</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

18 February 2021  
 Melbourne

18 February 2021

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 2020, 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 2020**



		<b>Consolidated</b>	
	<b>Note</b>	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
		<b>\$'000</b>	<b>\$'000</b>
<b>Revenue</b>			
Sales revenue	4	36,762	39,963
Cost of goods sold		(12,920)	(13,502)
Gross profit		23,842	26,461
Other (loss)/gain	5	(1,004)	(413)
Interest income		2	6
<b>Expenses</b>			
Selling and administration expenses		(14,692)	(19,255)
Research and development costs		(807)	(901)
Impairment of receivables		(23)	(22)
Other expenses		(956)	(882)
Finance costs	6	(52)	(41)
<b>Profit before income tax expense</b>		6,310	4,953
Income tax expense		(1,732)	(1,456)
<b>Profit after income tax expense for the half-year attributable to the owners of SDI Limited</b>		4,578	3,497
<b>Other comprehensive income</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign controlled entities		(840)	(94)
Other comprehensive income for the half-year, net of tax		(840)	(94)
<b>Total comprehensive income for the half-year attributable to the owners of SDI Limited</b>		3,738	3,403
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	7	3.85	2.94
Diluted earnings per share	7	3.85	2.94

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

**Consolidated**  
**Note    31 Dec 2020    30 June 2020**  
**\$'000            \$'000**

## **Assets**

### **Current assets**

Cash and cash equivalents		11,059	6,153
Trade and other receivables	8	13,135	9,605
Inventories		18,077	20,656
Current tax asset		-	850
Prepayments		1,154	1,780
<b>Total current assets</b>		<b>43,425</b>	<b>39,044</b>

### **Non-current assets**

Trade and other receivables	8	775	642
Property, plant and equipment		19,262	19,225
Right-of-use assets		824	1,142
Intangibles		25,072	24,752
<b>Total non-current assets</b>		<b>45,933</b>	<b>45,761</b>

### **Total assets**

**89,358            84,805**

## **Liabilities**

### **Current liabilities**

Trade and other payables		5,698	3,364
Borrowings		-	1,500
Lease liabilities		350	441
Provision for income tax		198	69
Employee benefits		2,754	2,408
<b>Total current liabilities</b>		<b>9,000</b>	<b>7,782</b>

### **Non-current liabilities**

Lease liabilities		549	686
Deferred tax liability		2,639	2,334
Employee benefits		236	213
<b>Total non-current liabilities</b>		<b>3,424</b>	<b>3,233</b>

### **Total liabilities**

**12,424            11,015**

### **Net assets**

**76,934            73,790**

## **Equity**

Issued capital	9	12,890	12,890
Reserves		663	1,503
Retained profits		63,381	59,397

### **Total equity**

**76,934            73,790**

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

**Consolidated**

	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Retained profits \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2019	12,890	1,647	58,548	73,085
Profit after income tax expense for the half-year	-	-	3,497	3,497
Other comprehensive income for the half-year, net of tax	-	(94)	-	(94)
Total comprehensive income for the half-year	-	(94)	3,497	3,403
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 10)	-	-	(1,783)	(1,783)
Balance at 31 December 2019	<u>12,890</u>	<u>1,553</u>	<u>60,262</u>	<u>74,705</u>

**Consolidated**

	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Retained profits \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2020	12,890	1,503	59,397	73,790
Profit after income tax expense for the half-year	-	-	4,578	4,578
Other comprehensive income for the half-year, net of tax	-	(840)	-	(840)
Total comprehensive income for the half-year	-	(840)	4,578	3,738
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 10)	-	-	(594)	(594)
Balance at 31 December 2020	<u>12,890</u>	<u>663</u>	<u>63,381</u>	<u>76,934</u>

	<b>Consolidated</b>	
<b>Note</b>	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Cash flows from operating activities</b>		
Receipts from customers	29,065	43,746
Payments to suppliers and employees	(21,130)	(36,826)
Interest received	7,935	6,920
Other revenue	2	6
Interest and other finance costs paid	2,427	(2)
Income taxes paid	(52)	(41)
	(448)	(2,164)
Net cash from operating activities	9,864	4,719
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(943)	(1,754)
Payments for intangibles	(1,421)	(1,702)
Proceeds from disposal of property, plant and equipment	35	187
Net cash used in investing activities	(2,329)	(3,269)
<b>Cash flows from financing activities</b>		
Repayment of lease liabilities	(228)	-
Dividends paid	(594)	(1,783)
Repayment of borrowings	(1,500)	-
Net cash used in financing activities	(2,322)	(1,783)
Net increase/(decrease) in cash and cash equivalents	5,213	(333)
Cash and cash equivalents at the beginning of the financial half-year	6,153	6,481
Effects of exchange rate changes on cash and cash equivalents	(307)	(90)
Cash and cash equivalents at the end of the financial half-year	11,059	6,058

*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 18 February 2021. 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 2020 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 2020 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 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 relevant to its operations and effective for the current reporting period.

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.

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 and SDI Dentech Innovations Pty Limited from 1 July 2019.
Europe:	SDI Germany GmbH (Germany) and SDI Dental Innovations Limited (United Kingdom).
USA:	SDI (North America), Inc.
Brazil:	SDI Brasil Industria e Comercio Ltda



### Note 3. Operating segments (continued)

#### 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

Consolidated - 31 Dec 2020	Australia \$'000	Europe \$'000	USA \$'000	Brazil \$'000	Total \$'000
<b>Revenue</b>					
Sales to external customers	13,458	12,032	9,179	2,093	36,762
Intersegment sales	7,738	1,286	-	-	9,024
Total sales revenue	21,196	13,318	9,179	2,093	45,786
Total segment revenue	21,196	13,318	9,179	2,093	45,786
Intersegment eliminations					(9,024)
<b>Total revenue</b>					36,762
<b>Segment results before tax and adjustments below</b>	6,552	499	379	58	7,488
Intersegment adjustments	1,185	-	-	-	1,185
Depreciation and amortisation	(1,977)	(190)	(76)	(70)	(2,313)
Interest revenue	2	-	-	-	2
Finance costs	(42)	(8)	(1)	(1)	(52)
<b>Profit/(loss) before income tax expense</b>	5,720	301	302	(13)	6,310
Income tax expense					(1,732)
<b>Profit after income tax expense</b>					4,578
<b>Assets</b>					
Segment assets	79,956	10,038	8,451	4,639	103,084
Intersegment eliminations					(13,726)
<b>Total assets</b>					89,358
<b>Liabilities</b>					
Segment liabilities	9,535	6,510	2,954	5,244	24,243
Intersegment eliminations					(11,819)
<b>Total liabilities</b>					12,424

**Note 3. Operating segments (continued)**

<b>Consolidated - 31 Dec 2019</b>	<b>Australia \$'000</b>	<b>Europe \$'000</b>	<b>USA \$'000</b>	<b>Brazil \$'000</b>	<b>Total \$'000</b>
<b>Revenue</b>					
Sales to external customers	15,380	12,835	8,855	2,893	39,963
Intersegment sales	11,579	2,578	-	-	14,157
Total sales revenue	26,959	15,413	8,855	2,893	54,120
Total segment revenue	26,959	15,413	8,855	2,893	54,120
Intersegment eliminations					(14,157)
<b>Total revenue</b>					<b>39,963</b>
<b>Segment results before tax and adjustments below</b>					
Intersegment eliminations	5,154	722	311	(202)	5,985
Depreciation and amortisation	1,134	-	-	-	1,134
Interest revenue	(1,807)	(236)	(47)	(41)	(2,131)
Interest revenue	2	-	1	3	6
Finance costs	(1)	(40)	-	-	(41)
<b>Profit/(loss) before income tax expense</b>	<b>4,482</b>	<b>446</b>	<b>265</b>	<b>(240)</b>	<b>4,953</b>
Income tax expense					(1,456)
<b>Profit after income tax expense</b>					<b>3,497</b>

**Consolidated - 30 June 2020**

<b>Assets</b>					
Segment assets	76,789	8,428	6,399	5,423	97,039
Intersegment eliminations					(12,234)
<b>Total assets</b>					<b>84,805</b>
<b>Liabilities</b>					
Segment liabilities	9,095	4,983	456	6,057	20,591
Intersegment eliminations					(9,576)
<b>Total liabilities</b>					<b>11,015</b>

**Note 4. Sales revenue**

	<b>Consolidated 31 Dec 2020 \$'000</b>	<b>31 Dec 2019 \$'000</b>
Sales revenue	36,762	39,963
<b>Major product lines</b>		
Aesthetics	16,325	18,242
Amalgam	5,224	8,308
Equipment	2,819	2,762
Whitening	12,394	10,651
	<b>36,762</b>	<b>39,963</b>
<b>Timing of revenue recognition</b>		
Goods transferred at a point in time	36,762	39,963

#### **Note 4. Sales revenue (continued)**

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

#### **Note 5. Other (loss)/gain**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Net foreign exchange loss	(1,028)	(454)
Net gain on disposal of property, plant and equipment	24	41
Other (loss)/gain	<u>(1,004)</u>	<u>(413)</u>

During the half-year, the consolidated entity received \$3,260,000 from JobKeeper support payments from the Australian Government which are passed on to eligible employees. These have been recognised as government grants in the financial statements and recorded against the related employee benefits expense.

#### **Note 6. Expenses**

	<b>Consolidated</b>	
	<b>31 Dec 2020</b>	<b>31 Dec 2019</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Land and buildings	54	56
Plant and equipment	929	845
Land and buildings right-of-use assets	230	223
Total depreciation	<u>1,213</u>	<u>1,124</u>
<i>Amortisation</i>		
Product development costs	718	707
Intellectual property	383	300
Total amortisation	<u>1,101</u>	<u>1,007</u>
Total depreciation and amortisation	<u>2,314</u>	<u>2,131</u>
<i>Finance costs</i>		
Interest and finance charges paid/payable on borrowings	42	41
Interest and finance charges paid/payable on lease liabilities	10	-
Finance costs expensed	<u>52</u>	<u>41</u>

## Note 7. Earnings per share

	Consolidated 31 Dec 2020 \$'000	31 Dec 2019 \$'000
Profit after income tax attributable to the owners of SDI Limited	4,578	3,497
	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	3.85	2.94
Diluted earnings per share	3.85	2.94

## Note 8. Trade and other receivables

	Consolidated 31 Dec 2020 \$'000	30 June 2020 \$'000
<i>Current assets</i>		
Trade receivables	12,628	8,973
Less: Allowance for expected credit losses	(118)	(357)
	12,510	8,616
Other receivables	625	989
	13,135	9,605
<i>Non-current assets</i>		
Other receivables	775	642
	13,910	10,247

### Allowance for expected credit losses

The consolidated entity has recognised \$23,000 (31 December 2019: \$22,000) in profit or loss in respect of the expected credit losses for the half-year ended 31 December 2020.

Other receivables relate to prepaid taxes and government grant subsidies receivable.

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
Consolidated	31 Dec 2020 %	30 June 2020 %	31 Dec 2020 \$'000	30 June 2020 \$'000	31 Dec 2020 \$'000	30 June 2020 \$'000
Not overdue	0.18%	0.24%	8,595	5,921	15	14
1 to 4 months overdue	0.18%	0.24%	3,438	1,902	6	5
Over 4 months overdue	16.22%	29.39%	595	1,150	97	338
			12,628	8,973	118	357

## Note 9. Issued capital

	Consolidated			
	31 Dec 2020	30 June 2020	31 Dec 2020	30 June 2020
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	<u>118,865,530</u>	<u>118,865,530</u>	<u>12,890</u>	<u>12,890</u>

### Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared 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 10. Dividends

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

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$'000	\$'000
Final dividend for the year ended 30 June 2020 of 0.5 cents (2019: 1.5 cents) per ordinary share	<u>594</u>	<u>1,783</u>

On 18 February 2021, the Directors declared an interim franked dividend of 1.50 cents per share to be paid on 23 April 2021. This equates to a total estimated distribution of \$1,783,000 based on the number of ordinary shares on issue as at 31 December 2020. The financial effect of dividends declared after the reporting date is not reflected in the 31 December 2020 financial statements and will be recognised in subsequent financial reports.

## Note 11. 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 12. Contingent liabilities

The consolidated entity had no contingent liabilities as at 31 December 2020 and 30 June 2020.

## Note 13. Events after the reporting period

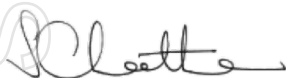
Apart from the dividend declared as disclosed in note 10, no other matter or circumstance has arisen since 31 December 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs 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 2020 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



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Samantha Jane Cheetham  
Managing Director

18 February 2021  
Melbourne

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

### Conclusion

We have reviewed the accompanying half-year financial report of SDI Limited (the "Entity") and its subsidiaries (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2020, and 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, 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 2020 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 2020 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

DELOITTE TOUCHE TOHMATSU



Anneke du Toit  
Partner  
Chartered Accountants  
Melbourne, 18 February 2021