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ANNUAL  
REPORT  

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2023



# INNOVATING DENTISTRY FOR BETTER HEALTH



FOCUSED ON TOOTH  
WHITENING, COMPOSITES  
AND GLASS IONOMERS



2 PRODUCTS  
RELEASED IN FY23

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**SDI Limited**

**ABN 27 008 075 581**

**Annual Report - 30 June 2023**

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Dear Shareholders,

We are very pleased to present you with our 2023 Annual Report.

The 2023 financial year has been a year of growth focusing on our key product categories, but with the impact of the pandemic continuing to impact our costs.

Our record sales of \$107.9 million were a great achievement for all teams working closely together to get orders out in the production and warehousing spaces that we have now outgrown. Whilst the pandemic is no longer an issue, the consequences continue with logistic costs, inflation, selling and marketing expenses all contributing to higher expenses than previously experienced.

Our pandemic strategy to keep our global warehouses as full as possible during the pandemic worked, contributing to the strong sales growth of 13.3%. The continued focus on aesthetic and whitening products is a solid strategy for the future direction of our portfolio. We continued to benefit from two of the main amalgam competitors leaving the category, with dentists switching to our brand. Stela, our exciting new amalgam replacement was released in April into Australia and a few other markets. Initial feedback from dentists is very positive and whilst no material sales levels have been achieved, the product will replace our amalgam sales in the future. Riva Cem Automix, a resin-based glass ionomer cement is also being rolled out globally and has had excellent early feedback.

Product margins were up to 56.8% (FY22: 55.8%) driven by some logistic cost improvement and price increases. The EBITDA was up 9.6% to \$16.2 million (FY22: \$14.7m), very encouraging in a difficult climate, but unfortunately NPAT was down 3.1% to \$7.1 million (FY22: \$7.3m).

The new European Union Medical Device Regulation (MDR) has been a major emphasis for our teams. They have been totally focused on this project to meet the May 2024 deadline for legacy product registration, by which time our key products will qualify for the EU MDR extension out to December 2028. Hence, many of our resources such as new research and development projects have been postponed for twelve months. Globally, product registration is becoming more difficult to achieve. SDI is well equipped to sell all products in all major markets around the world.


Our new 24,000sqm property in Montrose is an exciting project which will ensure production and warehousing are far more efficient than at the current location. The established warehouse has been fully refurbished and transfer of stock from our existing site has begun. Once the warehouse has been moved, the previous warehouse space will be used temporarily for additional manufacturing. A new larger warehouse will be built starting 2024, followed by all manufacturing in Bayswater moving in 2027. The full project is currently being refined by consultants.

The 2024 financial year will be focused on changing our amalgam customers to Stela, starting the build of our new warehouse, and ensuring our MDR registration is achieved. These are great goals for the year to ensure the Company is well placed to achieve increased market share for the future.

We would like to thank the SDI team and our distributors both in Australia and all over the world for their hard work and total dedication to SDI's global success. Lastly, we would like to thank our shareholders for their ongoing support and investment in SDI.



Jeffery Cheetham OAM  
Chairman



Samantha Cheetham  
CEO

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 year ended 30 June 2023 (referred to hereafter as the 'consolidated entity').

### Directors

The following persons were Directors of SDI Limited during the whole of the financial 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 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 year were as follows:

	Consolidated 2023 \$'000	2022 \$'000
Interim dividend in respect of the year ended 30 June 2023 of 1.5 cents (2022: 1.5 cents) per ordinary share	1,783	1,783
Previous year:		
Final dividend in respect of the year ended 30 June 2022 of 1.75 cents (2021: 1.65 cents) per ordinary share	2,080	1,961
	<u>3,863</u>	<u>3,744</u>

On 24 August 2023, the Directors declared a final franked dividend of 1.75 cents per share which was paid on 22 September 2023. This equates to a total estimated of \$2,080,000, based on the number of ordinary shares on issue as at 30 June 2023. The financial effect of dividends declared after the reporting date is not reflected in the 30 June 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 \$7,056,000 (30 June 2022: \$7,281,000).

Highlights of the results from operations for the financial year ended 30 June 2023 are provided below:

Net profit after tax decreased by 3.09% to \$7,056,000 compared to \$7,281,000 for the previous year. Profit before tax ('PBT') increased by 5.43% to \$10,690,000 compared to \$10,139,000 for the previous year.

	2023 \$'000	2022 \$'000	Change \$'000	Change %
Net profit	7,056	7,281	(225)	(3.09%)
PBT	10,690	10,139	551	5.43%
EBITDA	16,164	14,743	1,421	9.64%

Earnings per share for the year ended 30 June 2023 decreased by 0.19 cents to 5.94 cents compared to 6.13 cents for the same period last 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 reflect the core earnings of the consolidated entity.

EBITDA increased by 9.64% to \$16,164,000 (30 June 2022: \$14,743,000).

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

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit after tax	7,056	7,281
Add: taxation	3,634	2,858
Add: interest expense	759	34
Less: interest income	(8)	(14)
Add: depreciation and amortisation	4,278	4,584
Add: impairment of assets	445	-
<b>EBITDA</b>	<b>16,164</b>	<b>14,743</b>

Sales reported in Australian dollars increased by 13.3% to \$107,855,000 for the current year compared to \$95,151,000 for the corresponding period last year (pcp). Adjusting for currency movements, total sales increased by 8.4%. This result reflected strong growth across all markets, underpinned by the normalizing of operating conditions including the return of government tenders in the Middle East/Africa region.

In local currencies, Aesthetics sales continued to show strong growth, up 13.0% on pcp, increasing across all regions. 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 increase of 1.2% in Whitening, was attributable to stronger results in most regions, apart from Europe. Equipment sales, SDI's smallest product category and largely a complimentary product, fell by 10.7% across all markets, apart from in Australia. Amalgam grew strongly, led by increased demand in the UK market, continued strong demand in North America and successful Government tenders in the Middle East.

#### *Sales by business unit*

The business unit performance reflects a return to normal operating conditions. Australian sales, which include Australian domestic and direct export markets, were up by 5.4% on pcp, with Australian direct exports increasing by 7.1%, when adjusted for currency movements, with Australian domestic sales up 1.7%. Direct exports growth was driven by tenders in the Middle East, and strong growth in the Asia region. European sales were up 10.9% in local currencies, driven by strong demand in the UK market where conditions have now normalized. Brazilian sales increased by 13.7% on pcp in local currencies reflecting overall market growth and aesthetics products gaining traction. North American sales increased by 7.3% on pcp reflecting the strong increase in the Amalgam sales driven by the exit of two major competitors in the Amalgam market. Aesthetics grow by 12.8% reflecting the gradual transition of the market towards Aesthetic products and the release of new products in prior periods gaining momentum in the market.

#### *Gross profit margins*

Product margins in Australian dollars increased 100 bps to 56.8%, driven by moderately improved logistics costs and price increases. SDI exports to over 100 countries with margins not uniform, impacting the overall outcome. Additionally, with respect to product differences, the strong sales growth in the lower margin Amalgam tenders impacted the overall gross margin for the group.

#### *Operating expenses*

Total operating expenses in Australian dollars increased by 19.6% on pcp. After adjusting for currency movements operating expenses increased by 16.8% compared to pcp. Adjusting for a \$0.4 million asset impairment in the Brazilian operation and interest expense, operating expenses in local currencies, increased by 14.0%. The increase relates to operating conditions returning to normal and the recommencement of important education and marketing activities such as trade shows.

#### *Tax Expense*

Tax expense increased by 5.8% due to the non-deductibility of an asset impairment of \$400,000 and a prior year tax adjustment of \$300,000 relating to the Brazilian subsidiary. Adjusted for these items the effective tax rate was 29.9%.

## Balance Sheet

The consolidated entity's cash in bank decreased by \$991,000 after investing an additional \$4,785,000 in plant and equipment, \$3,350,000 in product development expenditure, and proceeds of \$1,050,000 from the sale of property. The Company has also invested \$24,300,000 in the purchase of land and buildings financed by bank borrowings. The consolidated entity has unused bank facilities of \$8,450,000 as at 30 June 2023.

SDI has a risk management framework ('Framework') that is reviewed annually by the Audit Committee. The risk management process that underlies this Framework sets a process for identifying, assessing, evaluating, and monitoring SDI's key risks, primarily achieved via internal six-monthly risk workshops. Material business risks that could have an adverse impact on SDI's future financial prospects include the following:

Sales of Amalgam products	Amalgam sales currently represent approximately 17.6% of total sales and it is expected that this product category will continue to show a decreasing sales trend as markets are moving to Aesthetic products. SDI has existing strategies and controls in place to increase its focus on replacement products with a release of a new Aesthetic product in most markets during the second and third quarters of the 2023 calendar year. The Company plans to aggressively market this product to its current Amalgam customers.
Foreign exchange risk	SDI exports approximately 90% of its products which are invoiced in various foreign currencies. The foreign currency exchange exposure is partially offset as SDI incurs approximately 41% of its operating expenses in foreign currencies. In addition to this, where possible the consolidated entity purchases raw materials in foreign currencies to further increase its natural hedge. Hedging instruments are considered when net foreign currency cash flows are in surplus.
Other risks	SDI Manufactures substantially all of its products in Australia and exports approximately 90% of its products outside Australia. Our sales and operations are therefore subject to various other risks than already discussed above. These risk include: <ul style="list-style-type: none"> <li>- World economic conditions such as inflation or recession;</li> <li>- Tariffs and other barriers;</li> <li>- Supply chain issues delivering our products around the world as well as importing raw materials into Australia;</li> <li>- Compliance with foreign medical device manufacturing regulations;</li> <li>- Difficulty in enforcing agreements and collecting receivables through some foreign legal systems;</li> <li>- Inability to obtain import licences with regards to our suppliers and customers;</li> <li>- The impact of public health epidemics/pandemics on the global economy;</li> <li>- The impact of global geopolitical tensions and wars around the world;</li> <li>- Changes to import and export restrictions;</li> <li>- Modification of other government policies and regulations which may affect the sale of our products or importation of raw materials in the future.</li> </ul>

## Significant changes in the state of affairs

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

## Matters subsequent to the end of the financial year

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 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.

## Likely developments and expected results of operations

Information on likely developments in the operations of the consolidated entity and the expected results of operations has been included, where applicable, in the 'Review of operations' section above.

## Environmental regulation

The consolidated entity holds licences issued by the Environmental Protection Authority, which specify limits for discharges to the environment arising from the consolidated entity's operations. These licences regulate the management of discharges to the air and stormwater run-off associated with the manufacturing operations as well as the storage of hazardous materials. The Directors are not aware of any breaches of the licence conditions during the year ended 30 June 2023 and up to the date of this report.



## Information on Directors

Name: Jeffery James Cheetham OAM  
 Title: Chairman  
 Experience and expertise: Founder of SDI Limited.  
 Other current directorships: None  
 Former directorships (last 3 years): None  
 Special responsibilities: Chairman of the SDI Limited Board, member of the Audit Committee and member of the Remuneration Committee.  
 Interests in shares: 37,905 ordinary shares held directly and 54,470,242 ordinary shares held indirectly.

Name: Samantha Jane Cheetham  
 Title: Managing Director and Chief Executive Officer  
 Qualifications: Bachelor of Business (Banking and Finance), Master of Business Administration  
 Experience and expertise: Extensive experience in sales and marketing in Australia and overseas.  
 Other current directorships: Australian Dental Industry Association ('ADIA') - Board member since January 2016 and International Dental Manufacturers.  
 Former directorships (last 3 years): None  
 Interests in shares: 333,565 ordinary shares held directly and 25,708 ordinary shares held indirectly.

Name: John Joseph Slaviero  
 Title: Executive Director, Chief Operating Officer, Chief Financial Officer and Company Secretary  
 Qualifications: Bachelor of Business, Certified Practising Accountant, Fellow of the Association of Taxation and Management Accountants  
 Experience and expertise: John has been the Chief Financial Officer and Company Secretary of SDI Limited since 2002 and has extensive finance and accounting experience in both the commercial and professional fields. Much of this experience was gained from working in senior finance and accounting roles in large multinational and medium size manufacturing companies.  
 Other current directorships: None  
 Former directorships (last 3 years): None  
 Special responsibilities: Company Secretary  
 Interests in shares: 14,689 ordinary shares held directly and 65,000 ordinary shares held indirectly.

Name: Dr Geoffrey Macdonald Knight AM  
 Title: Non-Executive Director  
 Qualifications: Bachelor of Dental Science, Master of Business Administration, Master of Science (London University), Doctor of Philosophy (Adelaide University), Adjunct Professor of Rural Health, La Trobe University.  
 Experience and expertise: Geoffrey is an experienced and world recognised dental scientist as well as a practicing dentist. He has published numerous technical dentistry papers both locally and internationally and has held senior positions with the Australian Dental Association (Victorian Branch), Australian Society of Periodontology (Victorian Branch), Australian Society of Dental Aesthetics, the Society of Occlusal Studies and other professional groups.  
 Other current directorships: None  
 Former directorships (last 3 years): None  
 Special responsibilities: Member of the Audit Committee and member of the Remuneration Committee.  
 Interests in shares: 165,516 ordinary shares held directly and 1,215,790 ordinary shares held indirectly.

Name: Gerald Allan Bullon  
 Title: Non-Executive Director  
 Qualifications: Fellow of the Australian Institute of Company Directors  
 Experience and expertise: Gerald has managed his own Investor Relations consultancy firm, Insor Pty Ltd, since 1996. He has been involved with several ASX initial public offerings including Australian Hospital Care Limited, Sigma Pharmaceuticals Limited and Nick Scali Limited. He has also held senior executive roles in a number of public companies.

Other current directorships: None  
 Former directorships (last 3 years): None  
 Special responsibilities: Member of the Audit Committee and Chairman of the Remuneration Committee.  
 Interests in shares: 400,000 ordinary shares held indirectly.

Name: Cameron Neil Allen  
 Title: Non-Executive Director  
 Qualifications: Master of Taxation (University of Melbourne), Bachelor of Business (Accounting) (Deakin University), Chartered Tax Adviser, Member of The Tax Institute (Australia) and Member of the Institute of Public Accountants (Australia).  
 Experience and expertise: Cameron is currently Managing Partner of Andersen in Australia, a member of Andersen Global. Prior to Andersen, Cameron was a tax partner at Deloitte Touche Tohmatsu, as well as holding a senior role at Ernst & Young. He has over 25 years' experience in advising large and small corporate organisations on domestic and international taxation and 'best practice' processes.

Other current directorships: None  
 Former directorships (last 3 years): None  
 Special responsibilities: Chairman of the Audit Committee and member of the Remuneration Committee.  
 Interests in shares: 10,000 ordinary shares held indirectly.

Name: Gerard Desmond Kennedy  
 Title: Non-Executive Director  
 Qualifications: Law Institute of Victoria, Barrister and Solicitor of the Supreme Court of Victoria and the High Court of Australia, Postgraduate Diploma in Commercial Law (Monash University) majoring in International Trade Law and International Banking and Finance Law, Notary Public and a Member of the Victorian Lawyers RPA Ltd  
 Experience and expertise: Gerard was a Special Council in the Law firm of Macpherson and Kelley Lawyers and has spent many years in advising clients on matters of mergers and acquisitions, contract, licensing, joint ventures, tenders, corporate governance and compliance, Corporation law and international trade.

Other current directorships: None  
 Former directorships (last 3 years): None  
 Special responsibilities: Member of the Audit Committee and member of the Remuneration Committee.  
 Interests in shares: 114,000 ordinary shares held indirectly.

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

### **Company Secretary**

John Joseph Slaviero is an Executive Director and Company Secretary. Details of John's experience and expertise are detailed in the 'Information on Directors' section above.

## Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2023, and the number of meetings attended by each Director were:

	Full Board		Remuneration Committee		Audit Committee	
	Attended	Held	Attend	Held	Attend	Held
Jeffery James Cheetham	9	11	2	2	5	5
Samantha Jane Cheetham*	11	11	2	2	5	5
John Joseph Slaviero*	11	11	2	2	5	5
Dr Geoffrey Macdonald Knight	11	11	2	2	5	5
Gerald Allan Bullon	11	11	2	2	5	5
Cameron Neil Allen	11	11	2	2	5	5
Gerard Desmond Kennedy	11	11	2	2	5	5

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

\* Attended Remuneration & Audit Committee's by invitation.

## Remuneration report (audited)

The remuneration report, which has been audited, outlines the key management personnel ('KMP') remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

For the purposes of this report, KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Share-based compensation
- Additional information
- Additional disclosures relating to KMP

## Principles used to determine the nature and amount of remuneration

The objective of the consolidated entity's executive reward framework is to ensure reward for performance is market competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for delivery of reward.

The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good governance practices:

- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its Directors and executives. The performance of the consolidated entity depends on the quality of its Directors and executives. The remuneration philosophy is to attract, motivate and retain high-performance and high-quality personnel.

The Remuneration Committee has structured an executive remuneration framework based on external remuneration reports that is market competitive and complementary to the reward strategy of the consolidated entity. The reward framework is designed to align executive reward to shareholders' interests. The Board has considered that it should seek to enhance shareholders' interests by:

- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executives on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:

- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of Non-Executive Directors' and Executive Directors' remuneration are separate.

#### *Non-Executive Directors' remuneration*

Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of these Directors. Non-Executive Directors' fees and payments are reviewed annually by the Remuneration Committee. The Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. Non-Executive Directors do not receive share options or other incentives.

ASX listing rules require the aggregate Non-Executive Directors' remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 24 November 2022, where the shareholders approved an aggregate maximum remuneration of \$600,000 per annum.

#### *Executive remuneration*

The consolidated entity aims to reward Executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The Executive remuneration and reward framework has the following components:

- base pay and non-monetary benefits;
- short-term performance incentives;
- long-term performance incentives; and
- other remuneration such as superannuation, annual leave and long service leave.

The combination of these comprises the Executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits are reviewed annually by the Remuneration Committee based on individual responsibilities, the overall performance of the consolidated entity and comparable market remunerations. Executives may receive their fixed remuneration in the form of cash or other fringe benefits.

#### *Consolidated entity performance and link to remuneration*

The short-term incentives ('STI') program is designed to link the achievement of the consolidated entity's operational targets with the remuneration received by the Executives responsible with meeting those targets. A summary of the plan is as follows:

- A maximum STI value of 10% of each executive's fixed remuneration is granted depending on the extent to which specific targets set at the beginning of the financial year are met;
- STI payments are proportionately made if the executive team achieve 95% or greater of budgeted net profit after tax ('NPAT') for the half year and / or the full year, and the executives meet their individual key performance indicators ('KPIs') for these periods;
- If the executive team exceeds 100% of budgeted NPAT they may receive an extraordinary payment at the discretion of the Board; and
- All STI payments are made in the form of cash.

The aggregate pool of potential STI payments is approved by the Remuneration Committee. The Board, at its discretion, determines whether events which are uncontrollable by management have impacted on the actual earnings and therefore should be excluded from the calculation of NPAT in the year's STI hurdles.

The long-term incentives ('LTI') is designed to align Executives and shareholder interests by linking reward with key performance drivers that underpin long-term sustainable growth. A summary of the plan is as follows:

- A maximum yearly LTI value of 20% of each executive's fixed remuneration is granted depending on the extent to which specific targets set at the beginning of the financial year are met;
- Once the eligibility criteria has been met and the incentive has been approved, a three-year restriction period is enforceable before the employee can receive the payment in cash or shares as determined by the Board. During this restriction period the LTI is indexed based on the Company's share price. Any movement in the Company's share price from the date the LTI is approved will result in an increase or decrease in the value of the LTI when settled. The expectation is that these amounts will be settled in cash, which is in line with the consolidated entity's historical practices;
- If an Executive leaves the Company for any reason apart from redundancy, retirement or death, all incentives that fall within the restriction period are forfeited.
- The Non-Executive Directors of the Company have the absolute discretion to determine whether a bonus will be granted, and if so, to whom. The Board, at its discretion, may determine whether events which are uncontrollable by management have impacted on their performance, and therefore should be excluded from the pre-determined objectives for the year.

In determining the eligibility of the LTI, the following are also considered:

- The Executives must have had at least six months employment prior to being eligible;
- The overall performance of the Company;
- The Executives achieving their individual objectives and have complied with the Company's values for the year. These objectives are agreed at the beginning of the financial year and include individual departmental objectives which are aligned to achieving the Company's strategic plan and financial objectives.
- Strategic plan: Focus on key product categories, drive amalgam replacement, increase innovation and speed to market, ongoing research and development and continuing to drive manufacturing efficiencies.
- Financial objectives: Increase after tax profit (NPAT), dividend payment of at least 30% of NPAT, release one to two new products per year, with an overall objective of increasing Shareholder value.

Once confirmation is received by the Board and the Audit Committee of the results for the relevant reporting period, any proposed executive STI and LTI payments are referred to the Remuneration Committee for final approval prior to any payments being made.

During the financial year the Company did not engage any remuneration consultants.

*Voting and comments made at the Company's 2022 Annual General Meeting ('AGM')*

At the 2022 AGM, 97.48% of the eligible votes received supported the adoption of the remuneration report for the year ended 30 June 2022. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

## Details of remuneration

### Amounts of remuneration

The KMP of the consolidated entity consisted of the Directors of SDI Limited.

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Details of the remuneration of the KMP of the consolidated entity are set out in this section:

	Short-term benefits			Post-employment benefits	Long-term benefits		Share-based payments	Total
	Cash salary and fees*	STI bonus	Annual Leave	Super-annuation	Long Service Leave	LTI bonus**	Cash-settled	
2023	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Dr G M Knight	79,805	-	-	8,380	-	-	-	88,185
G A Bullon	79,805	-	-	8,380	-	-	-	88,185
C N Allen	88,185	-	-	-	-	-	-	88,185
G D Kennedy	79,805	-	-	8,380	-	-	-	88,185
J J Cheetham	171,825	-	-	-	-	-	-	171,825
<i>Executive Directors:</i>								
S J Cheetham	494,284	50,015	-	62,395	8,459	60,079	-	675,232
J J Slaviero	466,725	45,993	-	58,382	7,779	55,271	-	634,150
	1,460,434	96,008	-	145,917	16,238	115,350	-	1,833,947

\* Cash salary and fees includes cash payments relating to annual leave entitlements.

\*\* Includes the LTI relating to current and historical financial periods that has vested in the current year. The LTI will be paid in future periods in accordance with the LTI plan.

As at 30 June 2023 the remaining unvested portion of LTI was \$134,402

	Short-term benefits			Post-employment benefits	Long-term benefits		Share-based payments	Total
	Cash salary and fees*	STI bonus**	Annual Leave	Super-annuation	Long Service Leave	LTI bonus***	Cash-settled	
2022	\$	\$	\$	\$	\$	\$	\$	\$
<i>Non-Executive Directors:</i>								
Dr G M Knight	66,206	-	-	6,621	-	-	-	72,827
G A Bullon	66,206	-	-	6,621	-	-	-	72,827
C N Allen	73,185	-	-	-	-	-	-	73,185
G D Kennedy	66,206	-	-	6,621	-	-	-	72,827
J J Cheetham	156,825	-	-	-	-	-	-	156,825
<i>Executive Directors:</i>								
S J Cheetham	492,755	48,675	-	60,869	8,212	59,053	-	669,564
J J Slaviero	453,131	44,761	-	55,977	7,552	54,327	-	615,748
	1,374,514	93,436	-	136,709	15,764	113,380	-	1,733,803

\* Cash salary and fees includes cash payments relating to annual leave entitlements.

\*\* Includes paid 5% STI for the year ended 30 June 2022 which was approved and paid in March 2022 and accrued 5% STI for the year ended 30 June 2022 which was approved and paid in August 2022 as per the terms and conditions of the STI plan.

\*\*\* Includes the LTI relating to current and historical financial periods that has vested in the current year. The LTI will be paid in future periods in accordance with the LTI plan.

As at 30 June 2022 the remaining unvested portion of LTI was \$247,320.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

Name	Fixed remuneration		At risk - STI		At risk - LTI	
	2023	2022	2023	2022	2023	2022
<i>Non-Executive Directors:</i>						
Dr G M Knight	100%	100%	-	-	-	-
G A Bullon	100%	100%	-	-	-	-
C N Allen	100%	100%	-	-	-	-
G D Kennedy	100%	100%	-	-	-	-
J J Cheetham	100%	100%	-	-	-	-
<i>Executive Directors:</i>						
S J Cheetham	70%	70%	10%	10%	20%	20%
J J Slaviero	70%	70%	10%	10%	20%	20%

The proportion of the cash bonus paid/payable or forfeited is as follows:

Name	Cash bonus paid/payable		Cash bonus forfeited	
	2023	2022	2023	2022
<i>Executive Directors:</i>				
S J Cheetham	5%	10%	5%	-
J J Slaviero	5%	10%	5%	-

### Share-based compensation

#### Issue of shares

There were no shares issued to Directors and other KMP as part of compensation during the year ended 30 June 2023.

#### Options

There were no options over ordinary shares issued to Directors and other KMP as part of compensation that were outstanding as at 30 June 2023.

There were no options over ordinary shares granted to or vested by Directors and other KMP as part of compensation during the year ended 30 June 2023.

### Additional information

The earnings of the consolidated entity for the five years to 30 June 2023 are summarised below:

	2023 \$'000	2022 \$'000	2021 \$'000	2020 \$'000	2019 \$'000
Sales revenue and other income	107,855	95,151	81,670	67,430	80,499
Profit before income tax	10,690	10,139	12,208	5,115	10,484
Profit after income tax	7,056	7,281	8,941	4,237	7,329

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2023	2022	2021	2020	2019 *
Share price at financial year end (\$)	0.83	0.80	0.91	0.71	0.89
Total dividends declared (cents per share)	3.25	3.25	3.15	1.85	3.70
Basic earnings per share (cents per share)	5.94	6.13	7.52	3.56	6.17
Diluted earnings per share (cents per share)	5.94	6.13	7.52	3.56	6.17

\* 2019 Dividend includes 1.0 cent special dividend

## Additional disclosures relating to KMP

### Shareholding

The number of shares in the Company held during the financial year by each Director and other members of KMP of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
<b>Ordinary shares</b>					
J J Cheetham	54,508,147	-	-	-	54,508,147
S J Cheetham	359,273	-	-	-	359,273
J J Slaviero	52,689	-	27,000	-	79,689
Dr G M Knight	1,381,306	-	-	-	1,381,306
G A Bullon	360,000	-	40,000	-	400,000
C N Allen	10,000	-	-	-	10,000
G D Kennedy	114,000	-	-	-	114,000
	56,785,415	-	67,000	-	56,852,415

### Other transactions with KMP and their related parties

Provision of consulting services by:

A&A Tax Legal Consulting formerly (WTS Australia Consulting Pty Ltd), a company controlled by Director, C N Allen amounted to \$22,496(30 June 2022: \$8,218).

Director, Dr. G M Knight amounted to \$0 (30 June 2022: \$25,817).

Director, G D Kennedy amounted to \$18,718 (30 June 2022: \$6,577).

Payments for the lease of property owned by Silver Glades Pty Ltd, a company controlled by Director, J J Cheetham amounted to \$0 (30 June 2022: \$76,565).

**This concludes the remuneration report, which has been audited.**

### Shares under option

There were no unissued ordinary shares of SDI Limited under option outstanding at the date of this report.

### Shares issued on the exercise of options

There were no ordinary shares of SDI Limited issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

### Indemnity and insurance of officers

The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

### Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

### Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

### Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 23 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 23 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants (including Independence Standards) issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

### Officers of the Company who are former partners of Deloitte Touche Tohmatsu

There are no officers of the Company who were former audit partners of Deloitte Touche Tohmatsu. Cameron Neil Allen was a former tax partner of Deloitte Touche Tohmatsu. Refer to 'Information on Directors' for further details.

### 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 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors



Samantha Jane Cheetham  
Managing Director

28 September 2023  
Melbourne

The Board of Directors  
SDI Limited  
5-7 Brunsdon Street  
BAYSWATER VIC 3153

28 September 2023

Dear Board Members

## Auditor's Independence Declaration to 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 audit of the financial statements of SDI Limited for the financial year ended 30 June 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 audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Craig Bryan  
Partner  
Chartered Accountants



**SDI Limited**  
**Consolidated statement of profit or loss and other comprehensive income**  
**For the year ended 30 June 2023**



YOUR  
SMILE.  
OUR  
VISION.

	Note	Consolidated 2023 \$'000	2022 \$'000
<b>Revenue</b>			
Sales revenue	5	107,855	95,151
Cost of goods sold		(46,588)	(42,041)
Gross profit		61,267	53,110
Other gains	6	1,556	614
Interest income		8	14
<b>Expenses</b>			
Selling and administration expenses		(47,583)	(40,889)
Research and development costs		(1,354)	(1,232)
Impairment of receivables	10	(49)	(4)
Other expenses		(2,396)	(1,440)
Finance costs	7	(759)	(34)
Total expenses		(52,141)	(43,599)
<b>Profit before income tax expense</b>		10,690	10,139
Income tax expense	8	(3,634)	(2,858)
<b>Profit after income tax expense for the year attributable to the owners of SDI Limited</b>		7,056	7,281
<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		933	195
Other comprehensive income for the year, net of tax		933	195
<b>Total comprehensive income for the year attributable to the owners of SDI Limited</b>		7,989	7,476
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	9	5.94	6.13
Diluted earnings per share	9	5.94	6.13

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

	Note	Consolidated 2023 \$'000	2022 \$'000
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		6,022	7,013
Trade and other receivables	10	21,124	19,598
Inventories	11	25,553	26,005
Current tax asset	8	250	4
Prepayments		4,643	3,384
		<u>57,592</u>	<u>56,004</u>
Non-current assets classified as held for sale	12	1,138	-
Total current assets		<u>58,730</u>	<u>56,004</u>
<b>Non-current assets</b>			
Trade and other receivables	10	-	847
Property, plant and equipment	13	45,829	18,634
Right-of-use assets	14	1,432	1,377
Intangibles	15	27,318	25,208
Total non-current assets		<u>74,579</u>	<u>46,066</u>
<b>Total assets</b>		<u>133,309</u>	<u>102,070</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	16	11,986	9,017
Borrowings	17	7,820	669
Lease liabilities	18	557	437
Provision for income tax	8	371	918
Employee benefits		3,920	3,606
Total current liabilities		<u>24,654</u>	<u>14,647</u>
<b>Non-current liabilities</b>			
Borrowings	17	16,300	-
Lease liabilities	18	919	918
Deferred tax liability	8	3,274	2,582
Employee benefits		246	189
Total non-current liabilities		<u>20,739</u>	<u>3,689</u>
<b>Total liabilities</b>		<u>45,393</u>	<u>18,336</u>
<b>Net assets</b>		<u>87,916</u>	<u>83,734</u>
<b>Equity</b>			
Issued capital	19	12,890	12,890
Reserves	20	2,335	1,346
Retained profits		72,691	69,498
<b>Total equity</b>		<u>87,916</u>	<u>83,734</u>

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

**SDI Limited**  
**Consolidated statement of changes in equity**  
**For the year ended 30 June 2023**



<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Retained profits \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2021	12,890	929	65,961	79,780
Profit after income tax expense for the year	-	-	7,281	7,281
Other comprehensive income for the year, net of tax	-	195	-	195
Total comprehensive income for the year	-	195	7,281	7,476
<i>Transactions with owners in their capacity as owners:</i>				
Capital reserve	-	222	-	222
Dividends paid (note 21)	-	-	(3,744)	(3,744)
Balance at 30 June 2022	12,890	1,346	69,498	83,734
<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Reserves \$'000</b>	<b>Retained profits \$'000</b>	<b>Total equity \$'000</b>
Balance at 1 July 2022	12,890	1,346	69,498	83,734
Profit after income tax expense for the year	-	-	7,056	7,056
Other comprehensive income for the year, net of tax	-	933	-	933
Total comprehensive income for the year	-	933	7,056	7,989
<i>Transactions with owners in their capacity as owners:</i>				
Capital reserve	-	56	-	56
Dividends paid (note 21)	-	-	(3,863)	(3,863)
Balance at 30 June 2023	12,890	2,335	72,691	87,916

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

	Note	Consolidated 2023 \$'000	2022 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		109,049	94,634
Payments to suppliers and employees		(91,375)	(87,683)
		17,674	6,951
Interest received		8	14
Government grants received		180	873
Interest and other finance costs paid		(1,064)	(34)
Income taxes paid		(3,735)	(3,538)
Net cash from operating activities	29	13,063	4,266
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(30,669)	(1,673)
Payments for intangibles	15	(3,817)	(2,654)
Proceeds from disposal of property, plant and equipment		1,080	80
Net cash used in investing activities		(33,406)	(4,247)
<b>Cash flows from financing activities</b>			
Net proceeds from borrowings	29	23,451	669
Repayment of lease liabilities	29	(391)	(414)
Dividends paid	21	(3,863)	(3,744)
Net cash from/(used in) financing activities		19,197	(3,489)
Net decrease in cash and cash equivalents		(1,146)	(3,470)
Cash and cash equivalents at the beginning of the financial year		7,013	10,559
Effects of exchange rate changes on cash and cash equivalents		155	(76)
Cash and cash equivalents at the end of the financial year		6,022	7,013

*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 September 2023. The Directors have the power to amend and reissue the financial statements.

## Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### New and amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all new and 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.

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

### Pronouncements not yet effective:

AASB 2020-1 Amendments to Australian Accounting Standards – *Classification of Liabilities as Current or Non-current*,  
AASB 2020-6 Amendments to Australian Accounting Standards – *Classification of Liabilities as Current or Non-current – Deferral of Effective Date* and AASB 2022-6 Amendments to Australian Accounting Standards – *Non-current Liabilities with Covenants* - **Effective 1 January 2024**

AASB 2022-5 Amendments to Australian Accounting Standards – *Lease Liability in a Sale and Leaseback* - **Effective 1 January 2024**

AASB 2021-2 Amendments to Australian Accounting Standards - *Disclosure of Accounting Policies and Definition of Accounting Estimates*  
- **Effective 1 January 2023**

AASB 2021-5 Amendments to Australian Accounting Standards - *Deferred Tax related to Assets and Liabilities arising from a single transaction* - **Effective Date 1 January 2023**

The effects of these standards and interpretations that are issued but not yet effective are not expected to have a material impact on the financial statements.



## Note 2. Significant accounting policies (continued)

### New sustainability reporting standards

In June 2023 the International Sustainability Standards Board (ISSB) published two sustainability reporting standards in response to the demand for better information about sustainability related matters.

The standards issued were:

- IFRS S1 'General Requirement for Disclosure of Sustainability-related Financial Information'. IFRS S1 sets out overall requirements with the objective to require an entity to disclose information about its sustainability-related risks and opportunities that is useful to the primary users of general purpose financial reports in making decisions relating to providing resources to the entity.
- IFRS S2 'Climate-related Disclosures'. IFRS S2 sets out the requirements for identifying, measuring and disclosing information about climate-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions relating to providing resources to the entity.

The Australian climate related financial disclosure requirements are still being financialised, however disclosures are expected to be closely aligned with the ISSB Standards, with Australian equivalents to be set by the Australian Accounting Standards Board (AASB) considering Australian-specific requirements. Based on the current proposals, the climate related disclosure requirements are expected to first apply to the consolidated entity for the financial year ended 30 June 2028.

### Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

#### *Historical cost convention*

The financial statements have been prepared under the historical cost convention.

### Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

### Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of SDI Limited as at 30 June 2023 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

## Note 2. Significant accounting policies (continued)

### Foreign currency translation

The financial statements are presented in Australian dollars, which is SDI Limited's functional and presentation currency. The functional currencies of foreign operations are the currencies where they operate, being Euro, United States dollar, Brazilian real, Pound Sterling and New Zealand dollar.

#### *Foreign currency transactions*

Foreign currency transactions are translated into the Company's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

#### *Foreign operations*

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

### Interest

Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### Government grants

Government grants are not recognised until there is reasonable assurance that the consolidated entity will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the consolidated entity recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the consolidated entity should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets. A capital grant of \$150,000 for the construction of research and development was received during the financial year ended 30 June 2023 (2022: \$873,000). The asset will be amortised into the statement of profit or loss and other comprehensive income in accordance with the consolidated entity's accounting policy. Refer to note 15.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the consolidated entity with no future related costs are recognised in profit or loss in the period in which they become receivable. Refer to note 7.

### Research and development expense

Expenditure during the research phase of a project is expensed to profit or loss when incurred. Expenditure incurred in the development phase of a project is capitalised as an intangible asset when the criteria for capitalisation has been satisfied (refer to note 15 for accounting policy for intangible assets). Development costs are expensed to profit or loss when it cannot be demonstrated that it is probable that the expenditure results in the control of future economic benefits.

## Note 2. Significant accounting policies (continued)

### Current and non-current classification

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

An asset is current when it is expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading if it is expected to be realised within 12 months after the reporting period or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is current when it is expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

### Non-current assets or disposal groups classified as held for sale

Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

### Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

### Employee benefits

#### Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date is measured at the amounts expected to be paid when the liabilities are settled.

## Note 2. Significant accounting policies (continued)

### *Other long-term employee benefits*

The liability for annual leave, long service leave and other long term employee benefits not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows

### *Contributions superannuation expense*

Company superannuation guarantee contributions to employ superannuation plans are expensed in the period in which they are incurred.

### **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.

## Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

### *Estimation of useful lives of assets*

The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of future laws and regulations, product lifecycles, market demand, technical innovations or related dentistry techniques. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated, whereas technically obsolete or non-strategic assets that have been abandoned or sold are impaired or written down. (Refer to notes 13 and 15).

### *Impairment of finite life non-financial assets*

The consolidated entity assesses impairment of finite life non-financial assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves assessing the value of the asset at fair value less costs of disposal and using value-in-use models which incorporate a number of key estimates and assumptions. Refer to note 15.

### *Capitalisation of development costs*

Expenditure incurred on the development phase of the consolidated entity's research projects are capitalised as intangible assets when the recognition criteria detailed in the accounting policy for intangible assets has been met. Significant judgement is involved in assessing whether the carrying value of such assets can be recovered through subsequent commercialisation and involves consideration as to the ability to patent or trademark the intellectual property and successfully market related products in a competitive market. The carrying values of such assets are continually reviewed for indicators of impairment which also requires judgement. Refer note 15.

## Note 4. Operating segments

### *Identification of reportable operating segments*

The consolidated entity's operations consist of the manufacture of dental restorative products, teeth whitening systems and small dental equipment for sale to dental distributors, dental dealers and dentists worldwide.

#### Note 4. Operating segments (continued)

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.

##### *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 results 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.



**Note 4. Operating segments (continued)**

*Operating segment information*

<b>Consolidated - 2023</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	36,237	36,922	25,624	9,072	107,855
Intersegment sales	28,297	6,347	-	2,024	36,668
Total sales revenue	64,534	43,269	25,624	11,096	144,523
Total segment revenue	64,534	43,269	25,624	11,096	144,523
Intersegment eliminations					(36,668)
<b>Total revenue</b>					<b>107,855</b>
<b>Segment results before tax and adjustments below</b>					
Intersegment adjustments	12,395	1,521	938	796	15,650
Depreciation and amortisation	69	-	-	-	69
Interest revenue	(3,673)	(280)	(160)	(165)	(4,278)
Finance costs	6	-	-	2	8
<b>Profit before income tax expense</b>	<b>(735)</b>	<b>(12)</b>	<b>(5)</b>	<b>(7)</b>	<b>(759)</b>
Income tax expense	8,062	1,229	773	626	10,690
<b>Profit after income tax expense</b>					<b>7,056</b>
<b>Assets</b>					
Segment assets	117,624	13,984	10,014	9,317	150,939
Intersegment eliminations					(17,630)
<b>Total assets</b>					<b>133,309</b>
<b>Liabilities</b>					
Segment liabilities	39,956	8,022	2,322	7,879	58,179
Intersegment eliminations					(12,786)
<b>Total liabilities</b>					<b>45,393</b>

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**Note 4. Operating segments (continued)**

Consolidated - 2022	Australia \$'000	Europe \$'000	USA \$'000	Brazil \$'000	Total \$'000
<b>Revenue</b>					
Sales to external customers	32,531	33,201	22,101	7,318	95,151
Intersegment sales	30,989	5,118	-	2,922	39,029
Total sales revenue	63,520	38,319	22,101	10,240	134,180
Total segment revenue	63,520	38,319	22,101	10,240	134,180
Intersegment eliminations					(39,029)
<b>Total revenue</b>					95,151
<b>Segment results before tax and adjustments below</b>					
Intersegment adjustments	12,466	1,479	818	1,160	15,923
Depreciation and amortisation	(1,170)	-	-	-	(1,170)
Interest revenue	(4,048)	(274)	(175)	(97)	(4,594)
Finance costs	-	-	-	14	14
Profit before income tax expense	(11)	(15)	(6)	(2)	(34)
Income tax expense	7,237	1,190	637	1,075	10,139
<b>Profit after income tax expense</b>					(2,858)
					7,281
<b>Assets</b>					
Segment assets	89,187	16,870	10,600	10,378	127,035
Intersegment eliminations					(24,965)
<b>Total assets</b>					102,070
<b>Liabilities</b>					
Segment liabilities	14,024	12,177	3,728	9,338	39,267
Intersegment eliminations					(20,931)
<b>Total liabilities</b>					18,336

**Note 5. Sales revenue**

	<b>Consolidated 2023 \$'000</b>	<b>2022 \$'000</b>
Sales revenue	107,855	95,151
	<b>Consolidated 2023 \$'000</b>	<b>2022 \$'000</b>
<i>Major product lines</i>		
Aesthetics	51,108	43,127
Amalgam	18,977	15,328
Equipment	6,467	6,839
Whitening	31,303	29,857
	107,855	95,151
<i>Timing of revenue recognition</i>		
Goods transferred at a point in time	107,855	95,151

Refer to note 4 for disaggregation of revenue from contracts with customers based on geographical regions.

## Note 5. Sales revenue (continued)

### *Accounting policy for revenue recognition*

The consolidated entity recognises revenue as follows:

#### *Revenue from contracts with customers*

Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

#### *Sales revenue*

Sales revenue is recognised at the point of sale when the customer obtains control of the goods, which is assessed based on the terms and conditions present in the contract with the customer. Amounts disclosed as revenue are net of sales returns and trade discounts.

## Note 6. Other gains

	Consolidated	
	2023 \$'000	2022 \$'000
Net foreign exchange gain	828	346
Net gain on disposal of property, plant and equipment	496	55
Other	232	213
Other gains	<u>1,556</u>	<u>614</u>

Note 7. Expenses

Consolidated  
2023 2022  
\$'000 \$'000

Profit before income tax includes the following specific expenses:

*Depreciation*

Land and buildings	140	146
Plant and equipment	1,974	2,206
Land and buildings right-of-use assets	457	390
Total depreciation	2,571	2,742

*Amortisation*

Product development costs	1,113	1,245
Intellectual property	594	597
Total amortisation	1,707	1,842

Total depreciation and amortisation

4,278 4,584

*Employee benefit expense*

Employee costs other than superannuation expense	38,383	37,064
Superannuation expenses	2,155	1,843
Total employee benefit expense	40,538	38,907

*Finance costs*

Interest and finance charges paid/payable on borrowings	1,037	7
Interest and finance charges paid/payable on lease liabilities	27	27
Less finance costs capitalised	(305)	-
Finance costs	759	34

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Note 8. Income tax

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Income tax expense</i>		
Current tax	2,585	2,508
Deferred tax - origination and reversal of temporary differences	692	396
Adjustment recognised for prior periods	357	(46)
Aggregate income tax expense	<u>3,634</u>	<u>2,858</u>
Deferred tax included in income tax expense comprises:		
Increase in deferred tax liabilities	<u>692</u>	<u>396</u>
<i>Numerical reconciliation of income tax expense and tax at the statutory rate</i>		
Profit before income tax expense	<u>10,690</u>	<u>10,139</u>
Tax at the statutory tax rate of 30%	3,207	3,042
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Research and development concession	(167)	(231)
Other deductible / non-deductible items	<u>(150)</u>	<u>(63)</u>
	2,890	2,748
Adjustment recognised for prior periods	357	(46)
Difference in overseas tax rates	<u>387</u>	<u>156</u>
Income tax expense	<u>3,634</u>	<u>2,858</u>
	Consolidated	
	2023 \$'000	2022 \$'000
<i>Movements in temporary tax differences</i>		
Net deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss for (deferred tax asset)/deferred tax liability		
Property, plant and equipment	(628)	(1,043)
Intangible assets	6,479	5,903
Accrued expenses	(1,565)	(1,309)
Elimination of profit held in stock sold to subsidiaries	(917)	(928)
Other	<u>(95)</u>	<u>(41)</u>
Deferred tax liability	<u>3,274</u>	<u>2,582</u>
Movements:		
Opening balance	2,582	2,186
Charged to profit or loss	<u>692</u>	<u>396</u>
Closing balance	<u>3,274</u>	<u>2,582</u>

**Note 8. Income tax (continued)**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Current tax asset</i>		
Current tax asset	250	4
	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Provision for income tax</i>		
Provision for income tax	371	918

**Accounting policy for income tax**

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

An income tax benefit will arise for the financial year where an income tax loss is incurred and, where permitted to do so, is carried-back against a qualifying prior period's tax payable to generate a refundable tax offset.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

**Note 9. Earnings per share**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
Profit after income tax attributable to the owners of SDI Limited	7,056	7,281
	<b>Number</b>	<b>Number</b>
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



**Note 9. Earnings per share (continued)**

	Cents	Cents
Basic earnings per share	5.94	6.13
Diluted earnings per share	5.94	6.13

*Accounting policy for earnings per share*

*Basic earnings per share*

Basic earnings per share is calculated by dividing the profit attributable to the owners of SDI Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

*Diluted earnings per share*

Diluted earnings per share is calculated by adjusting basic earnings per share to take into account the after-tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

**Note 10. Trade and other receivables**

	Consolidated 2023 \$'000	2022 \$'000
<i>Current assets</i>		
Trade receivables	19,938	18,388
Less: Allowance for expected credit losses	(144)	(95)
	<u>19,794</u>	<u>18,293</u>
Other receivables	1,330	1,305
	<u>21,124</u>	<u>19,598</u>
<i>Non-current assets</i>		
Other receivables	-	847
	<u>21,124</u>	<u>20,445</u>

*Allowance for expected credit losses*

The consolidated entity has recognised a loss of \$49,000 (2022: loss \$4,000) in profit in respect of the expected credit losses for the year ended 30 June 2023.

Other receivables related to prepaid taxes.

The ageing of the impaired receivables provided for above is as follows:

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
Consolidated	2023 %	2022 %	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
Not overdue	0.20%	0.22%	15,398	13,232	31	29
1 to 4 months overdue	0.20%	0.22%	3,793	3,924	8	9
Over 4 months overdue	14.10%	4.60%	747	1,232	105	57
			<u>19,938</u>	<u>18,388</u>	<u>144</u>	<u>95</u>

## Note 10. Trade and other receivables (continued)

Movements in the allowance for expected credit losses are as follows:

	Consolidated	
	2023 \$'000	2022 \$'000
Opening balance	95	91
Additional provisions recognised	49	4
Unused amounts reversed	-	-
Closing balance	144	95

### Accounting policy for trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 to 90 days from invoice date.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

## Note 11. Inventories

	Consolidated	
	2023 \$'000	2022 \$'000
Current assets		
Raw materials	12,889	11,670
Finished goods	12,664	14,335
	25,553	26,005

### Accounting policy for inventories

Inventories are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from the cash flow hedge reserve in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## Note 12. Non-current assets classified as held for sale

	Consolidated	
	2023 \$'000	2022 \$'000
Current assets		
Land & Buildings	1,138	-

Land and buildings located at No, 40 Barry Road, Baywater Vic 3153 were listed for sale on the 5th May 2023.

**Note 13. Property, plant and equipment**

	Consolidated 2023 \$'000	2022 \$'000
<i>Non-current assets</i>		
Land and buildings - at cost	36,006	11,482
Less: Accumulated depreciation	(2,251)	(2,112)
	<u>33,755</u>	<u>9,370</u>
 Plant and equipment - at cost	 43,052	 38,667
Less: Accumulated depreciation	(30,978)	(29,403)
	<u>12,074</u>	<u>9,264</u>
	<u><u>45,829</u></u>	<u><u>18,634</u></u>

*Reconciliations*

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

Consolidated	Land and buildings \$'000	Plant and equipment \$'000	Total \$'000
Balance at 1 July 2021	9,510	9,778	19,288
Additions	6	1,692	1,698
Depreciation expense	(146)	(2,206)	(2,352)
Balance at 30 June 2022	9,370	9,264	18,634
Additions	26,219	4,785	31,004
Assets classified as held for sale (note 12)	(1,138)	-	(1,138)
Disposals	(556)	(1)	(557)
Depreciation expense	(140)	(1,974)	(2,114)
Balance at 30 June 2023	<u><u>33,755</u></u>	<u><u>12,074</u></u>	<u><u>45,829</u></u>

*Accounting policy for property, plant and equipment*

Land and buildings are shown at historical cost less accumulated depreciation.

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	50 years
Plant and equipment	2.5 - 10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

**Note 14. Right-of-use assets**

	<b>Consolidated</b>	
	<b>2023</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Non-current assets</i>		
Land and buildings - right-of-use	2,591	2,542
Less: Accumulated depreciation	(1,606)	(1,165)
	<u>985</u>	<u>1,377</u>
 Plant and equipment - right-of-use	 447	 -
	<u><u>1,432</u></u>	<u><u>1,377</u></u>

Additions to the right-of-use-assets during the year were \$496,000.

The consolidated entity leases land and buildings for offices and warehouses and motor vehicles under agreements between 2 to 5 years. On renewal, the terms of the leases are renegotiated.

For AASB 16 Lease disclosures refer to:

- note 7 for depreciation on right-of-use assets;
- note 7 for interest on lease liabilities;
- note 18 for lease liabilities; and
- consolidated statement of cash flows for repayment of lease liabilities.

*Accounting policy for right-of-use assets*

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

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

Right-of-use assets that meet the definition of investment property are measured at fair value where the consolidated entity has adopted a fair value measurement basis for investment property assets.

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

## Note 15. Intangibles

	Consolidated 2023 \$'000	2022 \$'000
<i>Non-current assets</i>		
Product development costs - at cost	32,773	32,705
Less: Accumulated amortisation	(15,916)	(14,910)
	<u>16,857</u>	<u>17,795</u>
Intellectual property - at cost	8,911	8,665
Less: Accumulated amortisation	(6,643)	(6,270)
	<u>2,268</u>	<u>2,395</u>
Development work in progress - at cost	8,193	5,018
	<u>27,318</u>	<u>25,208</u>

### Reconciliations

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

Consolidated	Product development costs \$'000	Intellectual property \$'000	Development work in progress \$'000	Total \$'000
Balance at 1 July 2021	15,348	2,744	6,304	24,396
Additions	2,406	248	-	2,654
Transfers in/ (out)	1,286	-	(1,286)	-
Amortisation expense	(1,245)	(597)	-	(1,842)
Balance at 30 June 2022	17,795	2,395	5,018	25,208
Additions	175	467	3,175	3,817
Amortisation expense	(1,113)	(594)	-	(1,707)
Balance at 30 June 2023	<u>16,857</u>	<u>2,268</u>	<u>8,193</u>	<u>27,318</u>

### Accounting policy for intangible assets

Intangible assets acquired are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period. Amortisation commences when the asset is available for use in the manner intended by management.

### Product development costs

Development costs are capitalised when it is probable that the project will be a success, considering its commercial and technical feasibility, the consolidated entity will be able to use or sell the asset, the consolidated entity has sufficient resources and intent to complete the development and its costs can be measured reliably. The majority of additions to development work in progress are developed internally. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit being their finite useful lives of between 10 and 30 years. The useful life is determined based on past experience and an assessment of the projected life cycle of the product. Amortisation commences when the asset is available for use, ie. when it is in the location and condition necessary for it to be capable of operating in a manner intended by management.

## Note 15. Intangibles (continued)

### *Government grants (included in product development costs)*

As disclosed in note 2, the value of government grants has been recognised in the profit or loss on a systematic basis over the period that the expenses or related costs for which the grants are intended to compensate. Government grants of \$150,000 (2022: \$873,000) have been included in development work in progress for the year ended 30 June 2023.

### *Intellectual property*

Intellectual property consists of patents, trademarks, licences and other technical know-how which has a benefit to the consolidated entity of greater than one year. Intellectual property is recognised at cost of acquisition. Intellectual property with a finite life is carried at cost less any accumulated amortisation and any impairment losses. It is amortised over its useful life of up to 10 years.

### *Development work in progress*

Development work in progress is carried at cost and is not amortised but is reviewed for impairment at least annually. The carrying amount of each project is tested for impairment in accordance with AASB 136 by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss is recognised against each asset and any reversal of that impairment loss is recognised in accordance with AASB 136 to the extent that the recoverable amount of the asset subsequently increases. The costs are transferred to product development costs from the time the asset is held ready for use and is then subsequently amortised accordingly.

### *Impairment of intangibles*

An assessment was performed as to whether any indicators of impairment existed as at the reporting date. Management has reviewed indicators and noted the following considerations that demonstrated that overall, there was no indicator of impairment:

Sales pipeline continues to build with the introduction of new products, market share gains, and success in government tenders.

The consolidated entity expects demand for its products will remain strong.

## Note 16. Trade and other payables

	Consolidated	
	2023	2022
	\$'000	\$'000
<i>Current liabilities</i>		
Trade payables	4,280	3,977
Other payables and accrued expenses	7,706	5,040
	<u>11,986</u>	<u>9,017</u>

Refer to note 22 for further information on financial instruments.

### *Accounting policy for trade and other payables*

Trade and other payables represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The average credit period on the purchases of goods and services ranges from 7 to 60 days. No interest is charged on trade payables and the amounts are unsecured.

## Note 17. Borrowings

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Current liabilities</i>		
Bank loans (i)	7,000	-
Short term borrowing (ii)	820	669
	<u>7,820</u>	<u>669</u>
<i>Non-current liabilities</i>		
Bank loans (i)	16,300	-
	<u>24,120</u>	<u>669</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.

Refer to note 22 for further information on financial instruments.

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 \$21,300,000 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:

	Consolidated	
	2023 \$'000	2022 \$'000
Total facilities		
Bank loans	<u>31,750</u>	<u>10,450</u>
Used at the reporting date		
Bank loans	<u>23,300</u>	<u>-</u>
Unused at the reporting date		
Bank loans	<u>8,450</u>	<u>10,450</u>

### Accounting policy for borrowings

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



## Note 18. Lease liabilities

	Consolidated	
	2023 \$'000	2022 \$'000
<i>Current liabilities</i>		
Lease liability	557	437
<i>Non-current liabilities</i>		
Lease liability	919	918
	<u>1,476</u>	<u>1,355</u>

Refer to note 22 for information on the maturity analysis of lease liabilities.

### Accounting policy for lease liabilities

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

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

## Note 19. Issued capital

	2023 Shares	Consolidated 2022 Shares	2023 \$'000	2022 \$'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 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.

### Capital risk management

The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

## Note 19. Issued capital (continued)

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short-term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy has not changed from the 2022 Annual Report.

### Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## Note 20. Reserves

	Consolidated	
	2023 \$'000	2022 \$'000
Foreign currency reserve	1,694	761
Capital profits reserve	641	585
	<u>2,335</u>	<u>1,346</u>

### Foreign currency reserve

The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

### Capital profits reserve

The reserve is used to recognise non-taxable capital profits.

### Movements in reserves

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

Consolidated	Foreign currency \$'000	Capital profits \$'000	Total \$'000
Balance at 1 July 2021	566	363	929
Foreign currency translation	195	-	195
Capital reserve	-	222	222
Balance at 30 June 2022	761	585	1,346
Foreign currency translation	933	-	933
Capital reserve	-	56	56
Balance at 30 June 2023	<u>1,694</u>	<u>641</u>	<u>2,335</u>

## Note 21. Dividends

Dividends paid during the financial year were as follows:

	Consolidated 2023 \$'000	2022 \$'000
Interim dividend in respect of the year ended 30 June 2023 of 1.5 cents (2022: 1.5 cents) per ordinary share	1,783	1,783
Previous year: Final dividend in respect of the year ended 30 June 2022 of 1.75 cents (2021: 1.65 cents) per ordinary share	2,080	1,961
	<u>3,863</u>	<u>3,744</u>

On 24 August 2023, the Directors declared a final franked dividend of 1.75 cents per share that was paid on 22 September 2023. This equates to a total dividend of \$2,080,000, based on the number of ordinary shares on issue as at 30 June 2023. The financial effect of dividends declared after the reporting date is not reflected in the 30 June 2023 financial statements and will be recognised in subsequent financial reports.

	Consolidated 2023 \$'000	2022 \$'000
Franking credits available for subsequent financial years based on a tax rate of 30%	10,830	9,698

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:  
franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date  
franking debits that will arise from the payment of dividends recognised as a liability at the reporting date  
franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

### Accounting policy for dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Company, on or before the end of the financial year but not distributed at the reporting date.

## Note 22. Financial instruments

### Financial risk management objectives

The consolidated entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls, and risk limits. Finance identifies, evaluates and if deemed appropriate at the time may hedge financial risks within the consolidated entity's operating units. Finance reports to the Board on a regular basis.

### Market risk

#### Foreign currency risk

The consolidated entity invoices international customers in various currencies and is therefore exposed to foreign currency risk through foreign exchange rate fluctuations. Where considered appropriate, hedging against currency movements is undertaken to protect margins using forward foreign exchange contracts.

## Note 22. Financial instruments (continued)

It is the consolidated entity's policy that net foreign exchange exposure, be hedged where deemed appropriate. At the reporting date, there were no unexpired foreign currency hedge contracts as at 30 June 2023 (2022: none).

The following table shows the foreign currency risk on the financial assets and liabilities of the consolidated entity's operations denominated in currencies other than the functional currency of the operations.

Consolidated	Assets		Liabilities	
	2023 \$'000	2022 \$'000	2023 \$'000	2022 \$'000
US dollars	5,293	5,259	1,297	1,363
Euros	3,729	4,725	2,939	1,916
Pound Sterling	1,376	2,876	1,092	1,056
Brazilian Real	4,051	3,006	377	297
	<u>14,449</u>	<u>15,866</u>	<u>5,705</u>	<u>4,632</u>

### Sensitivity analysis

The following table illustrates sensitivities to the consolidated entity's exposure to changes in exchange rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variables that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

Consolidated - 2023	AUD strengthened Effect on profit before tax		AUD weakened Effect on profit before tax	
	% change	\$'000	% change	\$'000
US dollars	10%	441	10%	(441)
Euros	10%	180	10%	(180)
Pound Sterling	10%	353	10%	(353)
Brazilian Real	10%	121	10%	(121)
Other	10%	-	10%	-
(Profit)/loss		<u>1,095</u>		<u>(1,095)</u>

Consolidated - 2022	AUD strengthened Effect on profit before tax		AUD weakened Effect on profit before tax	
	% change	\$'000	% change	\$'000
US dollars	10%	434	10%	(434)
Euros	10%	326	10%	(326)
Pound Sterling	10%	262	10%	(262)
Brazilian Real	10%	88	10%	(88)
Other	10%	-	10%	-
(Profit)/loss		<u>1,110</u>		<u>(1,110)</u>

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the prior year.

## Note 22. Financial instruments (continued)

### Price risk

The consolidated entity is exposed to commodity price risk due to the use of silver in its Amalgam products. The consolidated entity has no hedges in place at the reporting date due to the requirement for silver reducing, making the benefit of hedging silver uneconomical.

### Interest rate risk

The consolidated entity's main interest rate risk arises from borrowings. Borrowings issued at variable rates expose the consolidated entity to interest rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value interest rate risk.

As at the reporting date, the consolidated entity had the following variable rate borrowings outstanding:

	2023		2022	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
<b>Consolidated</b>				
Short term borrowing	2.65%	820	1.39%	669
Bank loans *	6.55%	23,300	-	-
Net exposure to cash flow interest rate risk		<u>24,120</u>		<u>669</u>

The weighted average interest rate of bank loans is determined based on BBSY plus a variable margin.

### Sensitivity analysis

The following table illustrates sensitivities to the consolidated entity's exposure to changes in interest rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variables that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Basis points increase		Basis points decrease	
	Basis points change	Effect on profit before tax \$'000	Basis points change	Effect on profit before tax \$'000
<b>Consolidated - 2023</b>				
Short term borrowing (profit)/loss	50	(4)	(50)	4
Bank loans	50	(117)	(50)	117
(Profit)/Loss		<u>(121)</u>		<u>121</u>
	Basis points increase		Basis points decrease	
	Basis points change	Effect on profit before tax \$'000	Basis points change	Effect on profit before tax \$'000
<b>Consolidated - 2022</b>				
Short term borrowing (profit)/loss	50	(3)	(50)	3

There have been no changes in any of the methods or assumptions used to prepare the above sensitivity analysis from the previous years.

## Note 22. Financial instruments (continued)

### Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available as disclosed in note 10.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

### Liquidity risk

Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

### Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated 2023 \$'000	2022 \$'000
Bank loans	8,450	10,450

### Remaining contractual maturities

The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2023	Weighted average interest rate %	Less than 1 month \$'000	Between 1 and 3 months \$'000	Between 3 months to 1 year \$'000	Between 1 to 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	3,949	155	176	-	4,280
Other payables (excluding statutory payables)	-	7,706	-	-	-	7,706
<i>Interest-bearing</i>						
Bank loans	6.55%	-	250	750	22,300	23,300
Short term borrowing	2.65%	105	209	524	-	838
Lease liability	2.14%	46	93	418	919	1,476
Total non-derivatives		11,806	707	1,868	23,219	37,600

## Note 22. Financial instruments (continued)

Consolidated - 2022	Weighted average interest rate %	Less than 1 month \$'000	Between 1 and 3 months \$'000	Between 3 months to 1 year \$'000	Between 1 to 5 years \$'000	Remaining contractual maturities \$'000
<b>Non-derivatives</b>						
<i>Non-interest bearing</i>						
Trade payables	-	2,534	1,362	81	-	3,977
Other payables (excluding statutory payables)	-	5,040	-	-	-	5,040
<i>Interest-bearing</i>						
Short term borrowing	1.39%	113	225	338	-	676
Lease liability	1.83%	36	73	328	918	1,355
Total non-derivatives		7,723	1,660	747	918	11,048

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

### Fair value of financial instruments

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

## Note 23. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Company, and unrelated firms:

	Consolidated 2023 \$	2022 \$
<i>Audit services - Deloitte Touche Tohmatsu</i>		
Audit and review of the financial statements	294,550	278,200
<i>Other services - Deloitte Touche Tohmatsu</i>		
Transfer pricing review	-	43,000
Taxation services - Corporate Tax	46,400	45,000
Consulting services	35,000	10,000
Other	-	8,000
	81,400	106,000
	375,950	384,200
<i>Audit services of subsidiaries - non Deloitte firms</i>		
Audit or review of the financial statements	120,391	49,278

Remuneration of non Deloitte auditors relate to the audit of subsidiaries by:

- Crowe Horwath LLP. (USA)
- Fickus & Fickus, (Germany)
- Axis Advisory & Audit (Germany)
- Lewis Brownlee (UK)

## Note 24. Contingent liabilities

The consolidated entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.



## Note 25. Commitments

The consolidated entity had no capital commitments as at 30 June 2023 and 30 June 2022.

## Note 26. Related party transactions

### Parent entity

SDI Limited is the parent entity.

### Subsidiaries

Interests in subsidiaries are set out in note 28.

### Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the remuneration report included in the Directors' report.

### Transactions with related parties

The following transactions occurred with related parties:

	Consolidated 2023 \$	2022 \$
Payment for goods and services:		
Provision of consulting services by A&A Tax Legal Consulting formerly (WTS Australia Consulting Pty Ltd), a company controlled by Director, Cameron Neil Allen.	22,496	8,218
Provision of consulting services by Director, Dr. Geoffrey Macdonald Knight AM.	-	25,817
Provision of consulting services by Director, Gerard Desmond Kennedy.	18,718	6,577
Payment for other expenses:		
Payments for the lease of property to Silver Glades Pty. Ltd, a company controlled by Director Jeffery James Cheetham.*	-	76,565
* Lease payments made for a property to Silver Glades Pty. Ltd, a company controlled by Director Jeffery James Cheetham.		

### Receivable from and payable to related parties

There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

### Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

### Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

## Note 27. Key management personnel disclosures

### Compensation

The aggregate compensation made to Directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated 2023 \$	2022 \$
Short-term employee benefits	1,556,442	1,467,950
Post-employment benefits	145,917	136,709
Long-term benefits	131,588	129,144
	<u>1,833,947</u>	<u>1,733,803</u>

## Note 28. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest	
		2023 %	2022 %
SDI (North America), Inc.	United States of America	100%	100%
SDI Holdings Pty Ltd	Australia	100%	100%
SDI Germany GmbH	Germany	100%	100%
SDI Dental Innovations Limited	United Kingdom	100%	100%
SDI Brasil Industria e Comercio Ltda	Brazil	100%	100%

## Note 29. Cash flow information

### Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2023 \$'000	2022 \$'000
Profit after income tax expense for the year	7,056	7,281
Adjustments for:		
Depreciation and amortisation	4,278	4,584
Net gain on disposal of non-current assets	(496)	(55)
Foreign currency differences	834	493
Change in operating assets and liabilities:		
Increase in trade and other receivables	(706)	(1,204)
Decrease/(increase) in inventories	452	(4,496)
Decrease/(increase) in income tax refund due	(246)	168
Increase in prepayments	(1,259)	(1,766)
Increase/(decrease) in trade and other payables	2,634	(269)
Decrease in provision for income tax	(547)	(1,244)
Increase in deferred tax liabilities	692	396
Increase in employee benefits	371	378
Net cash from operating activities	13,063	4,266

### Non-cash investing and financing activities

### Changes in liabilities arising from financing activities

Consolidated	Bank loans \$'000	Short term borrowing \$'000	Lease liability \$'000	Total \$'000
Balance at 1 July 2021	-	-	1,573	1,573
Net cash from/(used in) financing activities	-	669	(414)	255
Acquisition of leases	-	-	196	196
Balance at 30 June 2022	-	669	1,355	2,024
Net cash from/(used in) financing activities	23,300	151	(391)	23,060
Acquisition of leases	-	-	512	512
Balance at 30 June 2023	23,300	820	1,476	25,596

### Note 30. New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2023. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

### Note 31. Parent entity information

Set out below is the supplementary information about the parent entity.

#### Statement of profit or loss and other comprehensive income

	Parent	
	2023 \$'000	2022 \$'000
Profit after income tax	5,854	6,185
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income	5,854	6,185

#### Statement of financial position

	Parent	
	2023 \$'000	2022 \$'000
Total current assets	41,296	42,363
Total non-current assets	75,768	46,778
Total assets	117,064	89,141
Total current liabilities	19,167	10,233
Total non-current liabilities	20,736	3,738
Total liabilities	39,903	13,971
Net assets	77,161	75,170
Equity		
Issued capital	12,890	12,890
Capital profits reserve	363	363
Retained profits	63,908	61,917
Total equity	77,161	75,170

#### Guarantees entered into by the parent entity in relation to the debts of its subsidiaries

The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2023 and 30 June 2022.

#### Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2023 and 30 June 2022.

#### Capital commitments - Property, plant and equipment

The parent entity had \$2,289,000 capital commitments for property, plant and equipment as at 30 June 2023 (Nil 30 June 2022).

#### Note 31. Parent entity information (continued)

##### *Significant accounting policies*

The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

#### Note 32. Events after the reporting period

Apart from the dividend declared as disclosed in note 21, no other matter or circumstance has arisen since 30 June 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.

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In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2023 and of its performance for the financial 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 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Samantha Jane Cheetham  
Managing Director

28 September 2023  
Melbourne

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

### Report on the Audit of the Financial Report

#### *Opinion*

We have audited the financial report of SDI Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### *Basis for Opinion*

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and 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 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 Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key Audit Matters*

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How the scope of our audit responded to the Key Audit Matter
<p><b>Amortisation of Product Development Costs</b></p> <p>As at 30 June 2023, the Company has recognised in Note 15 to the financial statements \$16,857,000 of product development costs.</p> <p>The estimation of useful lives of product development costs requires management to apply judgement including:</p> <ul style="list-style-type: none"> <li>• The product life cycle and market demand for the underlying products including assessing the possibility of product obsolescence or cannibalisation as a result of recently released products or products that are likely to be released in the near term.</li> <li>• The possible implementation of future laws and regulations prohibiting the distribution of products due to the phasing out of materials in dental products.</li> </ul> <p>For this reason we consider amortisation of product development costs to be a key audit matter.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• Discussing with management and department heads to understand the basis for determining estimated useful lives of capitalised product development costs</li> <li>• Challenging the appropriateness of amortisation periods applied and the assumptions used for capitalised product development costs</li> <li>• Critically assessing the appropriateness of the useful lives attributed to intangible assets and the remaining term</li> <li>• Assessing the residual value of intangible assets which included the impact of potential implementation of laws and regulations restricting trade of products in the future.</li> </ul> <p>We also assessed the adequacy of the disclosure in Note 15 to the financial statements.</p>

## **Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2023 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **Responsibilities of the Directors for the Financial Report**

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

## **Auditor's Responsibilities for the Audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.



As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on the Remuneration Report

### *Opinion on the Remuneration Report*

We have audited the Remuneration Report included in pages 8 to 14 of the Directors' Report for the year ended 30 June 2023.

In our opinion, the Remuneration Report of SDI Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

### *Responsibilities*

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

The logo for Deloitte Touche Tohmatsu, featuring the company name in a stylized, handwritten-style font.

DELOITTE TOUCHE TOHMATSU

A handwritten signature in blue ink, appearing to read 'Craig Bryan'.

Craig Bryan  
Partner  
Chartered Accountants  
Melbourne, 28 September 2023

The shareholder information set out below was applicable as at 31 August 2023.

### Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Ordinary shares		Options over ordinary shares	
	Number of holders	% of total shares issued	Number of holders	% of total shares issued
1 to 1,000	452	0.24	-	-
1,001 to 5,000	875	2.13	-	-
5,001 to 10,000	382	2.60	-	-
10,001 to 100,000	525	13.76	-	-
100,001 and over	83	81.27	-	-
	<b>2,317</b>	<b>100.00</b>	<b>-</b>	<b>-</b>
Holding less than a marketable parcel	<b>178</b>	<b>0.04</b>	<b>-</b>	<b>-</b>

### Equity security holders

#### Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
CURRANGO PASTORAL COMPANY PTY LTD	50,691,328	42.65
GARRETT SMYTHE LTD	3,779,583	3.18
MR NICHOLAS BARRY DEBENHAM & MRS ANNETTE CECILIA DEBENHAM	3,580,039	3.01
NATIONAL NOMINEES LIMITED	2,837,261	2.39
SILVERGLADES PTY LTD	2,357,829	1.98
BNP PARIBAS NOMS PTY LTD	2,063,253	1.74
INDCORP CONSULTING GROUP PTY LIMITED	1,950,000	1.64
MR NICHOLAS BARRY DEBENHAM	1,811,441	1.52
MR MICHAEL LAZZARIN	1,550,000	1.30
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	1,540,583	1.30
JEFFNPAM SUPERANNUATION FUND PTY LTD	1,421,085	1.20
FAIRVIEW (QLD) PTY LTD	1,333,861	1.12
DR GEOFFREY MACDONALD KNIGHT & MS ANNELI KAARINA KNIGHT	1,215,790	1.02
MR BRENDAN FRANCIS CARROLL	1,040,490	0.88
CITICORP NOMINEES PTY LIMITED	985,241	0.83
DR MARTIN JAMES GREHAN & DR PENELOPE JANE SPRING	931,500	0.78
CHARLOTTE B PTY LTD	896,000	0.75
NEWECONOMY COM AU NOMINEES PTY LIMITED	866,155	0.73
BRANKA NOMINEES PTY LIMITED	800,220	0.67
VANWARD INVESTMENTS LIMITED	789,941	0.66
	<b>82,441,600</b>	<b>69.35</b>

#### Unquoted equity securities

There are no unquoted equity securities.

### Substantial holders

Substantial holders in the Company are set out below:

	Number held	Ordinary shares % of total shares issued
CURRANGO PASTORAL COMPANY PTY LTD*	50,691,328	42.65

\* Registered holder of the relevant interest but may not be registered holder of the securities.

### Voting rights

The voting rights attached to ordinary shares are set out below:

#### Ordinary shares

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.

There are no other classes of equity securities.

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Directors	<p>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</p>
Company secretary	John Joseph Slaviero
Registered office	<p>5 - 9 Brunsdon Street Bayswater VIC 3153 P: (03) 8727 7111 or 1800 337 003 F: (03) 8727 7222</p>
Share register	<p>Link Market Services Limited Tower 4 727 Collins Street Docklands VIC 3008 P: (03) 9615 9800 or 1300 554 474 F: (03) 9615 9900</p>
Auditor	<p>Deloitte Touche Tohmatsu 477 Collins Street Melbourne VIC 3000</p>
Bankers	<p>HSBC Bank Australia Limited Level 10 333 Collins Street Melbourne VIC 3000</p>
Stock exchange listing	SDI Limited shares are listed on the Australian Securities Exchange (ASX code: SDI)
Website	<a href="http://www.sdi.com.au">www.sdi.com.au</a>
Email	<a href="mailto:info@sdi.com.au">info@sdi.com.au</a>
Corporate governance statement ('CGS')	<p>The Directors and Management are committed to conducting the business of SDI Limited in an ethical manner and in accordance with the highest standards of corporate governance. SDI Limited has adopted and substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.</p> <p>The Corporate Governance Statement and appendix 4G, which sets out the corporate governance practices that were in operation during the financial year, was approved by the Board of Directors (the 'Board') at the same time as this Annual Report and can be found on its website: <a href="https://www.sdi.com.au/au/corporate-governance/">https://www.sdi.com.au/au/corporate-governance/</a>.</p>

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