2009 annual report

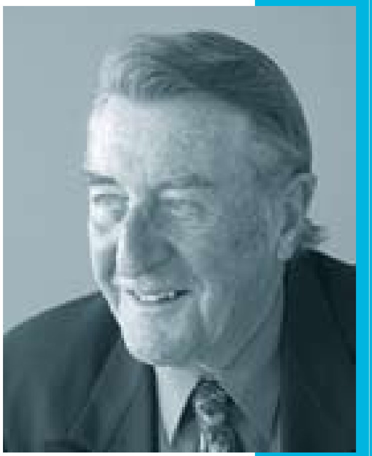
SDI

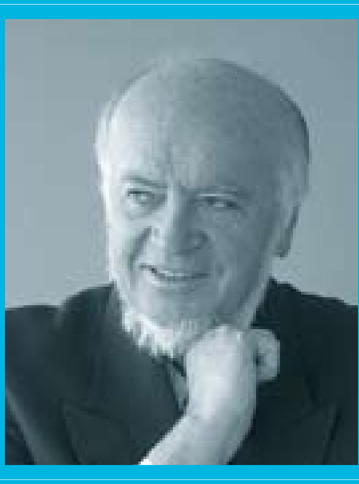
over 92% of our products are exported to over 100 countries // we strive for excellence in quality and service

contents

SDI Limited and controlled entities
ABN 27 008 075 581

SDI





Chairman and Managing Director's Report

Although the 2009 financial year has been difficult due to the global financial crisis, the exchange rate and the cost rationalization initiated at the end of last year have produced a significant improvement in the Company's operations, both in bottom line growth and cash flow.

Earnings before interest and tax for the 12 months ending 30 June 2009 increased by $2.9m to $5.6m, resulting in a $2.0m increase in profit after tax to $3.1m. This result included a once off profit from the sale of a property of $0.26m.

Sales in Australian Dollars were $56.4m, up 15% on the prior year sales of $49.0m. Approximately 92% of sales are exported and are invoiced in foreign currencies. When adjusting for currency movements most markets showed sales growth, with the exception of the European and the Canadian markets.

Sales of SDI's Glass Ionomer Cement (GIC) system, Riva, have met the Company's expectations this year, particularly in the Australian and European markets. The GIC global market is still relatively new to SDI and the Company looks forward to strengthening its market share with its Riva sales next year. This, along with the commencement of contract manufacturing of SDI's GIC system for a US-based multinational in the 2009/10 financial year should ensure that SDI will meet its expectations for this product range next year.

Approximately 63% of SDI's total operating expenses relate to its offshore subsidiaries and are subject to currency movements when reporting in Australian Dollars. Operating expenses in Australian Dollars were up by 13%. However, in local currencies expenses varied in line with the sales results. In addition, $0.96m of R & D was expensed due to a change in R & D activities which in previous years were capitalized. The R & D focus for the financial year was on continuous improvement to the current products which will continue in the 2010 financial year.

The Company's cash flow showed that total cash holdings increased by $3.6m for the year after reducing debt by $1.3m. This debt reduction includes the proceeds of $0.8m from the sale of a property. The Company is committed to continuing to reduce debt by at least $1.0m per year.

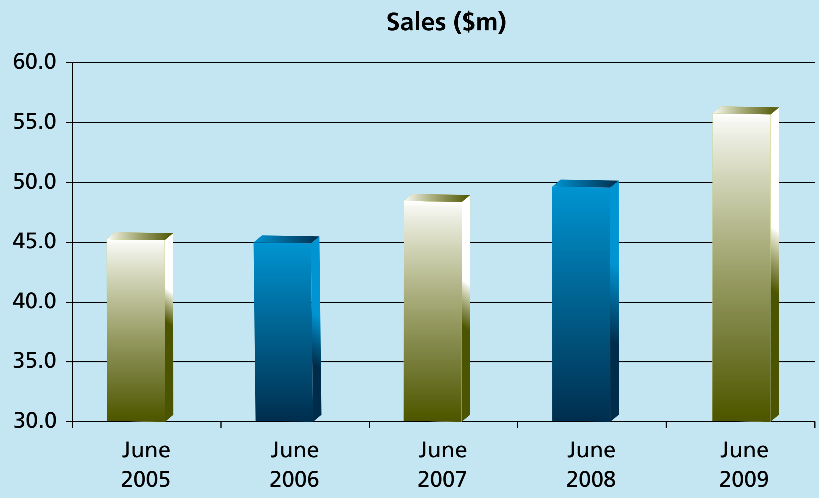
As a result of the improvement in the Company's operating performance and cash flow, the Directors have declared a fully franked dividend of 0.3 cents per share.

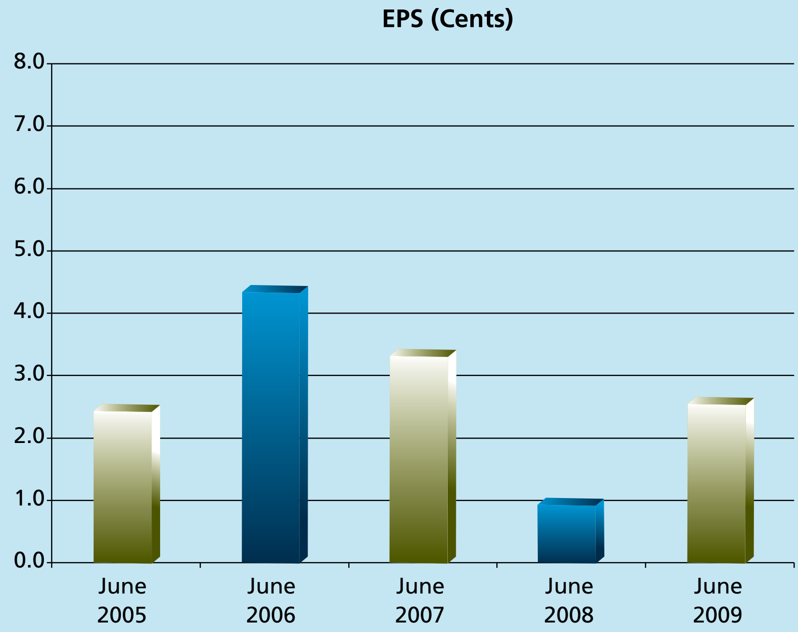
In conclusion, the Board of Directors would like to take this opportunity to thank the management team and all the staff for their support and effort throughout the year.

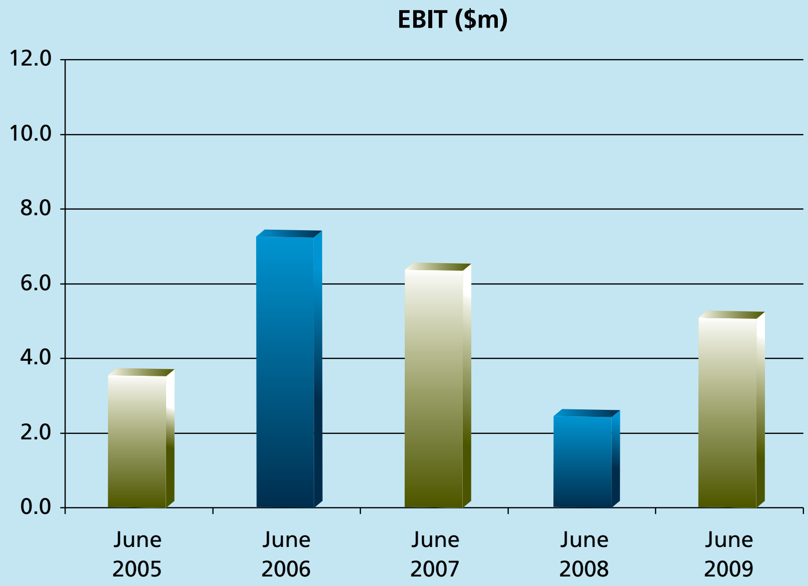
Anthony J Bardsley
Chairman

Jeffery Cheetham
Managing Director

Financial Charts







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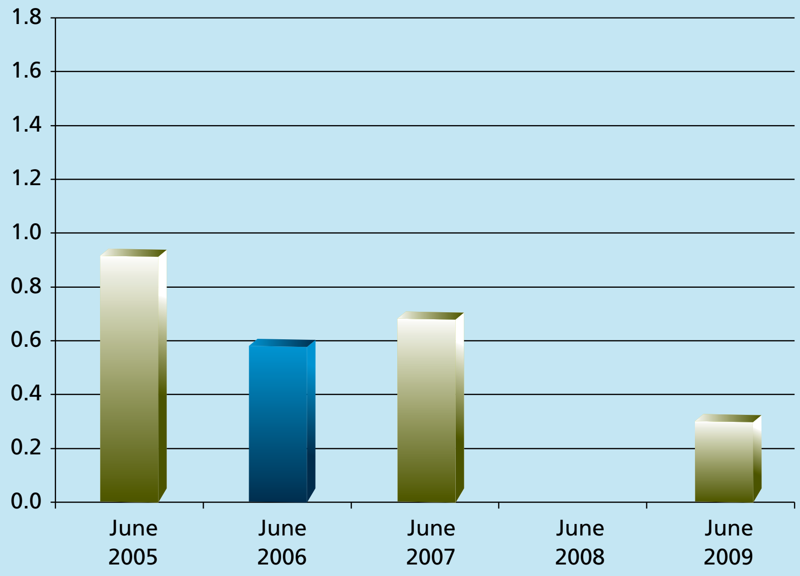
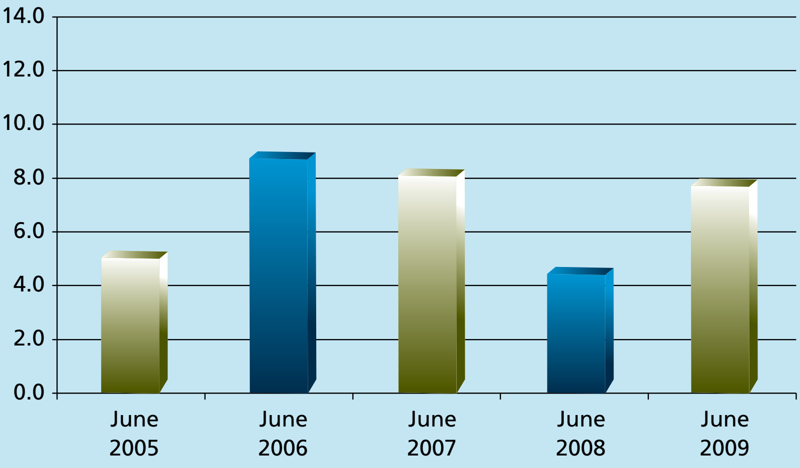
DPS (Cents)



EBITDA ($m)



SDI - KPIs

	2005 June	2006 June	2007 June	2008 June	2009 June
Depr & Amort	1.5	1.5	1.8	2.0	2.2
Interest	0.8	1.0	0.9	1.1	1.0
Tax	-0.1	1.3	1.6	0.4	1.5
NPBT ($m)	2.9	6.4	5.6	1.5	4.6
NPAT($m)	3.0	5.1	4.1	1.1	3.1
Equity	25.7	30.4	34.1	34.8	38.3
ROE %	11.7%	16.8%	12.0%	3.2%	8.1%

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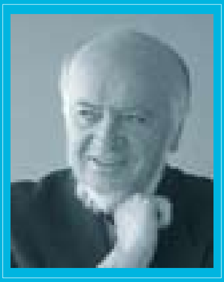
Board of Directors

A.J. Bardsley B.Sc., F.A.I.F.S.T., F.A.I.M.
Chairman

Mr. Bardsley was the former Managing Director of Bonlac Foods Ltd. and H. J. Heinz (Australia) Ltd.



J.J. Cheetham O.A.M.
Managing Director

Mr. Cheetham is the founder of SDI Ltd.

G.M.McCorkell LL.B
Non-Executive Director

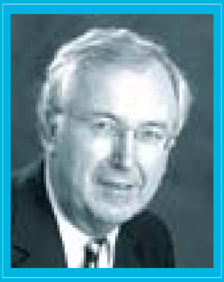
Mrs McCorkell is a graduate in Law from Melbourne University and was an Associate at Williams Winter & Higgs until 1968 when she established her own legal practice. She ceased practice in June 2006. She has extensive experience as a consultant, specialising in the export of Australian food products worldwide.

J A. Roseman CP.A.
Non-Executive Director, Chairman, Audit Committee

Mr. Roseman is a CPA and a registered company auditor. His experience as the principal of Roseman & Co, Certified Practising Accountants, for over 35 years is in the areas of accounting, taxation, management consulting and computer systems for small to medium size businesses. He acts as an adviser to several non-profit organisations.

S.J. Cheetham B.Bus., (Banking and Finance), M.B.A.
Director, Sales & Marketing

Ms. Cheetham is responsible for the marketing and sales activities of SDI's Group of Companies. She has extensive experience in sales and marketing in Australia and overseas.



J. Isaac LL.B., F.A.I.C.D.,
Non-Executive Director

Mr. Isaac is a consultant (formerly partner) of the legal firm Middleton Lawyers. he has extensive experience in Commercial law and has practised in the areas of health, intelectual property, banking and finance, property and development. He is Chairman of Royal Automobile Club of Victoria (RACV Ltd.), and is a member of the Board of Governors of St. Vincent's Hospital Foundation, Victoria.

Directors' Report

Your Directors present their report on the Company and its Controlled Entities for the financial year ended 30 June 2009. In order to comply with the provisions of the Corporations Act 2001, the Directors' Report is as follows:

The names of Directors in office at any time during or since the end of the year are:
Anthony John Bardsley
John Norman Isaac
Gabrielle Mary McCorkell
Jack Arthur Roseman
Jeffery James Cheetham
Samantha Jane Cheetham
Pamela Joy Cheetham (alternate director for Jeffery James Cheetham)
Nicholas Alexander Cheetham (alternate director for Samantha Jane Cheetham)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Company Secretary
The following person held the position of company secretary at the end of the financial year:
Mr John J. Slaviero, B.Bus (Acct.), C.P.A., F.T.M.A.

Mr Slaviero has over 20 years of finance and accounting experience in both the commercial and professional fields. Much of this experience was gained from working in large multi-national and medium size manufacturing companies.

Principal Activities
The principal activities of the Consolidated Entity during the financial year were:

- the manufacture and distribution of amalgam and composite restorative materials, other dental materials and product research and development.

There were no significant changes in the nature of the Consolidated Entity's principal activities during the financial year.

Dividends Paid or Recommended
In respect of the financial year ended 30 June 2009, the Directors have declared a final fully franked dividend of 0.3 cents per share which will be payable on the 30 October 2009 to all shareholders registered on record date of 2 October 2009 (2008: 0.4 cents).

Review of Operations
Revenue from operating activities of $59,516,086 for the Group was 17.8 % above that of the previous period. A review of the operations of the Consolidated Entity during the financial year, and of the results of the operations, is contained in the Chairman and Managing Director's report.

The profit of the Consolidated Entity after providing for income tax amounted to $3,120,027 (2008: $1,128,574).

Significant Changes in State of Affairs
In the opinion of the Directors, no significant changes occurred in the state of affairs of the Consolidated Entity during the financial year other than those disclosed in this report on the consolidated accounts.

Subsequent events
There has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years, except for the declaration of a dividend (Refer Note 7).

Future Developments
Disclosure of information regarding likely developments in the operations of the Consolidated Entity in future financial years and the expected results of those operations is likely to result in unreasonable prejudice to the Consolidated Entity. Accordingly, this information has not been disclosed in this report.

Environmental Issues
The Company holds licences issued by the Environmental Protection Authority, which specify limits for discharges to the environment arising from the Company'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 2009.

INFORMATION ON DIRECTORS

Anthony John Bardsley	**—**	**Chairman Non-executive**
Date Joined the Board	—	17 September 1985
Age	—	75 years
Qualifications	—	B.Sc., F.A.I.F.S.T., F.A.I.M.
Experience	—	Former Managing Director of Bonlac Foods Ltd and H J Heinz (Australia) Ltd.
Interest in Shares and Options	—	500,000 Ordinary Shares in SDI Limited
Special Responsibilities	—	Mr Bardsley is a member of the Audit Committee.
John Norman Isaac	**—**	**Non-executive director**
Date Joined the Board	—	1 July 2004
Age	—	65 years
Qualifications	—	LL.B, F.A.I.C.D.
Experience	—	Consultant (formerly partner) with Middletons Lawyers. He has extensive experience in commercial law and has practised in the areas of health, intellectual property, banking and finance, and property development. He is Chairman of RACV Ltd and a member of the Board of Governors of St. Vincent's Hospital Foundation, Victoria.
Interest in Shares and Options	—	50,000 Ordinary Shares in SDI Limited
Special Responsibilities	—	Mr Isaac is a member of the Audit Committee.
Gabrielle Mary McCorkell	**—**	**Non-executive director**
Date Joined the Board	—	27 June 1985
Age	—	68 years
Qualifications	—	LL.B
Experience	—	She was an associate at Williams Winter Higgs from 1962 until 1968 when she established her own practice, which ceased practice in June 2006. She has extensive experience as a consultant, specialising in the export of Australian food products worldwide.
Interest in Shares and Options	—	558,503 Ordinary Shares in SDI Limited
Special Responsibilities	—	Mrs McCorkell is a member of the Audit Committee.
Jack Arthur Roseman	**—**	**Non-executive director**
Date Joined the Board	—	20 June 1987
Age	—	67 years
Qualifications	—	C.P.A.
Experience	—	His experience as the principal of Roseman & Co, Certified Practicing Accountants, for over 35 years is in the areas of accounting, taxation, management consulting and computer systems for small to medium size businesses. He acts as an adviser to several non-profit organisations.
Interest in Shares and Options	—	60,000 Ordinary Shares in SDI Limited
Special Responsibilities	—	Mr Roseman is Chairman of the Audit Committee.
Jeffery James Cheetham O.A.M.	**—**	**Executive Director**
Date Joined the Board	—	27 June 1985
Age	—	66 years
Experience	—	Founder of SDI Limited.
Interest in Shares and Options	—	5 Ordinary Shares in SDI Limited as well as 50,448,328 Ordinary shares beneficially owned via Currango Pastoral Company Pty Ltd, 2,647,829 Ordinary Shares beneficially owned via Silverglades Pty Ltd, and 820,000 Ordinary Shares beneficially owned via JEFFNPAM Superannuation Fund Pty Ltd
Special Responsibilities	—	Founder and Managing Director of SDI Limited.
Samantha Jane Cheetham	**—**	**Executive Director**
Date Joined the Board	—	17 December 1999
Age	—	40 years
Qualifications	—	B.Bus. (Banking and Finance), M.B.A.
Experience	—	Extensive experience in sales and marketing in Australia and overseas.
Interest in Shares and Options	—	355,714 Ordinary Shares in SDI Limited.
Special Responsibilities	—	Responsible for the marketing and sales activities of SDI's group of companies.
Pamela Joy Cheetham	**—**	**Alternate director for Jeffery James Cheetham**
Date Joined the Board	—	16 August 1994
Age	—	63 years
Qualifications	—	Co-founder of SDI Limited.
Interest in Shares and Options	—	Co-holder of shares shown for J.J. Cheetham
Nicholas Alexander Cheetham	**—**	**Alternate director for Samantha Jane Cheetham**
Date Joined the Board	—	19 February 2008
Age	—	36 years
Experience	—	Over 10 years experience in the IT industry and 4 years Logistics experience.
Interest in Shares and Options	—	10,000 Ordinary Shares in SDI Limited
Special Responsibilities	—	Responsible for the Manufacturing, Logistics and I.T. functions of SDI's group of companies.

REMUNERATION REPORT

This report details the nature and amount of remuneration for each Director and for Senior Management of SDI limited.

The directors and other members of key management personnel of the Group during the financial year were:

Anthony John Bardsley	Chairman and Non-executive Director
John Norman Isaac	Non-executive Director
Gabrielle Mary McCorkell	Non-executive Director
Jack Arthur Roseman	Non-executive Director and Chairman of Audit Committee
Jeffery James Cheetham	Executive Director and Managing Director
Samantha Jane Cheetham	Executive Director and Director of Sales and Marketing
Pamela Joy Cheetham	Alternate Director for Jeffery J. Cheetham
Nicholas Alexander Cheetham	Operations & IT Director and Alternate Director for Samantha Jane Cheetham
John J. Slaviero	CFO and Company Secretary
Joshua Cheetham	Research and Development Director
Ray M. Cahill	Technical Director

Remuneration policy

The Company has a small Board of Directors and it is neither feasible nor efficient to have a formally constituted Remuneration Committee. The Managing Director makes recommendations regarding the remuneration of the Company's Executives and these recommendations are approved by the Board.

Under Article 23.7 of the Articles of Association of the Company, non-executive directors are remunerated by fees determined in the aggregate by the Company at a general meeting of shareholders. The Board itself evaluates its own performance based on the performance of the Company and increased shareholder value. Non-executive directors do not receive options, shares, bonus payments or retirement benefits other than statutory superannuation payments. There are no formal contracts for non-executive directors. Under Article 25.2 of the Company's Articles of Association, each non-executive director retires by rotation every two years and may offer themselves for re-election at the Company's Annual General Meeting.

The Board's policy for determining the nature and amount of emoluments of board members and senior executives of the Company is as follows:

The remuneration of the Managing Director is fixed by the Board based on Company performance and relevant comparative market information. There is no formal contract in place. The Managing Director is not eligible to participate in either the Executive Option Plan or the Employee Share Plan. Details of the Managing Director's remuneration are disclosed in the tables below.

The remuneration structure for executive officers, including executive directors, is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. Bonus payments are made based on individual performance as evaluated by the Managing Director and ratified by the Board. There is no formal contract in place.

The Managing Director having regard to performance, relevant comparative information, and independent advice reviews senior executives' remuneration and other terms of employment annually and any recommendations are approved by the Board. Remuneration packages are set at levels designed to attract and retain senior executives capable of contributing to the financial well-being of the Company. There are no formal contracts in place for senior executives. Details of executives' remunerations are disclosed within this remuneration report in the tables below.

The Board policy is to remunerate non-executive directors at market rates for time, commitment and responsibilities. The Board itself determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Consolidated Entity. However, to align director's interests with shareholder interests, the directors are encouraged to hold shares in the Company.

Performance Based Remuneration

All executives and executive directors (excluding the Managing Director) are eligible to participate in an Executive Share Option Plan on invitation from the Board. The ability to exercise the options is conditional on the Consolidated Entity achieving a target of minimum earnings per share for each financial year set by the Board before the commencement of that financial year. There were no options issued or vested in the financial year ending 30 June 2009.

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 based on the company achieving its targets and at the absolute discretion of the Board. These shares have a three-year restriction period whereby they cannot be sold by the employee.

Bonus payments and other incentive payments are made at the discretion of the Managing Director and approved by the Board. Incentive payments are based on individual performances and the Company's overall performance as evaluated by the Managing Director.

Company Performance, Shareholder Wealth and Directors' and Executive Remuneration

The remuneration policy by incorporating a share option plan and bonus payments strives to align the goals of the shareholders and the executives. This aim is achieved by a performance bonus payment based on the overall performance of the company and the issue of share options to executives to encourage the alignment of executive and shareholder wealth.

Relationship between the remuneration policy and company performance

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2009. This shows that earnings have varied significantly over the past four years. It has been the focus of the Board to retain management personnel essential to the operations of the Group and to strive to increase the Group's profitability.

	30 June 2009 ($000)	30 June 2008 ($000)	30 June 2007 ($000)	30 June 2006 ($000)	30 June 2005 ($000)
Revenue	59,516	50,512	48,759	45,577	45,983
Net Profit before tax	4,590	1,553	5,638	6,413	2,918
Net profit after tax	3,120	1,129	4,060	5,119	2,980

	30 June 2009	30 June 2008	30 June 2007	30 June 2006	30 June 2005
Share price at start of year	$0.17	$0.48	$0.63	$0.75	$1.79
Share price at end of year	$0.23	$0.17	$0.48	$0.63	$0.75
Interim dividend (1)	Nil	Nil	0.3 cps	0.2 cps	0.6 cps
Final dividend (2)	0.3 cps	Nil	0.4 cps	0.4 cps	0.3 cps
Basic earnings per share	2.6 cps	1.0 cps	3.4 cps	4.4 cps	2.5 cps
Diluted earnings per share	2.6 cps	1.0 cps	3.4 cps	4.3 cps	2.5 cps

(1) Franked to 100% at 30% corporate tax rate
(2) Declared after the balance date and not reflected in the financial statements

Contracts for services of key management personnel

The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement.

Bonus payments are made based on individual performance as evaluated by the Managing Director and ratified by the Board.

Director and Executive Remuneration for year ended 30 June 2009

The remuneration for each director and each of the three executive officers of the Consolidated Entity receiving the highest remuneration during the year was as follows:

2009	Short-term benefits				Post employment benefits	Other long term benefits	Share-based payment		
Key Management Person	Salary, Fees & commissions $	Cash Bonus $	Non-cash Benefit $	Other $	Superannuation $	Long Service Leave $	Equity $	Options $	Total $
Company Directors									
Anthony John Bardsley	60,000	-	-	-	5,400	-	-	-	65,400
John Norman Isaac	-	-	-	-	27,250	-	-	-	27,250
Gabrielle Mary McCorkell	20,833	-	-	-	6,417	-	-	-	27,250
Jack Arthur Roseman	15,000	-	-	-	17,700	-	-	-	32,700
Jeffery James Cheetham	299,401	-	55,008	-	100,393	6,588	-	-	461,390
Samantha Jane Cheetham	319,746	-	28,120	-	29,230	7,543	-	-	384,439
Pamela Joy Cheetham	-	-	-	-	-	-	-	-	-
Nicholas Alexander Cheetham	190,703	-	38,412	-	20,808	4,669	-	-	254,592
Executives									
John J. Slaviero	220,403	-	-	-	12,496	3,352	-	-	236,251
Joshua Cheetham	193,708	-	8,167	-	16,842	5,196	-	-	223,913
Ray M. Cahill	182,224	-	13,776	-	16,366	5,030	-	-	217,396
	1,502,018	-	143,483	-	252,702	32,378	-	-	1,930,581

2008	Short-term benefits				Post employment benefits	Other long term benefits	Share-based payment		
Key Management Person	Salary, Fees & commissions $	Cash Bonus $	Non-cash Benefit $	Other $	Superannuation $	Long Service Leave $	Equity $	Options $	Total $
Company Directors									
Anthony John Bardsley	60,000	-	-	-	5,400	-	-	-	65,400
John Norman Isaac	-	-	-	-	27,250	-	-	-	27,250
Gabrielle Mary McCorkell	6,250	-	-	-	21,000	-	-	-	27,250
Jack Arthur Roseman	15,000	-	-	-	17,700	-	-	-	32,700
Jeffery James Cheetham	273,151	-	55,006	-	100,000	6,412	-	-	434,569
Samantha Jane Cheetham	308,812	-	28,120	-	28,267	8,058	-	-	373,257
Pamela Joy Cheetham	-	-	-	-	-	-	-	-	-
Nicholas Alexander Cheetham	186,844	-	35,456	-	18,578	4,237	-	-	245,115
Executives									
John J. Slaviero	206,082	-	11,913	-	11,477	2,855	-	-	232,327
Joshua Cheetham	187,635	-	7,000	-	16,267	4,084	-	-	214,986
Ray M. Cahill	173,216	-	13,777	-	17,363	4,608	-	-	208,964
	1,416,990	-	151,272	-	263,302	30,254	-	-	1,861,818

REMUNERATION REPORT
continued

Share Based Payments

The following share-based payment arrangements existed at 30 June 2009:

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 there are no unexercised options remaining.

Key management personnel equity holdings

Number of Shares held by Key Management Personnel

2009	Balance 1.07.08	Granted as Compensation	Options Exercised	Net Change Other(ii)	Balance 30.06.09(i)
Company Directors					
Anthony John Bardsley	500,000	-	-	-	500,000
John Norman Isaac	50,000	-			50,000
Gabrielle Mary McCorkell	558,503	-	-	-	558,503
Jack Arthur Roseman	60,000	-	-	-	60,000
Jeffery James Cheetham	53,916,157	-	-	5	53,916,162
Pamela Joy Cheetham (Co-holder of shares held by J.J. Cheetham)	-	-	-	-	-
Samantha Jane Cheetham	355,714	-	-	-	355,714
Nicholas Alexander Cheetham	10,000	-	-	-	10,000
Executives					
John J. Slaviero	2,689	-	-	-	2,689
Ray M. Cahill	4,289	-	-	-	4,289
	55,457,352	-	-	5	55,457,357

2008	Balance 1.07.07	Granted as Compensation	Options Exercised	Net Change Other(ii)	Balance 30.06.08(i)
Company Directors					
Anthony John Bardsley	500,000	-	-	-	500,000
John Norman Isaac				50,000	50,000
Gabrielle Mary McCorkell	555,448	-	-	3,055	558,503
Jack Arthur Roseman	60,000	-	-	-	60,000
Jeffery James Cheetham	53,777,026	-	-	139,131	53,916,157
Pamela Joy Cheetham (Co-holder of shares held by J.J. Cheetham)	-	-	-	-	-
Samantha Jane Cheetham	352,646	-	-	3,068	355,714
Nicholas Alexander Cheetham	10,000	-	-	-	10,000
Executives					
John J. Slaviero	2,689	-	-	-	2,689
Ray M. Cahill	104,289	-	-	(100,000)	4,289
	55,362,098	-	-	95,254	55,457,352

(i) There has been no change in the number of shares held by Key Management Personnel between the 30th June 2009 and the date of issue of this report.
(ii) The net change other column above refers to shares purchased or sold during the financial year.

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Key management personnel option holdings

Number of Options Held by Key Management Personnel

2009	Balance 1.07.08	Granted as Compensation	Options Exercised	Net Change Other(ii)	Balance 30.06.09	Total Vested 30.06.09	Total Vested & Exercisable 30.06.09	Total Vested & Un-exercisable 30.06.09(i)
Directors								
Samantha Jane Cheetham	-	-	-	-	-	-	-	-
Nicholas Alexander Cheetham	-	-	-	-	-	-	-	-
Executives								
John J. Slaviero	-	-	-	-	-	-	-	-
Joshua Cheetham	-	-	-	-	-	-	-	-
Ray M. Cahill	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

2008	Balance 1.07.07	Granted as Compensation	Options Exercised	Net Change Other(ii)	Balance 30.06.08	Total Vested 30.06.08	Total Vested & Exercisable 30.06.08	Total Vested & Un-exercisable 30.06.08(i)
Directors								
Samantha Jane Cheetham	100,000	-	-	(100,000)	-	-	-	-
Nicholas Alexander Cheetham	100,000	-	-	(100,000)	-	-	-	-
Executives								
John J. Slaviero	-	-	-	-	-	-	-	-
Joshua Cheetham	100,000	-	-	(100,000)	-	-	-	-
Ray M. Cahill	-	-	-	-	-	-	-	-
	300,000	-	-	(300,000)	-	-	-	-

(i) There has been no change in the number of options held by Key Management Personnel between the 30th June 2009 and the date of issue of this report.

(ii)The net change other column above includes those options that have expired.

Meetings of Directors
During the financial year, 10 meetings of directors (including committees of directors) were held.

Attendances by each director during the year were as follows:

	Directors' Meetings		Audit Committee Meetings	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Anthony John Bardsley	7	7	2	2
John Norman Isaac	7	7	2	2
Gabrielle Mary McCorkell	7	6	2	2
Jack Arthur Roseman	7	7	2	2
Jeffery James Cheetham	7	7	-	-
Samantha Jane Cheetham	7	6	-	-
Pamela Joy Cheetham	-	-	-	-
Nicholas Alexander Cheetham	1	1	-	-

Indemnifying Officers or Auditor
The Company has not, during or since the financial year, in respect of any person who is or has been an Officer or Auditor of the Company or a related body corporate:

(i) Indemnified or made any relevant agreement for indemnifying against a liability incurred as an Officer, including costs and expenses in successfully defending legal proceedings: or

(ii) Paid or agreed to apply a premium in respect of a contract insuring against a liability incurred as an Officer for costs or expenses to defend legal proceedings; with the exception of the following matters:-

During the financial year, SDI Limited paid a premium to insure Directors and certain Executive Officers of the Company. Our Policy does not allow us to disclose the premium paid.The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the Officers in their capacity as Officers of the Company or a related body corporate. The Directors and Officers of the Company covered by the insurance policy are:

Anthony John Bardsley
John Norman Isaac
Gabrielle Mary McCorkell
Jack Arthur Roseman
Jeffery James Cheetham
Samantha Jane Cheetham
Pamela Joy Cheetham
John J. Slaviero
Nicholas A. Cheetham
Joshua Cheetham
Ray Cahill

Other Officers covered by the contract are Directors or Secretaries of the Controlled Entities who are not also Directors or Secretaries of SDI Limited, and managers of the Company.

Options
At the date of this report, there were no unissued ordinary shares of SDI Limited under option.

Proceedings on Behalf of Company
No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings.

The Company was not a party to any such proceedings during the year.

Non-audit Services
The Board of Directors, in accordance with advice from the Audit Committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Audit Committee prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and

- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Code of Professional Conduct 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.

The following fees for non-audit services were paid / payable to the external auditors, Deloitte Touche Tohmatsu, during the year ended 30 June 2009:

	$
Taxation services	35,300

Auditor's Independence Declaration
The lead auditor's independence declaration for the year ended 30 June 2009 has been received and can be found on page 15 of the Report.

Rounding of Amounts
The Company is an entity to which ASIC Class Order 98/0100 applies. Accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

Signed in accordance with a resolution of the Board of Directors

Jeffery James Cheetham

Dated this 30th day of September 2009

Deloitte.

Deloitte Touche Tohmatsu
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The Board of Directors
SDI Limited
5 – 9 Brunsdon Street
BAYSWATER VIC 3153

30 September 2009

Dear Board Members

SDI Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of SDI Limited.

As lead audit partner for the audit of the financial statements of SDI Limited for the financial year ended 30 June 2009, 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

Robert D D Collie
Partner
Chartered Accountants

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent Auditor's Report
to the members of SDI Limited

We have audited the accompanying financial report of SDI Limited, which comprises the balance sheet as at 30 June 2009, and the income statement, cash flow statement and statement of changes in equity for the year ended on that date, a summary of significant accounting policies, other explanatory notes 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 18 to 55.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the consolidated financial statements and 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. These Auditing 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 and fair presentation of the financial report 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*.

Deloitte.

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 company's and consolidated entity's financial position as at 30 June 2009 and of their performance for the year ended on that date; and
   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*; and

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 13 of the directors' report for the year ended 30 June 2009. 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.

Auditor's Opinion

In our opinion the Remuneration Report of SDI Limited for the year ended 30 June 2009, complies with section 300A of the Corporations Act 2001.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Robert D D Collie
Partner
Chartered Accountants
Melbourne: 30 September 2009

Income Statement

FOR THE YEAR ENDED 30 JUNE 2009

		Consolidated Entity		Company	
		2009	2008	2009	2008
	Note	$000	$000	$000	$000
Revenue	2	56,424	49,039	38,609	35,332
Cost of Sales		(23,646)	(21,157)	(24,214)	(24,013)
Gross Profit		32,778	27,882	14,395	11,319
Other revenue	2	3,092	1,472	5,429	4,528
Selling & Administration Expenses		(26,123)	(23,874)	(8,901)	(8,398)
Research & Development Expenses		(1,512)	(541)	(1,512)	(541)
Finance costs	3	(967)	(1,087)	(956)	(1,050)
Other expenses		(2,678)	(2,299)	(2,256)	(3,737)
Profit before income tax expense		4,590	1,553	6,199	2,121
Income tax expense	4	(1,470)	(424)	(1,401)	-
Profit for the year from continuing operations		3,120	1,129	4,798	2,121
Profit attributable to equity holders of the Company		3,120	1,129	4,798	2,121

Continuing Operations					
Basic earnings per share (cents per share)	8	2.6	1.0		
Diluted earnings per share (cents per share)	8	2.6	1.0		

The accompanying notes form part of these financial statements

Balance Sheet

AS AT 30 JUNE 2009

		Consolidated Entity		Company	
		2009	2008	2009	2008
	Note	$000	$000	$000	$000
ASSETS					
Current Assets					
Cash and cash equivalents	9	2,408	870	912	240
Trade and other receivables	10	11,655	10,416	11,588	12,173
Inventories	11	10,359	11,719	6,312	7,144
Current tax assets	19	669	2,064	-	1,256
Other current assets	16	1,364	908	205	241
Total Current Assets		26,455	25,977	19,017	21,054
Non-Current Assets					
Financial assets	12	-	-	3,437	294
Property, plant and equipment	14	14,779	15,383	14,066	14,567
Deferred tax assets	19	1,599	1,209	1,599	1,209
Intangible assets	15	16,715	16,491	16,715	16,364
Other non-current assets	16	13	11	13	11
Total Non-Current Assets		33,106	33,094	35,830	32,445
TOTAL ASSETS		59,561	59,071	54,847	53,499
LIABILITIES					
Current Liabilities					
Trade and other payables	17	3,631	3,874	2,221	2,912
Borrowings	18	2,893	5,323	2,893	5,323
Current tax liabilities	19	1,037	55	925	-
Provisions	20	1,904	1,791	1,759	1,665
Total Current Liabilities		9,465	11,043	7,798	9,900
Non-Current Liabilities					
Borrowings	18	8,552	9,433	8,418	9,247
Deferred tax liabilities	19	2,972	3,511	2,972	3,511
Other provisions	20	272	252	272	252
Total Non-Current Liabilities		11,796	13,196	11,662	13,010
TOTAL LIABILITIES		21,261	24,239	19,460	22,910
NET ASSETS		38,300	34,832	35,387	30,589
EQUITY					
Issued capital	21	12,804	12,804	12,804	12,804
Reserves		766	418	635	635
Retained earnings		24,730	21,610	21,948	17,150
Equity attributable to equity holders of the parent		38,300	34,832	35,387	30,589
TOTAL EQUITY		38,300	34,832	35,387	30,589

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2009

Consolidated Entity	Note	Share Capital Ordinary $000	Retained Earnings $000	Capital Profits Reserve $000	Asset Revaluation Reserve $000	Foreign Currency Translation Reserve $000	Hedge Reserve $000	Total $000
Balance at 1 July 2007		12,644	20,955	363	272	(131)	-	34,103
Adjustments from translation of foreign controlled entities		-	-	-	-	(86)	-	(86)
Transfers to and from reserve - hedge reserve		-	-	-	-	-	-	-
Net income recognised directly in equity		-	-	-	-	(86)	-	(86)
Profit for the period		-	1,129	-	-	-	-	1,129
Total recognised income and expense		-	1,129	-	-	-	-	1,129
Shares issued during period		160	-	-	-	-	-	160
Dividends paid or provided for	7	-	(474)	-	-	-	-	(474)
Balance		160	(474)	-	-	-	-	(314)
Balance at 30 June 2008		12,804	21,610	363	272	(217)	-	34,832
Adjustments from translation of foreign controlled entities		-	-	-	-	348	-	348
Transfers to and from reserve - hedge reserve		-	-	-	-	-	-	-
Net income recognised directly in equity		-	-	-	-	348	-	348
Profit for the period		-	3,120	-	-	-	-	3,120
Total recognised income and expense		-	3,120	-	-	-	-	3,120
Shares issued during the year		-	-	-	-	-	-	-
Dividends paid or provided for	7	-	-	-	-	-	-	-
Balance		-	-	-	-	-	-	-
Balance at 30 June 2009		12,804	24,730	363	272	131	-	38,300

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2009

Company	Note	Share Capital Ordinary $000	Retained Earnings $000	Capital Profits Reserve $000	Asset Revaluation Reserve $000	Foreign Currency Translation Reserve $000	Hedge Reserve $000	Total $000
Balance at 1 July 2007		12,644	15,502	363	272	-	-	28,781
Transfers to and from reserve - hedge reserve		-	-	-	-	-	-	-
Net income recognised directly in equity			-	-	-	-	-	420
Profit for the period		-	2,121	-	-	-	-	2,121
Total recognised income and expense		-	2,121	-	-	-	-	2,121
Shares issued during the year		160	-	-	-	-	-	160
Dividends paid or provided for	7	-	(473)	-	-	-	-	(473)
Balance		160	(473)	-	-	-	-	(313)
Balance at 30 June 2008		12,804	17,150	363	272	-	-	30,589
Transfers to and from reserve - hedge reserve		-	-	-	-	-	-	-
Net income recognised directly in equity		-		-	-	-	-	-
Profit for the period		-	4,798	-	-	-	-	4,798
Total recognised income and expense		-	4,798	-	-	-	-	4,798
Shares issued during the year		-	-	-	-	-	-	-
Dividends paid or provided for	7	-	-	-	-	-	-	-
Balance		-	-	-	-	-	-	-
Balance at 30 June 2009		12,804	21,948	363	272	-	-	35,387

The accompanying notes form part of these financial statements.

Cash Flow Statement

FOR THE YEAR ENDED 30 JUNE 2009

	Note	Consolidated Entity 2009 $000	Consolidated Entity 2008 $000	Company 2009 $000	Company 2008 $000
Cash Flows From Operating Activities					
Receipts from customers		58,138	47,535	40,525	32,088
Interest received		27	41	15	55
Dividend received		-	-	955	1,951
Payments to suppliers and employees		(50,328)	(45,099)	(31,773)	(31,962)
Interest and other costs of finance paid		(967)	(1,087)	(956)	(1,050)
Income tax (paid)/refund		(394)	(1,181)	(150)	38
Net cash provided by operating activities	25a	6,476	209	8,616	1,120
Cash Flows From Investing Activities					
Proceeds from sale of property, plant and equipment		1,021	59	839	14
Payments for property, plant and equipment		(1,685)	(2,364)	(1,317)	(1,994)
Payments for intangibles		(938)	(2,626)	(1,066)	(2,611)
Payment for Investment in Subsidiaries		-	-	(3,142)	-
Net cash used in investing activities		(1,602)	(4,931)	(4,686)	(4,591)
Cash Flows From Financing Activities					
Proceeds from options exercised		-	160	-	160
Proceeds from borrowings		15,407	3,087	15,395	3,087
Repayment of borrowings		(16,706)	(1,863)	(16,626)	(1,810)
Dividends paid to equity holders of the parent		-	(473)	-	(473)
Net cash (used in)/from financing activities		(1,299)	911	(1,232)	964
Net (decrease)/increase in cash and cash equivalents		3,575	(3,811)	2,698	(2,508)
Cash and cash equivalents at beginning of financial year		(1,156)	2,670	(1,786)	721
Effect of exchange rates on cash held in foreign currencies		(11)	(15)	-	-
Cash and cash equivalent at end of financial year	9	2,408	(1,156)	912	(1,786)

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2009

Note 1 Statement of Significant Accounting Policies

The financial statements were authorised for issue by the Directors on the 30 September 2009.

The financial report is a general purpose financial report that has been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and complies with other requirements of the law.

SDI Limited (the Company) is a listed public company, incorporated and domiciled in Australia.

The financial report includes the separate financial statements of the Company and the consolidated financial statements of the Group.

Accounting Standards include Australian equivalents to International Financial Reporting Standards ('A-IFRS'). Compliance with A-IFRS ensures that the financial statements and notes of the Group and Company comply with International Financial Reporting Standards ('IFRS').

Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective.

Initial application of the following Standards will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the Consolidated Entity's and the Company's financial report:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 101 'Presentation of Financial Statements' (revised September 2007), AASB 2007-8 'Amendments to Australian Accounting Standards arising from AASB 101',AASB 2007-10 'Further Amendments to Australian Accounting Standards arising from AASB 101'	1 January 2009	30 June 2010
AASB 8 'Operating Segments', AASB 2007-3 'Amendments to Australian Accounting Standards arising from AASB 8'	1 January 2009	30 June 2010

Initial application of the following Standards and Interpretations is not expected to have any material impact to the financial report of the Consolidated Entity and the Company:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 123 'Borrowing Costs' (revised), AASB 2007-6 'Amendments to Australian Accounting Standards arising from AASB 123'	1 January 2009	30 June 2010
AASB 3 'Business Combinations' (2008), AASB 127 'Consolidated and Separate Financial Statements' and AASB 2008-3 'Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127'	AASB 3 (business combinations occurring after the beginning of annual reporting periods beginning 1 July 2009), AASB 127 and AASB 2008-3 (1 July 2009)	30 June 2010

The initial application of the expected issue of an Australian equivalent accounting standard to the following standard is not expected to have a material impact on the financial report of the Group and the company:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
• AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 January 2009	30 June 2010
• AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'	1 July 2009	30 June 2010
• AASB 2008-7 'Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'	1 January 2009	30 June 2010
• AASB 2009-2 'Amendments to Australian Accounting Standards -Improving Disclosures about Financial Instrument's	1 January 2009	30 June 2010
• AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process Disclosures about Financial Instruments'	1 July 2009	30 June 2010
• AASB 2009-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process''	1 January 2009	30 June 2010

Basis of Preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts are rounded off to the nearest thousand dollars, unless otherwise indicated.

The following is a summary of the material accounting policies adopted by the Consolidated Entity in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity SDI Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

A list of controlled entities is contained in Note 13 to the financial statements. All controlled entities have a June financial year-end.

All inter-company balances and transactions between entities in the Consolidated Entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the Company.

Where controlled entities have entered or left the Consolidated Entity during the year, their operating results have been included/ excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(b) Income Tax

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance date. Current tax for current and prior periods is recognised as a liability (or asset) to the extent that it is unpaid (or refundable).

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is recognised in the income statement except where it relates to items that may be credited or debited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised.
Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with these investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Consolidated Entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company/Group intends to settle its current tax assets and liabilities on a net basis.

(c) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Costs are assigned to inventory on hand by the method most appropriate to each particular case of inventory, with the majority being valued on a first in first out basis. Overheads are applied on the basis of normal operating capacity.

(d) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Freehold land and buildings are stated at cost less accumulated depreciation and impairment losses.

Plant and equipment are measured on the cost basis less accumulated depreciation and impairment losses.

The carrying amount of property, plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from these assets.

The cost of property, plant and equipment constructed within the Consolidated Entity includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation
The depreciable amount of all property, plant and equipment including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the Consolidated Entity commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2%
Motor Vehicles	12.5% - 20%
Plant and equipment	7.5% - 10%

Office Equipment	20% - 33.3%
Leased Motor Vehicles	20% - 33.3%
Leased plant and equipment	20% - 33.3%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When re valued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(e) Leases

Leases of assets where substantially all the risks and benefits incidental to the ownership of the asset are transferred to entities in the Consolidated Entity are classified as finance leases. Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period so as to achieve a constant rate of interest on the remaining balances of the liability.

Finance leased assets are amortised on a straight-line basis over the estimated useful lives.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in economic benefits from the leased asset are consumed.

(f) Financial Instruments

Recognition
Financial instruments are initially measured at fair value, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below. Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

Financial assets at fair value through profit and loss
A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method less impairment.

Held-to-maturity investments
These investments have fixed maturities, and it is the Group's intention to hold these investments to maturity. Any held-to-maturity investments held by the Group are stated at amortised cost using the effective interest rate method less impairment.

Available-for-sale financial assets
Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities
Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments
Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

SDI Limited and Controlled Entities designates certain derivatives as either;

(1) hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge); or

(2) hedges of highly probable forecast transactions (cash flow hedges).

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions is documented. Assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items are also documented.

(I) FAIR VALUE HEDGE
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

(II) CASH FLOW HEDGE
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred to a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in the hedge reserve in equity are transferred to the income statement in the periods when the hedged item will affect profit or loss.

Hedge accounting is discontinued when the Group revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognised immediately in the income statement.

Fair value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arms length transactions, reference to similar instruments and option pricing models.

Impairment
At each reporting date, the Group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the income statement.

(g) Financial Instruments Issued by the Company

Debt and equity instruments
Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial Liabilities
Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities.
Financial liabilities at fair value through profit or loss
Financial liabilities at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 29 (b) (iii).

(h) Impairment of Other Tangible and Intangible Assets

At each reporting date, the Group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(i) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, cash in banks and call deposits. Bank overdrafts are shown as borrowings in current liabilities in the balance sheet but form an integral part of the Consolidated Entity's cash management and are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

(j) Intangibles

Intellectual Property
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.

Research and development
Expenditure during the research phase of a project is recognised as an expense when incurred.

An intangible asset arising from development is recognised if, and only if, all the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sales;
- the intention to complete or sell the intangible assets;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalised development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project of between 10 - 30 years.

(k) Foreign Currency Transactions and Balances

Functional and presentation currency
The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian dollars which is the Company's functional and presentation currency.

Transaction and balances
Foreign currency transactions during the year are converted to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit or loss as they arise.

Group Companies
The assets and liabilities of the overseas controlled entities are translated at year-end rates and operating results are translated at the average rates ruling during the year. Retained earnings are translated at exchange rates prevailing at the date of the transaction. Gains and losses arising on translation are taken directly to the foreign currency translation reserve.

(l) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year together with entitlements arising from wages and salaries, annual leave and other current employee entitlements which will be settled within one year, have been measured at their undiscounted amounts based on remuneration wage and salary rates that the Consolidated Entity expects to pay when liability is settled including related on-costs. Liabilities for employee benefits expected to be paid or settled later than one year are accrued in respect of all employees at amounts based on projected increases in wage and salary rates and on-costs discounted to present values of future amounts expected to be paid. Contributions are made by the Consolidated Entity to employee superannuation funds and are charged as expenses when incurred.

(m) Share based payments

All executives and executive directors (excluding the Managing Director) are eligible to participate in an Executive Share Option Plan on invitation from the Board. The ability to exercise the options is conditional on the Consolidated Entity achieving a target of minimum earnings per share for each financial year set by the Board before the commencement of that financial year as detailed in Note 26.

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 absolute discretion of the Board and have a three-year restriction period whereby they cannot be sold by the employee. Details of shares issued are provided in Note 21 to the accounts.

(n) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(o) Provision for Warranties

Provision is made in respect of the Consolidated Entity's estimated liability on all products and services under warranty at balance date. The provision is measured as the present value of

future cash flows estimated to be required to settle the warranty obligation.
The future cash flows have been estimated by reference to the Consolidated Entity's history of warranty claims.

(p) Borrowing costs

All borrowing costs are recognised in the profit or loss in the period in which they are incurred.

(q) Revenue

Revenue from the sale of goods is recognised when all the following conditions are satisfied:
the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
the amount of revenue can be measured reliably;
it is probable that the economic benefits associated with the transaction will flow to the entity; and
the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest revenue is recognised on a time basis taking into account the effective interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(r) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(s) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(t) Rounding of Amounts

The Company has applied the relief available to it under ASIC Class Order 98/0100 and accordingly, amounts in the financial report and Directors' Report have been rounded off to the nearest $1,000.

Critical accounting estimates and judgments
The Directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates — Impairment
The Group assesses impairment at each reporting date by evaluating conditions specific to the Group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of intellectual property and development costs for the year ended 30 June 2009

Note 2 Revenue

	Note	Consolidated Entity		Company	
		2009	2008	2009	2008
		$000	$000	$000	$000
Continuing operations					
- Revenue from the sale of goods		56,424	49,039	38,609	35,332
- interest revenue	2(b)	26	41	15	55
- Proceeds on disposal of Property Plant & Equip.		1,021	59	839	14
- Dividends received from subsidiary		-	-	955	1,951
- other revenue		71	46	61	17
- Revenue from rendering of services		-	-	1,470	1,300
- Net gain on foreign exchange		1,974	1,327	2,089	1,191
Total Revenue		59,516	50,512	44,038	39,860
(b) Interest revenue from:					
- wholly-owned controlled entities		-	-	-	32
- other persons		26	41	15	23
Total interest revenue		26	41	15	55

Note 3 Profit for the Year

		Consolidated Entity		Company	
		2009	2008	2009	2008
		$000	$000	$000	$000
(a)	**Expenses**				
	Profit for the year includes the following expenses:				
	Cost of sales	23,646	21,157	24,214	24,013
	Finance costs:				
	- Other persons	967	1,087	955	1,050
	Total finance costs	967	1,087	955	1,050
	Bad and doubtful debts:				
	- trade receivables	67	55	15	-
	Total bad and doubtful debts	67	55	15	-
	Rental expense on operating leases				
	- minimum lease payments	375	379	64	63
	Depreciation of non-current assets	1,525	1,339	1,348	1,186
	Amortisation of non-current assets	714	704	714	704
	Research costs expensed	1,512	106	1,512	106
	Employee benefits expenses	17,159	17,353	11,986	13,150
	Superannuation expenses	1,050	1,180	1,050	1,180
	Debt forgiveness subsidiary SDI Co Ltd (SDI Japan)	-	-	401	1,935
(b)	**Gains and losses**				
	Profit for the year has been arrived at after crediting/(charging) the following gains and losses:				
	Net gain on disposal of property plant and equipment	257	9	368	8
	Net Foreign exchange gain (loss)	1,072	(1,246)	1,346	(1,289)
	Net Gains (losses)	1,329	(1,237)	1,714	(1,281)

Note 4 Income Tax Expense

	Consolidated Entity		Company	
	2009	2008	2009	2008
Income tax recognised in profit or loss	$000	$000	$000	$000
(a) The components of tax expense comprise:				
Current tax	2,518	(719)	2,383	(933)
Deferred tax	(929)	899	(929)	899
(Over)Under provision in respect of prior years	(119)	244	(53)	34
Total tax expense	1,470	424	1,401	-
(b) The prima facie income tax expense on pre-tax accounting profit from operations reconciles to the income tax expense in the financial statements as follows: Prima facie tax payable on profit before income tax at 30% (2008: 30%)				
- consolidated entity	1,377	466	-	-
- company	-	-	1,860	636
	1,377	466	1,860	636
Add:				
Tax effect of:				
- Other non-allowable items	39	108	39	108
- Tax rate differences in overseas entities	331	(201)	-	-
- Under provision of Income Tax in prior year	-	244	-	34
	1,747	617	1,899	778
Less:				
Tax effect of:				
- Research and Development concessional 125% & 175%	119	161	119	161
- Other deductible items	39	32	39	32
- Non Taxable Dividend	-	-	287	585
- Over provision of income tax in prior year	119	-	53	-
Income tax attributable to entity	1,470	1,578	1,401	880
The applicable weighted average effective tax rates are as follows:	32%	28%	23%	27%

The increase in the weighted average effective company tax rate for 2009 is a result of an increase in accounting profit from operations..

Note 5 Key Management Personnel Compensation

(a) Key Management Personnel Compensation

The aggregate compensation made to directors and other members of key management personnel of the Company and the Group is set out below:

	2009 $	2008 $
Short-term employee benefits	1,645,501	1,568,262
Post-employment benefits	252,702	263,302
Other long-term benefits	32,378	30,254
Share-based benefits	-	-
Total	1,930,581	1,861,818

Key management personnel compensation is the same for the Company and the Consolidated Entity.

(b) Shareholdings

Number of Shares held by Key Management Personnel

2009	Balance 1.07.08	Granted as Compensation	Options Exercised	Net Change Other*	Balance 30.06.09
Company Directors					
Anthony John Bardsley	500,000	-	-	-	500,000
John Norman Isaac	50,000	-			50,000
Gabrielle Mary McCorkell	558,503	-	-	-	558,503
Jack Arthur Roseman	60,000	-	-	-	60,000
Jeffery James Cheetham Pamela Joy Cheetham (Co-holder of shares held by J.J. Cheetham)	53,916,157	-	-	5	53,916,162
Samantha Jane Cheetham	355,714	-	-	-	355,714
Nicholas Alexander Cheetham	10,000	-	-	-	10,000
Executives					
John J. Slaviero	2,689	-	-	-	2,689
Ray M. Cahill	4,289	-	-	-	4,289
	55,457,352	-	-	5	55,457,357

2008	Balance 1.07.07	Granted as Compensation	Options Exercised	Net Change Other*	Balance 30.06.08
Company Directors					
Anthony John Bardsley	500,000	-	-	-	500,000
John Norman Isaac				50,000	50,000
Gabrielle Mary McCorkell	555,448	-	-	3,055	558,503
Jack Arthur Roseman	60,000	-	-	-	60,000
Jeffery James Cheetham Pamela Joy Cheetham (Co-holder of shares held by J.J. Cheetham)	53,777,026	-	-	139,131	53,916,157
Samantha Jane Cheetham	352,646	-	-	3,068	355,714
Nicholas Alexander Cheetham	10,000	-	-	-	10,000
Executives					
John J. Slaviero	2,689	-	-	-	2,689
Ray M. Cahill	104,289	-	-	(100,000)	4,289
	55,362,098	-	-	95,254	55,457,352

* Net change other refers to shares purchased or sold during the financial year.

Note 5 Key Management Personnel Compensation

continued

(c) Options and Rights Holdings

Number of Options Held by Key Management Personnel

2009	Balance 1.07.08	Granted as Compensation	Options Exercised	Net Change Other*	Balance 30.06.09	Total Vested 30.06.09	Total Vested & Exercisable 30.06.09	Total Vested & Un-exercisable 30.06.09
Directors								
Samantha Jane Cheetham	-	-	-	-	-	-	-	-
Nicholas Alexander Cheetham	-	-	-	-	-	-	-	-
Executives								
John J. Slaviero	-	-	-	-	-	-	-	-
Joshua Cheetham	-	-	-	-	-	-	-	-
Ray M. Cahill	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-

2008	Balance 1.07.07	Granted as Compensation	Options Exercised	Net Change Other*	Balance 30.06.08	Total Vested 30.06.08	Total Vested & Exercisable 30.06.08	Total Vested & Un-exercisable 30.06.08
Directors								
Samantha Jane Cheetham	100,000	-	-	(100,000)	-	-	-	-
Nicholas Alexander Cheetham	100,000	-	-	(100,000)	-	-	-	-
Executives								
John J. Slaviero	-	-	-	-	-	-	-	-
Joshua Cheetham	100,000	-	-	(100,000)	-	-	-	-
Ray M. Cahill	-	-	-	-	-	-	-	-
	300,000	-	-	(300,000)	-	-	-	-

*The net change other column above includes those options that have expired.

The Managing Director having regard to performance, relevant comparative information, and independent advice reviews senior executives' remuneration and other terms of employment annually and any recommendations are ratified by the Board. Remuneration packages are set at levels designed to attract and retain senior executives capable of contributing to the financial well-being of the Company. There are no formal contracts in place for senior executives.

Note 6 Auditors' Remuneration

	Consolidated Entity		Company	
	2009 $	2008 $	2009 $	2008 $
Remuneration of the auditor of the Company for:				
- auditing or reviewing the financial report	153,500	146,000	153,500	146,000
- taxation services	35,300	20,000	35,300	20,000
Remuneration of other auditors of subsidiaries for:				
- auditing or reviewing the financial report of subsidiaries	36,000	26,000	-	-

The auditor of SDI Limited is Deloitte Touche Tohmatsu.

Note 7 Dividends

	Consolidated Entity 2009 $000	Consolidated Entity 2008 $000	Company 2009 $000	Company 2008 $000
Recognised Amounts	-	-	-	-
Unrecognised Amounts				
Proposed final franked ordinary dividend of 0.3 cents per share paid in 2009 (2008: 0.4 cents)	356	473	356	473
	356	473	356	473
(b) Balance of franking account at year end adjusted for franking credits arising from: - payment of provision for income tax and dividends recognised as receivables and franking debits arising from payment of proposed dividends, and franking credits that may be prevented from distribution in subsequent financial years.	4,204	4,055	4,204	4,055
- subsequent to year-end, the franking account would be reduced by the proposed dividend reflected as above	-	-	-	-
	4,204	4,055	4,204	4,055

On 25 August 2009, the Directors declared that a final dividend of 0.3 cents per share would be paid to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2009.

Note 8 Earnings per Share

	Consolidated Entity 2009 $000	Consolidated Entity 2008 $000
(a) Reconciliation of earnings to profit or loss from continuing operations		
Net Profit from continuing operations	3,120	1,129
Earnings used to calculate basic EPS from continuing operations	3,120	1,129
Earnings used in the calculation of diluted EPS from continuing operations	3,120	1,129
	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	118,576,142	118,470,677
Weighted average number of options outstanding	-	-
Weighted average number of ordinary shares outstanding during the year used in calculating diluted EPS	118,576,142	118,470,677

Note 9 Cash & Cash Equivalents

	Note	Consolidated Entity 2009 $000	Consolidated Entity 2008 $000	Company 2009 $000	Company 2008 $000
Cash at bank and in hand		2,408	861	912	240
Short-term bank deposits		-	9	-	-
		2,408	870	912	240
Reconciliation of cash Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows:					
Cash and cash equivalents		2,408	870	912	240
Bank overdrafts	18	-	(2,026)	-	(2,026)
		2,408	(1,156)	912	(1,786)

Note 10 Trade & Other Receivables

	Consolidated Entity		Company	
	2009 $000	2008 $000	2009 $000	2008 $000
Current				
Trade receivables	11,100	9,582	5,143	4,104
Allowance for doubtful debts	(103)	(208)	-	-
	10,997	9,374	5,143	4,104
Other receivables	658	1,042	236	356
Amounts receivable from:				
- wholly-owned subsidiaries	-	-	6,209	7,713
	11,655	10,416	11,588	12,173

Credit terms with domestic customers are 30 days from the end of the month in which sales were made. Credit terms for export customers vary depending on a number of factors. The average credit terms for export customers are 120 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 120 days from date of invoice.

As at 30 June 2009 there were no material balances in existence that are considered to be past due that have not already been provided for.

Movements in the allowance for doubtful debts

	Consolidated Entity		Company	
	2009 $000	2008 $000	2009 $000	2008 $000
Balance at the beginning of the year	(208)	(166)		
Amounts written off as uncollectable	-	(42)	-	-
Amounts recovered during the year	105	-	-	-
Balance at the end of the year	(103)	(208)	-	-

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

Note 11 Inventories

	Consolidated Entity		Company	
	2009 $000	2008 $000	2009 $000	2008 $000
Current				
At cost				
Raw materials and stores	4,664	4,928	4,664	4,928
Work in progress	419	459	419	459
Finished goods	5,276	6,332	1,229	1,757
	10,359	11,719	6,312	7,144

Note 12 Other Financial Assets

	Consolidated Entity		Company	
	2009 $000	2008 $000	2009 $000	2008 $000
Non Current				
Unlisted investments, at cost - shares in controlled entities	-	-	3,437	294
	-	-	3,437	294

Note 13 Controlled Entities

	Country of Incorporation	Percentage Owned (%)*	
		2009	2008
Company:			
SDI Limited	Australia		
Subsidiaries of SDI Limited:			
SDI (North America), Inc	United States of America	100	100
SDI Holdings Pty Ltd	Australia	100	100
SDI Co Ltd	Japan	100	100
Southern Dental Industries GmbH	Germany	100	100
SDI Brasil Industria e Comercio Ltda	Brazil	100	100
SDI Dental Limited	Ireland	100	100

* Percentage of voting power is in proportion to ownership

Note 14 Property, Plant and Equipment

	Consolidated Entity 2009 $000	Consolidated Entity 2008 $000	Company 2009 $000	Company 2008 $000
Land and Building				
Land and Buildings at:				
- cost	7,606	7,914	7,606	7,914
Less accumulated depreciation	(581)	(490)	(581)	(490)
Total Land and Buildings	7,025	7,424	7,025	7,424
Plant and Equipment				
Plant and equipment:				
- at cost	17,895	16,892	16,563	15,634
Accumulated depreciation	(10,141)	(8,933)	(9,522)	(8,491)
Total Plant and Equipment	7,754	7,959	7,041	7,143
Total Property, Plant and Equipment	14,779	15,383	14,066	14,567

(a) Movements in Carrying Amounts

Movements in carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

2009	Land and Buildings $000	Plant and Equipment $000	Total $000
Consolidated Entity:			
Balance at the beginning of year	7,424	7,959	15,383
Additions	73	1,612	1,685
Disposals	(380)	(384)	(764)
Depreciation expense	(92)	(1,433)	(1,525)
Carrying amount at the end of year	7,025	7,754	14,779
Company:			
Balance at the beginning of year	7,424	7,143	14,567
Additions	73	1,244	1,317
Disposals	(380)	(90)	(470)
Depreciation expense	(92)	(1,256)	(1,348)
Carrying amount at the end of year	7,025	7,041	14,066

2008	Land and Buildings $000	Plant and Equipment $000	Total $000
Consolidated Entity:			
Balance at the beginning of year	6,800	7,608	14,408
Additions	705	1,659	2,364
Disposals	-	(50)	(50)
Depreciation expense	(81)	(1,258)	(1,339)
Carrying amount at the end of year	7,424	7,959	15,383
Company:			
Balance at the beginning of year	6,800	6,965	13,765
Additions	705	1,289	1,994
Disposals	-	(6)	(6)
Depreciation expense	(81)	(1,105)	(1,186)
Carrying amount at the end of year	7,424	7,143	14,567

Note 15 Intangible Assets

	Consolidated Entity 2009 $000	Consolidated Entity 2008 $000	Company 2009 $000	Company 2008 $000
Patents, trademarks and licences				
Cost	5,078	4,819	5,078	4,686
Accumulated amortisation and impairment	(1,296)	(1,221)	(1,296)	(1,216)
Net carrying value	3,782	3,598	3,782	3,470
Development costs				
Cost	15,163	14,490	15,163	14,490
Accumulated amortisation and impairment	(2,230)	(1,597)	(2,230)	(1,597)
Net carrying value	12,933	12,893	12,933	12,893
Total intangibles	16,715	16,491	16,715	16,363

	Trademarks & Licences $000	Development Costs $000	Total $000
Consolidated Entity:			
Year ended 30 June 2008			
Balance at the beginning of year	3,288	11,281	14,569
Additions	389	2,237	2,626
Amortisation charge	(79)	(625)	(704)
Closing carrying value at 30 June 2008	3,598	12,893	16,491
Year ended 30 June 2009			
Balance at the beginning of year	3,598	12,893	16,491
Additions	265	673	938
Amortisation charge	(81)	(633)	(714)
Closing carrying value at 30 June 2009	3,782	12,933	16,715

Amortisation expense is included in the line item 'selling & administration expenses' in the Income statement.

The following useful lives are used in the calculation of amortisation:

Capitalised development costs	10 – 30 years
Patents	10 years - indefinite
Trademarks	10 years - indefinite

Impairment Disclosures
Impairment tests were applied for a cash generating unit, the Company, containing development costs and intellectual property.

The recoverable amount of each cash-generating unit 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 10.84% at the beginning of the budget period.

These budgets use historical weighted average growth rates to project revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period. Discount rates are pre-tax and are adjusted to incorporate risks associated with a particular unit.

Note 16 Other Assets

	Consolidated Entity 2009 $000	Consolidated Entity 2008 $000	Company 2009 $000	Company 2008 $000
Current				
Prepayments	1,364	908	205	241
	1,364	908	205	241
Non-Current				
Prepayments	13	11	13	11
	13	11	13	11

Note 17 Trade & Other Payables

	Consolidated Entity		Company	
	2009 $000	2008 $000	2009 $000	2008 $000
Current				
Unsecured liabilities				
Trade payables (i)	2,093	2,317	1,338	2,024
Sundry payables and accrued expenses	1,538	1,557	883	888
	3,631	3,874	2,221	2,912

(i) The average credit period on the purchases of goods ranges from 7 – 60 days. No interest is charged on the trade payable. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

Note 18 Borrowings

	Note	Consolidated Entity		Company	
		2009 $000	2008 $000	2009 $000	2008 $000
Current					
Secured – at amortised cost:					
Bank overdrafts	18(a),(c)	-	2,026	-	2,026
Bank loans	18(a),(d)	2,721	3,145	2,721	3,145
Hire Purchase	23	172	152	172	152
		2,893	5,323	2,893	5,323
Non-Current					
Secured - at amortised cost:					
Bank loans	18(a),(d)	8,334	9,280	8,200	9,094
Hire Purchase	23	218	153	218	153
		8,552	9,433	8,418	9,247
(a) Total current and non-current secured liabilities:					
Bank overdraft		-	2,026	-	2,026
Bank Loans		11,055	12,425	10,921	12,239
Hire Purchase		390	305	390	305
		11,445	14,756	11,311	14,570
(b) The carrying amounts of non-current assets pledged as security are:					
First mortgage					
Freehold land and buildings		7,025	7,424	7,025	7,424
Floating charge over assets		27,205	23,165	27,205	23,165
		34,230	30,589	34,230	30,589

(c) The bank overdrafts of the Company are secured by a registered first mortgage debenture over the assets of the Company and by a registered first mortgage over the freehold properties of the Company. Bank Overdraft facilities are arranged with the St George Bank Limited. Interest rates are variable and subject to adjustment.

(d) The bank loans are secured by registered first mortgage debenture over the assets of the Company and by a registered first mortgage over freehold properties of the Company. The Company operates a loan facility of AUD 8,804,000 and a trade finance facility of AUD 3,000,000. 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 provided the Company and the Consolidated Entity is within the terms and conditions of the agreement.

Note 19 Tax

		Consolidated Entity		Company	
		2009 $000	2008 $000	2009 $000	2008 $000
(a)	**Current Tax Liabilities**				
	Current tax liabilities	1,037	55	925	-
	Total	1,037	55	925	-
(b)	**Current Tax Assets**				
	Current Tax Asset	669	2,064	-	1,256
	Total	669	2,064	-	1,256
(c)	**Deferred Tax Assets and Liabilities**				
	Deferred tax assets	1,599	1,209	1,599	1,209
	Deferred tax liabilities	(2,972)	(3,511)	(2,972)	(3,511)
	Net Liability	(1,373)	(2,302)	(1,373)	(2,302)
(d)	Deferred tax balances comprise temporary differences attributable to: Amounts recognised in the income statement:				
	Trade and other receivables	190	25	190	25
	Inventories	22	(23)	22	(23)
	Property, Plant and equipment	604	124	604	124
	Intangible assets	(3,667)	(3,912)	(3,667)	(3,912)
	Other assets	828	828	828	828
	Trade and other payables	(4)	(14)	(4)	(14)
	Interest bearing liabilities	-	-	-	-
	Other liabilities and provisions	654	670	654	670
	Net Deferred tax liability	(1,373)	(2,302)	(1,373)	(2,302)
(e)	**Movement Reconciled:**				
	Opening balance	(2,302)	(1,403)	(2,302)	(1,403)
	Credited/(charged) to income statement	929	(899)	929	(899)
		(1,373)	(2,302)	(1,373)	(2,302)

Note 20 Provisions

	Consolidated Entity		Company	
	2009 $000	2008 $000	2009 $000	2008 $000
Current				
Warranties:				
Opening balance at beginning of year	50	50	50	50
Additional provisions raised during year	-	-	-	-
Balance at end of the year	50	50	50	50
Employee Entitlements:				
Opening balance at beginning of year	1,741	1,492	1,615	1,447
Additional provisions raised during year	959	1,186	871	1,017
Amounts used	(846)	(937)	(777)	(849)
Balance at end of the year	1,854	1,741	1,709	1,615
Non-Current				
Employee Entitlements				
Opening balance at beginning of year	252	228	252	227
Additional provisions raised during year	20	24	20	25
Amounts used	-	-	-	-
Balance at end of the year	272	252	272	252
Analysis of Total Provisions				
Current	1,904	1,791	1,759	1,665
Non-current	272	252	272	252
	2,176	2,043	2,031	1,917

Provision for Warranties
A provision of $50,000 at 30 June 2009 has been recognised for estimated warranty claims in respect of products and services sold which are still under warranty at balance date.

Provision for Employee Entitlements
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 1 to this report.

Note 21 Issued Capital

	Consolidated Entity		Company	
	2009 $000	2008 $000	2009 $000	2008 $000
118,576,142 (2008:118,576,142) fully paid ordinary shares	12,804	12,804	12,804	12,804
	12,804	12,804	12,804	12,804

	Consolidated Entity		Company	
	2009 No.	2008 No.	2009 No.	2008 No.
(a) Fully Paid Ordinary Shares				
At the beginning of reporting period	118,576,142	118,228,391	118,576,142	118,228,391
Shares issued during year				
- Dividend Reinvestment Plan Issue on 19 October 2007	-	347,751	-	347,751
At reporting Date	118,576,142	118,576,142	118,576,142	118,576,142

Note 21 Issued Capital

continued

Ordinary shares participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held.

Changes to the then Corporations Law has abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value

At shareholders meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

(b) Options

For information relating to the SDI Limited Executive Share Option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end refer to Note 26: Share-based Payments.

For information relating to share options issued to key management personnel during the financial year, refer to Note 5: Key Management Personnel Compensation and Note 26: Share-based Payments.

(c) Employee share plan

For information relating to the SDI Employee Share plan, refer to Note 26: Share-based Payments.

(d) Dividend Reinvestment Plan (DRP)

Under the DRP, participating shareholders elect to apply dividends in whole or in part to the purchase of ordinary shares at the issue price.

In general and unless the SDI Board decides otherwise, shares will be allocated at the "Average Market Price" (which is the arithmetic average of the daily weighted average market price as the directors may determine) of SDI's shares on the ASX over a period of 5 business days prior to and including the Dividend Record date.

No ordinary shares were issued under the DRP during the financial year 2009.

The Board may determine in relation to all or any dividends paid, that shares will be allocated under the DRP subject to a discount below the average market price.

Note 22 Reserves

(a) Capital Profits Reserve

The capital profits reserve records non-taxable profits on sale of investments.

(b) Asset Revaluation Reserve

The asset revaluation reserve records revaluations of non-current assets.

(c) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of foreign subsidiaries.

(d) Hedge Reserve

The hedge reserve records revaluations of items designated as hedges.

Note 23 Capital & Leasing Commitments

	Note	Consolidated Entity 2009 $000	Consolidated Entity 2008 $000	Company 2009 $000	Company 2008 $000
(a) Hire Purchase Commitments					
Payable - lease payments					
- not later than 12 months		172	152	172	152
- between 12 months and 5 years		218	153	218	153
- greater than 5 years		-	-	-	-
Total Hire Purchase Commitments	18	390	305	390	305
Finance Charges included in Hire Purchase Commitments		41	32	41	32

Hire Purchase contracts have been entered into over 3 to 5 years. Residual payments are determined as follows:

- Manufacturing equipment - 10% of purchase price.
- Motor vehicles - Estimated market value upon expiration of the lease.

All lease payments are paid monthly in advance for the term of the lease.

The aggregate amount contracted for in respect of finance leases and hire purchase contracts is capitalised in the financial report in accordance with the accounting policies set out in Note 1(e).

	Note	Consolidated Entity 2009 $000	Consolidated Entity 2008 $000	Company 2009 $000	Company 2008 $000
(b) Operating Lease Commitments					
Non-cancellable operating leases contracted for but not capitalised in the financial statements					
Payable - minimum lease payments					
- not later than 12 months		164	157	-	-
- between 12 months and 5 years		90	57	-	-
- greater than 5 years		-	-	-	-
		254	214	-	-

Operating leases are generally entered into for a period of 3 to 5 years with rents payable in advance. The Company utilises operating leases for office premises, warehouses, office equipment, and motor vehicles

	Note	Consolidated Entity 2009 $000	Consolidated Entity 2008 $000	Company 2009 $000	Company 2008 $000
(c) Capital Expenditure Commitments					
Capital expenditure commitments contracted for:					
Land and Building purchases		-	-	-	-
		-	-	-	-
Payable:					
- not later than 12 months		-	-	-	-
- between 12 months and 5 years		-	-	-	-
- greater than 5 years		-	-	-	-
		-	-	-	-

Note 24 Segment Reporting

Primary Reporting

Geographic Segments (by location of assets)

	Australia 2009 $000	Europe 2009 $000	North America 2009 $000	South America 2009 $000	Asia/ Pacific 2009 $000	Middle East 2009 $000	Other 2009 $000	Eliminations 2009 $000	Consolid-ated Entity 2009 $000
Revenue									
External Sales	18,633	16,580	15,096	5,865	250	-	-	-	56,424
Other segments	19,976	8,180	-	-	-	-	-	(28,156)	-
Total sales revenue	38,609	24,760	15,096	5,865	250	-	-	(28,156)	56,424
Unallocated revenue	-	-	-	-	-	-	-	-	3,092
Total revenue									59,516
Result									
Segment result	7,155	1,035	(352)	(1,295)	2	-	-	(988)	5,557
Unallocated expenses net of unallocated revenue	-	-	-	-	-	-	-	-	(967)
Profit before income tax	-	-	-	-	-	-	-	-	4,590
Income tax expense	-	-	-	-	-	-	-	-	(1,470)
Profit after income tax	-	-	-	-	-	-	-	-	3,120
Assets									
Segment assets	53,248	6,155	5,559	4,134	0	-	-	(11,143)	57,953
Unallocated assets	-	-	-	-	-	-	-	-	1,599
Total assets	-	-	-	-	-	-	-	-	59,552
Liabilities									
Segment liabilities	16,490	3,021	1,400	3,578	-	-	-	(6,209)	18,280
Unallocated liabilities	-	-	-	-	-	-	-	-	2,972
Total liabilities	-	-	-	-	-	-	-	-	21,252
Other									
Revenues from sales to external customers by location of customers	4,494	17,720	15,096	10,855	3,572	3,970	717	-	56,424
Acquisitions of non-current segment assets	2,383	195	9	36	6	-	-	-	2,623
Depreciation and amortisation of segment assets	2,062	126	11	38	2	-	-	-	2,239
Other non-cash segment expenses	15	-	3	-	-	-	-	-	18

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Note 24 Segment Reporting

continued

Primary Reporting

Geographic Segments (by location of assets)

	Australia 2008 $000	Europe 2008 $000	North America 2008 $000	South America 2008 $000	Asia/ Pacific 2008 $000	Middle East 2008 $000	Other 2008 $000	Eliminations 2008 $000	Consolid-ated Entity 2008 $000
Revenue									
External Sales	15,223	15,857	12,563	4,836	560	-	-	-	49,039
Other segments	20,109	8,046	-	-	-	-	-	(28,155)	-
Total sales revenue	35,332	23,903	12,563	4,836	560	-	-	(28,155)	49,039
Unallocated revenue	-	-	-	-	-	-	-	-	1,473
Total revenue									50,512
Result									
Segment result	3,171	1,141	642	(1,026)	1,289	-	(1)	(2,577)	2,639
Unallocated expenses net of unallocated revenue	-	-	-	-	-	-	-	-	(1,086)
Profit before income tax	-	-	-	-	-	-	-	-	1,553
Income tax expense	-	-	-	-	-	-	-	-	(424)
Profit after income tax	-	-	-	-	-	-	-	-	1,129
Assets									
Segment assets	52,290	6,166	3,852	4,344	532	-	-	(9,482)	57,702
Unallocated assets	-	-	-	-	-	-	-	-	1,209
Total assets	-	-	-	-	-	-	-	-	58,911
Liabilities									
Segment liabilities	19,401	3,140	1,748	3,460	532	-	-	(7,713)	20,568
Unallocated liabilities	-	-	-	-	-	-	-	-	3,511
Total liabilities	-	-	-	-	-	-	-	-	24,079
Other									
Revenues from sales to external customers by location of customers	3,682	17,480	12,563	8,905	3,477	2,182	750	-	49,039
Acquisitions of non-current segment assets	4,604	244	19	84	18	-	21	-	4,990
Depreciation and amortisation of segment assets	1,888	112	10	24	8	-	-	-	2,043
Other non-cash segment expenses	-	24	-	-	-	-	-	-	24

Secondary Reporting — Business Segments

The Consolidated Entity operates predominantly in one business segment being the manufacturing and distribution of dental restorative products.

Intersegment Transfers

Segment revenues, expenses and results include transfers between segments. The prices charged on intersegment transactions are the same as those charged for similar goods to parties outside of the Consolidated Entity at an arm's length. These transfers are eliminated on consolidation.

Note 25 Cash Flow Information

	Consolidated Entity		Company	
	2009 $000	2008 $000	2009 $000	2008 $000
(a) Reconciliation of profit for the period to net cash flows from operating activities				
Profit after income tax	3,120	1,129	4,798	2,121
Cash flows excluded from profit attributable to operating activities				
Non-cash flows in profit				
Amortisation	714	704	714	704
Depreciation	1,525	1,339	1,348	1,186
(Net gain)/loss on disposal of property, plant and equipment	(257)	(9)	(368)	(8)
Write-off Bad Debts	18	24	15	-
Stock obsolescence	150	-	150	-
Doubtful Debts adjustment	12	31	-	-
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade debtors and intercompany balances	251	(2,085)	48	(5,193)
(Increase)/decrease in debt forgiveness SDI Co Ltd (SDI Japan)	-	-	402	1935
(Increase)/decrease in other debtors and prepayments	(66)	(420)	154	40
(Increase)/decrease in inventories	1,764	(1,284)	681	(40)
(Increase)/decrease in current tax asset	-	-	-	-
(Increase)/decrease in deferred tax assets/deferred tax liabilities	857	(198)	866	-
(Increase)/decrease in Investments	-	17	-	17
Increase/(decrease) in trade creditors and accruals	(2,348)	1,791	(691)	666
Increase/(decrease) in income taxes payable	1,146	(597)	925	-
Increase/(decrease) in deferred taxes payable	(539)	(500)	(540)	(500)
Increase/(decrease) in provisions	128	275	114	192
Increase/(decrease) in foreign currency reserve	-	(9)	-	-
Net Cash from operating activities	6,475	209	8,616	1,120
(b) Non-cash Financing and Investing Activities				
Refer to Note 22 Issued Capital for details of non-cash financing transactions relating to the Dividend Reinvestment Plan				
(c) Credit Standby Arrangements with Banks				
Credit facility	2,060	2,189	2,000	2,125
Amount utilised	-	(2,026)	-	(2,026)
Amount unused	2,060	163	2,000	99
The major facilities are summarised as follows:				
Bank overdrafts: Bank overdraft facilities are arranged with the St George Bank Limited and Banco de Brazil with the general terms and conditions being set and agreed to annually.				
Interest rates are variable and subject to adjustment.				
(d) Loan Facilities				
Loan facilities	11,804	12,766	11,200	12,239
Amount utilised	(11,055)	(12,425)	(10,921)	(12,239)
Amount unused	749	341	279	-

The major facilities are summarised as follows:

The Company operates a loan facility of AUD 8,804,000 (2008:AUD 9,766,000) . The facilities allow for both fixed and variable loans.

It also operates a trade finance facility of AUD 3,000,000 (2008:AUD 3,000,000).

Finance will be provided under all facilities provided the Company and the Consolidated Entity are within the terms and conditions of the agreement.

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Note 26 Share-based Payments

The following share-based payment arrangements existed at 30 June 2009:

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..

	Consolidated Entity				Company			
	2009		2008		2009		2008	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	-	-	500,000	0.486	-	-	500,000	0.486
Expired	-	-	(500,000)	0.486	-	-	(500,000)	0.486
Outstanding at year-end	-	-	-	-	-	-	-	-
Exercisable at year-end	-	-	-	-	-	-	-	-

(i) Exercised during the financial year

The following share options granted under the executive share option plan were exercised during the financial year:

2009 Options Series	Number exercised	Exercise Date	Share price at exercise date $
	-	-	-
	-	-	-

2008 Options Series	Number exercised	Exercise Date	Share price at exercise date $
	-	-	-
	-	-	-

(ii) Balance at the end of the financial year

There were no share options outstanding at the end of the financial year.

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

Note 27 Events after the Balance Sheet Date

There has not been any other matter or circumstance occurring subsequent to the end of the financial year that has significantly affected or may significantly affect the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years, except for the declaration of a dividend (Refer Note 7).

Note 28 Related Party Transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

	Consolidated Entity		Company	
	2009 $	2008 $	2009 $	2008 $
Transactions with related parties				
(a) Director-related Entities				
Provision of consulting services by Silverglades Pty Ltd, a company controlled by Mr J.J. Cheetham	80,000	80,000	80,000	80,000
The Company purchased a small number of RACV memberships during the financial year. Mr J.N. Isaac is a director of RACV Ltd.				
(b) (i) Sales are made by SDI Limited to controlled entities on normal commercial terms and conditions.			19,976,308	20,108,935
(ii) Intercompany charges are made between SDI Limited and controlled entities. These are made on normal commercial terms and conditions for the recoupment of costs and expenses incurred on their behalf.			1,470,842	1,316,297
(c) Amounts receivable from wholly owned subsidiaries by the Company are disclosed in Note 10.				

Note 29 Financial Instruments

(a) Financial Risk Management Objectives

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, accounts receivable and payable, bills, leases, overdrafts, and derivatives.

The main purpose of non-derivative financial instruments is to raise finance for Group operations. Derivatives are used by the Group for hedging purposes. Such instruments include foreign exchange currency option contracts, interest rate swap agreements and silver price hedging contracts. The Group does not speculate in the trading of derivative instruments.

(i) Treasury Risk Management
A finance committee consisting of the Managing Director and senior finance executives of the Group meet on a regular basis to analyse currency, commodity and interest rate exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

(ii) Financial Risks
The main risks the Group is exposed to through its financial instruments are liquidity risk, interest rate risk, credit risk, foreign currency risk and price risk.

LIQUIDITY RISK

Ultimate responsibility for interest rate and liquidity risk management rests with the Board of Directors, who have established an appropriate interest rate and liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The group manages interest rate and liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

INTEREST RATE RISK

The Company and the Group are exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings as well as the use of interest rate swap contracts.

At the reporting date the interest rate profile of the Group's interest bearing financial instruments was:

	Consolidated		Company	
	2009 $000	2008 $000	2009 $000	2008 $000
Fixed rate instruments				
- Financial Assets	-	-	-	-
- Financial Liabilities	6,390	6,305	6,390	6,305
Variable rate instruments				
- Financial Assets	-	-	-	-
- Financial Liabilities	5,055	8,451	4,921	8,265

INTEREST RATE SENSITIVITY ANALYSIS

The sensitivity analysis below has been based on the exposure to debt instruments as at the reporting date and that the change would take place from the beginning of the year and be held constant throughout the reporting period.

At reporting date if interest rates had been 50 basis points higher the reported net profit would have been for the Group $63,000 lower, Company $62,000 lower.
For the prior reporting period had interest rates been 50 basis points higher net profit would have been for the Group $71,000 lower, Company $70,000 lower.

No change from the prior year to the methods and assumptions used.

CREDIT RISK MANAGEMENT

The group has established a credit policy under which each new customer is analysed individually for creditworthiness before the payment and delivery terms and conditions are determined. Purchase limits are established for each customer which represents the maximum open amount without requiring the approval from corporate management.

The credit quality of all financial assets that are neither past due nor impaired is appropriate and is consistently monitored in order to identify any potential adverse changes in the credit quality.

Note 29 Financial Instruments

continued

FOREIGN CURRENCY RISK

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

CONSOLIDATION			
30 June 2009	EURO €000	BRAZIL R 000	USD $ 000
Financial Assets	1,959	2,602	2,272
Financial Liabilities	616	160	299
Balance Date FX Rate	0.5745	1.5832	0.80542

CONSOLIDATION			
30 June 2008	EURO €000	BRAZIL R 000	USD $ 000
Financial Assets	2,030	2,327	1,508
Financial Liabilities	467	155	256
Balance Date FX Rate	0.6072	1.5257	0.95622

FOREIGN CURRENCY RISK SENSITIVITY ANALYSIS

The following table includes a sensitivity analysis of the equity impact for a change of 10% in foreign currency rates. A negative number indicates a decrease in profit and other equity where the Australian Dollar strengthens against the relevant currency. There would be an equal and opposite impact if the Australian Dollar weakened against the relevant currency. The analysis assumes that all other variables remain constant. The analysis is performed on the same basis for 2008.

Consolidated		Company	
Profit (Loss)		Profit (Loss)	
2009	2008	2009	2008
$000	$000	$000	$000
(771)	(920)	(739)	(794)

Note 29 Financial Instruments

continued

PRICE RISK

The Group is exposed to commodity price risk through its manufacturing operations. Silver prices have fluctuated on the London Silver Exchange over the past two years therefore the Company currently hedges the price it buys silver at. Silver Futures markets and economic forecasts are constantly monitored to determine whether to implement a hedge.

Price Risk Sensitivity Analysis

At 30 June 2009, the effect on profit and equity as a result of changes in the price risk on the hedge, with all other variables remaining constant would be as follows:

	Consolidated Group		Parent Entity	
	2009 $000	2008 $000	2009 $000	2008 $000
Change in profit				
- Increase in silver price by 10%	(751)	(706)	(751)	(706)
- Decrease in silver price by 10%	751	706	751	706
Change in Equity				
- Increase in silver price by 10%	(751)	(706)	(751)	(706)
- Decrease in silver price by 10%	751	706	751	706

No change from the prior year to the methods and assumptions used.

CAPITAL RISK

The group manages its capital to ensure that entities in the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance.

The company's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manage the company's capital by assessing the company's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the company since the prior year. This strategy is to ensure that the group's gearing ratio remains between 20% and 40%. The gearing ratios for the year ended 30 June 2009 and 30 June 2008 are as follows:

	Consolidated Entity		Company	
	2009 $000	2008 $000	2009 $000	2008 $000
Debt (i)	11,445	14,756	11,311	14,570
Cash and cash equivalents	(2,408)	(870)	(912)	(240)
Net debt	9,037	13,886	10,399	14,330
Equity (ii)	38,300	34,832	35,387	30,589
Net Debt to equity ratio	23.6%	39.9%	29.4%	46.8%
(i) Debt is defined as long and short-term borrowings, as detailed in note 18 (Borrowings).				
(ii) Equity includes all capital and reserves.				

Note 29 Financial Instruments

continued

(b) Financial Instruments

Derivative Financial Instruments

Derivative financial instruments are used by the Consolidated Entity and Company to hedge exposure to silver price fluctuations associated with the purchasing of silver used in the manufacture of amalgam products. The derivative financial instruments used by the Entity are recognised in the financial statements. Transactions for hedging purposes are undertaken without the use of collateral as only reputable institutions with sound financial positions are dealt with.

FOREIGN EXCHANGE CURRENCY OPTION CONTRACTS

The Consolidated Entity and Company enters into foreign exchange currency option contracts to buy and sell specified amounts of foreign currencies in the future at stipulated exchange rates. The objective in entering the foreign exchange currency option contracts is to protect the Group and Company against unfavourable exchange rate movements for both the contracted and anticipated future sales and purchases undertaken in foreign currencies. The accounting policy in regard to foreign exchange currency option contracts is detailed in Note 1(f).

The Group and Company have chosen not to apply hedge accounting to these instruments.

At balance date, there were no forward exchange contracts in place.

			Average Protection Exchange Rate	
	2009 $000	2008 $000	2009	2008
Buy Australian Dollars Settlement		Sell EUR		
Less than 6 months	-	1,200	-	0.59680

Interest rate swaps

Interest rates swap transactions entered into by the Consolidated Entity and Company to exchange variable interest payment obligations to protect long-term borrowings from the risk of increasing interest rates. The Consolidated Entity and Company has both variable and fixed interest rate debt and enters into swap contracts to pay interest at fixed rates.

The settlement dates of the swap contracts correspond with interest payment dates of the borrowings. The swap contracts require settlement of the net interest receivable or payable and are brought to account as an adjustment to finance costs.

The Group and Company have chosen not to apply hedge accounting to these instruments.

At balance date, there are no interest rate swap contracts in place.

	Effective Average Interest Rate Payable		Notional Principal	
	2009 %	2008 %	2009 $000	2008 $000
Settlement	-	6.05	-	3,000

Silver Hedge Contracts

The Consolidated Entity enters into silver hedge contracts to fix the price of silver in the future at stipulated hedge rates. The objective in entering the hedging contracts is to protect the Consolidated Entity against unfavourable silver price movements for purchase of silver which is a raw material used in the manufacture of amalgam products.

The Group and Company have chosen to apply hedge accounting to these instruments. In 2008 the Group and Company chose not to apply hedge accounting to these instruments.

At balance date, the details of silver hedge contracts are:

	Contract Value	
	2009 USD '000	2008 USD '000
Settlement	1,211	955

Note 29 Financial Instruments

continued

Liquidity and interest risk tables

Non Derivative financial Instruments table

The following tables details the Group and Company's remaining contractual maturity for its non-derivative financial assets & liabilities.

The Financial assets included in the table below are based on the undiscounted contractual maturities of the financial assets that will be earned on those assets except where the Group and Company anticipates that the cash flow will occur in a different period.

The Financial liabilities also included in the table below are based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and Company can be required to pay. The table includes the principal cash flows.

2009 Consolidated	Weighted Average Effective Interest Rate %	Less Than 1 Month $000	1 – 3 Months $000	3 months to 1 year $000	1-5 years $000	5+ years $000	Total
Financial assets							
Cash	-	2,408	-	-	-	-	2,408
Trade receivables	-	5,572	5,528	-	-	-	11,100
Other receivables	-	-	658	-	-	-	658
		7,980	6,186	-	-	-	14,166
Financial liabilities							
Trade & other payables	-	1,130	964	-	-	-	2,094
Foreign currency	-	-	-	-	-	-	-
Provisions	-	-	-	1,904	272	-	2,176
Bank overdraft	-	-	-	-	-	-	-
Secured bank loans	4.41	41	331	3,734	8,504	-	12,610
Financial leases	8.50	14	29	129	218	-	390
		1,185	1,324	5,767	8,994	-	17,270

2008 Consolidated	Weighted Average Effective Interest Rate %	Less Than 1 Month $000	1 – 3 Months $000	3 months to 1 year $000	1-5 years $000	5+ years $000	Total
Financial assets							
Cash	-	870	-	-	-	-	870
Trade receivables	-	2,472	7,110	-	-	-	9,582
Other receivables	-	-	1,042	-	-	-	1,042
		3,342	8,152	-	-	-	11,494
Financial liabilities							
Trade & other payables	-	1,237	2,637	-	-	-	3,874
Foreign currency	-	-	-	-	-	-	-
Provisions	-	-	-	1,791	252	-	2,043
Bank overdraft	11.50	-	-	2,026	-	-	2,026
Secured bank loans	7.36	-	235	3,470	8,720	-	12,425
Financial leases	8.50	12	38	102	153	-	305
		1,249	2,910	7,389	9,125	-	20,673

Note 29 Financial Instruments

continued

2009 Company	Weighted Average Effective Interest Rate %	Less Than 1 Month $000	1 – 3 Months $000	3 months to 1 year $000	1-5 years $000	5+ years $000	Total
Financial assets							
Cash	-	912	-	-	-	-	912
Trade receivables	-	1,384	3,759	-	-	-	5,143
Other receivables	-	-	236	-	-	-	236
		2,296	3,995	-	-	-	6,291
Financial liabilities							
Trade & other payables	-	401	937	-	-	-	1,338
Provisions	-	-		1,759	272	-	2,031
Bank overdraft	-	-	-	-	-	-	-
Secured bank loans	4.42	40	331	3,731	8,363	-	12,465
Financial leases	7.50	14	29	129	218	-	390
		455	1,297	5,619	8,853	-	16,224

2008 Company	Weighted Average Effective Interest Rate %	Less Than 1 Month $000	1 – 3 Months $000	3 months to 1 year $000	1-5 years $000	5+ years $000	Total
Financial assets							
Cash	-	240	-	-	-	-	240
Trade receivables	-	2,065	9,752	-	-	-	11,817
Other receivables	-	-	356	-	-	-	356
		2,305	10,108	-	-	-	12,413
Financial liabilities							
Trade & other payables	-	1,237	1,675	-	-	-	2,912
Provisions	-	-	1,665	252	-	-	1,917
Bank overdraft	11.50	-	-	2,026	-	-	2,026
Secured bank loans	7.35	-	235	3,470	8,534	-	12,239
Financial leases	8.00	12	38	102	153	-	305
		1,249	3,613	5,850	8,687	-	19,399

Note 29 Financial Instruments

continued

Derivative financial Instruments table

The following table details the Group and Company's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/ (outflows) on the derivative instrument that settle on a net basis. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at reporting date.

	Less Than 1 Month $000	1 – 3 Months $000	3 months to 1 year $000	1-5 years $000	5+ years $000	Total
2009						
Net settled:						
Interest rate swaps	-	-	-	-	-	-
Silver Hedge	-	-	-	-	-	-
	-	-	-	-	-	-
2008						
Net settled:						
Interest rate swaps	-	79	-	-	-	79
Silver Hedge	(16)	(37)	(21)	-	-	(74)
	(16)	42	(21)	-	-	5

Fair Values

The fair values of:

- The carrying value of trade and other receivables/payables with a remaining life of less than one year is deemed to reflect its fair value. All other trade and other receivables/payables are discounted to determine their fair values.
- Silver Hedge contracts are marked to market using valuation techniques supported by observable market prices.
- Foreign exchange option contracts are marked to market using valuation techniques supported by observable market prices.
- Interest rate swaps are the present value of the future net interest cash flows.
- Fixed Interest Bearing liabilities and borrowings are calculated based on discounted expected future principle and interest cash flows.
- Other assets and other liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than silver hedging contracts, foreign exchange option contracts and interest rate swaps.

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date

	2009		2008	
	Carrying Amount $000	Fair Value $000	Carrying Amount $000	Fair Value $000
Financial Assets				
Cash and cash equivalents	2,408	2,408	870	870
Interest rate swap	-	-	79	79
Foreign Exchange Options	-	-	45	45
Trade Receivables	11,100	11,100	9,582	9,582
	13,508	13,508	10,576	10,576
Financial liabilities				
Bank overdraft	-	-	2,026	2,026
Bank loans	11,055	11,055	12,425	12,425
Trade and sundry payables	3,631	3,631	3,874	3,874
Lease liabilities	390	390	305	305
	19,630	19,630	18,630	18,630

Fair values are in line with carrying values.

NOTE 30 Company Details

The registered office of the company is:

SDI Limited
5-7 Brunsdon Street
Bayswater, Victoria, 3153
Australia

The principal places of SDI are:

SDI Limited
3-13 Brunsdon Street
Bayswater, Victoria, 3153
Australia

SDI (North America), Inc
729 N. Route 83
Suite 315, Bensenville
Chicago IL 60106,
United States of America

SDI Holdings Pty Ltd
3-13 Brunsdon Street
Bayswater, Victoria, 3153
Australia

SDI Co Ltd
Mimaki Building 2F
1-12-4 Tomioka, Koto-Ku
Tokyo
Japan 135-0047

SDI Brasil Industria e Comercio Ltda
Rua Dr.Virgilio de Carvalho Pinto, 612
Sao Paulo –SP
CEP 05415-020,
Brazil

SDI Dental Limited
Block 8, St John's Court
Santry
Dublin 9
Ireland

Southern Dental Industries GmbH
Dieselstrasse 14
D-50859 KOLN
Germany.

Directors' Declaration

The Directors of the Company declare that:

1. the financial statements and notes, as set out on pages 18 to 54, are in accordance with the Corporations Act 2001 and:

   (a) comply with A ccounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2009 and of the performance for the year ended on that date of the Company and Consolidated Entity;

2. the Chief Executive Officer and Chief Finance Officer have each declared that:

   (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the *Corporations Act 2001;*

   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and

   (c) the financial statements and notes for the financial year give a true and fair view.

3. in the directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Jeffery James Cheetham

Dated this 30th day of September 2009

ASX Additional Information

Additional Information required by the Australian Stock Exchange and not shown in this report is as follows. The information is current as at 31 August 2009.

Substantial Shareholders

The following entities are shown in the Company's Register of Substantial Shareholders:

	Number of Ordinary Shares
Currango Pastoral Company	50,448,328
Souls Funds Management Limited*	8,711,111
Molvest Pty Ltd (Molvest Family Trust A/C)	8,000,000
Warakirri Asset Management Pty. Ltd. *	7,368,082
Colonial First State Investments Limited *	5,947,963

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

Number of Shareholders

The number of shareholders is 1,413 and their voting rights are that on a show of hands, each person present as a member, proxy, attorney or representative has one vote, and upon a poll, each member present in person or by proxy, attorney or representative has one vote for each share held.

Distribution of Shareholders Number Category (size of holdings	Number of Holders	Number of Ordinary Shares	Percentage of Total
1 - 1,000	211	119,566	0.10%
1,001 - 5,000	468	1,431,173	1.21%
5,000 - 10,000	243	1,958,960	1.65%
10,001 - 100,000	419	13,424,735	11.32%
100,001 - OVER	72	101,641,708	85.72%
Total	1,413	118,576,142	100.00%

SDI

The percentage holding of the Company's 20 largest shareholders is 77.55%. There were 307 shareholders holding less than a marketable parcel.

20 Largest Shareholders	Number of Ordinary Shares	Percentage of Total
Currango Pastoral Company Pty Ltd	50,448,328	42.55%
ANZ Nominees Limited (Income Reinvest Plan a/c)	8,470,936	7.14%
Molvest Pty Ltd (Molvest Family Trust a/c)	8,000,000	6.75%
Citicorp Nominees Pty Limited (CFSIL CWLTH SML COS 7 a/c)	3,972,520	3.35%
National Nominees Limited	3,067,548	2.59%
Silverglades Pty Ltd	2,647,829	2.23%
ANZ Nominees Limited (Cash Income a/c)	2,550,930	2.15%
Citicorp Nominees Pty Limited (CFSIL CWLTH SML COS 1 a/c)	2,238,433	1.89%
HSBC Custody Nominees (Australia) Limited	1,977,284	1.67%
Mr. Gerard James Van Paassen (The Van Paassen Family a/c)	1,062,606	0.90%
Mr. Brendan Francis Carroll	1,030,188	0.87%
Mr. David William Kingsley Thomas	1,000,000	0.84%
JP Morgan Nominees Australia Limited	995,708	0.84%
JEFFNPAM Superannuation Fund Pty Ltd	820,000	0.69%
Branka Nominees Pty Ltd (Executive Super Fund a/c)	750,220	0.63%
AA Lam Pty Ltd	550,000	0.46%
Gaywin Pty Ltd	508,503	0.43%
Mr. Peter George Wilson	500,000	0.42%
Trust Company Superannuation Services Ltd (BT-Tony Bardsley SF a/c)	500,000	0.42%
Mr. Allan James Pullen	438,528	0.37%
Mr Michael Lazzarin	430,044	0.36%

On-Market Buy-Back
There is no current on-market buy-back plan.

Corporate Governance Statement

SDI Limited (SDI or Company) has reviewed its corporate governance framework during the financial year against the Corporate Governance Principles and Recommendations 2nd Edition ("recommendations") released by the Australian Securities Exchange (ASX). A description of SDI's main corporate governance practices are set out below. SDI's detailed statement on corporate governance is available for inspection in SDI's Company section of its website, www.sdi.com.au.

The Company has followed the recommendations unless stated to the contrary in this Corporate Governance Statement.

Board Composition

The majority of the Board of Directors are independent directors. The Board of Directors comprises of four non-executive directors and two executive directors. It is Board policy that the majority of directors will be non-executive and that there is a segregation of the Chairperson and Managing Director roles.

All of the non-executive directors of the Board are independent directors and comply with the Company's description of independent directors as described in the Corporate Governance Statement which appears on the Company's website and set out below.

The skills, experience and expertise relevant to the position of each director and held by each director are also described in the Company's Corporate Governance Statement appearing on its website.

An independent director is a non-executive director (i.e. is not a member of management) and:

- is not an officer of the Company;
- within the last three years has not been employed in an executive capacity by the Company or another group member, or been a director after ceasing to hold any such employment;
- within the last three years has not been a principal of a material professional adviser or a material consultant to the Company or another group member, or an employee materially associated with the service provided. The Board defines material in this point as not having invoiced the Company for fees in excess of $20,000 per annum;
- is not a material supplier or customer of the Company or other group member, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- has no material contractual relationship with the Company or another group member other than as a director of the Company;
- has not served on the Board for a period which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company; and
- is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act in the best interests of the Company.

The board considers that a person is capable of being an independent director despite being a substantial shareholder. Substantial shareholding does not automatically mean that a person cannot be independent. It remains one of the factors to take into account. A substantial shareholder may be in a position of experience, may be able to offer guidance and may be able to offer the company opportunities through networking contacts. Ultimately it is up to the shareholders to elect such a person as director having all the relevant information before them.

Board responsibilities

The Board is responsible for:

- oversight of the Company, including its control and accountability systems;
- the appointment or removal of the auditors;
- appointing and removing the Managing Director (or equivalent);
- ratifying the appointment and, where appropriate, the removal of the Chief Financial Officer (or equivalent) and the Company Secretary;
- input into and final approval of management's development of corporate strategic direction (including approval and amendment of budget and business plans) and performance objectives;
- supporting both morally and with financial resources, reviewing and ratifying systems of risk management and internal compliance and control, codes of conduct, and legal compliance;
- monitoring senior management's remuneration, performance and implementation of strategy, and ensuring appropriate resources are available;
- approving and monitoring the progress of major capital expenditure, investment, capital management, and acquisitions and divestitures;
- approving and monitoring financial and other reporting;
- oversight of foreign currency transactions;
- director succession planning;
- entering into, amending or terminating any long term contracts;

Board responsibilities (continued)

- entering into any arrangement to borrow money or give securities;
- dividend and distribution policies; and
- approval of reports, releases and statements released to the ASX.

Directors' Appointment

Future incoming Directors will be issued with formal letters of appointment. These letters will include the following:

- Term of appointment;
- Remuneration and expenses;
- Superannuation arrangements;
- Requirement to disclose directors' interests and any matters which affect the director's independence;
- Fellow directors;
- Trading policy governing dealings in securities (including any share qualifications) and related financial instruments by directors, including notification requirements.
- Access to independent professional advice;
- Indemnity and insurance arrangements;
- Confidentiality and rights of access to corporate information; and
- A copy of the Constitution.

Nomination Committee

SDI has a small Board (6 directors) 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 itself: -

- assesses the necessary and desirable competencies of Board members;
- reviews the Board succession plans;
- evaluates its own performance; and
- recommends for the appointment and removal of directors.

The Board evaluates skills, experience and expertise of a candidate, before a candidate is recommended for appointment.

Prospective non-executive, independent directors are required to acknowledge to the Company prior to appointment or being submitted for election that they will have sufficient time to meet what is expected of them.

Remuneration Committee

Due to the small size of SDI's Board, it is not practical for the Company to establish a remuneration committee and it has not done so.

The Board itself makes decisions, with recommendations from the Managing Director, as to:

- executive remuneration and incentive policies;
- the remuneration packages of senior management;
- the Company's recruitment, retention and termination policies and procedures for senior management;
- incentive schemes;
- superannuation arrangements; and
- the remuneration framework for directors.

The objectives of the Board in designing remuneration policies are:

- to motivate directors and management to pursue the long-term growth and success of the Company within an appropriate control framework; and
- to demonstrate a clear relationship between key executive performance and remuneration.

Remuneration Committee (continued)

Non-executive directors do not receive options, bonus payments or retirement benefits, other than statutory superannuation. Information on directors and executive remunerations is set out in the directors' report.

The Board reviews and makes recommendations on remuneration strategy, policies and practices applicable to the non-executive directors and the Managing Director with a particular focus on performance-based remuneration that reflects increased shareholder value through the achievement of agreed organisational goals.

The Company in remunerating its employees regularly assesses its market position in regard to the remuneration mix and the level of remuneration.

The Company's remuneration charter is included in the detailed Statement of Corporate Governance.

Audit Committee

SDI has a formally constituted audit committee and all of the members of which are independent directors. Details of the audit committee members and the number of meetings held are included in the annual report.

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 SDI, and are in accordance with relevant accounting standards.

The audit committee is also responsible for reviewing the terms and conditions of the engagement of the external auditors and reviewing the adequacy, scope and quality of the annual statutory audit and half yearly statutory review.

The audit committee charter is included in the detailed corporate governance statement.

In performing its duties, the committee maintains effective working relationships with the Board of directors, management and the internal and external auditors

To perform his or her role effectively, each committee member will obtain an understanding of the detailed responsibilities of committee membership as well as the Company's businesses.

Authority

The Board authorises the audit committee within the scope of its responsibility to:

- seek any information it requires from:
  - any employee (and all employees are directed to co-operate with any request made by the committee);
  - external parties.
- obtain outside legal or other professional advice; and
- ensure the attendance of Company officers at meetings as appropriate.

Risk assessment and Management

The Company does not have an internal audit department as it is too small

The Board and the audit committee have established policies, comprising several procedures, on risk oversight and management in focusing on strategic risks and the monitoring of them. Strategic risks include environmental credit risks, liquidity risks, and currency exchange risks amongst others. In order to carry out this function, the audit committee undertakes the following reviews, oversights and procedures:

- reviews the financial reporting process of the Company on behalf of the Board and reports the results of it's activities to the Board;
- discusses with management and the external auditors, the adequacy and effectiveness of the accounting and financial controls, including the policies and procedures of the Company to assess, monitor and manage business risk, and any legal and ethical compliance programs;
- reviews with the external auditor any audit problems or difficulties and the response of management;
- receives reports from the external auditor on the critical policies and practices of the Company;
- makes recommendations to the Board on the appointment, reappointment or replacement (subject, if applicable, to shareholder ratification), remuneration, monitoring of the effectiveness, and independence of the external auditors;
- reviews and assesses the independence of the external auditor;
- reviews and discusses with the Board any ASX press releases, the half-year financial report, Appendix 4E and other reports required to be lodged with the ASX, prior to the filing of these documents with the ASX; and

Risk assessment and Management (continued)

- establishes procedures for the receipt, retention and treatment of complaints received by the Company (if any) regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of the Company of concerns regarding accounting or auditing matters.

The Board assesses the effectiveness of the audit committee's management of risk.

The Managing Director and the Chief Financial Officer state to the Board in writing that:

- the accounts are true and fair and comply with accounting standards, are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board; and

- the Company's risk management and internal compliance is operating efficiently in all material respects.

The systems of internal financial control have been determined by the senior management of the Company and are designed to provide reasonable, but not absolute protection against fraud, material misstatement or loss. These controls are intended to identify, in a timely manner, control issues that require attention of the Board or audit committee.

Encourage enhanced performance

There has been no formal performance evaluation of the Board, members of the Board, committees or individual non-executive directors undertaken in the reporting period. The Board informally evaluates its performance by the contribution and independent judgements it makes in the best interests of the Company during each Board meeting.

Evaluation of the performance of individual executives and executive directors are evaluated by the Managing Director. All executives and executive directors (excluding the Managing Director) are eligible to participate in an Executive Share Option Plan on invitation from the Board on the advice of the Managing Director.

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 based on the Company achieving its targets and at the absolute discretion of the Board. Bonus payments and other incentive payments are made at the discretion of the Managing Director and approved by the Board. Incentive payments are based on individual performances and the Company's overall performance as evaluated by the Managing Director.

The remuneration policy by incorporating a share option plan and bonus payments strives to align the goals of the shareholders and the executives. This aim is achieved by a performance bonus payment based on the overall performance of the Company and the issue of share options to executives to encourage the alignment of executive and shareholder wealth.

Code of Conduct

SDI has developed a code of conduct, which is communicated to all employees via the Company's employer handbook. The employer handbook is included in the detailed corporate governance statement.

In addition to this, SDI's share trading policy, which all directors and managers must adhere to, states the following:

- Financial results announcements - Directors and managers should not trade in any shares between the following dates:

    - Half year results: between December 1 and 24 hours after the results are announced to the market
    - Full year results: between June 1 and 24 hours after the results are announced to the market.

- Price sensitive general announcements - Directors and managers must not trade in any shares prior to announcement to the market of any price sensitive announcements and 24 hours after these announcements are released to the market.

- Directors and managers must gain approval by the Board prior to any share trading within the restriction periods.

Communications to Shareholders and the Market

SDI is committed to ensuring that all shareholders and the market are provided with and have access to full and timely information about its activities.

The Company Secretary is responsible for monitoring information and ensuring compliance with the continuous disclosure rules of the ASX. Releases can only be made after approval by the Board of Directors.

Each senior manager is made aware of the continuous disclosure requirements and must advise the Company Secretary at the earliest possible time of any matter which in their opinion may be required to be disclosed. If in doubt as to whether disclosure is required, managers are required to liaise with the Company Secretary.

All shareholders have the option of receiving the annual report and they also have the opportunity to participate in communicating with the Company through its website.

In addition to this the Company has linked its website to that of the ASX which allows shareholders to view Company announcements via its website.

Corporate Directory

SDI Limited

ABN 27 008 075 581

Auditors
Deloitte Touche Tohmatsu
550 Bourke Street, Melbourne
Victoria 3000, Australia

Bankers
St. George Bank Limited
424 Warrigal Road, Moorabbin
Victoria, 3189, Australia

Solicitors
Macpherson & Kelley Lawyers Pty Ltd
40-42 Scott Street, Dandenong
Victoria, 3175, Australia

Share Registry
Link Market Services Limited
Level 4, 333 Collins Street, Melbourne
Victoria, 3000, Australia
p (03) 9615 9800 f (03) 9615 9900

Patent Attorneys
Lord & Company
2nd Floor, 4 Duro Place, West Perth
Western Australia, 6005, Australia

Shares
Shares in SDI Limited are listed on the
Australian Stock Exchange Limited
under the listing code SDI

Board of Directors
A.J. Bardsley, (Chairman) B.Sc., F.A.I.F.S.T., F.A.I.M.
J.J. Cheetham (Managing Director) O.A.M.
G.M. McCorkell, LL.B.
J.A. Roseman, C.P.A.
S.J. Cheetham, B.Bus. (Banking and Finance), M.B.A.
J.N. Isaac, LL.B., F.A.I.C.D.
alternate directors
P.J. Cheetham
N.A. Cheetham

Company Secretary
J.J. Slaviero, B.Bus. (Acct.), C.P.A., F.T.M.A.

Registered Office
3-13 Brunsdon Street Bayswater
Victoria 3153 Australia

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