SDI

ANNUAL REPORT 2014

An Australian owned dental company
All products are developed and manufactured in Australia
Approximately 90% of products are exported to over 100 countries

Your Smile. Our Vision.

SDI Limited

ABN 27 008 075 581

Financial Report
For the year ended - 30 June 2014

Contents

Chairman and Managing Director's report	2
Directors' report	4
Auditor's independence declaration	17
Corporate Governance Statement	18
Statement of profit or loss and other comprehensive income	24
Statement of financial position	25
Statement of changes in equity	26
Statement of cash flows	27
Notes to the financial statements	28
Directors' declaration	65
Independent auditor's report to the members of SDI Limited	66
Shareholder information	68
Corporate directory	70

The result for the 2014 financial year has shown the strength of the Company's underlying fundamentals. An experienced management team coupled with an environment of stable silver prices, favourable currency movements for exporters, has produced an excellent result. The Company's strategy of continuing to invest in infrastructure and R & D when the environment in Australia has been unfavourable to exporters and manufacturers, has positioned the Company for future growth.

Net profit after tax increased by 37.9% to $6.5m (2013: $4.7m) for the twelve months ending 30 June 2014. Earnings before interest and tax (EBIT) increased by 22.9% to $8.0m, compared to $6.5m for the corresponding period last year.

Sales in Australian Dollars increased by 15.4% to $65.3m compared to the prior year's sales of $56.6m. When adjusted for currency movement, sales increased by 3.8%. SDI exports approximately 90% of its products and in local foreign currencies, Brazilian sales increased by 20.7%, North American sales decreased by 2.8%, and European sales decreased by 0.1% compared to the previous year. Australian sales, which also includes Australian direct export sales, increased by 2.7%.

The Company has reviewed the performance of its North American operation and has recently appointed an industry experienced Vice President, Sales & Marketing and a Commercial Finance Manager. SDI expects that these new positions will improve the performance of this operation in the 2015 financial year.

European sales had been affected by the poor performance of the French and Eastern European markets, other key European markets showed positive growth. The Company is taking steps to rectify this by restructuring the sales force in these underperforming markets.

SDI's Brazilian subsidiary has recently started to show the benefits from the previous year's restructuring and investment with sales increasing by 20.7%. On a consolidated basis, the Brazilian subsidiary has shown an additional improvement in profit of $0.4m when allowing for unfavourable currency movements. The Company expects that there will be further improvements in this subsidiary when it has received its GMP approval by the Brazilian regulative authorities to allow manufacturing in that market.

Operating expenses in Australian Dollars increased by 19.6% compared to the previous year. However, as approximately 60% of SDI's total operating expenses relate to its offshore subsidiaries and are subject to currency movements when reporting in Australian Dollars, on a constant currency basis, operating expenses increased by 11.3% from last year. The Company has increased its promotional expenditure and invested in additional resources in its European and North American operations, the benefits of which should be realised in future years by gaining increase market share and profitability.

The Company's total cash holdings at the 30 June 2014 increased by $0.3m to $4.0m and net debt decreased by $1.4m after expenditure on plant & equipment of $3.1m and research and development of $1.5m. The Company continues to invest in new manufacturing equipment to accommodate new products and automate its production lines. During the year SDI has increased its warehousing capacity in Europe and upgraded its computer hardware to improve the Company's global communications and transaction processing capabilities.

SDI is committed to the maintenance of its new product pipeline and expects that new Composite and Glass Ionomer restorative products will be released in future years. In the 2014 financial year the following new products were released, however it will take several years before these products have a material impact on the results:

Aura – a new generation dental composite restorative. Aura restorations are very natural in appearance utilising an innovative shade system. It has been extensively evaluated world- wide and now has the majority of regulatory approvals to allow it to be introduced into global markets. The introduction of Aura into the Company's product range will assist the Company in increasing its market share in a very large and competitive global composite market. Aura was developed in SDI's Bayswater R&D laboratories using new technology from the development of unique glass powder fillers and co-polymer reaction liquids which have produced a very low contraction material with extraordinary tooth colour matching abilities.

Riva Bond LC - an innovative bonding system which compensates for the contraction stress caused by composite restoratives in the tooth cavity. All composites, due to their chemistry, contract a small amount during the setting phase and this can contribute to the failure of these fillings. When used as the adhesive for composites filings, Riva Bond LC actually expands as it sets, thereby compensating for the opposite contraction of the opposing composite, which minimises failure.

Riva Star - an innovative desensitiser system with antimicrobial properties. Recurrent dental decay is a major problem and Riva Star, when placed in a decayed cavity, has the effect of partially re-mineralising the tooth due to the action of silver ions. This product gives the dentists an opportunity to desensitise the tooth and at the same time control decay. Riva Star incorporates a unique delivery system and is getting considerable academic and key opinion leader interest worldwide.

The Board of Directors has declared a final fully franked dividend of 0.5 cents per share which was paid on the 26th September 2014. Total dividends for the 2014 financial year have increased by 0.2 cents to 0.7 cents compared to 0.5 cents for the previous year. The Directors have decided that the Company's Dividend Reinvestment Plan (DRP) will not be offered to Shareholders for this dividend payment.

Jeffery James Cheetham
Executive Chairman and Managing Director

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of SDI Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2014.

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:

Jeffrey James Cheetham - Chairman
Samantha Jane Cheetham
John Joseph Slaviero (appointed on 4 October 2013)
Dr Geoffrey Macdonald Knight (appointed on 2 August 2013)
Gerald Allan Bullon (appointed on 2 August 2013)
Cameron Neil Allen (appointed on 4 October 2013)
Gerard Desmond Kennedy (appointed on 4 October 2013)
John Norman Isaac (resigned on 4 October 2013)
Steven James Molver (resigned on 4 October 2013)
Ian Frank Scholes (resigned on 2 August 2013)
Jeffrey Robert Paterson (resigned on 30 July 2013)

Alternate directors
Pamela Joy Cheetham (alternate for Jeffrey James Cheetham)

Principal activities
During the financial year the principal activities of the consolidated entity consisted of the manufacture and distribution of amalgam and composite restorative materials, other dental materials and product research and development.

Dividends
Dividends paid during the financial year were as follows:

	Consolidated	
	2014 **$'000**	**2013** **$'000**
Final dividend for the year ended 30 June 2013 of 0.5 cents (2012: 0.3 cents) per ordinary share	595	357
Interim dividend for the year ended 30 June 2014 of 0.2 cents (2013: 0.0 cents) per ordinary share	237	-
	832	357

Proposed final 2014 fully franked ordinary dividend of 0.5 cents (2013: 0.5 cents) per share franked at the tax rate of 30% (2013: 30%).

Review of operations
The profit for the consolidated entity after providing for income tax amounted to $6,467,000 (30 June 2013: $4,690,000).

Group results:

The consolidated entity manufactures dental restorative products, tooth whitening systems and small dental equipment.

The consolidated entity's research and development ('R&D') and manufacturing activities are based in Australia with a packing operation off shore. Approximately 90% of its products are exported to over 80 countries via its controlled subsidiaries and external distributors. The makeup of the consolidated entity's sales are as follows:-

- Amalgam products - 43%
- Whitening – 23%
- Aesthetics – 25%
- Small dental equipment – 9%

The consolidated entity reported an increase in net profit after tax of 37.9% to $6.5m (2013: $4.7m) for the twelve months ending 30 June 2014. This result was largely influenced by stable silver prices and a favourable currency environment compared to the previous year.

Earnings before interest and tax (EBIT) increased by 22.9% to $8.0m, compared to $6.5m for the corresponding period last year.
Earnings per share for the 12 months ending 30 June 2014 was 5.4 cents compared to 3.9 cents for the corresponding period last year.
The consolidated entities net assets increased 12.9% compared with the previous financial year, which is consistent with and largely attributable to the current year's after tax profit.

Sales increased by 15.4% to $65.3m compared to the prior year's sales of $56.6m. When adjusted for currency movement, sales increased by 3.8%. Operating expenses in Australian Dollars increased by 19.6% compared to the previous year. However, as approximately 60% of SDI's total operating expenses relate to its offshore subsidiaries and are subject to currency movements when reporting on a constant currency basis, operating expenses increased by 11.3% from last year.

Inventories decreased by $0.9m and receivables increased by $1.0m due to the higher level of sales in the last month of the financial year. Total cash holdings increased by $0.3m to $4.0m and net debt decreased by $1.4m after expenditure on plant & equipment of $3.1m and research and development of $1.5m.

Operating segment performance:

SDI exports approximately 90% of its products around the world. On a constant currency basis, Brazilian sales increased by 20.7%, North American sales decreased by 2.8% and European sales decreased by 0.1% compared to the previous year. Australian sales, which includes direct export sales, increased by 2.7%. Whilst the European segment was affected by the poor performance of the French and Eastern European markets, other major European markets showed positive growth. The consolidated entity has increased its promotional expenditure and invested in additional resources in its European operations, the benefits of which should be realised in future years by gaining increase market share and profitability.

The consolidated entity has reviewed the performance of its North American operation after experiencing disappointing sales and has responded by recently appointing an industry experienced Vice President of Sales & Marketing and a Commercial Finance Manager. SDI expects that these new positions will improve the performance of this operation in the 2015 financial year.

The Brazilian Dental market is one of the largest dental markets in the world with over 180,000 registered dentists and over 150 dental schools. SDI's Brazilian subsidiary is located in Sao Paulo and has over 20 employees operating nationally. This subsidiary has recently started to show the benefits of the previous years restructuring with sales increasing by 20.7%. On a consolidated basis, the Brazilian subsidiary has shown an additional improvement in profit of $0.4m when allowing for unfavourable currency movements.

The Directors expect that there will be continued improvements in Brazil, particularly having regard to the fact that the company was successful in receiving approval from the Brazilian Regulatory Authority (ANVISA) as an Australian manufacturer of Class 2 Medical Devices in August 2013. This approval, along with the restructuring of its sales teams, will allow the company to expedite the introduction of new products into this large dental market. The consolidated entity expects that there will be further improvements when the subsidiary has received its GMP approval by ANVISA to allow it to manufacture in Brazil.

Research & Development:

The consolidated entity's R & D spend in future years will be maintained at current levels, directed towards developing new and improved Aesthetics products. SDI is committed to the maintenance of its new product pipeline and released the following products in the 2014 financial year:

• Aura – a new generation dental composite restorative. Aura restorations are very natural in appearance utilising an innovative shade system

• Riva Bond LC - an innovative bonding system which compensates for the contraction of composite restoratives in the tooth cavity.

• Riva Star - an innovative desensitiser system with antimicrobial properties.

It is expected that these products will take some years to have a significant impact on sales.

Capital Investment:

The consolidated entity continues to invest in new manufacturing equipment to accommodate new products and automate its production lines. During the year, SDI increased its warehousing capacity in Europe and upgraded its computer hardware to improve the group's global communications and transaction processing capability.

Business risks:

There are a number of risks that could have a materially adverse impact on the future operating and financial performance of the consolidated entity. These risks are both specific to the consolidated entity and also relate to the general business environment. The consolidated entity has processes in place which are focused on the identification and management of risk through regular Board reporting and exception reporting between meetings. Note 30 of the attached financial statements provides further detail on some of the financial risks faced by the consolidated entity. Material business risks of the consolidated entity include:

• Foreign exchange risk – The consolidated entity exports approximately 90% of its products which are invoiced in various foreign currencies. The currency rate exposure to this is partially offset as the consolidated entity incurs approximately 60% of its operating expenses in foreign currencies. In addition to this, silver which is a major raw material used in its Amalgam products is purchased in US Dollars. Hedging instruments are considered when net cash flows are in surplus.

• Silver price risk – Silver is used in the consolidated entity's Amalgam products which represent approximately 43% of its sales. The consolidated entity has three months rolling hedges in place to protect its margins from adverse changes in commodity prices.

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 2014 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 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 storm water 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 or since 30 June 2014.

Information on directors

Name:	Jeffery James Cheetham O.A.M.
Title:	Executive Chairman and Managing Director
Age:	71 years
Experience and expertise:	Founder of SDI Limited
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Executive Chairman of the SDI Limited Board
Interests in shares:	5 ordinary shares in SDI Limited as well as 50,691,328 ordinary shares beneficially owned via Currango Pastoral Company Pty Ltd, 2,357,829 ordinary shares beneficially owned via Silverglades Pty Ltd, and 1,421,085 ordinary shares beneficially owned via JEFFNPAM Superannuation Fund Pty Ltd

Name:	Samantha Jane Cheetham
Title:	Executive Director
Age:	45 years
Qualifications:	B.Bus. (Banking and Finance), M.B.A.
Experience and expertise:	Extensive experience in sales and marketing in Australia and overseas
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Responsible for marketing and sales activities of the consolidated entity
Interests in shares:	359,273 ordinary shares in SDI Limited

Name:	John Joseph Slaviero (appointed on 4 October 2013)
Title:	Executive Director and Company Secretary
Age:	59 years
Qualifications:	B.Bus (Acct), C.P.A, F.T.M.A.
Experience and expertise:	Mr. Slaviero has been the Chief Financial Officer and Company Secretary of SDI Limited for over ten years and has over 30 years of 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 multi-national and medium size manufacturing companies
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Company Secretary
Interests in shares:	2,689 ordinary shares in SDI Limited

Name:	Dr Geoffrey Macdonald Knight (appointed on 2 August 2013)
Title:	Non-Executive Director
Age:	68 years
Qualifications:	Bachelor of Dental Science, M.B.A, Master of Science (London University), PhD Adelaide 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
Interests in shares:	165,516 ordinary shares in SDI Limited as well as 863,790 ordinary shares beneficially owned by Geoff Knight Superannuation Fund

Name:	Gerald Allan Bullon (appointed on 2 August 2013)
Title:	Non-Executive Director
Age:	66 years
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 facilitated several IPO listings on ASX including Australian Hospital Care, Sigma Pharmaceuticals 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
Interests in shares:	160,716 Ordinary shares beneficially owned by Insor Superannuation Fund

Name:	Cameron Neil Allen (appointed on 4 October 2013)
Title:	Non-Executive Director
Age:	49 years
Qualifications:	Master of Taxation degree from the University of Melbourne and a Bachelor of Business (Accounting) degree from Deakin University. He is also a Chartered Tax Adviser and member of The Tax Institute (Australia).
Experience and expertise:	Mr. Allen is currently the Managing Partner of WTS Australia which he established in 2010. WTS Australia is the Australian member firm of international professional services organisation, WTS - Tax Legal Consulting. Prior to WTS, Mr. Allen was a tax partner at Deloitte Touche Tohmatsu and its predecessor firm, BDO, as well as holding a senior role at Ernst & Young. Mr. Allen has over 20 years' experience in advising large and small corporate organisations on domestic and international taxation and "best practice" processes. In addition to his extensive career, Mr. Allen also sits on the global board of WTS Alliance which coordinates its network activities in over 100 countries.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Audit Committee
Interests in shares:	None

Name:	Gerard Desmond Kennedy (appointed on 4 October 2013)
Title:	Non-Executive Director
Age:	63 years
Qualifications:	Mr. Kennedy is a Law Institute of Victoria Accredited Business Law Specialist, Barrister and Solicitor of the Supreme Court of Victoria and the High Court of Australia, holds a Post Graduate Diploma in Commercial Law from Monash University majoring in International Trade Law and International Banking and Finance Law, and is a Notary Public and a member of the Victorian Lawyers RPA Ltd.
Experience and expertise:	Mr. Kennedy is a Principal 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
Interests in shares:	20,000 ordinary shares in SDI Limited

Name:	Pamela Joy Cheetham
Title:	Alternate director for Jeffery James Cheetham
Age:	68 years
Experience and expertise:	Co-founder of SDI Limited
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	Co-holder of shares shown for Jeffery James Cheetham

Name:	John Norman Isaac (resigned on 4 October 2013)
Title:	Former Non-Executive Chairman
Age:	70 years
Qualifications:	LL.B, F.A.I.C.D.
Experience and expertise:	Former Non-Executive Director of Royal Automobile Club of Victoria and past President and Chairman. Former Non-Executive Director of RACV group companies, RACV Finance Limited and Intelematics Australia Pty Ltd. Former partner and consultant to Middletons Lawyers. Barrister and solicitor of the Supreme Court of Victoria and High Court of Australia. Chair of the Board of Governors of St. Vincent's Hospital Foundation Victoria
Other current directorships:	Not applicable as no longer a director
Former directorships (last 3 years):	Not applicable as no longer a director
Special responsibilities:	Not applicable as no longer a director
Interests in shares:	Not applicable as no longer a director

Name:	Steven James Molver (resigned on 4 October 2013)
Title:	Former Non-Executive Director
Age:	53 years
Qualifications:	B.Soc.Sc, B.Com (Hon)
Experience and expertise:	Over 20 years' experience as an owner of a small manufacturing and investment company
Other current directorships:	Not applicable as no longer a director
Former directorships (last 3 years):	Not applicable as no longer a director
Special responsibilities:	Not applicable as no longer a director
Interests in shares:	Not applicable as no longer a director

Name:	Ian Frank Scholes (resigned on 2 August 2013)
Title:	Former Non-Executive Director
Age:	59 years
Qualifications:	B.Com, C.A.
Experience and expertise:	Ian is currently a Director and the Chairman of the Audit and Risk Committee of Mayne Pharma Ltd (ASX code: MYX). Ian also holds the position of Chairman and CEO of Chord Capital Pty Ltd which invests private capital into small listed companies and SMEs requiring expansion capital or debt. Prior to this, he held the positions of Vice Chairman Investment Banking for Merrill Lynch in Australia and Executive General Manager for National Australia Bank. In addition to the above, Ian was a Director of St. Vincent's Health Ltd and Chairman of St. Vincent's Foundation.
Other current directorships:	Not applicable as no longer a director
Former directorships (last 3 years):	Not applicable as no longer a director
Special responsibilities:	Not applicable as no longer a director
Interests in shares:	Not applicable as no longer a director

Name:	Jeffrey Robert Paterson (resigned on 30 July 2013)
Title:	Former Non-Executive Director
Age:	66 years
Qualifications:	B.Eco, M.B.A.
Experience and expertise:	Jeffrey has been a Director of Paterson Partners since 2002, which specializes in executive mentoring and development. Between 1990 and 2002 he held senior executive positions with Standard and Poors Credit Market Services as Vice President, New York and as Managing Director, Melbourne. Prior to this, Jeffrey held senior executive positions with Elders IXL and Elders G.M.
Other current directorships:	Not applicable as no longer a director
Former directorships (last 3 years):	Not applicable as no longer a director
Special responsibilities:	Not applicable as no longer a director
Interests in shares:	Not applicable as no longer a director

'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 (B.Bus (Acct), C.P.A, F.T.M.A.) 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 2014, and the number of meetings attended by each director were:

	Full Board		Remuneration Committee		Audit Committee	
	Attended	Held	Attended	Held	Attended	Held
Jeffery James Cheetham	8	8	1	1	-	-
Samantha Jane Cheetham	5	8	-	-	-	-
John Slaviero	7	7	-	-	-	-
Dr Geoffrey Macdonald Knight	7	8	-	1	2	2
Gerald Allan Bullon	7	8	1	1	2	2
Cameron Neil Allen	7	7	1	1	1	1
Gerard Desmond Kennedy	7	7	1	1	1	1
John Norman Isaac	1	1	-	-	1	1
Steven James Molver	1	1	-	-	1	1

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

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 major 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 key management personnel

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 conforms 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
- 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.

From the information supplied by the external remuneration consultant (refer to the section 'Use of remuneration consultants' below), the Remuneration Committee has structured an executive remuneration framework that is market competitive and complementary to the reward strategy of the consolidated entity. The framework reflects:-

Alignment to shareholders' interests:
- has economic profit as a core component of plan design
- focuses 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 executive on key non-financial drivers of value
- attracts and retains high calibre executives

Alignment to program participants' interests:
- rewards capability and experience
- reflects competitive reward for contribution to growth in shareholder wealth
- provides a clear structure for earning rewards

In accordance with best practice corporate governance, the structure of non-executive directors and executive remunerations 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 5th November 2003, where the shareholders approved an aggregate remuneration of $200,000.

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

The executive remuneration and reward framework has three components:
- base pay and non-monetary benefits
- short-term performance incentives
- other remuneration such as superannuation 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 and 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 company's operational targets with the remuneration received by the executives responsible with meeting those targets.

A maximum STI value of 20% of each executive's fixed remuneration will be granted depending on the extent to which specific targets set at the beginning of the financial year are met. STI payments will be based on the executive team achieving the budgeted Net Profit after tax (NPAT), as follows:
- 50% of the STI will be paid if the executive team achieves 95% of budgeted NPAT
- 100% of the STI will be paid if the executive team achieve 100% of budgeted NPAT
- If the executive team exceeds 100% of budgeted NPAT they may receive an extraordinary payment at the discretion of the Board.
- Payments will be made in the form of cash.

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

Long-term incentives ('LTIs") are yet to be formally embedded into the executive remuneration structure. It is the intention of the Board and Executive to do this but require more time to thoroughly investigate the most appropriate structure for LTIs. The intention of LTIs will be to:

- Provides incentives for executives to discharge their responsibilities in such a way as to build long-term shareholder value and wealth
- Reward executives in a manner which aligns this element of remuneration with the creation of shareholder wealth
- Performance hurdles will be attached to the LTI instrument to promote activities within the company to increase shareholder value

Use of remuneration consultants
During the financial year ended 30 June 2014, the consolidated entity engaged a remuneration consultant to review its existing remuneration policies and provide comparative analysis on the KMP of the Company.

The independent remuneration consultant conducted:

- Comparative analysis and review of comparable remuneration practices across a sample of the specific industry companies.
- High level, comparative analysis and review of market performance across a sample of specific industry companies.

The analysis included:

- Reviewing and bench marking position descriptions and remuneration of the executives roles with regards to a specific market perspective.
- Reviewing short and long term incentives in the specific market.

The remuneration consultant did not provide recommendations to the Remuneration Committee.The Consultant provided a report to the Remuneration Committee for it to determine whether the executive remuneration was both fair and sufficient.

Voting and comments made at the company's 2013 Annual General Meeting ('AGM')
At the 2013 AGM, 32.7% of the votes received supported the adoption of the remuneration report for the year ended 30 June 2013 resulting in a '2nd strike' and a Spill Resolution. 9.1% of votes received supported the Spill Resolution and therefore the resolution did not pass. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration

Amounts of remuneration
Details of the remuneration of the KMP of the consolidated entity are set out in the following tables.

The KMP of the consolidated entity consisted of the following directors of SDI Limited:

- Jeffery James Cheetham - Chairman
- Samantha Jane Cheetham
- John Joseph Slaviero (appointed on 4 October 2013)
- Dr Geoffrey Macdonald Knight (appointed on 2 August 2013)
- Gerald Allan Bullon (appointed on 2 August 2013)
- Cameron Neil Allen (appointed on 4 October 2013)
- Gerard Desmond Kennedy (appointed on 4 October 2013)
- Pamela Joy Cheetham (alternate for Jeffery James Cheetham)
- John Norman Isaac (resigned on 4 October 2013)
- Steven James Molver (resigned on 4 October 2013)
- Ian Frank Scholes (resigned on 2 August 2013)
- Jeffrey Robert Paterson (resigned on 30 July 2013)

2014	Short-term benefits Cash salary and fees $	 Bonus $	 Non-monetary $	Post-employment benefits Super-annuation $	Long-term benefits Long service leave $	Share-based payments Equity-settled $	 Total $
Non-Executive Directors:							
Dr G M Knight *	27,460	-	-	2,540	-	-	30,000
G A Bullon *	33,468	-	-	3,096	-	-	36,564
C N Allen *	33,333	-	-	-	-	-	33,333
G D Kennedy *	27,460	-	-	2,540	-	-	30,000
J N Isaac **	17,043	-	-	1,576	-	-	18,619
S J Molver **	2,924	-	-	7,715	-	-	10,639
I F Scholes **	3,340	-	-	309	-	-	3,649
J R Paterson **	3,058	-	-	283	-	-	3,341
Executive Directors:							
J J Cheetham	439,775	103,958	82,017	45,487	7,329	-	678,566
S J Cheetham	359,167	71,833	30,016	36,545	5,986	-	503,547
J J Slaviero ***	318,253	63,651	40,977	35,997	5,304	-	464,182
	1,265,281	239,442	153,010	136,088	18,619	-	1,812,440

* Remuneration is for the period from the date of appointment as a director
** Remuneration is for the period up to the date of resignation as a director
*** Remuneration is for the whole year and includes remuneration as other KMP before appointment as a director

2013	Short-term benefits Cash salary and fees $	 Incentive plans $	 Non-monetary $	Post-employment benefits Super-annuation $	Long-term benefits Long service leave $	Share-based payments Equity-settled $	 Total $
Non-Executive Directors:							
J N Isaac	64,220	-	-	5,780	-	-	70,000
S J Molver	11,697	-	-	28,303	-	-	40,000
I F Scholes *	36,697	-	-	3,303	-	-	40,000
J R Paterson *	36,697	-	-	3,303	-	-	40,000
Executive Directors:							
J J Cheetham	434,187	101,170	50,078	43,842	7,097	-	636,374
S J Cheetham	349,547	74,909	26,791	31,459	5,826	-	488,532
N A Cheetham	230,225	51,045	40,521	21,756	3,837	-	347,384
Other Key Management Personnel:							
J J Slaviero	237,546	51,309	22,537	13,639	2,526	-	327,557
	1,400,816	278,433	139,927	151,385	19,286	-	1,989,847

* Remuneration is from date of appointment as a director

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

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2014	2013	2014	2013	2014	2013
Non-Executive Directors:						
Dr G M Knight	100%	-%	-%	-%	-%	-%
G A Bullon	100%	-%	-%	-%	-%	-%
C N Allen	100%	-%	-%	-%	-%	-%
G D Kennedy	100%	-%	-%	-%	-%	-%
J N Isaac	100%	100%	-%	-%	-%	-%
S J Molver	100%	100%	-%	-%	-%	-%
I F Scholes	100%	100%	-%	-%	-%	-%
J R Paterson	100%	100%	-%	-%	-%	-%
Executive Directors:						
J J Cheetham	80%	80%	20%	20%	-%	-%
S J Cheetham	80%	80%	20%	20%	-%	-%
J J Slaviero	80%	-%	20%	-%	-%	-%
N A Cheetham	-%	80%	-%	20%	-%	-%
Other Key Management Personnel:						
J J Slaviero	-%	80%	-%	20%	-%	-%

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 2014.

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 2014.

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 2014.

Additional information
The earnings of the consolidated entity for the five years to 30 June 2014 are summarised below:

	2014 $'000	2013 $'000	2012 $'000	2011 $'000	2010 $'000
Sales revenue & Other Income	65,444	57,357	56,681	54,981	54,043
Profit before income tax	7,469	5,840	2,201	1,362	4,415
Profit after income tax	6,467	4,690	1,967	1,206	3,473

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

	2014	2013	2012	2011	2010
Share price at financial year end ($)	0.43	0.51	0.11	0.17	0.18
Total dividends declared (cents per share)	0.70	0.50	0.30	0.20	0.40
Basic earnings per share (cents per share)	5.44	3.95	1.70	1.00	2.90
Diluted earnings per share (cents per share)	5.44	3.95	1.70	1.00	2.90

Additional disclosures relating to key management personnel
In accordance with Class Order 14/632, issued by the Australian Securities and Investments Commission, relating to 'KMP equity instrument disclosures', the following disclosure relates only to equity instruments in the company or its subsidiaries.

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
Ordinary shares					
J J Cheetham	54,427,247	-	43,000	-	54,470,247
S J Cheetham	359,273	-	-	-	359,273
J J Slaviero	2,689	-	-	-	2,689
Dr G M Knight	-	-	1,029,306	-	1,029,306
G A Bullon	-	-	160,716	-	160,716
G D Kennedy	-	-	20,000	-	20,000
J N Isaac *	50,000	-	-	(50,000)	-
S J Molver *	8,000,000	-	-	(8,000,000)	-
I F Scholes *	49,896	-	-	(49,896)	-
J R Paterson *	200,000	-	-	(200,000)	-
	63,089,105	-	1,253,022	(8,299,896)	56,042,231

* Disposals/other represents no longer a KMP and not necessarily a disposal of holding

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 2014 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 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 31 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 31 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 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 audit partners of Deloitte Touche Tohmatsu
There are no officers of the company who were former audit partners of Deloitte Touche Tohmatsu. Mr.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 Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order 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 on the following page.

Auditor
Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

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

Jeffery James Cheetham
Executive Chairman and Managing Director

30 September 2014
Melbourne

Deloitte Touche Tohmatsu
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The Board of Directors
SDI Limited
5-7 Brunsdon St
BAYSWATER VIC 3153

30 September 2014

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 2014, 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.

DELOITTE TOUCHE TOHMATSU

Craig Bryan
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

The Board is committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to refine and improve the governance framework and practices in place to ensure they meet the interests of shareholders. The Company complies with the Australian Securities Exchange Corporate Governance Council's Corporate Governance Principles and Recommendations (the Principles) unless stated to the contrary in this Corporate Governance Statement.

Copies of SDI Limited's Corporate Governance Charter and key corporate governance policies or summaries are available in the Corporate Governance section of the website at www.sdi.com.au.

1. Lay Solid Foundations for Management and Oversight

Role of the Chairman
The Chair of the Board is responsible for leadership of the Board and for the efficient organisation and conduct of the Board's functioning.

The Chair facilitates the effective contribution of all Directors and promotes constructive and respectful relations between Directors and between Board and management.

Role of the Board and Management
The Board of Directors is responsible for the corporate governance of the Company. The Board provides strategic guidance for the Company, and effective oversight of management. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Board has delegated responsibility for day-to-day management of the Company to the Managing Director and there is a delegations structure in place which sets out the powers delegated to the Managing Director and those specifically retained by the Board, these delegations are reviewed on a regular basis. The responsibilities of the Board and management are set out in detail in the Company's Corporate Governance Charter.

Role of Committees of the Board
The Committees of the Board are responsible for aspects of the operation of the Company and act by examining relevant matters and making recommendations to the Board. Currently there are two committees of the Board: the Audit Committee and the Remuneration Committee. Summaries of the roles and responsibilities of each of the current committees are provided in this Corporate Governance Charter. Details of Directors' attendances at meetings of the committees are shown in the Directors' report contained in the Company's annual report.

The Board retains the ultimate oversight and decision-making power in respect of the matters so delegated.

Role of Company Secretary
The Company Secretary is responsible for developing and maintaining the information systems and processes that enable the Board to fulfil its role. The Company Secretary is also responsible to the Board for ensuring that Board procedures are complied with and advising the Board on governance matters.

All Directors have access to the Company Secretary for advice and services. Independent advisory services are retained by the Company Secretary at the request of the Board or Board committees.

The Board appoints and removes the Company Secretaries.

Election and Re-election of Directors
The Company undertakes appropriate checks before appointing a person or putting forward to shareholders a candidate for election, as a Director; and provide shareholders with all material information in its possession relevant to a decision on whether or not to elect or re-elect a Director.

The Company has a formal appointment in place with each of its Director. The terms of the agreement is set out in detail in the Corporate Governance Charter.

Diversity Policy
In respect of diversity, the Board considers that diversity includes differences that relate to gender, age, ethnicity and cultural background. It also includes differences in background and life experience, communication styles, interpersonal skills, education and problem solving skills.

The Company seeks to develop a culture of diversity within the Company whereby a mix of skills and diverse backgrounds. The Company aims to achieve the following objectives:

- Attracting, engaging and retaining a talented and diverse workforce.
- Recognising the need for workplace flexibility to support the role employees have outside of the workplace.
- Improving the quality of decision-making, creativity, productivity and teamwork.
- Enhancing service delivery through a workforce that respects and reflects the diversity of the Company's customers.
- Maintaining a safe work environment by taking action against inappropriate behaviour which includes discrimination harassment, bullying, victimisation and vilification.
- Facilitating equal employment opportunities by considering a broad and diverse talent poll and making decisions based on merit, ability, performance and potential.

As at 30 June 2014, women represented 54% of the Group's total workforce and 21% of senior management, and there is one woman on the Board as an Executive Director.

Evaluation of Directors and Senior Executives
A performance evaluation for Directors and Senior Executives takes place at least annually in compliance with the established evaluation process. The Company's policy for Directors and Senior Executive evaluation is set out in detail in the Company's Corporate Governance Charter.

2: Structure the Board to add Value

The Board's policy is that the Board needs to have an appropriate mix of skills, experience, expertise and diversity to be well equipped to help the Company navigate the range of challenges faced by the company.

The current Board consists of four independent non-executive Directors and three executive Directors. The names of the members of the Board are set out below:

- Dr Geoffrey Macdonald Knight is an independent non-executive Director: appointed 2 August 2013;
- Mr Gerald Allan Bullon is an independent non-executive Director: appointed 2 August 2013;
- Mr Cameron Neil Allen is an independent non-executive Director: appointed 4 October 2013;
- Mr Gerard Desmond Kennedy is an independent non-executive Director: appointed on 4 October 2013;
- Mr Jeffery James Cheetham is an executive Director and the Chairman: appointed 27 June 1985;
- Ms Samantha Jane Cheetham is an executive Director: appointed 17 December 1999;
- Mr John Joseph Slaviero is an executive Director and the Company Secretary: appointed 4 October 2013 and 2 July 2001 respectively;
- Ms Pamela Joy Cheetham is an alternate Director for Jeffery James Cheetham: appointed 16 August 1994.

Details of the Board member's experience, expertise, qualifications, term of office and independence status, are set out in the Directors' report of the Company's annual report.

Composition of the Board
The Board's composition is determined based on criteria set out below:

The Board seeks to ensure that:

- At any point in time, its membership represents an appropriate balance between Directors with experience and knowledge of the Company and Directors with an external or fresh perspective;
- There is a sufficient number of Directors to serve on Board committees without overburdening the Directors or making it difficult for them to fully discharge their responsibilities; and
- The size of the Board is appropriate to facilitate effective discussion and efficient decision making.

In accordance with the ASX Listing Rules, the Company must hold an election of Directors each year.

Board Committees
To ensure that the responsibilities of the Board are upheld and executed to the highest level, the Board has established the

following Board committees:

Audit Committee: the Committee oversees and reviews the financial reporting and audit process, the system of internal control and management of financial risks, the maintenance of audit independence and the appointment of external auditors.

Remuneration Committee: the Committee reviews and makes recommendations on remuneration strategy, policies and practices applicable to the Key Management Personnel (KMP) and the Executive Directors with a particular focus on performance-based remuneration that reflects increased shareholder value through the achievement of agreed organisational goals.

Nomination Committee: The Company has a small Board (six Directors and an alternate Director) and it is neither practical nor efficient to have a Nomination Committee. It does not have one as such. The Board fulfils the role of the Nomination Committee. The Board ensures the company has adequate plans for the succession of its members, including the Managing Director and has appropriate selection criteria and processes for the identification of a diverse range of suitable candidates to become members of the Board. The Board's responsibilities of the Nomination Committee function are set out in detail in the Company's Corporate Governance Charter.

Both the Audit Committee and the Remuneration Committee have established charters and operating procedures in place, which are reviewed on a regular basis. The Board may establish other committees from time to time to deal with matters of special importance. The Committees have access to the Company's executives and senior management as well as independent advice. Copies of the minutes of each committee meeting are made available to the full Board, and the Chairman of each committee provides an update on the outcomes at the Board meeting that immediately follows the committee meeting.

Independent Decision Making
The Board recognises the important contribution independent Directors make to good corporate governance. All Directors, whether independent or not, are required to act in the best interests of the Company and to exercise unfettered and independent judgment.

The Board has adopted specific principles in relation to Directors' independence and considers the following, at least annually, when determining if a Director is independent:

Whether the Director:

- Is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company.
- Is employed, or has previously been employed in an executive capacity by the company or another Company member, and there has not been a period of at least three years between ceasing such employment and serving on the Board.
- Has within the last three years been a principal of a material professional adviser or a material consultant to the company or another Company member, or an employee materially associated with the service provided.
- Is a material supplier or customer of the company or other Company member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer.
- Has a material contractual relationship with the company or another Company member other than as a Director.

The Chair and two of the Board of Directors are not independent Directors as defined by the Corporate Governance Principles and Recommendations as the Company's size is relatively small and Directors are chosen on their experience, expertise and background in the industry to enhance the Company's future strategic direction.

Induction and Professional Development
All new Directors participate in a formal induction process co-ordinated by the Company Secretary. This induction process includes briefings on the Company's financial, strategic, operational and risk management position, the Company's governance framework and key developments in the Company and the industry and environment in which it operates. The indication process is set out in detail in the Company's Corporate Governance Charter.

Access to Information
The Board is provided with the information it needs to discharge its responsibilities effectively and all Directors have complete access to senior management through the Chairman, Managing Director or Company Secretary at any time.

In certain circumstances, each Director has the right to seek independent professional advice at the Company's expense, within specified limits, or with the prior approval of the Chairman.

3: Promote Ethical and Responsible Decision-making

Code of Conduct
The Board acknowledges and emphasises the importance of all Directors and employees maintaining the highest standards of corporate governance practice and ethical conduct.
The Company has developed a code of conduct, which is communicated to all employees at the beginning and during the employment. The Company also established the following Company policies:

- Whistle-blowing Protection Policy
- Complaints Handling Policy
- Share Trading Policy

The copies of those policies are available on the Company's website.

4: Safeguard Integrity in Financial Reporting

Audit Committee
The Company has a formally constituted Audit Committee. The committee comprises only independent non-executive Directors. The committee Chairman is an independent Director who is appropriately qualified and financially literate and who is not also Chairman of the Board.

As detailed in the Corporate Governance Charter, the committee assists the Board in fulfilling its corporate governance responsibilities in regard to:

- the integrity of the financial reporting
- compliance with legal and regulatory obligations
- the effectiveness of the company's risk management and internal control framework
- oversight of the independence of the external auditors

The names and qualifications of those appointed to the Audit Committee and their attendance at meetings of the committee are included in the Directors' report of the Company's annual report.

The Audit Committee reports to the full Board after every meeting on all matters relevant to the committee's roles and responsibilities.

The Managing Director and the Chief Financial Officer have declared to the Board that:

- the Company's reports present a true and fair view in all material aspects of the financial condition of the Company, and are in accordance with relevant accounting standards.
- a system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

External Auditor
The Audit Committee oversees the relationship with the external auditor. In accordance with the *Corporations Act 2001*, the lead Audit Partner on the audit is required to rotate at the completion of a 5 year term.

The external auditor attends the AGM and is available to answer your shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.

5: Make Timely and Balanced Disclosure

The Company has established policies and procedures to ensure compliance with the disclosure requirements of the ASX Listing Rules, to ensure timely and balanced disclosures of all material matters concerning the Company, and to ensure that all investors have access to information on the Company's financial performance.

These policies and procedures include identification of matters that may have a material effect on the price on the Company's securities, notifying them to the ASX, posting relevant information on the Company's website and issuing media releases.

The Annual Report includes relevant information about the operations of the company during the year, key financial information, changes in the state of affairs and indications of future developments. The Annual Reports for the current year and for previous years are available under the Investor Relations section of the company website.

The half year and full year financial results are announced to the ASX and are available to shareholders via the company and ASX websites.

All announcements made to the market, and related information (including presentations to investors and information provided to analysts or the media during briefings) are made available to all shareholders under the investor relations section of the company website after they are released to the ASX. All ASX announcements, media releases and financial information are available on the Company website within one day of public release.

6: Respect the Rights of Shareholders

The Company has provided information about itself and its governance to its shareholders via its website. The Company Secretary has been nominated as the person responsible for communications with the ASX.

All Executive Management have an ongoing obligation to advise the Company Secretary of any material non-public information which may need to be communicated to the market.

The Company has procedures in place that promotes effective communication with shareholders and encourages participation at general meetings.

The company makes all ASX announcements available via its website. In addition, shareholders who are registered receive email notification of announcements.

The Notice of Annual General Meeting (AGM) will be provided to all shareholders and posted on the company’s website. Notices for general meetings and other communications with shareholders are drafted to ensure that they are honest, accurate and not misleading and that the nature of the business of the meeting is clearly stated and explained where necessary.

The Board encourages full participation by shareholders at the Annual General Meeting to ensure a high level of Directors’ accountability to shareholders and shareholder identification with the Company’s strategy and goals.

7: Recognise and Manage Risk

The Board considers identification and management of key risks associated with the business as vital to maximise shareholder wealth. A yearly assessment of the risk profile and review of risk management framework is undertaken and reviewed by the Board, covering all aspects of the business from the operational level through to strategic level risks. The Board ensures the risk management framework is sound and the Company is operating within the risk appetite set by the Board.

The Board has the overall responsibility for reviewing the company’s policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

The Company has a small Board and it is neither practical nor efficient to have a Risk Committee. It does not have one as such. The Board fulfils the role of the Risk Committee. The Board ensures the company has adequate processes for managing risk, incident involving fraud or the breakdown of internal controls and insurance program. The Board’s responsibilities of the Risk Committee function are set out in detail in the Company’s Corporate Governance Charter.

The Audit Committee was delegated to oversee and review financial risk management specifically and the system of internal control and management of financial risks. The task of implementing internal controls to identify and manage business risks has been delegated to the CFO. The effectiveness of these controls is monitored and reviewed regularly. The recent economic environment has emphasised the importance of managing and reassessing its key business risks.

The Board requires management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively.

The Board receives a report from management as to the effectiveness of the company's management of its material business risks.

Internal Audit Function
The Company does not have an internal audit department due to its relatively small size. The Board and the Audit Committee have established policies and procedures on risk oversight and management. Strategic risks include environmental credit risks, liquidity risks, and currency exchange risks amongst others. The Board's responsibilities of the internal audit function are set out in detail in the Company's Corporate Governance Charter.

Environmental and Corporate Social Responsibility
One of the Board's objectives is to establish and maintain a culture of environmental and social responsibilities through a committed, self-regulatory approach. Environmental and social responsibilities are intertwined with good Governance principles and Organisational Codes of Conduct.

With external guidance, the Board will facilitate the identification of issues and responsibilities relevant to the Company. The details of those responsibilities are set out in the company's Corporate Governance Charter.

8: Remunerate Fairly and Responsibly

Remuneration Committee
The Company has a formally constituted Remuneration Committee. The committee comprises both executive and non-executive Directors.

The role of the Remuneration Committee, as set out in detail in the Corporate Governance Charter, is to provide advice and assistance to the Board in fulfilling its responsibilities in respect of remuneration policies, performance enhancement systems and fair and responsible rewards for individual performance. The responsibilities of the Remuneration Committee are set out in detail in the Company's Corporate Governance Charter.

The names and qualifications of those appointed to the Remuneration Committee and their attendance at meetings of the committee are included in the Directors' report.

The Company's remuneration policy as set out in the Remuneration Report in the Annual Report is designed in such way that it:

- motivates senior executives to pursue the long-term growth and success of the company; and
- demonstrates a clear relationship between senior executives' performance and remuneration.

The remuneration policy, which sets the terms and conditions for the key management personnel (KMP) was developed by the Remuneration Committee after seeking professional advice from independent consultants and was approved by the Board. The policy also sets out the structure of non-executive Directors and executive remunerations are separate In accordance with best practice corporate governance,

All executives receive a base salary, superannuation, fringe benefits, performance incentives and retirement benefits. The Remuneration Committee reviews executive packages annually by reference to company performance, executive performance, comparable information from industry sectors and other listed corporations and independent advice. The performance of executives is measured against criteria agreed half yearly which are based on the forecast growth of the company's profits and shareholder value. The policy is designed to attract the highest calibre executives and reward them for performance which results in long-term growth in shareholder value.

The Board expects that the remuneration structure implemented will result in the company being able to attract and retain the best executives. It will also provide executives with the necessary incentives to work to grow long-term growth in shareholder value.

Further information about the company's remuneration strategy and policies and their relationship to company performance can be found in the Remuneration Report which forms part of the Directors' report, together with details of the remuneration paid to key management personnel.

Equity Based Remunerations
The Board has set policies (Employee Share Plan and Executive Share Option Plan) on whether participates are permitted to enter into transactions which limited the economic risk of participating in the scheme. The details of the policies are available on the Company's Website.

SDI Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2014

	Note	Consolidated 2014 $'000	2013 $'000
Revenue			
Sales revenue		65,330	56,607
Cost of goods sold		(27,052)	(25,456)
Gross profit		38,278	31,151
Other income	5	114	750
Expenses			
Selling and administration expenses		(28,545)	(23,480)
Research and development costs		(415)	(928)
Other expenses		(1,464)	(1,009)
Finance costs	6	(499)	(644)
Profit before income tax expense		7,469	5,840
Income tax expense	7	(1,002)	(1,150)
Profit after income tax expense for the year attributable to the owners of SDI Limited	27	6,467	4,690
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Net change in the fair value of cash flow hedges taken to equity, net of tax		497	(327)
Exchange differences arising on translation of foreign controlled entities		(39)	943
Other comprehensive income for the year, net of tax		458	616
Total comprehensive income for the year attributable to the owners of SDI Limited		6,925	5,306
		Cents	**Cents**
Basic earnings per share	39	5.44	3.95
Diluted earnings per share	39	5.44	3.95

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

SDI Limited
Statement of financial position
As at 30 June 2014

Your Smile. Our Vision.

	Note	Consolidated 2014 $'000	Consolidated 2013 $'000
Assets			
Current assets			
Cash and cash equivalents	8	3,994	3,675
Trade and other receivables	9	11,897	10,862
Inventories	10	14,369	15,235
Derivative financial instruments	11	51	-
Other current assets	12	2,196	1,309
Total current assets		32,507	31,081
Non-current assets			
Property, plant and equipment	13	17,867	16,543
Intangibles	14	20,303	19,351
Deferred tax asset	15	3,359	3,092
Other non-current assets	16	56	96
Total non-current assets		41,585	39,082
Total assets		74,092	70,163
Liabilities			
Current liabilities			
Trade and other payables	17	4,669	4,750
Borrowings	18	4,707	6,104
Derivative financial instruments	19	-	659
Provision for income tax	20	893	984
Other provisions	21	3,075	2,778
Total current liabilities		13,344	15,275
Non-current liabilities			
Borrowings	22	3,946	3,959
Deferred tax liability	23	4,582	4,802
Other provisions	24	145	145
Total non-current liabilities		8,673	8,906
Total liabilities		22,017	24,181
Net assets		52,075	45,982
Equity			
Issued capital	25	12,890	12,890
Reserves	26	284	(174)
Retained profits	27	38,901	33,266
Total equity		52,075	45,982

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

SDI Limited
Statement of changes in equity
For the year ended 30 June 2014

Consolidated	**Issued capital $'000**	**Reserves $'000**	**Retained profits $'000**	**Total equity $'000**
Balance at 1 July 2012	12,890	(790)	30,307	42,407
Adjustment for correction of error (note 2)	-	-	(1,374)	(1,374)
Balance at 1 July 2012 - restated	12,890	(790)	28,933	41,033
Profit after income tax expense for the year	-	-	4,690	4,690
Other comprehensive income for the year, net of tax	-	616	-	616
Total comprehensive income for the year	-	616	4,690	5,306
Transactions with owners in their capacity as owners:				
Dividends paid (note 28)	-	-	(357)	(357)
Balance at 30 June 2013	12,890	(174)	33,266	45,982

Consolidated	**Issued capital $'000**	**Reserves $'000**	**Retained profits $'000**	**Total equity $'000**
Balance at 1 July 2013	12,890	(174)	33,266	45,982
Profit after income tax expense for the year	-	-	6,467	6,467
Other comprehensive income for the year, net of tax	-	458	-	458
Total comprehensive income for the year	-	458	6,467	6,925
Transactions with owners in their capacity as owners:				
Dividends paid (note 28)	-	-	(832)	(832)
Balance at 30 June 2014	12,890	284	38,901	52,075

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

SDI Limited
Statement of cash flows
For the year ended 30 June 2014

	Note	Consolidated 2014 $'000	2013 $'000
Cash flows from operating activities			
Receipts from customers		64,284	56,115
Payments to suppliers and employees		(54,453)	(49,359)
		9,831	6,756
Interest received		11	15
Other revenue		92	-
Interest and other finance costs paid		(499)	(644)
Income tax refunds		92	174
Income taxes paid		(1,885)	(694)
Net cash from operating activities	38	7,642	5,607
Cash flows from investing activities			
Payments for property, plant and equipment	13	(3,138)	(2,178)
Payments for intangibles	14	(1,926)	(1,766)
Proceeds from sale of property, plant and equipment		22	33
Net cash used in investing activities		(5,042)	(3,911)
Cash flows from financing activities			
Proceeds from borrowings		8,328	12,891
Dividends paid	28	(832)	(357)
Repayment of borrowings		(9,738)	(13,509)
Net cash used in financing activities		(2,242)	(975)
Net increase in cash and cash equivalents		358	721
Cash and cash equivalents at the beginning of the financial year		3,675	2,715
Effects of exchange rate changes on cash and cash equivalents		(39)	239
Cash and cash equivalents at the end of the financial year	8	3,994	3,675

The above 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 and its subsidiaries. The financial statements are presented in Australian dollars, which is SDI Limited's functional and presentation currency.

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

Registered office	**Principal place of business**
5-9 Brunsdon Street Bayswater VIC 3153	3-15 Brunsdon Street Bayswater Vic 3153

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 September 2014. 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 below. These policies have been consistently applied to all the years presented, unless otherwise stated.

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

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

Any significant impact on the accounting policies of the consolidated entity from the adoption of these Accounting Standards and Interpretations are disclosed below. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

The following Accounting Standards and Interpretations are most relevant to the consolidated entity:

AASB 10 Consolidated Financial Statements
The consolidated entity has applied AASB 10 from 1 July 2013, which has a new definition of 'control'. Control exists when the reporting entity is exposed, or has the rights, to variable returns from its involvement with another entity and has the ability to affect those returns through its 'power' over that other entity. A reporting entity has power when it has rights that give it the current ability to direct the activities that significantly affect the investee's returns. The consolidated entity not only has to consider its holdings and rights but also the holdings and rights of other shareholders in order to determine whether it has the necessary power for consolidation purposes.

Management has reviewed its control assessment in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

AASB 12 Disclosure of Interests in Other Entities
The consolidated entity has applied AASB 12 from 1 July 2013. The standard contains the entire disclosure requirement associated with other entities, being subsidiaries, associates, joint arrangements (joint operations and joint ventures) and unconsolidated structured entities. The disclosure requirements have been significantly enhanced when compared to the disclosures previously located in AASB 127 'Consolidated and Separate Financial Statements', AASB 128 'Investments in Associates', AASB 131 'Interests in Joint Ventures' and Interpretation 112 'Consolidation - Special Purpose Entities'.

The application of AASB 12 has not had any material impact on the amounts recognised in the consolidated financial statements.

Note 2. Significant accounting policies (continued)

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
The consolidated entity has applied AASB 13 and its consequential amendments from 1 July 2013. The standard provides a single robust measurement framework, with clear measurement objectives, for measuring fair value using the 'exit price' and provides guidance on measuring fair value when a market becomes less active. The 'highest and best use' approach is used to measure non-financial assets whereas liabilities are based on transfer value. The standard requires increased disclosures where fair value is used.

AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2013 comparative period; the application of AASB 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)
The consolidated entity has applied AASB 119 and its consequential amendments from 1 July 2013. The standard eliminates the corridor approach for the deferral of gains and losses; streamlines the presentation of changes in assets and liabilities arising from defined benefit plans, including requiring remeasurements to be presented in other comprehensive income; and enhances the disclosure requirements for defined benefit plans. The standard also changed the definition of short-term employee benefits, from 'due to' to 'expected to' be settled within 12 months. Annual leave that is not expected to be wholly settled within 12 months is now discounted allowing for expected salary levels in the future period when the leave is expected to be taken.

There is no material impact to the consolidated financial statements as a result of the application of these new standards.

AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards
The consolidated entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

The application of AASB 127 has not had any material impact on the amounts recognised in the consolidated financial statements.

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities
The consolidated entity has applied AASB 2012-2 from 1 July 2013. The amendments enhance AASB 7 'Financial Instruments: Disclosures' and requires disclosure of information about rights of set-off and related arrangements, such as collateral agreements. The amendments apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

There is no material impact to the consolidated financial statements as a result of the application of this new standard.

Note 2. Significant accounting policies (continued)

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle
The consolidated entity has applied AASB 2012-5 from 1 July 2013. The amendments affect five Australian Accounting Standards as follows: Confirmation that repeat application of AASB 1 'First-time Adoption of Australian Accounting Standards' is permitted; Clarification of borrowing cost exemption in AASB 1; Clarification of the comparative information requirements when an entity provides an optional third column or is required to present a third statement of financial position in accordance with AASB 101 'Presentation of Financial Statements'; Clarification that servicing of equipment is covered by AASB 116 'Property, Plant and Equipment', if such equipment is used for more than one period; clarification that the tax effect of distributions to holders of equity instruments and equity transaction costs in AASB 132 'Financial Instruments: Presentation' should be accounted for in accordance with AASB 112 'Income Taxes'; and clarification of the financial reporting requirements in AASB 134 'Interim Financial Reporting' and the disclosure requirements of segment assets and liabilities.

The application of AASB 2012-5 has not had any material impact on the amounts recognised in the consolidated financial statements.

AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments
The consolidated entity has applied AASB 2012-10 amendments from 1 July 2013, which amends AASB 10 and related standards for the transition guidance relevant to the initial application of those standards. The amendments clarify the circumstances in which adjustments to an entity's previous accounting for its involvement with other entities are required and the timing of such adjustments.

There is no material impact to the consolidated financial statements as a result of the application of this new standard.

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement
The consolidated entity has applied 2011-4 from 1 July 2013, which amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual key management personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report.

The adoption of these amendments has impacted the disclosure requirements of the consolidated entity.

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, except for derivative financial instruments.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

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 35.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of SDI Limited ('company' or 'parent entity') as at 30 June 2014 and the results of all subsidiaries for the year then ended. SDI Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

Note 2. Significant accounting policies (continued)

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.

Operating segments

Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Foreign currency translation

The financial statements are presented in Australian dollars, which is SDI Limited's functional and presentation currency.

Foreign currency transactions

Foreign currency transactions are translated into Australian dollars 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 rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the consolidated entity and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Sale of goods

Sale of goods revenue is recognised at the point of sale, which is where the customer has taken delivery of the goods, the risks and rewards are transferred to the customer and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

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.

Note 2. Significant accounting policies (continued)

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Research and development expense
Expenditure during the research phase of a project is recognised as an expense when incurred. Expenditure incurred in the development phase of a project shall be expensed when incurred unless the criteria for capitalisation as an intangible asset has been satisfied (refer to Intangible Assets - 'Development'). Expensing of development costs occurs where it cannot be demonstrated that it is probable that the expenditure results in the control of future economic benefits.

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 changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

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 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.

During the year ended 30 June 2014 the Company changed its accounting policy for the assessment of Research and Development Concessions estimated to be claimed in its annual income tax provision. The change involves a more detailed analysis of the expected concessions to be received based on the applicable financial year's actual eligible Research and Development expenditure. This differs from the previous accounting policy whereby the estimate was based on the previous year's concession that was received in the following year. The impact for the year ended 30 June 2014 has resulted in a decrease to the provision for income taxation of $450,000 and income tax expense of $450,000. No adjustment has been made in respect of the prior year as the effect is considered immaterial.

Comparative amounts
Correction in respect of Deferred Tax Asset
During the year 30 June 2014 an error was identified in respect of a Deferred Tax Asset which related to a previous write down in the carrying amount of an investment in an overseas entity controlled by the Company. In these financial statements the derecognition of the Deferred Tax Asset has been made as at 1 July 2012 being the earliest comparative period in these financial statements. Accordingly, Deferred Tax Assets and Opening Retained Earnings have been reduced by $1,374,000 as at 1 July 2012.

	As at 1 July 2012 $'000	As at 1 July 2013 $'000
Deferred Tax Asset		
As previously reported	3,608	4,466
Adjustment	(1,374)	(1,374)
As restated	2,234	3,092

	As at 1 July 2012 $'000	As at 1 July 2013 $'000
Opening Retained Earnings		
As previously reported	30,307	34,640
Adjustment	(1,374)	(1,374)
As restated	28,933	33,266

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

Note 2. Significant accounting policies (continued)

An asset is current when it is expected to be realised or intended to be sold or consumed in normal operating cycle; it is held primarily for the purpose of trading 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 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 an 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.

Deferred tax assets and liabilities are always classified as non-current.

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.

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 provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Inventories
Raw materials, work in progress and finished goods 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 cash flow hedging reserves 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.

Derivative financial instruments
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Derivatives are classified as current or non-current depending on the expected period of realisation.

Cash flow hedges
Cash flow hedges are used to cover the consolidated entity's exposure to variability in cash flows that is attributable to the particular risk associated with a recognised asset or liability or a firm commitment which could affect profit or loss. The effective portion of the gain or loss on the hedging instrument is recognised directly in equity, whilst the ineffective portion is recognised in profit or loss. Amounts taken to equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Cash flow hedges are tested for effectiveness on a regular basis both retrospectively and prospectively to ensure that each hedge is highly effective and continues to be designated as a cash flow hedge. If the forecast transaction is no longer expected to occur, amounts recognised in equity are transferred to profit or loss.

Note 2. Significant accounting policies (continued)

If the hedging instrument is sold, terminated, expires, exercised without replacement or rollover, or if the hedge becomes ineffective and is no longer a designated hedge, amounts previously recognised in equity remain in equity until the forecast transaction occurs.

Property, plant and equipment
Land and buildings are shown at historical cost less accumulated depreciation.

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 items.

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 and plant and equipment under lease 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. Any revaluation surplus reserve relating to the item disposed of is transferred directly to retained profits.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. 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.

Development
Development costs are capitalised when it is probable that the project will be a success, considering its commercial and technical feasibility, the consolidated entity is 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. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit being their finite life of between 10 and 30 years.

Trademarks and licences
Intellectual property consists of patents, trademarks, licences and other technical know-how, which have a benefit or relationship to more than one accounting period. 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. They are amortised over their useful life of up to 10 years. Intellectual property with an indefinite useful life is tested annually for impairment and carried at cost less accumulated impairment losses.

Impairment of non-financial assets
Goodwill and other 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.

Note 2. Significant accounting policies (continued)

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.

Trade and other payables
These amounts 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 amounts are unsecured and are usually paid within 30 days of recognition.

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.

Where there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, the loans or borrowings are classified as non-current.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred, including:
- interest on short-term and long-term borrowings
- interest on hire purchases

Provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Warranties
Provisions for the expected cost of warranty obligations under local sale of goods legislation are recognised at the date of sale of the relevant products at the directors' best estimate of the expenditure required to settle the consolidated entity's obligation.

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.

Other long-term employee benefits
Liabilities recognised in respect of employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the company in respect of services provided by employees up to reporting date.

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Note 2. Significant accounting policies (continued)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interest. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Assets and liabilities measured at fair value are classified, into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed each reporting date and transfers between levels are determined based on a reassessment of the lowest level input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

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.

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

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 adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a net basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts
The company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 2. Significant accounting policies (continued)

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 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments and its consequential amendments
This standard and its consequential amendments are applicable to annual reporting periods beginning on or after 1 January 2018 and completes phases I and III of the IASB's project to replace IAS 39 (AASB 139) 'Financial Instruments: Recognition and Measurement'. This standard introduces new classification and measurement models for financial assets, using a single approach to determine whether a financial asset is measured at amortised cost or fair value. The accounting for financial liabilities continues to be classified and measured in accordance with AASB 139, with one exception, being that the portion of a change of fair value relating to the entity's own credit risk is to be presented in other comprehensive income unless it would create an accounting mismatch. Chapter 6 'Hedge Accounting' supersedes the general hedge accounting requirements in AASB 139 and provides a new simpler approach to hedge accounting that is intended to more closely align with risk management activities undertaken by entities when hedging financial and non-financial risks. The consolidated entity will adopt this standard and the amendments from 1 July 2018 but the impact of its adoption is yet to be assessed by the consolidated entity.

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities
The amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The amendments add application guidance to address inconsistencies in the application of the offsetting criteria in AASB 132 'Financial Instruments: Presentation', by clarifying the meaning of 'currently has a legally enforceable right of set-off'; and clarifies that some gross settlement systems may be considered to be equivalent to net settlement. The adoption of the amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014. The disclosure requirements of AASB 136 'Impairment of Assets' have been enhanced to require additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposals. Additionally, if measured using a present value technique, the discount rate is required to be disclosed. The adoption of these amendments from 1 January 2014 may increase the disclosures by the consolidated entity.

AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting
These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and amends AASB 139 'Financial Instruments: Recognition and Measurement' to permit continuation of hedge accounting in circumstances where a derivative (designated as hedging instrument) is novated from one counter party to a central counterparty as a consequence of laws or regulations. The adoption of these amendments from 1 July 2014 will not have a material impact on the consolidated entity.

AASB 2014-1 Amendments to Australian Accounting Standards
These amendments are in several parts. Part A makes various amendments to Australian Accounting Standards arising from the issuance of IASB's 'Annual Improvements to IFRSs 2010-2012 Cycle' and 'Annual Improvements to IFRSs 2011-2013 Cycle'. Part B makes amendments to AASB 119 'Employee in relation to the requirements for contributions from employees or third parties that are linked to service which arise from the issuance of IASB's 'Defined Benefit Plans – Employee Contributions (Amendments to IAS 19)'. Part C makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031 'Materiality'. Part D makes consequential amendments arising from the issuance of AASB 14 'Regulatory Deferral Accounts'. Part E makes consequential amendments to numerous other Standards as a consequence of the introduction of hedge accounting requirements into AASB 9 'Financial Instruments' in December 2013. Amendments Part A to D are applicable to annual reporting periods beginning on or after 1 July 2014 or as specified in each Part. Amendments Part E are applicable to annual reporting periods beginning on or after 1 January 2015 or as specified in Part E. The impact of these amendments is yet to be assessed by the consolidated entity.

Note 2. Significant accounting policies (continued)

Annual Improvements to IFRSs 2010-2012 Cycle
These amendments affect several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments will not have a material impact on the consolidated entity.

Annual Improvements to IFRSs 2011-2013 Cycle
These amendments affect four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments will not have a material impact on the consolidated entity.

IFRS 15 Revenue from Contracts with Customers
This standard is expected to be applicable to annual reporting periods beginning on or after 1 January 2017. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity’s statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity’s performance and the customer’s payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The consolidated entity will adopt this standard and the amendments from 1 July 2017 but the impact of its adoption is yet to be assessed by the consolidated entity.

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.

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtors financial position.

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the ageing of inventories and other factors that affect inventory obsolescence.

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 technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets other than goodwill and other indefinite life intangible assets
The consolidated entity assesses impairment of non-financial assets other than goodwill and other indefinite life intangible 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 fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Impairment of indefinite life intangible assets
Intangible assets with an indefinite useful life are tested annually for impairment and carried at cost less accumulated impairment losses.

Income tax
The consolidated entity is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The consolidated entity recognises liabilities for anticipated tax audit issues based on the consolidated entity's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Employee benefits provision
As discussed in note 2, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Warranty provision
In determining the level of provision required for warranties the consolidated entity has made judgements in respect of the expected performance of the products, the number of customers who will actually claim under the warranty and how often, and the costs of fulfilling the conditions of the warranty. The provision is based on estimates made from historical warranty data associated with similar products and services.

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 intangible assets accounting policy above are 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.

Note 4. Operating segments

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

Based on 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 operating segments. These are primarily identified on the basis of subsidiary companies in different markets.

Reportable segments
The consolidated entity's reportable segments under AASB 8 are as follows:

SDI Australia	SDI Limited
SDI Europe	SDI Dental Limited (Ireland), SDI GmbH (Germany) and SDI Italy S.r.l (Italy)
SDI USA	SDI (North America), Inc.
SDI Brazil	SDI Brasil Industria e Comercio Ltda

SDI New Zealand Limited's segment result has been included under the segment, inter-segment eliminations / other as the results were judged immaterial for separate inclusion in the segment report.

Intersegment transactions
The segment revenues, expenses and result include transfers between segments. The pricing of the intersegment transactions is based on cost plus an appropriate mark-up, which reflects market conditions of the segment into which the sales are made. These transfers are eliminated on consolidation of the consolidated entity’s financial statements.

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

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

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Note 4. Operating segments (continued)

Operating segment information

Consolidated - 2014	SDI Australia $'000	SDI Europe $'000	SDI USA $'000	SDI Brazil $'000	Inter-segment eliminations/ unallocated $'000	Total $'000
Revenue						
Sales to external customers	22,418	19,510	17,643	5,650	109	65,330
Intersegment sales	21,336	10,939	-	-	(32,275)	-
Total sales revenue	43,754	30,449	17,643	5,650	(32,166)	65,330
Total revenue	43,754	30,449	17,643	5,650	(32,166)	65,330
Segment profit before tax	7,093	1,809	907	(824)	(1,017)	7,968
Finance costs						(499)
Profit before income tax expense						7,469
Income tax expense						(1,002)
Profit after income tax expense						6,467
Assets						
Segment assets	63,893	7,618	6,182	6,350	(13,310)	70,733
Unallocated assets:						
Deferred tax asset						3,359
Total assets						74,092
Liabilities						
Segment liabilities	15,249	3,535	358	5,325	(7,032)	17,435
Unallocated liabilities:						
Deferred tax liability						4,582
Total liabilities						22,017

Note 4. Operating segments (continued)

Consolidated - 2013	SDI Australia $'000	SDI Europe $'000	SDI USA $'000	SDI Brazil $'000	Inter-segment eliminations/ unallocated $'000	Total $'000
Revenue						
Sales to external customers	18,996	16,590	16,225	4,684	112	56,607
Intersegment sales	21,294	9,118	-	-	(30,412)	-
Total sales revenue	40,290	25,708	16,225	4,684	(30,300)	56,607
Total revenue	40,290	25,708	16,225	4,684	(30,300)	56,607
Segment profit before tax	4,582	2,116	1,053	(1,064)	(204)	6,483
Finance costs						(643)
Profit before income tax expense						5,840
Income tax expense						(1,150)
Profit after income tax expense						4,690
Assets						
Segment assets	60,164	7,463	6,355	5,646	(12,557)	67,071
Unallocated assets:						
Deferred tax asset						3,092
Total assets						70,163
Liabilities						
Segment liabilities	16,936	3,859	723	7,784	(9,923)	19,379
Unallocated liabilities:						
Deferred tax liability						4,802
Total liabilities						24,181

Note 5. Other income

	Consolidated 2014 $'000	**Consolidated 2013 $'000**
Net foreign exchange gain	-	695
Interest revenue	11	15
Other income	103	40
Other income	114	750

Note 6. Expenses

	Consolidated	
	2014	**2013**
	$'000	**$'000**
Profit before income tax includes the following specific expenses:		
Depreciation		
Land and buildings	109	106
Plant and equipment	1,664	1,687
Total depreciation	1,773	1,793
Amortisation		
Development	749	747
Trademarks and licences	225	218
Total amortisation	974	965
Total depreciation and amortisation	2,747	2,758
Other Significant Expenses:		
Foreign exchange loss/(gain)	368	(695)
Cost of sales	27,052	25,456
Employee benefits expense	21,116	18,532
Superannuation expense	1,210	1,075
Rental expense - minimum lease payments	338	307
Bad and doubtful debts	109	54
Interest and finance charges paid/payable	499	644
Total Other Significant Expenses:	50,692	45,373

Note 7. Income tax expense

	Consolidated 2014 $'000	Consolidated 2013 $'000
Income tax expense		
Current tax	1,678	1,288
Deferred tax - origination and reversal of temporary differences	(487)	107
Adjustment recognised for prior periods	(189)	(245)
Aggregate income tax expense	1,002	1,150
Deferred tax included in income tax expense comprises:		
Increase in deferred tax assets (note 15)	(267)	(858)
Increase/(decrease) in deferred tax liabilities (note 23)	(220)	965
Deferred tax - origination and reversal of temporary differences	(487)	107
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	7,469	5,840
Tax at the statutory tax rate of 30%	2,241	1,752
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Research and development concession	(1,086)	(168)
Other deductible items	(45)	(46)
Sundry items	38	40
	1,148	1,578
Adjustment recognised for prior periods	(189)	(245)
Difference in overseas tax rates	43	(183)
Income tax expense	1,002	1,150

Note 8. Current assets - cash and cash equivalents

	Consolidated 2014 $'000	Consolidated 2013 $'000
Cash at bank and on hand	3,994	3,675

Note 9. Current assets - trade and other receivables

	Consolidated 2014 $'000	Consolidated 2013 $'000
Trade receivables	11,499	9,974
Less: Provision for impairment of receivables	(219)	(103)
	11,280	9,871
Other receivables	617	991
	11,897	10,862

Note 9. Current assets - trade and other receivables (continued)

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

	Consolidated 2014 $'000	Consolidated 2013 $'000
Over 2 months overdue	219	103

Movements in the provision for impairment of receivables are as follows:

	Consolidated 2014 $'000	Consolidated 2013 $'000
Opening balance	103	44
Additional provisions recognised	116	59
Closing balance	219	103

Credit terms with domestic customers are 30 days from invoice date. Credit terms for export customers vary depending on a number of factors. The average credit terms for export customers are 60 days from invoice date. Amounts owed by wholly owned subsidiaries are trade in nature and are settled on credit terms ranging from 30 days to 180 days from date of invoice.

As at 30 June 2014 there were no material balances in existence that are considered to be past due that have not already been provided for. The Group has provided for doubtful debts of $219,000 to cover overdue payments ranging from 61 days to 2 years.

In determining the recoverablity of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date that credit was initially granted up to the reporting date. The concentration of credit risk is limited due to the customers being small and unrelated. Accordingly, the directors believe that there is no further provision required in excess of the allowance for doubtful debts.

Note 10. Current assets - inventories

	Consolidated 2014 $'000	Consolidated 2013 $'000
Raw materials - at cost	7,158	6,831
Finished goods - at cost	8,001	8,773
Less: Provision for inventory obsolescence	(790)	(369)
	14,369	15,235

Note 11. Current assets - derivative financial instruments

	Consolidated 2014 $'000	Consolidated 2013 $'000
Forward foreign exchange contracts - Silver hedges	51	-

Refer to note 30 for further information on fair value measurement.

Note 12. Current assets - other current assets

	Consolidated 2014 $'000	Consolidated 2013 $'000
Prepayments	2,196	1,309

Note 13. Non-current assets - property, plant and equipment

	Consolidated 2014 $'000	Consolidated 2013 $'000
Land and buildings - at cost	9,176	9,112
Less: Accumulated depreciation	(1,093)	(984)
	8,083	8,128
Plant and equipment - at cost	26,883	24,087
Less: Accumulated depreciation	(17,099)	(15,672)
	9,784	8,415
	17,867	16,543

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 2012	8,037	8,160	16,197
Additions	197	1,981	2,178
Disposals	-	(39)	(39)
Depreciation expense	(106)	(1,687)	(1,793)
Balance at 30 June 2013	8,128	8,415	16,543
Additions	64	3,074	3,138
Disposals	-	(41)	(41)
Depreciation expense	(109)	(1,664)	(1,773)
Balance at 30 June 2014	8,083	9,784	17,867

Property, plant and equipment secured under finance leases
Refer to note 33 for further information on property, plant and equipment secured under finance leases.

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Note 14. Non-current assets - intangibles

	Consolidated 2014 $'000	Consolidated 2013 $'000
Development costs - at cost	21,725	20,193
Less: Accumulated amortisation	(5,669)	(4,920)
	16,056	15,273
Trademarks and licences - at cost	6,457	6,062
Less: Accumulated amortisation	(2,210)	(1,984)
	4,247	4,078
	20,303	19,351

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

Consolidated	Development $'000	Trademarks and licences $'000	Total $'000
Balance at 1 July 2012	14,560	3,990	18,550
Additions	1,460	306	1,766
Amortisation expense	(747)	(218)	(965)
Balance at 30 June 2013	15,273	4,078	19,351
Additions	1,532	394	1,926
Amortisation expense	(749)	(225)	(974)
Balance at 30 June 2014	16,056	4,247	20,303

Impairment disclosures
Impairment testing was undertaken on the consolidated entity’s capitalised development costs and intellectual property.

The recoverable amount of each cash-generating unit to which such assets are allocated is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a 5 year period plus the terminal value. The cash flows are discounted using the weighted average cost of capital of 11.46% at the beginning of the budget period.

These budgets use historical weighted average growth rates and average exchange rates and silver costs for the previous 12 months to project future revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period. Discount rates are post-tax and are adjusted to incorporate risks associated with a particular cash generating unit.

Note 15. Non-current assets - deferred tax asset

	Consolidated	
	2014	**2013**
	$'000	**$'000**
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Property, plant and equipment	767	900
Provisions	1,220	1,011
Trade and other receivables	46	4
Foreign income	406	406
Elimination of profit held in stock sold to subsidiaries	668	558
Other	252	213
Deferred tax asset	3,359	3,092
Movements:		
Opening balance	3,092	2,234
Credited to profit or loss (note 7)	267	858
Closing balance	3,359	3,092

Note 16. Non-current assets - other non-current assets

	Consolidated	
	2014	**2013**
	$'000	**$'000**
Prepayments	56	96

Note 17. Current liabilities - trade and other payables

	Consolidated	
	2014	**2013**
	$'000	**$'000**
Trade payables	1,881	2,603
Other payables and accrued expenses	2,788	2,147
	4,669	4,750

Refer to note 29 for further information on financial instruments.

The average credit period on the purchases of goods and services ranges from 7 to 60 day. No interest is charged on trade payable's.

Note 18. Current liabilities - borrowings

	Consolidated 2014 $'000	Consolidated 2013 $'000
Bank loans	4,157	5,596
Hire purchase liability	550	508
	4,707	6,104

Refer to note 22 for further information on assets pledged as security and financing arrangements.

Refer to note 29 for further information on financial instruments.

Note 19. Current liabilities - derivative financial instruments

	Consolidated 2014 $'000	Consolidated 2013 $'000
Forward foreign exchange contracts - cash flow hedges	-	659

Refer to note 29 for further information on financial instruments.

Refer to note 30 for further information on fair value measurement.

Note 20. Current liabilities - provision for income tax

	Consolidated 2014 $'000	Consolidated 2013 $'000
Provision for income tax	893	984

Note 21. Current liabilities - other provisions

	Consolidated 2014 $'000	Consolidated 2013 $'000
Warranties	50	50
Employee Benefits	3,025	2,728
	3,075	2,778

Warranties
The provision represents the estimated warranty claims in respect of products sold which are still under warranty at the reporting date. The provision is estimated based on historical warranty claim information, sales levels and any recent trends that may suggest future claims could differ from historical amounts.

Employee Benefits
A provision has been recognised for employee entitlements relating to annual leave and long service leave.In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 2.

Note 21. Current liabilities - other provisions (continued)

Movements in provisions
Movements in each class of provision during the current financial year, are set out below:

Consolidated - 2014	Employee Benefits $'000	Warranties $'000
Carrying amount at the start of the year	2,728	50
Additional provisions recognised	1,265	-
Amounts used	(968)	-
Carrying amount at the end of the year	3,025	50

Note 22. Non-current liabilities - borrowings

	Consolidated	
	2014 $'000	**2013 $'000**
Bank loans	3,000	2,750
Hire purchase liabilities	946	1,209
	3,946	3,959

Refer to note 29 for further information on financial instruments.

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	2014 $'000	**2013 $'000**
Bank loans	7,157	8,346
Hire purchase liabilities	1,496	1,717
	8,653	10,063

Assets pledged as security
The bank loans are secured by a registered first mortgage debenture over the assets of the company and a registered first mortgage over the freehold properties of the company. The company has a loan facility of $8,000,000, an import line facility of $2,000,000 and an export line facility of $450,000. The facilities allow for both fixed and variable rate loans. The loan period does not exceed 5 years. Finance will be provided under all facilities, which are reviewed annually, provided the company and the consolidated entity are within the terms and conditions of the Agreement.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Consolidated	
	2014 $'000	**2013 $'000**
Freehold land and buildings	8,082	8,128
Other assets	39,425	33,289
	47,507	41,417

Note 22. Non-current liabilities - borrowings (continued)

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

	Consolidated 2014 $'000	Consolidated 2013 $'000
Total facilities		
Bank loans	10,450	10,450
Insurance premium funding facility	59	36
	10,509	10,486
Used at the reporting date		
Bank loans	7,157	8,346
Insurance premium funding facility	59	36
	7,216	8,382
Unused at the reporting date		
Bank loans	3,293	2,104
Insurance premium funding facility	-	-
	3,293	2,104

Note 23. Non-current liabilities - deferred tax liability

	Consolidated 2014 $'000	Consolidated 2013 $'000
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Prepayments	233	132
Intangible assets	4,223	4,325
Other	126	345
Deferred tax liability	4,582	4,802
Movements:		
Opening balance	4,802	3,837
Credited/(charged) to profit or loss (note 7)	(220)	965
Closing balance	4,582	4,802

Note 24. Non-current liabilities - other provisions

	Consolidated 2014 $'000	Consolidated 2013 $'000
Employee benefits	145	145

Note 25. Equity - issued capital

	Consolidated			
	2014 Shares	2013 Shares	2014 $'000	2013 $'000
Ordinary shares - fully paid	118,865,530	118,865,530	12,890	12,890

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

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

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

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.

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 remains unchanged from the 2013 Annual Report.

The consolidated entity monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings as shown in the statement of financial position) less 'cash and cash equivalents' as shown in the statement of financial position. Total capital is calculated as 'total equity' as shown in the statement of financial position (including non-controlling interest) plus net debt.

The gearing ratio at the reporting date was as follows:

	Consolidated	
	2014 $'000	2013 $'000
Current liabilities - borrowings (note 18)	4,707	6,104
Non-current liabilities - borrowings (note 22)	3,946	3,959
Total borrowings	8,653	10,063
Current assets - cash and cash equivalents (note 8)	(3,994)	(3,675)
Net debt	4,659	6,388
Total equity	52,075	45,982
Total capital	56,734	52,370
Gearing ratio	8%	12%

Note 26. Equity - reserves

	Consolidated 2014 $'000	2013 $'000
Revaluation surplus reserve	272	272
Foreign currency reserve	(387)	(348)
Capital profits reserve	363	363
Hedging reserve - cash flow hedges	36	(461)
	284	(174)

Revaluation surplus reserve
The reserve is used to recognise increments and decrements in the fair value of land and buildings, excluding investment properties.

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 arising from the disposal of investments.

Hedging reserve - cash flow hedges
The reserve is used to recognise the effective portion of the gain or loss of cash flow hedge instruments that is determined to be an effective hedge.

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

Consolidated	Revaluation surplus $'000	Foreign currency $'000	Capital profits $'000	Hedging $'000	Total $'000
Balance at 1 July 2012	272	(1,291)	363	(134)	(790)
Revaluation - gross	-	-	-	(467)	(467)
Deferred tax	-	-	-	140	140
Foreign currency translation	-	943	-	-	943
Balance at 30 June 2013	272	(348)	363	(461)	(174)
Revaluation - gross	-	-	-	710	710
Deferred tax	-	-	-	(213)	(213)
Foreign currency translation	-	(39)	-	-	(39)
Balance at 30 June 2014	272	(387)	363	36	284

Note 27. Equity - retained profits

	Consolidated 2014 $'000	2013 $'000
Retained profits at the beginning of the financial year	33,266	28,933
Profit after income tax expense for the year	6,467	4,690
Dividends paid (note 28)	(832)	(357)
Retained profits at the end of the financial year	38,901	33,266

Note 28. Equity - dividends

Dividends paid during the financial year were as follows:

	Consolidated 2014 $'000	2013 $'000
Final dividend for the year ended 30 June 2013 of 0.5 cents (2012: 0.3 cents) per ordinary share	595	357
Interim dividend for the year ended 30 June 2014 of 0.2 cents (2013: 0.0 cents) per ordinary share	237	-
	832	357

Proposed final 2014 fully franked ordinary dividend of 0.5 cents (2013: 0.5 cents) per share franked at the tax rate of 30% (2013: 30%).

Note 29. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate 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 derivative financial instruments such as cash flow hedges to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. 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 hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly 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.

It is the consolidated entity's policy that net foreign exchange exposure, be hedged where deemed appropriate. At balance date there were no foreign currency hedges set in place.

The reporting date exchange rates applied were as follows:

	Reporting date exchange rates 2014	2013
Australian dollars		
United States dollars	0.9429	0.9166
Euros	0.6888	0.7046
Brazilian Real	2.0776	2.0235
New Zealand dollars	1.0770	1.1823

Note 29. Financial instruments (continued)

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.

	Assets		Liabilities	
Consolidated	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
US dollars	3,771	2,999	(409)	(504)
Euros	4,522	4,469	(1,437)	(1,309)
Brazilian Real	2,186	1,896	(254)	(190)
Other	21	28	(2)	(3)
	10,500	9,392	(2,102)	(2,006)

Sensitivity analysis

The following table illustrates sensitivities to the Group'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.

	AUD strengthened			AUD weakened		
Consolidated - 2014	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
US dollars	10%	336	336	10%	(336)	(336)
Euros	10%	308	308	10%	(308)	(308)
Brazilian Real	10%	193	193	10%	(193)	(193)
Other	10%	2	2	10%	(2)	(2)
		839	839		(839)	(839)

	AUD strengthened			AUD weakened		
Consolidated - 2013	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
US dollars	10%	250	250	10%	(250)	(250)
Euros	10%	316	316	10%	(316)	(316)
Brazilian Real	10%	171	171	10%	(171)	(171)
Other	10%	2	2	10%	(2)	(2)
		739	739		(739)	(739)

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

Price risk
The consolidated entity is exposed to commodity price risk through its manufacturing operations. Silver prices have fluctuated on the London Silver Exchange over recent years therefore the consolidated entity currently hedges the price it buys silver at. The consolidated entity's current practice is to use three month rolling hedges to protect its margins. Silver futures markets and economic forecasts are constantly monitored to determine whether to implement such hedges.

Note 29. Financial instruments (continued)

The fair value of forward silver contracts is disclosed in Note 31: Fair value measurement.

During the year, the net gain/(loss) on fair value hedges recognised was $51,000 (2013 ($659,000)).

Sensitivity analysis

The effect on profit and equity as a result of changes in the price risk on the hedge, with all other variables remaining constant is indicated in the following table. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Average price increase			Average price decrease		
Consolidated - 2014	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
Silver	10%	8	8	10%	(8)	(8)

	Average price increase			Average price decrease		
Consolidated - 2013	**% change**	**Effect on profit before tax**	**Effect on equity**	**% change**	**Effect on profit before tax**	**Effect on equity**
Silver	10%	66	66	10%	(66)	(66)

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:

	2014		2013	
Consolidated	**Weighted average interest rate %**	**Balance $'000**	**Weighted average interest rate %**	**Balance $'000**
Bank loans	4.50%	7,157	6.21%	8,346
Net exposure to cash flow interest rate risk		7,157		8,346

Sensitivity analysis

The following table illustrates sensitivities to the Group'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		
Consolidated - 2014	**Basis points change**	**Effect on profit before tax $'000**	**Effect on equity $'000**	**Basis points change**	**Effect on profit before tax $'000**	**Effect on equity $'000**
Bank loans	50	36	36	50	(36)	(36)

Note 29. Financial instruments (continued)

Consolidated - 2013	Basis points increase Basis points change	Basis points increase Effect on profit before tax $'000	Basis points increase Effect on equity $'000	Basis points decrease Basis points change	Basis points decrease Effect on profit before tax $'000	Basis points decrease Effect on equity $'000
Bank loans	50	52	52	50	(52)	(52)

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

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.

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 2014 $'000	Consolidated 2013 $'000
Bank loans	3,293	2,104

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 un-discounted 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 - 2014	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
Non-derivatives						
Non-interest bearing						
Trade payables	-%	999	882	-	-	1,881
Other payables	-%	1,401	-	-	-	1,401
Interest-bearing - variable						
Bank loans	4.50%	669	1,548	2,277	3,270	7,764
Interest-bearing - fixed rate						
Hire purchase	7.60%	91	182	277	946	1,496
Total non-derivatives		3,160	2,612	2,554	4,216	12,542

Note 29. Financial instruments (continued)

Consolidated - 2013	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
Non-derivatives						
Non-interest bearing						
Trade payables	-%	2,028	545	30	-	2,603
Other payables	-%	1,095	-	-	-	1,095
Interest-bearing - variable						
Bank loans	6.21%	885	1,264	4,678	1,869	8,696
Interest-bearing - fixed rate						
Hire purchase	8.97%	46	138	508	1,025	1,717
Total non-derivatives		4,054	1,947	5,216	2,894	14,111
Derivatives						
Forward Silver contracts net settled	-%	283	376	-	-	659
Total derivatives		283	376	-	-	659

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

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. Further details relating to fair value are provided in Note 30: Fair value measurement.

Note 30. Fair value measurement

Fair value hierarchy
The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2014	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Derivative financial asset	-	51	-	51
Total assets	-	51	-	51

Consolidated - 2013	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Liabilities				
Derivative financial instruments	-	659	-	659
Total liabilities	-	659	-	659

There were no transfers between levels during the financial year.

Note 30. Fair value measurement (continued)

Valuation techniques for fair value measurements categorised within level 2.
Derivative contracts are marked to market using valuation techniques supported by observable market prices. The future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risks of various counterparties.

Note 31. 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, its network firms and unrelated firms:

	Consolidated	
	2014	**2013**
	$	**$**
Audit services - Deloitte Touche Tohmatsu		
Audit or review of the financial statements	184,200	179,000
Other services - Deloitte Touche Tohmatsu		
Taxation services	68,900	46,371
Other Services	32,700	-
	101,600	46,371
	285,800	225,371
Audit services of subsidiaries - network firms		
Audit or review of the financial statements	17,921	16,480
Audit services of subsidiaries - unrelated firms		
Audit or review of the financial statements	37,427	59,674

Remuneration of auditors for network firms relate to the audit of subsidiaries by Deloitte Touche Tohmatsu, Brazil.

Remuneration of auditors for unrelated firms relate to the audit of subsidiaries by:
- Neeka Accountancy Corporation, USA
- Fickus & Fickus, Germany
- Stephens Cooke and Associates, Ireland
- Owen McLeod & Co, New Zealand

Note 32. Contingent liabilities

The consolidated entity had no contingent liabilities as at 30 June 2014 and 30 June 2013.

Note 33. Commitments

	Consolidated	
	2014	**2013**
	$'000	**$'000**
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	376	291
One to five years	1,054	313
More than five years	482	-
	1,912	604
Hire purchase lease commitments - finance		
Committed at the reporting date and recognised as liabilities, payable:		
Within one year	550	508
One to five years	946	1,209
Total commitment	1,496	1,717
Less: Future finance charges	(137)	(202)
Net commitment recognised as liabilities	1,359	1,515

Prior to year end, the consolidated entity entered into two operating leases, commencing 1 July and 1 September 2014.

Operating lease commitments includes contracted amounts for various warehouses and offices under non-cancelable operating leases expiring within 1 to 7 years with, in some cases, options to extend. On renewal, the terms of the leases are renegotiated.

Hire purchase lease commitments includes contracted amounts for various plant and equipment under finance leases expiring within 3 to 5 years. Under the terms of the leases, the consolidated entity has the option to acquire the leased assets for predetermined residual values on the expiry of the leases.

Note 34. Related party transactions

Parent entity
SDI Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 36.

Note 34. Related party transactions (continued)

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated 2014 $	2013 $
Sale of goods and services:		
Sale of goods to Gemko Pty Ltd, a company controlled by director, Dr. Geoffrey Macdonald Knight.	18,431	-
Payment for goods and services:		
Provision of consulting services by Silver Glades Pty Ltd, a company controlled by director, Jeffery James Cheetham.	80,000	80,000
Provision of consulting services by Insor Pty Ltd, a company controlled by director, Gerald Allan Bullon.	22,572	-
Provision of consulting services by WTS Australia Consulting Pty Ltd, a company controlled by director, Cameron Neil Allen	26,976	-
Provision of consulting services by Gemko Pty Ltd, a company controlled by director, Dr. Geoffrey Macdonald Knight.	2,214	-
Payment for other expenses:		
Payments for the lease of property owned by Silver Glades Pty Ltd, a company controlled by director Jeffery James Cheetham.	80,000	86,667

The company has entered into a lease with Silver Glades Pty Ltd, a company controlled by Director, Jeffrey James Cheetham, for an adjoining building in Bayswater. The lease commenced on 1 February 2012 for a period of three years at $80,000 per annum.

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated 2014 $	2013 $
Current receivables:		
Gemko Pty Ltd, a company controlled by director, Dr. Geoffrey Macdonald Knight.	2,197	-
Current payables:		
WTS Australia Consulting Pty Ltd, a company controlled by director, Cameron Neil Allen	7,611	-

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 35. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2014 $'000	Parent 2013 $'000
Profit after income tax	6,103	3,552
Other comprehensive income for the year, net of tax	497	(327)
Total comprehensive income	6,600	3,225

Statement of financial position

	Parent 2014 $'000	Parent 2013 $'000
Total current assets	22,649	21,802
Total non-current assets	43,932	40,895
Total assets	66,581	62,697
Total current liabilities	11,152	12,828
Total non-current liabilities	8,673	8,881
Total liabilities	19,825	21,709
Net assets	46,756	40,988
Equity		
Issued capital	12,890	12,890
Revaluation surplus reserve	272	272
Capital profits reserve	363	363
Hedging reserve - cash flow hedges	36	(461)
Retained profits	33,195	27,924
Total equity	46,756	40,988

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 2014 and 30 June 2013.

Contingent liabilities
The parent entity had no contingent liabilities as at as at 30 June 2014 and 30 June 2013.

Capital commitments - Property, plant and equipment
The parent entity had no material capital commitments for property, plant and equipment as at 30 June 2014 and 30 June 2013.

Note 35. 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 36. 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 2014 %	Ownership interest 2013 %
SDI (North America), Inc.	United States of America	100.00%	100.00%
SDI Holdings Pty Ltd	Australia	100.00%	100.00%
SDI Germany GmbH	Germany	100.00%	100.00%
SDI Brasil Industria e Comercio Ltda	Brazil	100.00%	100.00%
SDI Dental Limited	Ireland	100.00%	100.00%
SDI New Zealand Limited	New Zealand	100.00%	100.00%
SDI Italy S.r.l	Italy	100.00%	100.00%

Note 37. Events after the reporting period

Apart from the dividend declared as disclosed in note 28, no other matter or circumstance has arisen since 30 June 2014 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.

Note 38. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2014 $'000	Consolidated 2013 $'000
Profit after income tax expense for the year	6,467	4,690
Adjustments for:		
Depreciation and amortisation	2,747	2,758
Net loss on disposal of property, plant and equipment	19	6
Increase/(decrease) in provision for obsolete stock	421	(221)
Bad debts written off	-	1
Increase /(decrease) Doubtful debts	116	(3)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,151)	(472)
Decrease/(increase) in inventories	445	(648)
Increase in deferred tax assets	(480)	(858)
Increase in prepayments	(847)	(649)
Decrease in trade and other payables	(81)	(166)
Decrease in provision for income tax	(91)	(28)
Increase/(decrease) in deferred tax liabilities	(220)	962
Increase in employee benefits	297	235
Net cash from operating activities	7,642	5,607

Note 39. Earnings per share

	Consolidated 2014 $'000	2013 $'000
Profit after income tax attributable to the owners of SDI Limited	6,467	4,690
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	118,865,530	118,865,530
Weighted average number of ordinary shares used in calculating diluted earnings per share	118,865,530	118,865,530
	Cents	**Cents**
Basic earnings per share	5.44	3.95
Diluted earnings per share	5.44	3.95

Note 40. Share-based payments

SDI Limited Executive Share Option Plan
The company established the SDI Limited Executive Share Option Plan in the year ending 30 June 2003. All executives (excluding the Managing Director) are eligible to participate in the plan on invitation from the Board of Directors. Options will be offered from time to time at the absolute discretion of the Board.

No options were granted for the year and no unexercised options remain.

Employee Share Plan
All permanent employees other than Directors of the company and their associates are eligible to participate in the company's Employee Share Plan. Shares are offered from time to time at the discretion of the Board and have a three-year restriction period whereby they cannot be sold by the employee.

No shares were issued under the SDI Limited Employee Share Plan as the Company did not achieve its minimum earnings per share target.

In the directors' opinion:

- the attached financial statements and notes thereto 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 thereto 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 thereto give a true and fair view of the consolidated entity's financial position as at 30 June 2014 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

Jeffery James Cheetham
Executive Chairman and Managing Director

30 September 2014
Melbourne

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Independent Auditor's Report to the members of SDI Limited

Report on the Financial Report

We have audited the accompanying financial report of SDI Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of profit or loss and comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 24 to 65.

Directors' Responsibility 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 Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

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

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

Opinion

In our opinion:

(a) the financial report of SDI Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 2.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 10 to 15 of the directors' report for the year ended 30 June 2014. 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.

Opinion

In our opinion the Remuneration Report of SDI Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu.

DELOITTE TOUCHE TOHMATSU

Craig Bryan
Partner
Chartered Accountants
Melbourne, 30 September 2014

The shareholder information set out below was applicable as at 29 August, 2014.

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	110,453	-
1,001 to 5,000	1,222,879	-
5,001 to 10,000	1,475,221	-
10,001 to 100,000	11,020,689	-
100,001 and over	105,036,288	-
	118,865,530	-
Holding less than a marketable parcel	23,796	-

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
MOLVEST PTY LTD (MOLVEST FAMILY TRUST A/C)	8,000,000	6.73
CITICORP NOMINEES PTY LIMITED (COLONIAL FIRST STATE INV A/C)	5,803,062	4.88
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	4,693,134	3.95
J P MORGAN NOMINEES AUSTRALIA LIMITED	3,007,638	2.53
SILVERGLADES PTY LTD	2,357,829	1.98
JEFFNPAM SUPERANNUATION FUND PTY LTD	1,421,085	1.20
GARRETT SMYTHE LTD	1,300,951	1.09
BFA SUPER PTY LTD	1,194,996	1.01
MR GERARD JAMES VAN PAASSEN (THE VAN PAASSEN FAMILY A/C)	1,104,348	0.93
MR BRENDAN FRANCIS CARROLL	1,040,490	0.88
MR DAVID WILLIAM KINGSLEY THOMAS	1,000,000	0.84
DR GEOFFREY MACDONALD KNIGHT & MS ANNELI KAARINA KNIGHT	863,790	0.73
INDCORP CONSULTING GROUP PTY LIMITED - SUPERANNUATION A/C	850,000	0.72
MR MICHAEL LAZZARIN	844,896	0.71
CHEETHAM SUPERANNUATION PTY LTD	835,409	0.70
MDF SUPERANNUATION PTY LIMITED	755,909	0.64
BRANKA NOMINEES PTY LTD	750,220	0.63
MR NEIL PETER GOOSEN	748,745	0.63
RUMINATOR PTY LTD	709,497	0.60
	87,973,327	74.03

Unquoted equity securities
There are no unquoted equity securities.

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares Number held	% of total shares issued
CURRANGO PASTORAL COMPANY PTY LTD	50,691,328	42.65
CELLEST FUNDS MANAGEMENT LIMITED*	8,711,111	7.33
MOLVEST PTY LTD (MOLVEST FAMILY TRUST A/C)	8,000,000	6.73
COLONIAL FIRST STATE INVESTMENTS LIMITED*	5,803,062	4.88

*These entities are the registered holder of the relevant interest but may not be registered holder of the securities.

Voting rights

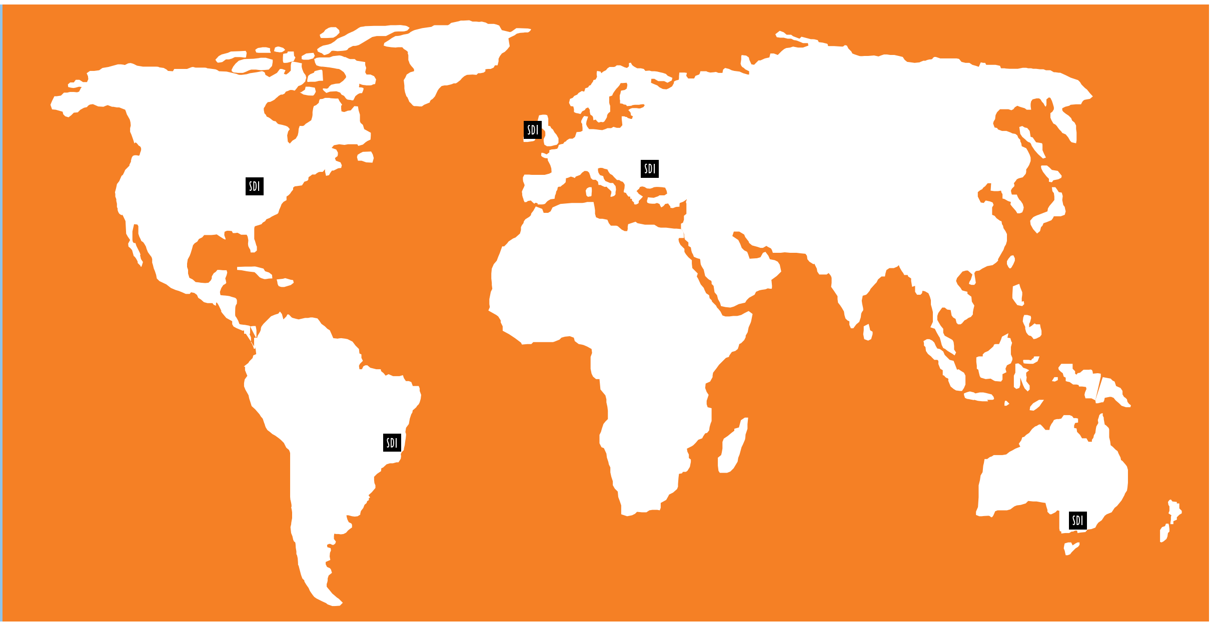
The voting rights attached to ordinary shares are set out below:

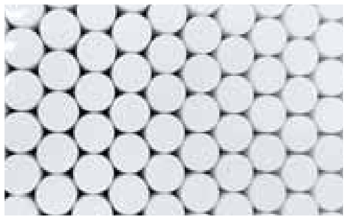
Ordinary shares

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.

Directors	Jeffery James Cheetham - Chairman Samantha Jane Cheetham John Joseph Slaviero Dr Geoffrey Macdonald Knight Gerald Allan Bullon Cameron Neil Allen Gerard Desmond Kennedy
Alternate directors	Pamela Joy Cheetham
Company secretary	John Joseph Slaviero
Registered office	5-9 Brunsdon Street Bayswater VIC 3153 Toll free - 1800 337 003 P: (03) 8727 7111 F: (03) 8727 7222
Share register	Link Market Services Limited Level 4 333 Collins Street Melbourne VIC 3000 P: (03) 9615 9800 F: (03) 9615 9900
Auditor	Deloitte Touche Tohmatsu 550 Bourke Street Melbourne VIC 3000
Solicitors	Macpherson & Kelley Lawyers Pty Ltd 40-42 Scott Street Dandenong VIC 3175
Bankers	HSBC Bank Australia Limited Level 10 333 Collins Street Melbourne VIC 3000
Stock exchange listing	SDI Limited shares are listed on the Australian Securities Exchange (ASX code: SDI)
Website	www.sdi.com.au
Email	info@sdi.com.au





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