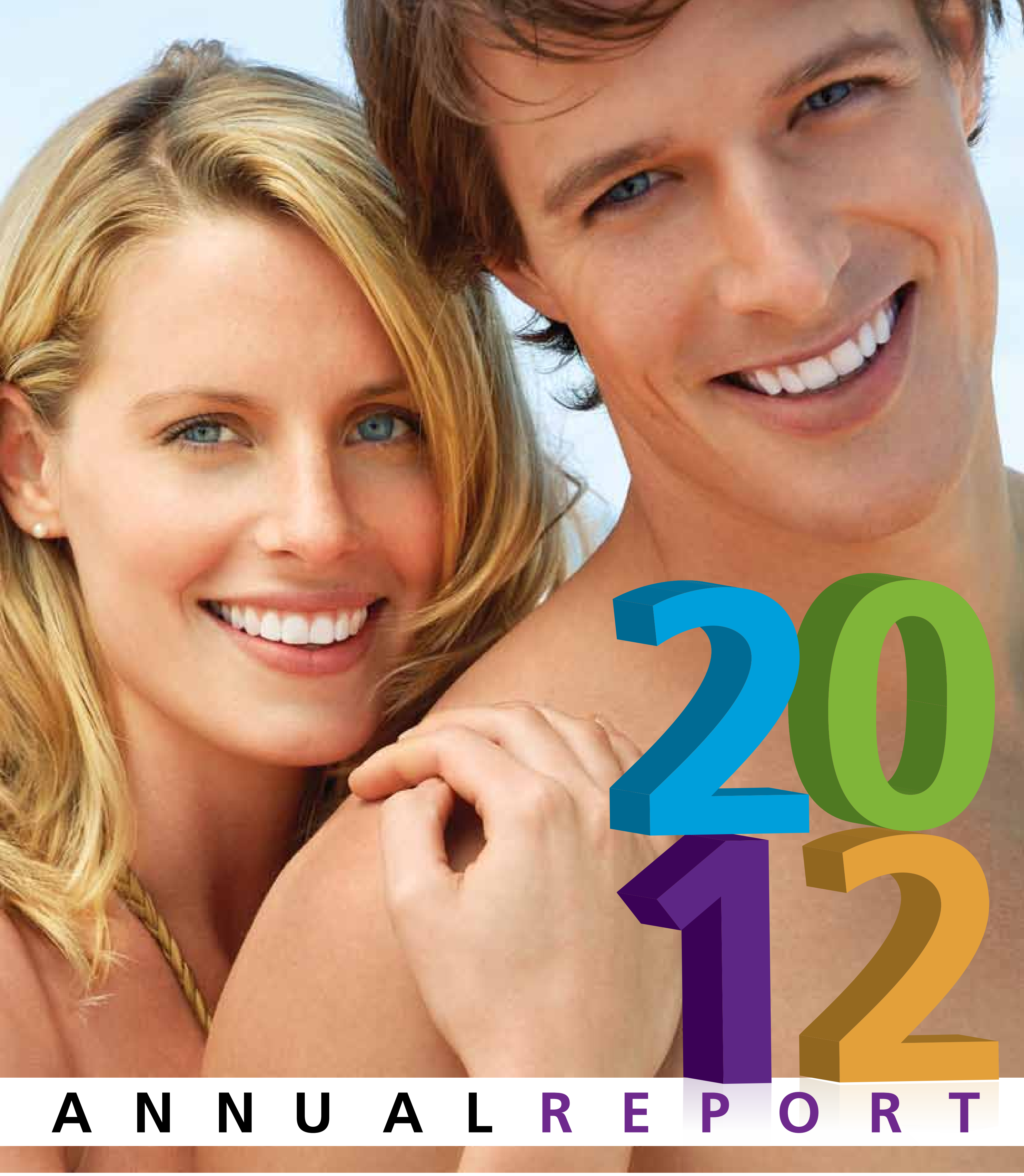

ANNUAL REPORT

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over 90% of
our products are
exported to over
100 countries.
we strive for
excellence in
quality and service.

SDI LIMITED
AND CONTROLLED ENTITIES

ABN: 27008075581

Financial Report For The Year Ended
30 June 2012

Chairman and Managing Director's Report

The 2012 financial year has shown an improvement on the previous year even with the continuing challenges of a strong Australian Dollar, the weak economies of our major markets in North America and Europe, and the relative high price of silver. Given these continued challenges the Company increased after tax profit by 63% to $1.97m, an increase of $0.76m compared to the previous year. Earnings before interest and tax (EBIT) increased by 49% to $3.0m.

Earnings per share for the 12 months ending 30 June 2012 were 1.7 cents compared to 1.0 cent for the previous corresponding period.

As SDI exports over 90% of its products, the strong Australian Dollar continues to have an adverse effect on profitability. However, due to SDI's high quality products and excellent distribution network, sales in Australian Dollars increased by 2.8% to $56.4m (2011: $54.8m). On a constant currency basis, sales increased by 7.8% over the previous year.

In their local currencies, North American sales increased by 21.0%, Brazilian sales increased by 11.5%, and European sales increased by 13.6% compared to the previous year. Australian sales (in particular Australian direct export sales) decreased by 6.5% from the previous corresponding period but on a constant currency basis the decrease was 4.6%.

Operating expenses in Australian Dollars decreased by 6.5% compared to the prior year. This reduction was predominately due to currency movements as approximately 61% of SDI's total operating expenses relate to its offshore subsidiaries. In addition, R & D costs relating to the improvement of the production processes have been charged to manufacturing costs and as a result, reduced product margins. However, the total cost of the R & D department remains similar to previous years. After adjusting for these factors, total operating expenses increased by 2.4%.

The Company's cash holdings for the period ending 30 June 2012 increased by $1.7m. This was achieved after decreasing debt by $1.2m during the period. $1.8m was spent during the year on the purchase of plant and equipment with the majority of purchases for new manufacturing equipment to further enhance manufacturing efficiencies.

The Company is continuing with its on-going aim to reduce its manufacturing cost base and is currently exploring options to relocate its labour intensive processes offshore. It is currently conducting a product packaging trial with an offshore partner and the results will be analysed and fine-tuned over the next six months. This, along with the increased investment in automation and the greater involvement of R & D personnel in improving production processes and product quality, should result in productivity improvements that will ensure that SDI products remain competitive.

SDI continues to invest in the development of Aesthetic restorative materials with the aim of reducing its reliance on Amalgam products for its profitability. The profitability of Amalgam products are heavily influenced by the fluctuation of the silver price. The Company will continue with its R & D expenditure to ensure that it continues its progress with the development of its Aesthetic range of materials. Recognising the future importance of aesthetically acceptable dental restorations, the R&D department has developed several projects to further enhance the Company's product range. Three new products are currently undergoing TGA, FDA and other regulatory approvals and are expected to be released during the 2012/13 financial year.

The continuing strength of the Australian dollar and the high cost of silver which is used in SDI's Amalgam products, have continued to impact on the Company's profitability. These factors have had a significant impact on the performance of SDI's Brazilian operations where SDI is competing against locally manufactured products with lower labour costs and where the market is price sensitive. During the year the Brazilian currency (BRL) has depreciated by approximately 23% against the Australian Dollar making SDI's products more expensive in this market. The Company's strategy of lowering its manufacturing cost base and improving productivity should assist its Brazilian operations to become more price competitive and improve its profitability.

SDI has shown that the fundamentals of the Company are still strong as it has increased both sales and profitability in a year where external factors did not favour Australian export manufacturers. The Company continues to adjust its business model to suit the prevailing economic conditions.

The Board of Directors has declared a final fully franked dividend of 0.3 cents per share which will be paid on 25th October 2012. The Directors have decided that the Company's Dividend Reinvestment Plan (DRP) will not be offered to Shareholders for this dividend payment.

John Isaac
Chairman

Jeffery Cheetham
Managing Director

SDI LIMITED
AND CONTROLLED ENTITIES

ABN: 27008075581

Financial Report For The Year Ended 30 June 2012

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SDI LIMITED ABN: 27008075581 AND CONTROLLED ENTITIES
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;
- 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' Appointments

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.

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
- 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, managers, associated parties and employees must adhere to, includes the following:

- Financial results announcements - The above parties 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 - The above parties 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.
- The above parties must gain approval by the Chairman of the Board in writing 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.

Diversity

The Company is committed to diversity and aims to achieve the following objectives:

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

Below outlines the key areas of focus to achieve the Company's diversity objectives.

- Conducting recruiment in a structured manner to ensure that the appropriate selection criteria, based on diverse skills, experience and perspectives, are used when recruiting new staff.
- Job specification, advertisments, application forms and contracts will not contain any direct or inferred discrimination.
- All internal and external training opportunities will be based on merit and on the needs of the Company and the individual.
- All decisions associated with career advancement of staff will meet the Company's needs and be determined on skill and merit.
- The Company will ensure that the work enviroment is free from harassment and unwanted conduct. Directors, managers and supervisors will ensure that complaints or reports of any form of harassment will be treated seriously, on a confidential and sympathetic basis.

As at 30 June 2012, women represented 54% of the Group's workforce, 35% in senior management, and there is one woman on the Board as an executive director.

Your directors present their report, together with the financial statements of the Group, being the Company and its controlled entities for the financial year ended 30 June 2012.

Principal Activities and Significant Changes in Nature of Activities

The principal activities of the consolidated group 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 other significant changes in the nature of the consolidated group's principal activities during the financial year.

Operating Results and Review of Operations for the year

Review of Operations

Revenue from operating activities of $56,680,892 for the Group was 3.0 % 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 consolidated profit of the consolidated group amounted to $1,967,376 after providing for income tax. This represented a 63.1% increase on the result reported for the year ended 30 June 2011. The significant improvement was largely from increased sales from the Australian operations with overseas customers now sourcing the product from Australia due to the closure of international suppliers as well as a restructuring of local activities. Further discussion of the Group's operations is provided below.

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.

Dividends Paid or Recommended

Dividends paid or declared for payment during the financial year are as follows:

Ordinary dividend paid on 27 October 2011 as recommend in last year's report	$237,731
Final ordinary dividend of $0.3 cents per share recommended by the Directors to be paid on 25 October 2012 out of retained profits at 30 June 2012	$356,597

Events after the Reporting Period

There has not been any matter or circumstance that have arisen since the end of the financial year which significantly affected or could significantly affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

Future Developments, Prospects and Business Strategies

Disclosure of information regarding likely developments, prospects and business strategies 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 2012.

Information on Directors

John Norman Isaac	—	Chairman Non-executive
Age	—	68 years
Qualifications	—	LL.B, F.A.I.C.D.
Experience	—	Former non-executive Director of Royal Automobile Club of Victoria and past President and Chairman. Former non-executive Director of RACV group companies, RACV Finance Limited and Intelematics Australia Pty Ltd. Former partner and consultant to Middletons Lawyers. Barrister and solicitor of the Supreme Court of Victoria and High Court of Australia. Chair of the Board of Governors of St. Vincent's Hospital Foundation Victoria.
Interest in Shares and Options	—	50,000 Ordinary Shares in SDI Limited
Special Responsibilities	—	Mr Isaac is a member of the Audit Committee.
Jeffery James Cheetham	—	Executive Director
Age	—	69 years
Experience	—	Founder of SDI Limited
Interest in Shares and Options	—	5 Ordinary Shares in SDI Limited as well as 50,648,328 Ordinary shares beneficially owned via Currango Pastoral Company Pty Ltd, 2,357,829 Ordinary Shares beneficially owned via Silverglades Pty Ltd, and 1,421,085 Ordinary Shares beneficially owned via JEFFNPAM Superannuation Fund Pty Ltd
Special Responsibilities	—	Founder and Managing Director of SDI Limited.
Samantha Jane Cheetham	—	Executive Director
Age	—	43 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	—	359,273 Ordinary Shares in SDI Limited
Special Responsibilities	—	Responsible for marketing and sales activities of SDI's group of companies
Steven James Molver	—	Non-executive Director
Age		51 years
Qualifications	—	B.Soc.Sc, B.Com (Hon).
Experience	—	Over 20 years experience as owner of a small manufacturing and investment company.
Interest in Shares and Options	—	8,000,000 Ordinary Shares in SDI Limited beneficially owned via Molvest Pty Ltd
Special Responsibilities	—	Mr Molver was appointed Chairman of the Audit Committee after Mr Roseman's retirement
Gabrielle Mary McCorkell (Retired 18/11/2011)	—	Non-executive Director (Retired 18/11/2011)
Age	—	71 years
Qualifications	—	LL.B
Experience	—	She was an associate at Williams Winter Higgs from 1962 until 1968 when she established her own 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	—	562,016 Ordinary Shares in SDI Limited
Special Responsibilities	—	Mrs McCorkell is a member of the Audit Committee
Jack Arthur Roseman (Retired 18/11/2011)	—	Non-executive Director (Retired 18/11/2011)
Age	—	70 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 was Chairman of the Audit Committee before his retirement.
Pamela Joy Cheetham	—	Alternate director for Jeffery James Cheetham
Age	—	66 years
Experience	—	Co-founder of SDI Limited
Interest in Shares and Options	—	Co-holder of shares shown for J.J. Cheetham
Nicholas A. Cheetham	—	Alternate director for Samantha Jane Cheetham
Age	—	39 years
Experience	—	Extensive experience in IT and Manufacturing
Interest in Shares and Options	—	10,000 Ordinary Shares in SDI Limited
Special Responsibilities	—	Responsible for manufacturing, logistics, engineering, and IT functions of SDI's group of companies
Jeffrey Robert Paterson (Appointed 6/7/2012)	—	Non-executive Director
Age	—	64 years
Qualifications	—	B.Eco, M.B.A.
Experience	—	Mr. Paterson has been a Director of Paterson Partners since 2002, which specializes in executive mentoring and development. Between 1990 and 2002 Mr. Paterson held senior executive positions with Standard & Poors Credit Market Services as Vice President, New York and as Managing Director, Melbourne. Prior to this, Mr. Paterson held senior executive positions with Elders IXL and Elders G.M.
Interest in Shares and Options	—	Nil
Special Responsibilities	—	Mr Paterson is a member of the Audit Committee
Ian Frank Scholes (Appointed 6/7/2012)	—	Non-executive Director
Age	—	57 years
Qualifications	—	B.Com, C.A.
Experience	—	Mr. Scholes is currently a Director and the Chairman of the Audit & Risk Committee of Mayne Pharma Ltd (ASX code: MYX). Mr. Scholes also holds the position of Chairman and CEO of Chord Capital Pty Ltd which invests private capital into small listed companies and SMEs requiring expansion capital or debt. Prior to this Mr. Scholes held the positions of Vice Chairman Investment Banking for Merrill Lynch in Australia and Executive General Manager for National Australia Bank. In addition to the above, Mr. Scholes was a Director of St. Vincent's Health Ltd and Chairman of St. Vincent's Foundation.
Interest in Shares and Options	—	Nil
Special Responsibilities	—	Mr Scholes was appointed as a member of the Audit Committee on 01/10/2012.

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 30 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.

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	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended
John Norman Isaac	8	8	2	2
Jeffery James Cheetham	8	8	-	-
Samantha Jane Cheetham	8	8	-	-
Steven James Molver	8	8	2	2
Gabrielle Mary McCorkell (Retired 18/11/2011)	3	3	1	1
Jack Arthur Roseman (Retired 18/11/2011)	3	3	1	1
Pamela Joy Cheetham	-	-	-	-
Nicholas A. Cheetham	-	-	-	-

Indemnifying Officers or Auditor

The Company has not, during or since the end of the financial year, in respect of any person who is or has been an Auditor of the Company:

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as an Auditor, including costs and expenses in successfully defending legal proceedings: or
- Paid or agreed to apply a premium in respect of a contract insuring against a liability incurred as an Auditor for costs or expenses to defend legal proceedings; 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 related bodies corporate. The Directors and Officers of the Company covered by the insurance policy are John Norman Isaac, Gabrielle Mary McCorkell, Jack Arthur Roseman, Steven James Molver, Jeffery James Cheetham, Samantha Jane Cheetham, Pamela Joy Cheetham, Jeffrey Robert Paterson, Ian Frank Scholes, John J. Slaviero, Nicholas A. Cheetham, Joshua Cheetham and 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 does not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

The following fees were paid or payable to Deloitte Touche Tohmatsu for non-audit services provided during the year ended 30 June 2012:

	$
Taxation services	72,240

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 13 of the Financial Report.

ASIC Class Order 98/100 Rounding of Amounts

The company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and directors' report have been rounded to the nearest thousand dollars.

REMUNERATION REPORT

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 remuneration for key management personnel of the consolidated group is as follows:

- The remuneration policy is to be developed by the remuneration committee and approved by the Board after professional advice is sought from independent external consultants.

- 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 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' remuneration 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 2012.

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.

Relationship between Remuneration Policy and Company Performance

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.

The tables below set out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2012. This shows that earnings have varied significantly over the past five 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.

	2008	2009	2010	2011	2012
	$'000	$'000	$'000	$'000	$'000
Revenue	50,512	59,516	54,043	54,981	56,681
Net Profit before tax	1,553	4,590	4,415	1,362	2,201
Net Profit after tax	1,129	3,120	3,473	1,206	1,967

	2008	2009	2010	2011	2012
Share Price at start of year	$0.48	$0.17	$0.23	$0.18	$0.17
Share Price at end of year	$0.17	$0.23	$0.18	$0.17	$0.11
Interim Dividend (1)	Nil	Nil	Nil	Nil	Nil
Final Dividend (2)	Nil	0.3 cps	0.4 cps	0.2 cps	0.3 cps
Basic earnings per share	1.0 cps	2.6 cps	2.9 cps	1.0 cps	1.7 cps
Diluted earnings per share	1.0 cps	2.6 cps	2.9 cps	1.0 cps	1.7 cps

(1) Franked to 100% at 30%

(2) Declared after reporting date and not reflected in the financial statements.

Employment Details of Members 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 the date of retirement.

All renumeration paid to Directors and executives is valued at the cost to the Company and expensed.

It is the consolidated entity's policy that contracts of employment for certain executives be unlimited in term but capable of termination on three month's notice by the employee and 12 month's notice by the consolidated entity. The consolidated entity retains the right to terminate the contract immediately, by making payment in lieu of notice.

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

Changes in Directors and Executives Subsequent to Year-end

On 06/07/2012, Jeffrey Robert Paterson and Ian Frank Scholes commenced as Directors.

Remuneration Details for the Year Ended 30 June 2012

The following table of benefits and payments details, in respect to the financial year, the components of remuneration for each member of key management personnel of the consolidated group:

Table of Benefits and Payments for the year ended 30 June 2012

	Short-term benefits				**Post Employment Benefits**	
2012	Salary, Fees and Leave $	Profit Share and bonuses $	Non-monetary $	Other $	Pension and superannuation $	Other $
Group Key Management Personnel						
John Norman Isaac	64,220	-	-	-	5,780	-
Jeffery James Cheetham	392,671	-	104,002	-	52,819	-
Samantha Jane Cheetham	349,644	-	31,459	-	26,791	-
Steven James Molver	-	-	-	-	40,000	-
Gabrielle Mary McCorkell (Retired 18/11/2011)	-	-	-	-	15,487	-
Jack Arthur Roseman (Retired 18/11/2011)	500	-	-	-	18,859	-
Pamela Joy Cheetham	-	-	-	-	-	-
Nicholas A. Cheetham	221,313	-	26,621	-	20,720	-
Executives						
John J. Slaviero	206,925	-	45,848	-	14,793	-
Joshua Cheetham	197,473	-	21,808	-	18,326	-
Ray M. Cahill	191,632	-	18,828	-	17,588	-
Total Key Management Personnel	1,624,378	-	248,566	-	231,163	-

	Long-term benefits		**Equity-settled share-based payments**				
2012	Incentive Plans $	LSL $	Shares/Units $	Options/Rights $	**Cash-settled share-based payments $**	**Termination benefits $**	**Total $**
Group Key Management Personnel							
John Norman Isaac	-	-	-	-	-	-	70,000
Jeffery James Cheetham	-	4,592	-	-	-	-	554,084
Samantha Jane Cheetham	-	5,835	-	-	-	-	413,729
Steven James Molver	-	-	-	-	-	-	40,000
Gabrielle Mary McCorkell (Retired 18/11/2011)	-	-	-	-	-	-	15,487
Jack Arthur Roseman (Retired 18/11/2011)	-	-	-	-	-	-	19,359
Pamela Joy Cheetham	-	-	-	-	-	-	-
Nicholas A. Cheetham	-	3,845	-	-	-	-	272,499
Executives							
John J. Slaviero	-	2,531	-	-	-	-	270,097
Joshua Cheetham	-	3,399	-	-	-	-	241,006
Ray M. Cahill	-	3,262	-	-	-	-	231,310
Total Key Management Personnel	-	23,464	-	-	-	-	2,127,571

	Short-term benefits				Post Employment Benefits	
2011	Salary, Fees and Leave $	Profit Share and bonuses $	Non-monetary $	Other $	Pension and superannuation $	Other $
Group Key Management Personnel						
John Norman Isaac	64,220	-	-	-	5,780	-
Jeffery James Cheetham	380,978	-	71,377	-	49,332	-
Samantha Jane Cheetham	344,388	-	26,791	-	30,986	-
Steven James Molver	-	-	-	-	39,999	-
Gabrielle Mary McCorkell	8,333	-	-	-	31,666	-
Jack Arthur Roseman	11,483	-	-	-	38,516	-
Pamela Joy Cheetham	-	-	-	-	-	-
Nicholas A. Cheetham	231,748	-	11,748	-	20,409	-
Executives						
John J. Slaviero	213,586	-	28,621	-	13,317	-
Joshua Cheetham	199,517	-	32,365	-	19,460	-
Ray M. Cahill	171,156	-	36,365	-	17,324	-
Total Key Management Personnel	1,625,409	-	207,267	-	266,789	-

	Long-term benefits		Equity-settled share-based payments				
2011	Incentive Plans $	LSL $	Shares/Units $	Options/Rights $	**Cash-settled share-based payments $**	**Termination benefits $**	**Total $**
Group Key Management Personnel							
John Norman Isaac	-	-	-	-	-	-	70,000
Jeffery James Cheetham	-	9,848	-	-	-	-	511,535
Samantha Jane Cheetham	-	6,216	-	-	-	-	408,381
Steven James Molver	-	-	-	-	-	-	39,999
Gabrielle Mary McCorkell	-	-	-	-	-	-	39,999
Jack Arthur Roseman	-	-	-	-	-	-	49,999
Pamela Joy Cheetham	-	-	-	-	-	-	-
Nicholas A. Cheetham	-	4,775	-	-	-	-	268,680
Executives							
John J. Slaviero	-	3,493	-	-	-	-	259,017
Joshua Cheetham	-	4,714	-	-	-	-	256,056
Ray M. Cahill	-	4,566	-	-	-	-	229,411
Total Key Management Personnel	-	33,612	-	-	-	-	2,133,077

Share-based Payments

The following share-based payment arrangements existed at the 30 June 2012:

The Company established the SDI Limited Executive Share Option Plan in the year ended 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.

Description of Options/Rights Issued as Remuneration

There were no options granted as remuneration to those key management personnel and executives listed in the previous table during the year.

This Directors' Report, incorporating the Remuneration Report, is signed in accordance with a resolution of the Board of Directors.

Jeffery James Cheetham

Dated: 28/09/2012

Deloitte.

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

28 September 2012

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 2012, 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

SDI LIMITED ABN: 27008075581
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2012

		Consolidated Group	
		2012	2011
	Note	$000	$000
Sales Revenue	3	56,402	54,849
Cost of Sales		(26,685)	(24,388)
Gross Profit		29,717	30,461
Other income	3	279	132
Selling and administration expenses		(24,079)	(24,500)
Research and development costs		(551)	(1,831)
Finance costs		(819)	(671)
Net foreign exchange loss		(1,225)	(1,162)
Other expenses		(1,121)	(1,067)
Profit before income tax	4	2,201	1,362
Income tax expense	5	(234)	(156)
Net Profit from continuing operations		1,967	1,206
Net Profit for the year		1,967	1,206
Other comprehensive income/(loss):			
Exchange differences on translating foreign controlled entities		520	(1,135)
Profit/(Loss) on hedging Instruments		217	(351)
Other comprehensive income/(loss) for the year, net of tax		737	(1,486)
Total comprehensive income/(loss) for the year		2,704	(280)
Earnings per share			
From continuing operations:			
Basic earnings per share (cents)	9	1.7	1.0
Diluted earnings per share (cents)	9	1.7	1.0

The accompanying notes form part of these financial statements.

SDI LIMITED ABN: 27008075581
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012

		Consolidated Group	
		2012	2011
	Note	$000	$000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	2,715	1,216
Trade and other receivables	11	8,636	8,439
Inventories	12	13,633	14,492
Current tax asset	19	567	1,155
Other assets	16	1,175	1,150
TOTAL CURRENT ASSETS		26,726	26,452
NON-CURRENT ASSETS			
Property, plant and equipment	14	16,197	17,196
Deferred tax assets	19	3,041	2,205
Intangible assets	15	18,550	17,041
Other non-current assets	16	98	94
TOTAL NON-CURRENT ASSETS		37,886	36,536
TOTAL ASSETS		64,612	62,988
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	4,027	4,227
Borrowings	18	5,955	11,410
Current tax liabilities	19	980	575
Provisions	20	2,547	2,379
TOTAL CURRENT LIABILITIES		13,509	18,591
NON-CURRENT LIABILITIES			
Borrowings	18	4,727	698
Deferred tax liabilities	19	3,837	3,593
Provisions	20	132	165
TOTAL NON-CURRENT LIABILITIES		8,696	4,456
TOTAL LIABILITIES		22,205	23,047
NET ASSETS		42,407	39,941
EQUITY			
Issued capital	21	12,890	12,890
Reserves	29	(790)	(1,527)
Retained earnings		30,307	28,578
TOTAL EQUITY		42,407	39,941

The accompanying notes form part of these financial statements.

SDI LIMITED ABN: 27008075581
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

		Share Capital		Reserves				
	Note	Ordinary	Retained Earnings	Capital Profits Reserve	Revaluation Surplus	Foreign Currency Translation Reserve	Hedge Reserve	Total
		$000	$000	$000	$000	$000	$000	$000
Consolidated Group								
Balance at 1 July 2010		12,890	27,847	363	272	(676)	-	40,696
Comprehensive income								
Profit for the year		-	1,206	-	-	-	-	1,206
Adjustments from translation of foreign controlled entities		-	-	-	-	(1,135)	-	(1,135)
Loss on hedging instrument		-	-	-	-	-	(351)	(351)
Total comprehensive income for the year		-	1,206	-	-	(1,135)	(351)	(280)
Transactions with owners, in their capacity as owners, and other transfers								
Dividends recognised for the year	8	-	(475)	-	-	-	-	(475)
Total transactions with owners and other transfers		-	(475)	-	-	-	-	(475)
Balance at 30 June 2011		12,890	28,578	363	272	(1,811)	(351)	39,941
Balance at 1 July 2011		12,890	28,578	363	272	(1,811)	(351)	39,941
Comprehensive income								
Profit for the year		-	1,967	-	-	-	-	1,967
Adjustments from translation of foreign controlled entities		-	-	-	-	520	-	520
Profit on hedging instrument		-	-	-	-	-	217	217
Total comprehensive income for the year		-	1,967	-	-	520	217	2,704
Transactions with owners, in their capacity as owners, and other transfers								
Dividends recognised for the year	8	-	(238)	-	-	-	-	(238)
Total transactions with owners and other transfers		-	(238)	-	-	-	-	(238)
Balance at 30 June 2012		12,890	30,307	363	272	(1,291)	(134)	42,407

The accompanying notes form part of these financial statements.

SDI LIMITED ABN: 27008075581
AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2012

	Note	Consolidated Group 2012 $000	2011 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		52,939	51,781
Interest received		38	16
Payments to suppliers and employees		(45,842)	(49,954)
Finance costs		(819)	(671)
Income tax paid		(837)	(934)
Income tax refund		974	539
Net cash provided by operating activities	24a	6,453	777
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		14	65
Purchase of property, plant and equipment		(753)	(3,733)
Purchase of Intangibles		(2,494)	(1,252)
Net cash used in investing activities		(3,233)	(4,920)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		11,204	6,157
Repayment of borrowings		(12,443)	(3,444)
Dividends paid by parent entity		(238)	(475)
Net cash (used in) / provided by financing activities		(1,477)	2,238
Net increase / (decrease) in cash held		1,743	(1,905)
Cash and cash equivalents at beginning of financial year	10	1,033	3,376
Effect of exchange rates on cash holdings in foreign currencies		(61)	(438)
Cash and cash equivalents at end of financial year	10	2,715	1,033

The accompanying notes form part of these financial statements.

These consolidated financial statements and notes represent those of SDI Limited and Controlled Entities (the “consolidated group” or “group”). The separate financial statements of the parent entity, SDI Limited, have not been presented within this financial report as permitted by the Corporations Act 2001.

The financial statements were authorised for issue on 28 September 2012 by the directors of the company.

Note 1 Summary of Significant Accounting Policies

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Group is a for-profit entity for financial reporting purposes under the Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards as issued by the IASB. Material accounting policies adopted in the preparation of the financial statements are presented below and have been consistently applied unless stated otherwise.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs.

(a) Principles of Consolidation

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by SDI Limited at the end of the reporting period. A controlled entity is any entity over which SDI Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity’s activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 13 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

(b) Income Tax

The income tax expense for the year comprises current income tax expense and deferred tax expense.

Current income tax expense charged to profit or loss is the tax payable on taxable income measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(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 less, where applicable, any accumulated depreciation and impairment losses.

Property

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

Plant and equipment

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment.

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

The cost of fixed assets constructed within the Group 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 recognised as expenses in the statement of comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

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

Class of Fixed Asset	Depreciation Rate
Buildings	2%
Leasehold improvements	33.3%
Plant and equipment	7.5% - 10%
Office Equipment	20% - 33.3%
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 the end of each reporting period.

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 statement of comprehensive income.

(e) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset (but not the legal ownership) are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising 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.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised 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 and Initial Measurement

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.

Classification and Subsequent Measurement

(i) Financial assets at fair value through profit or 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.

(ii) 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 subsequently measured at amortised cost using the effective interest rate method less impairment.

Loans and receivables are included in current assets, where they are expected to mature within 12 months after the end of the reporting period.

(iii) 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.

(iv) Available-for-sale investments

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 recognised in other comprehensive income and accumulated in equity.

(v) Financial Liabilities

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

Derivative instruments

The Group designates certain derivatives as either:

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

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

(iii) Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

At the inception of the transaction the relationship between hedging instruments and hedged items, as well as the group's 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 recognised in the statement of comprehensive income, together with any changes in the fair value of hedged assets or liabilities 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 recognised in other comprehensive income and accumulated in a hedge reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the statement of comprehensive income.

Amounts accumulated in the hedge reserve in equity are transferred to the statement of comprehensive income in the periods when the hedged item will affect profit or loss. If outcome of hedge results in recognition of a non-financial asset or liability, the gains or losses previously recognised in other comprehensive income and accumulated in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset or liability.

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 the end of each reporting period, the Group assesses whether there is objective evidence that a financial asset 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 an impairment has arisen. Impairment losses are recognised in profit or loss.

(g) 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.

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.

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

(h) 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 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 28.

(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 based on 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 parent entity's functional currency.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction.

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 financial results and position of foreign operations whose functional currency is different from the group's presentation currency are translated as follows:

— assets and liabilities are translated at exchange rates prevailing at the end of the reporting period;
— income and expenses are translated at average exchange rates for the period; and
— retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations with functional currencies other than Australian dollars are recognised in other comprehensive income and included in the foreign currency translation reserve in the statement of financial position. These differences are recognised in the profit or loss in the period in which the operation is disposed.

(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 Group 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 Group to employee superannuation funds and are charged as expenses when incurred.

(m) 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.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(n) Provision for Warranties

Provision is made in respect of the Group's best estimate of the liability on all products and services under warranty at the end of the reporting period. 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 group's history of warranty claims.

(o) 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 Group 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 25.

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.

(p) Revenue and Other Income

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.

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

(q) Trade and Other Receivables

Trade and other receivables include amounts due from customers for goods sold and services performed in the ordinary course of business. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets.

(r) Trade and Other Payables

Trade and other payables represent the liabilities for goods and services received by the entity that remain unpaid at the end of the reporting period. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(s) Borrowing Costs

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

(t) 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 Taxation Office (ATO).

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

(u) Comparative Figures

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

Where the Group has retrospectively applied an accounting policy, made a retrospective restatement of items in the financial statements or reclassified items in its financial statements, an additional statement of financial position as at the beginning of the earliest comparative period will be disclosed.

(v) Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100. Accordingly, amounts in the financial statements and directors' report have been rounded off to the nearest $1,000.

(w) Critical Accounting Estimates and Judgments

The directors evaluate estimates and judgments incorporated into the financial statements 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

(i) Impairment - General

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

No impairment has been recognised in respect of intellectual property and development costs for the year ended 30 June 2012.

(ii) Research and Development Capitalisation

The Group assesses expenditure on research and development in accordance with the policy in Note 1 (j).

(x) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and the equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with AASB 112 'Income Taxes' and AASB 119 'Employee Benefits' respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with AASB 2 'Share-based Payment' at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 'Noncurrent Assets Held for Sale and Discontinued Operations' are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

(y) Adoption of New and Revised Accounting Standards

(i) **Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)**

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements. Details of other Standards and Interpretations adopted in these financial statements but that have had no effect on the amounts reported are set out in section (y)(ii).

AASB 1054 'Australian Additional Disclosures' and AASB2011-1 'Amendments to Australian Accounting Standards arising from Trans-Tasman Convergence Project' adopted in IFRSs.	AASB 1054 sets out the Australian-specific disclosures for entities that have adopted Australian Accounting Standards. This Standard contains disclosure requirements that are in addition to IFRSs in areas such as compliance with Australian Accounting Standards, the nature of financial statements (general purpose or special purpose), audit fees, imputation (franking) credits and the reconciliation of net operating cash flow to profit (loss).
	AASB 2011-1 makes amendments to a range of Australian Accounting Standards and Inrerpretations for the purpose of closer alignment to IFRSs and harmonisation between Australian and New Zealand Standards. The Standard deletes various Australian-specific guidance and disclosures from other Standards (Australian-specific disclosures retained are now contained in AASB 1054), and aligns the wording used to that adopted in IFRSs.
	The application of AASB 1054 and AASB 2011-1 in the current year has resulted in the simplification of disclosures in regards to audit fees, franking credits and capital and other expenditure commitments as well as an additional disclosure on whether the Group is a for-profit or not-for-profit entity.

(ii) **Standards and Interpretations adopted with no effect on financial statements**

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

AASB 2010-5 'Amendments to Australian Accounting Standards'	The Standard also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, which includes AASB 101 and AASB 107. The application of AASB 2010-5 has not had any material effect on amounts reported in the financial statements.

(iii) **Standards and Interpretations issued not yet effective**

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The Group has not yet made an assesment on the impact of the following standards.

Standard/Interpretation	**Effective for annual reporting periods beginning on or after**	**Expected to be initially applied in the financial year ending**
AASB 9 'Financial Instruments', AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9' and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Finacial Statements ' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement', AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011), AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119' (2011)	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2013	30 June 2013
AASB 2012-5 'Amendments to Australian Accounting Standards, arising from Annual Improvements 2009-2011 cycle'	1 January 2013	30 June 2014
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12.	1 January 2013	30 June 2014

Note 2 Parent Information

The accounting policies of the Parent Entity, which have been applied in determining the financial information shown below, are the same as those applied in the Consolidated Financial Statements as included in note 1.

	2012 $000	2011 $000
STATEMENT OF FINANCIAL POSITION		
ASSETS		
Current Assets	19,323	20,514
Non-current Assets	40,245	38,732
TOTAL ASSETS	59,568	59,246
LIABILITIES		
Current Liabilities	11,392	16,292
Non-current Liabilities	8,682	4,447
TOTAL LIABILITIES	20,074	20,739
EQUITY		
Issued Capital	12,890	12,890
Retained earnings	26,103	25,333
Capital profits reserve	363	363
Asset realisation reserve	272	272
Hedge reserve	(134)	(351)
TOTAL EQUITY	39,494	38,507
STATEMENT OF COMPREHENSIVE INCOME		
Profit for the year	1,007	1,878
Other comphrehensive income	217	(351)
Total comprehensive income	1,224	1,527

Guarantees
SDI Limited has not entered into any guarantees, in the current or previous financial year, in relation to the debts of its subsidiaries.

Contingent liabilities
There were no contingent liabilities since the last annual reporting date.

Note 3 Revenue and Other Income

	Consolidated Group 2012 $000	Consolidated Group 2011 $000
(a) Revenue from continuing operations		
Sales revenue		
— sale of goods	56,402	54,849
	56,402	54,849
Other income		
— interest received	38	16
— other revenue	138	15
— gain on disposal of property, plant and equipment	-	65
— Net gain on foreign exchange	103	36
Total other income	279	132

Note 4 Profit for the Year

	Consolidated Group	
Profit before income tax from continuing operations includes the following specific expenses:	2012	2011
(a) Expenses	$000	$000
Cost of sales	26,685	24,388
Interest expense on financial liabilities not at fair value through profit or loss:		
— Other persons	819	671
Total finance cost	819	671
Bad and doubtful debts:		
— trade receivables	45	43
Total bad and doubtful debts	45	43
Rental expense on operating leases		
— minimum lease payments	212	314
Research and development costs	551	1,831
Depreciation of property, plant and equipment	1,607	1,598
Amortisation of intangibles	985	725
Employee benefits expenses	18,447	19,399
Superannuation expenses	1,153	1,239
(b) Significant Revenue and Expenses		
The following significant revenue and expense items are relevant in explaining the financial performance:		
Foreign exchange loss	(1,225)	(1,162)

Note 5 Income Tax Expense

		Consolidated Group	
		2012	2011
	Note	$000	$000
(a) The components of tax expense comprise:			
Current tax		946	130
Deferred tax	19	(592)	211
Under provision in respect of prior years		(120)	(185)
		234	156
(b) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:			
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2011: 30%)			
— consolidated group		660	409
Add:			
Tax effect of:			
— other non-allowable items		54	53
— under provision for income tax in prior year		-	103
— Tax rate differences in overseas entities		(235)	100
		479	665
Less:			
Tax effect of:			
— Research and development concession		81	178
— Other deductible items		45	43
— Over provision of income tax in prior year		120	288
Income tax attributable to entity		234	156
The applicable weighted average effective tax rates are as follows:		10.6%	11.4%

The weighted average effective consolidated tax rate for 2012 is relatively consistent with the rate from the previous year.

Note 6 Key Management Personnel Compensation

Refer to the Remuneration Report contained in the Directors' Report for details of the remuneration paid or payable to each member of the Group's key management personnel (KMP) for the year ended 30 June 2012.

The totals of remuneration paid to KMP of the company and the Group during the year are as follows:

	2012 $	2011 $
Short-term employee benefits	1,872,944	1,832,676
Post-employment benefits	231,163	266,789
Other long term benefits	23,464	33,612
Termination benefits	-	-
Share-based payments	-	-
Total KMP compensation	2,127,571	2,133,077

KMP Shareholdings

The number of ordinary shares in SDI Limited held by each KMP of the Group during the financial year is as follows:

30 June 2012	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
Company Directors					
John Norman Isaac	50,000	-	-	-	50,000
Jeffery James Cheetham	54,427,247	-	-	-	54,427,247
Samantha Jane Cheetham	359,273	-	-	-	359,273
Steven James Molver	8,000,000	-	-	-	8,000,000
Gabrielle Mary McCorkell (Retired 18/11/2011)	562,016	-	-	(562,016)	-
Jack Arthur Roseman (Retired 18/11/2011)	60,000	-	-	(60,000)	-
Pamela Joy Cheetham	-	-	-	-	-
Nicholas A. Cheetham	10,000	-	-	-	10,000
Executives					
John J. Slaviero	2,689	-	-	-	2,689
Joshua Cheetham	238,181	-	-	467,650	705,831
Ray M. Cahill	869	-	-	-	869
	63,710,275	-	-	(154,366)	63,555,909

30 June 2011	Balance at beginning of year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at end of year
Company Directors					
John Norman Isaac	50,000	-	-	-	50,000
Jeffery James Cheetham	53,926,162	-	-	501,085	54,427,247
Samantha Jane Cheetham	359,273	-	-	-	359,273
Steven James Molver	8,000,000	-	-	-	8,000,000
Gabrielle Mary McCorkell	562,016	-	-	-	562,016
Jack Arthur Roseman	60,000	-	-	-	60,000
Pamela Joy Cheetham	-	-	-	-	-
Nicholas A. Cheetham	10,000	-	-	-	10,000
Executives					
John J. Slaviero	2,689	-	-	-	2,689
Joshua Cheetham	40,015	-	-	198,166	238,181
Ray M. Cahill	4,289	-	-	(3,420)	869
	63,014,444	-	-	695,831	63,710,275

Other KMP Transactions

There have been no other transactions involving equity instruments other than those described in the tables above.

For details of other transactions with KMP, refer to Note 27: Related Party Transactions.

For details of loans to KMP, refer to Note 27: Related Party Transactions.

Note 7 Auditors' Remuneration

	Consolidated Group 2012	2011
Remuneration of the auditor for:	$	$
— auditing or reviewing the financial report	172,000	170,050
— taxation services	72,240	82,225
	244,240	252,275
Remuneration of other auditors of subsidiaries for:		
— auditing or reviewing the financial statements of subsidiaries	46,648	37,389

The auditor of the parent entity and group is Deloitte Touche Tohmatsu

Other auditors of the subsidiaries are:	2012	2011
— Tollefson & Clancy - USA	10,352	10,484
— Fickus & Fickus - Germany	6,074	4,418
— Deloitte Touche Tohmatsu - Ireland	8,648	9,242
— Deloitte Touche Tohmatsu - Brazil	21,574	13,245

Note 8 Dividends

	Consolidated Group 2012 $000	2011 $000
Distributions paid		
2011 final dividend (fully franked) of 0.2 cents per share paid in 2012	238	475
	238	475
Total dividends per share		
(a) Proposed final 2012 fully franked ordinary dividend of 0.3 cents (2011: 0.2 cents per share franked at the tax rate of 30% (2011: 30%)	357	238
(b) Balance of franking account at year end:	3,762	4,864

Note 9 Earnings per Share

	Consolidated Group 2012 $000	2011 $000
(a) Reconciliation of earnings to profit		
Profit	1,967	1,206
Earnings used to calculate basic EPS	1,967	1,206
Earnings used in the calculation of dilutive EPS	1,967	1,206
	No.	No.
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	118,865,530	118,865,530
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	118,865,530	118,865,530

Note 10 Cash and Cash Equivalents

	Note	Consolidated Group 2012 $000	2011 $000
Cash at bank and on hand		2,715	1,216
	28	2,715	1,216

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

	Note	2012 $000	2011 $000
Cash and cash equivalents		2,715	1,216
Bank overdrafts	18	-	(183)
		2,715	1,033

A floating charge over cash and cash equivalents has been provided for certain debt. Refer to Note 18 for further details.

Note 11 Trade and Other Receivables

	Note	Consolidated Group 2012 $000	2011 $000
CURRENT			
Trade receivables		8,308	7,748
Provision for doubtful debts	11(i)	(44)	-
		8,264	7,748
Other receivables		372	691
Total current trade and other receivables		8,636	8,439

(i) **Provision For Doubtful Debts**

Movement in the provision for doubtful debts is as follows:

Consolidated Group	Opening Balance 01.07.10 $000	Charge for the Year $000	Amounts Written Off $000	Closing Balance 30.06.11 $000
Current trade receivables	(40)	-	40	-
	(40)	-	40	-

Consolidated Group	Opening Balance 01.07.11 $000	Charge for the Year $000	Amounts Written Off $000	Closing Balance 30.06.12 $000
Current trade receivables	-	(44)		(44)
	-	(44)	-	(44)

Credit risk

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 2012 there were no material balances in existence that are considered to be past due that have not already been provided for.

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

Note 12 Inventories

	Note	Consolidated Group 2012 $000	2011 $000
CURRENT			
At cost:			
Raw materials and stores		6,397	6,733
Finished goods		7,827	7,865
Provision for inventory obsolesence		(591)	(106)
		13,633	14,492

Note 13 Controlled Entities

Controlled Entities Consolidated

	Country of Incorporation	Percentage Owned (%)* 2012	2011
Subsidiaries of SDI Limited:			
SDI (North America), Inc	United States of America	100.00	100.00
SDI Holdings Pty Ltd	Australia	100.00	100.00
SDI Germany GmbH	Germany	100.00	100.00
SDI Brasil Industria e Comercio Ltda	Brazil	100.00	100.00
SDI Dental Limited	Ireland	100.00	100.00
SDI New Zealand Limited	New Zealand	100.00	100.00
SDI Italy S.r.l	Italy	100.00	-

* Percentage of voting power is in proportion to ownership

Note 14 Property, Plant and Equipment

	Consolidated Group 2012 $000	2011 $000
LAND AND BUILDINGS		
Land and Buildings at:		
— at cost	8,914	8,693
Less accumulated depreciation	(877)	(775)
Total land and buildings	8,037	7,918
PLANT AND EQUIPMENT		
Plant and equipment:		
At cost	22,280	21,893
Accumulated depreciation	(14,120)	(12,615)
	8,160	9,278
Total property, plant and equipment	16,197	17,196

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.

	Land & Buildings $000	Plant and Equipment $000	Total $000
Consolidated Group:			
Balance at 1 July 2010	7,327	7,862	15,189
Additions	691	3,042	3,733
Disposals	-	(128)	(128)
Depreciation expense	(100)	(1,498)	(1,598)
Balance at 30 June 2011	7,918	9,278	17,196
Additions	222	531	753
Disposals	-	(145)	(145)
Depreciation expense	(103)	(1,504)	(1,607)
Balance at 30 June 2012	8,037	8,160	16,197

Note 15 Intangible Assets

	Consolidated Group 2012 $000	Consolidated Group 2011 $000
Trademarks and licences		
Cost	5,704	5,557
Accumulated amortisation and impairment losses	(1,714)	(1,494)
Net carrying amount	3,990	4,063
Development costs		
Cost	18,734	16,443
Accumulated amortisation and impairment losses	(4,174)	(3,465)
Net carrying amount	14,560	12,978
Total intangibles	18,550	17,041

Consolidated Group:

	Trademarks & Licences $000	Development Costs $000
Year ended 30 June 2011		
Balance at the beginning of year	3,870	12,644
Additions	278	974
Amortisation charge	(85)	(640)
	4,063	12,978
Year ended 30 June 2012		
Balance at the beginning of year	4,063	12,978
Additions	146	2,348
Amortisation charge	(219)	(766)
Closing value at 30 June 2012	3,990	14,560

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

The carrying value of the indefinite life intangibles is $2.9m and relates to core intellectual know-how for Alloy and Composite materials which is used in the design and production of the Group's alloy and composite products.

Impairment disclosures

Impairment testing was undertaken on the Group's capitalised 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 10.83 % 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 post-tax and are adjusted to incorporate risks associated with a particular unit.

Note 16 Other Assets

	Consolidated Group 2012 $000	Consolidated Group 2011 $000
CURRENT		
Prepayments	1,175	1,150
	1,175	1,150
NON-CURRENT		
Prepayments	98	94
	98	94

Note 17 Trade and Other Payables

	Consolidated Group 2012 $000	Consolidated Group 2011 $000
CURRENT		
Unsecured liabilities		
Trade payables	2,367	1,997
Derivative financial instruments - at fair value	191	514
Sundry payables and accrued expenses	1,469	1,716
	4,027	4,227

The average credit period on the purchases of goods ranges from 7-60 days. No interest is charged on the trade payables.
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 Group 2012 $000	Consolidated Group 2011 $000
CURRENT			
Secured liabilities			
Bank overdrafts	18a,c	-	183
Bank loans	18a,c	5,567	10,940
Hire Purchase		388	287
		5,955	11,410
Total current borrowings		5,955	11,410
NON-CURRENT			
Secured liabilities			
Bank loans	18a,c	3,750	-
Hire Purchase		977	698
		4,727	698
Total non-current borrowings		4,727	698
Total borrowings	28	10,682	12,108

	Consolidated Group 2012 $000	Consolidated Group 2011 $000
(a) Total current and non-current secured liabilities:		
Bank overdraft	-	183
Bank loan	9,317	10,940
Hire Purchase	1,365	985
	10,682	12,108
(b) The carrying amounts of non-current assets pledged as security are:		
Freehold land and buildings	8,037	7,918
Floating charge over assets, including listed investments at market value	29,674	28,610
	37,711	36,528

(c) **Collateral provided**

The bank loans are secured by a registered first mortgage debenture over the assets of the Company and a registered first mortgage over the freehold properties of the Company. The Company operates a loan facility of AUD 7,750,000, a trade finance facility of AUD 3,000,000 and an export line facility of AUD 700,000. 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 Group is within the terms and conditions of the agreement.

Note 19 Tax

	Consolidated Group 2012 $000	Consolidated Group 2011 $000
CURRENT		
Tax assets/(liabilities)		
Current tax liability	(980)	(575)
Current tax asset	567	1,155
Net Balance as at 30 June 2012	(413)	580

NON-CURRENT Consolidated Group	Opening Balance $000	Charged to Income $000	Closing Balance $000
Deferred tax assets/(liabilities)			
Property, plant and equipment	474	3	477
Intangible assets	(3,482)	(482)	(3,964)
Inventories	-	17	17
Provisions	779	27	806
Trade & other receiveables	(10)	169	159
Other	1,062	55	1,117
Balance at 30 June 2011	(1,177)	(211)	(1,388)
Deferred tax assets/(liabilities)			
Property, plant and equipment	477	(35)	442
Intangible assets	(3,964)	(600)	(4,564)
Inventories	17	160	177
Provisions	806	211	1,017
Trade & other receiveables	159	959	1,118
Other	1,117	(103)	1,014
Balance at 30 June 2012	(1,388)	592	(796)
Deferred Tax (Liabilities)	(3,593)	(244)	(3,837)
Deferred Tax Assets	2,205	836	3,041
Net Balance as at 30 June 2012	(1,388)	592	(796)

Note 20 Provisions

	Consolidated Group 2012 $000	Consolidated Group 2011 $000
CURRENT		
Warranties		
Opening balance at 1 July 2011	50	50
Additional provisions	-	-
Amounts used	-	-
Balance at 30 June 2012	50	50
Short-term Employee Benefits		
Opening balance at 1 July 2011	2,329	2,068
Additional provisions	1,205	1,167
Amounts used	(1,037)	(906)
Balance at 30 June 2012	2,497	2,329
Total	2,547	2,379

	Consolidated Group 2012 $000	Consolidated Group 2011 $000
NON CURRENT		
Long-term Employee Benefits		
Opening balance at 1 July 2011	165	176
Additional provisions	-	-
Amounts used	-	-
Unused amounts reversed	(33)	(11)
Balance at 30 June 2012	132	165
Total	132	165

Analysis of Total Provisions

	Consolidated Group	
	2012	2011
	$000	$000
Current	2,547	2,379
Non-current	132	165
	2,679	2,544

Provision for Warranties

A provision of $50,000 at 30 June 2012 has been recognised by the Group for estimated warranty claims in respect of products and services sold which are still under warranty at the end of the reporting period.

Provision for Employee Benefits

A provision has been recognised for employee entitlements relating to annual leave and long service leave. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1.

Note 21 Issued Capital

	Consolidated Group	
	2012	2011
	$000	$000
118,865,530 (2011: 118,865,530) fully paid ordinary shares	12,890	12,890
	12,890	12,890

The company has authorised share capital amounting to 118,865,530 ordinary shares.

Changes to the then Corporations Law 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.

	Consolidated Group	
(a) **Ordinary Shares**	2012	2011
	No.	No.
At the beginning of the reporting period	118,865,530	118,865,530
Shares issued during the year	-	-
At the end of the reporting period	118,865,530	118,865,530

Note 22 Capital and Leasing Commitments

		Consolidated Group	
		2012	2011
	Note	$000	$000
(a) **Finance Lease Commitments**			
Payable — minimum lease payments			
— not later than 12 months		388	287
— between 12 months and 5 years		977	698
— later than 5 years		-	-
Total Finance Lease Commitments	18	1,365	985
Finance charges included in Finance Lease Commitments		197	173

Finance Lease contracts have been entered into over 3 to 5 years. Residual payments are determined as follow:

- Manufacturing equipment - 0% of purchase price
- Motor Vehicles - Estimated market value upon expiration of lease.

	Consolidated Group	
	2012	2011
(b) **Operating Lease Commitments**	$000	$000
Non-cancellable operating leases contracted for but not recognised in the financial statements		
Payable — minimum lease payments		
— not later than 12 months	187	164
— between 12 months and 5 years	143	17
— later than 5 years	-	-
	330	181

Operating Lease's relate to the rental of office and warehouse space.

Note 23 Operating Segments

General Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the board of directors (chief operating decision makers) in assessing performance and in determining the allocation of resources.

The Group is managed primarily on the basis of the performance of the subsidiary companies in different markets.

The Group's reportable segments under AASB 8 are as follows:
- SDI Australia - SDI Limited
- SDI Europe - SDI Dental Limited (Ireland), SDI GmbH (Germany) and SDI Italy S.r.l (Italy)
- SDI USA - SDI (North America), Inc
- SDI Brazil - SDI Brasil Industria e Comercio Ltda
- SDI New Zealand - SDI New Zealand Limited

Basis of accounting for purposes of reporting by operating segments

(a) **Accounting policies adopted**

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

(b) **Inter-segment transactions**

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

(c) **Segment performance**

30 June 2012	SDI Australia $000	SDI Europe $000	SDI USA $000	SDI Brazil $000	SDI New Zealand $000	Eliminations $000	Total $000
Revenue							
External sales	19,531	15,833	15,413	5,537	88	-	56,402
Inter-segment sales	21,214	8,795	-	-	-	(30,009)	-
Total segment revenue	40,745	24,628	15,413	5,537	88	(30,009)	56,402
Unallocated Revenue							279
Total group revenue							56,681
Segment net profit before tax	1,673	1,344	706	(2,571)	(32)	1,900	3,020
Unallocated corporate expenses							(819)
Profit before income tax							2,201
Income tax expense							(234)
Profit after income tax							1,967
Assets							
Segment assets	55,960	6,078	5,401	4,707	29	(11,171)	61,004
Unallocated assets	-	-	-	-	-	-	3,608
Total Assets							64,612
Liabilities							
Segment liabilities	16,241	3,404	989	8,314	68	(10,647)	18,369
Unallocated liabilities	-	-	-	-	-	-	3,836
Total Liabilities							22,205
Other							
Acquisition of non-current segment assets	3,230	4	5	8	-	-	3,247
Depreciation and amortisation of segment assets	2,423	68	13	88	-	-	2,592
Other non-cash segment expenses	2,985	29	-	-	-	(2,969)	45

30 June 2011	SDI Australia $000	SDI Europe $000	SDI USA $000	SDI Brazil $000	SDI New Zealand $000	Eliminations $000	Total $000
Revenue							
External sales	20,893	14,896	13,409	5,561	90	-	54,849
Inter-segment sales	19,666	7,768	-	-	-	- 27,434	-
Total segment revenue	40,559	22,664	13,409	5,561	90	(27,434)	54,849
Unallocated Revenue							132
Total group revenue							54,981
Segment net profit before tax	2,004	1,595	926	(1,169)	(8)	(1,315)	2,033
Unallocated corporate expenses							(671)
Profit before income tax							1,362
Income tax expense							(156)
Profit after income tax							1,206
Assets							
Segment assets	55,886	6,126	4,864	4,825	40	(12,113)	59,628
Unallocated assets	-	-	-	-	-	-	3,360
Total Assets							62,988
Liabilities							
Segment liabilities	17,157	3,615	1,055	6,419	47	(8,840)	19,453
Unallocated liabilities	-	-	-	-	-	-	3,594
Total Liabilities							23,047
Other							
Acquisition of non-current segment assets	4,791	163	16	15	-	-	4,985
Depreciation and amortisation of segment assets	2,183	84	12	44	-	-	2,323
Other non-cash segment expenses	345	1	-	51	-	(353)	44

The Group operates predominantly in one business segment being the manufacturing and distribution of dental restorative products. Group revenue is predominantly derived from these products.

(d) **Major customers**

The Group has a number of customers to whom it provides products. No single customer represents 10% or more of Group revenue.

(e) **Major products and services**

The Group manufactures dental restoratives, tooth whitening systems and small dental equipment for sale to dental distributors, dental dealers and dentists world wide.

Note 24 Cash Flow Information

(a) **Reconciliation of Cash Flow from Operations with Profit after Income Tax**

	Consolidated Group 2012 $000	Consolidated Group 2011 $000
Profit after income tax	1,967	1,206
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit		
Amortisation	985	725
Depreciation	1,607	1,598
Write-off of obsolete stock	484	-
Net (gain)/loss on disposal of property, plant and equipment	7	56
Write-off of Bad Debts	-	32
Doubtful Debts Adjustment	45	(40)
Movement in working capital		
(Increase)/decrease in trade and term receivables	(2,757)	(1,522)
(Increase)/decrease in other debtors and prepayments	175	(986)
(Increase)/decrease in inventories	(286)	(3,509)
Increase/(decrease) in trade payables and accruals	3,675	3,693
Increase/(decrease) in income taxes payable	401	183
Increase/(decrease) in deferred taxes payable	243	93
(Increase)/decrease in deferred taxes receivable	(248)	(1,022)
Increase/(decrease) in provisions	155	270
Cash flow from operations	6,453	777

	Consolidated Group 2012 $000	2011 $000
(b) Credit Standby Arrangements with Banks		
Credit facility	801	781
Amount utilised	(150)	(415)
	651	366
(c) Loan Facilities		
Loan facilities	10,817	11,840
Amount utilised	(9,317)	(10,940)
	1,500	900

The major facilities are summarised as follows:

The Company operates a loan facility of AUD 7,750,000 (2011: AUD 8.750,000). The facilities allow for both fixed and variable loans.

It also operates a trade finance facility of AUD 3,000,000 (2011: AUD 3,000,000), an export facility of AUD 700,000 (2011: AUD 700,000) and an unsecured insurance premium funding facility of AUD 67,000 (2011: AUD 90,000)

Finance will be provided under all facilities on the condition that the company and the consolidated entity are within the terms and conditions of the Agreement.

Note 25 Share-based Payments

The following share-based payment arrangements existed at 30 June 2012:

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.

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

Note 26 Events After the Reporting Period

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Note 27 Related Party Transactions

(a) Transactions with related parties:

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

The following transactions occurred with related parties:

	Consolidated Group 2012 $	2011 $
(i) Director-related Entities		
Provision of consulting services by Silver Glades Pty Ltd, a company controlled by Mr J.J. Cheetham	80,000	80,000
The Company has entered into a lease with Silver Glades Pty Ltd , a company controlled by Mr J. J. Cheetham, for an adjoining building in Bayswater. The lease commenced on the 1 February 2012 for a period of three years at $80,000 per annum.	33,333	-
The Company purchased a small number of RACV memberships during the financial year. Mr J.N. Isaac is a director of RACV Ltd.		

Note 28 Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, local money market instruments, accounts receivable and payable, bills, leases, 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 hedging contracts. The Group does not speculate in the trading of derivative instruments.

Derivative financial instruments are used by the Group 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 Group 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.

Financial Risk Management Policies

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.

Specific Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are credit risk, liquidity risk and market risk consisting of interest rate risk, foreign currency risk and other price risk (commodity and equity price risk). There have been no substantive changes in the types of risks the Group is exposed to, how these risks arise, or the Board's objectives, policies and processes for managing or measuring the risks from the previous period.

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

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 who 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.

b. Liquidity risk

Ultimate responsibility for interest rate and liquidity risk management rests with the Board of Directors, who has 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.

The following tables detail 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.

Financial liability and financial asset maturity analysis

2012 Consolidated Group	Weighted Average Effective Interest Rate %	Less than 1 month 2012 $000	1 to 3 months 2012 $000	3 months to 1 year 2012 $000	1 to 5 years 2012 $000	5 years + 2012 $000	Total 2012 $000
Financial Liabilities							
Trade and other payables	-	3,581	79	176	-	-	3,836
Derivative financial instruments	-	69	122	-	-	-	191
Secured bank loans - variable	6.31	2,500	250	3,817	2,750	-	9,317
Financial lease liabilities	8.97	32	65	291	977	-	1,365
Total anticipated outflows		6,182	516	4,284	3,727	-	14,709

2012 Consolidated Group		Less than 1 month 2012 $000	1 to 3 months 2012 $000	3 months to 1 year 2012 $000	1 to 5 years 2012 $000	5 years + 2012 $000	Total 2012 $000
Financial Assets - cash flows realisable							
Cash and cash equivalents	1.00	2,715	-	-	-	-	2,715
Trade, term and loans receivables	-	6,124	1,490	694	-	-	8,308
Other receivables	-	372	-	-	-	-	372
Total anticipated inflows		9,211	1,490	694	-	-	11,395
Net (outflow) / inflow on financial instruments		3,029	974	(3,590)	(3,727)	-	(3,314)

2011 Consolidated Group	Weighted Average Effective Interest Rate %	Less than 1 month 2011 $000	1 to 3 months 2011 $000	3 months to 1 year 2011 $000	1 to 5 years 2011 $000	5 years + 2011 $000	Total 2011 $000
Financial Liabilities							
Trade and other payables	-	3,338	119	256	-	-	3,713
Derivative financial instruments	-	301	213	-	-	-	514
Secured bank loans - variable	6.80	11,122	-	-	-	-	11,122
Financial lease liabilities	9.50	24	48	215	698	-	985
Total anticipated outflows		14,785	380	471	698	-	16,334

2011 Consolidated Group		Less than 1 month 2011 $000	1 to 3 months 2011 $000	3 months to 1 year 2011 $000	1 to 5 years 2011 $000	5 years + 2011 $000	Total 2011 $000
Financial Assets - cash flows realisable							
Cash and cash equivalents	1.00	1,216	-	-	-	-	1,216
Trade, term and loans receivables	-	6,088	1,124	536	-	-	7,748
Other receivables	-	691	-	-	-	-	691
Total anticipated inflows		7,995	1,124	536	-	-	9,655
Net (outflow) / inflow on financial instruments		(6,790)	744	65	(698)	-	(6,679)

The periods in which cash flows related to cash flow hedges are expected to occur are as depicted in the above maturity analysis table.

Certain financial assets have been pledged as security for debt and their realisation into cash may be restricted subject to terms and conditions attached to the relevant debt contracts. Refer to Note 18(c) for further details.

c. Market Risk

i. 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.

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

At the end of the reporting period, the interest rate profile of the Group's interest bearing financial instruments are as follows:

	Consolidated Group	
	2012	2011
Fixed rate instruments	$000	$000
Financial Assets	-	-
Financial Liabilities	1,365	985
	1,365	985
Variable rate instruments		
Financial Assets	-	14
Financial Liabilities	9,317	11,122
	9,317	11,136

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.

For the prior reporting period had interest rates been 50 basis points higher net profit would have been less by $65,000 (2011: $49,000) for the Group.

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

ii. *Foreign exchange risk*

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities in Australian dollar equivalents at the reporting date are as follows:

2012	**Net financial assets/(liabilities) in AUD $000**				
Consolidated Group	USD	EUR	BRL	Other	Total AUD
Foreign Currency Exposure					
Financial Assets	2,492	2,570	1,878	20	6,960
Financial Liabilities	(376)	(1,066)	(143)	-	(1,585)
Net Exposure	2,116	1,504	1,735	20	5,375

2011	**Net financial assets/(liabilities) in AUD $000**				
Consolidated Group	USD	EUR	BRL	Other	Total AUD
Foreign Currency Exposure					
Financial Assets	2,042	2,706	1,679	38	6,465
Financial Liabilities	(397)	(878)	(292)	(3)	(1,570)
Net Exposure	1,645	1,828	1,387	35	4,895

The following significant exchange rates applied at balance date:

Currency	**2012**	**2011**
Foreign Currency Exposure	$	$
USD	1.0236	1.0731
JPY	81.7024	N/A
EUR	0.8080	0.7389
BRL	2.0566	1.6742
NZD	1.2753	1.2956

Forward exchange currency option contracts

The Consolidated Entity and Company did have any foreign exchange currency option contracts at year end.

iii. *Other 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 Group currently hedges the price it buys silver at. Silver Futures markets and economic forecasts are constantly monitored to determine whether to implement a hedge.

Sensitivity Analysis

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

These sensitivities assume that the movement in a particular variable is independent of other variables.

	Consolidated Group	
Year ended 30 June 2012	**Profit $000**	**Equity $000**
+/- 10% in silver prices	19	19

	Consolidated Group	
Year ended 30 June 2011	**Profit $000**	**Equity $000**
+/- 10% in silver prices	51	51

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

Silver Hedge Contracts

The Group 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 Group against unfavourable silver price movements for purchase of silver which is a raw material used in the manufacture of amalgam products. The Group has entered into silver hedge contracts (for terms not exceeding 3 months) to hedge the price risk arising from anticipated transactions, which are designated as cash flow hedges.

At 30 June 2012, the aggregate amount of losses under silver hedge contracts recognised in other comprehensive income and accumulated in the cash flow hedging reserve relating to the exposure on these anticipated future transactions is $134,000 (2011: $351,000). It is anticipated that purchases of silver will take place during the first three months of the next financial year, at which time the amount deferred in equity will be reclassified to profit or loss.

Fair Value	
2012	**2011**
AUD'000	AUD'000
191	514

Fair Values

Fair value estimation

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying amounts as presented in the statement of financial position. Fair value is the amount at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

	2012		2011	
Consolidated Group	Carrying Amount $000	Fair Value $000	Carrying Amount $000	Fair Value $000
Financial assets				
Cash and cash equivalents	2,715	2,715	1,216	1,216
Trade and other receivables	8,636	8,636	8,439	8,439
Total financial assets	11,351	11,351	9,655	9,655
Financial liabilities				
Trade and other payables	3,836	3,836	3,713	3,713
Lease liability	1,365	1,365	985	985
Bank debt	9,317	9,317	11,123	11,123
Total financial liabilities	14,518	14,518	15,821	15,821

Fair values are in line with carrying values,

The fair values disclosed in the above table have been determined based on the following methodologies:

— 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.

— 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.

d. 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 Group's debt and capital includes ordinary share capital and financial liabilities, supported by financial assets.

Management effectively manage the Group's capital by assessing the Group'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 Group since the prior year. This strategy is to ensure that the group's gearing ratio remains between 10% and 30%. The gearing ratios for the year ended 30 June 2012 and 30 June 2011 are as follows:

	Consolidated Group	
	2012	**2011**
	$000	**$000**
Debt (i)	10,682	11,925
Cash and Cash equivalents	(2,715)	(1,033)
Net Debt	7,967	10,892
Equity (ii)	42,407	39,941
Net Debt to Equity Ratio	18.8%	27.3%

(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 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.

d. **Foreign Currency Translation Reserve**
The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

h. **Hedge Reserve**
The hedge reserve records revaluations of items designated as cashflow hedges.

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 business are:
SDI Limited
3-15 Brunsdon Street
Bayswater, Victoria, 3153
Australia

SDI Germany GmbH
Dieselstrasse 14
D-50859 KOLN
Germany

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

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

SDI New Zealand Limited
Suite 1, 12 Knox Street
Hamilton Central
Hamilton 3204
NewZealand

SDI Holdings Pty Ltd
3-15 Brunsdon Street
Bayswater, Victoria, 3153
Australia

SDI Italy S.r.l
Regus Brera
Piazzale Biancamano 8, 20121 Milano
Italy

SDI LIMITED ABN: 27008075581
AND CONTROLLED ENTITIES
DIRECTORS' DECLARATION

The directors declare that:

(a) 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.

(b) in the directors' opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;

(c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(d) the directors have been given the declarations required by s.295A of the Corporations Act 2001

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

Director

Jeffery James Cheetham

Dated this 28th day of September 2012

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

550 Bourke Street
Melbourne VIC 3000
GPO Box 78
Melbourne VIC 3001 Australia

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Independent Auditor's Report to the members of SDI Limited

Report on the Financial Report

We have audited the accompanying financial report of SDI Limited, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 14 to 45.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the entity's preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Auditor's Independence Declaration

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

Deloitte.

Opinion

In our opinion:

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

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

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

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

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 12 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of SDI Limited for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001.*

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Robert D D Collie
Partner
Chartered Accountants
Melbourne, 28 September 2012

SDI LIMITED ABN: 27008075581
AND CONTROLLED ENTITIES
ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 31 August 2012:

1. **Shareholding**

a. **Distribution of Shareholders**

Category (size of holding)	Number Ordinary	Number Redeemable
1 – 1,000	200	-
1,001 – 5,000	386	-
5,001 – 10,000	178	-
10,001 – 100,000	316	-
100,001 – and over	86	-
	1,166	-

b. The number of shareholdings held in less than marketable parcels is 387.

c. The names of the substantial shareholders listed in the holding company's register are:

Shareholder	Number Ordinary	Number Preference
Currango Pastoral Company	50,648,328	-
Celeste Funds Management Limited*	8,711,111	-
Molvest Pty Ltd (Molvest Family Trust A/C)	8,000,000	-
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.

d. **Voting Rights**

The voting rights attached to each class of equity security are as follows:

Ordinary shares

– Each ordinary share is entitled to one vote when a poll is called, otherwise each member present at a meeting or by proxy has one vote on a show of hands.

e. 20 Largest Shareholders — Ordinary Shares

	Name	Number of Ordinary Fully Paid Shares Held	% Held of Issued Ordinary Capital
1.	Currango Pastoral Company Pty Ltd	50,648,328	42.61
2.	Molvest Pty Ltd (Molvest Family A/C)	8,000,000	6.73
3.	Citicorp Nominees Pty Limited (Colonial First State Inv A/C)	6,273,062	5.28
4.	JP Morgan Nominees Australia Limited	3,132,633	2.64
5.	Silverglades Pty Ltd	2,357,829	1.98
6.	HSBC Custody Nominees (Australia) Limited	2,325,221	1.96
7.	Contemplator Pty Ltd	2,000,000	1.68
8.	Citicorp Nominees Pty Limited	1,896,300	1.60
9.	JP Morgan Nominees Australia Limited	1,487,969	1.25
10.	JEFFNPAM Superannuation Fund Pty Ltd	1,421,085	1.20
11.	Mr Gerard James Van Paasen (The Van Paassen family A/C)	1,104,348	0.93
12.	Mr Brendan Francis Carroll	1,040,490	0.88
13.	Mr David William Kingsley Thomas	1,000,000	0.84
14.	Ruminator Pty Ltd	988,566	0.83
15.	National Nominees Limited	899,223	0.76
16.	MDF Superannuation Pty Limited	755,909	0.64
17.	Branka Nominees Pty Ltd	750,220	0.63
18.	Incorp Consulting Group Pty Ltd - A&S Robertson Family A/C	746,940	0.63
19.	Incorp Consulting Group Pty Limited - Superannuation A/C	715,456	0.60
20.	Cheetham Superannuation Pty Ltd	705,831	0.59
		88,249,410	74.26

2. The name of the company secretary is John J. Slaviero.

3. The address of the principal registered office in Australia is 5-7 Brunsdon Street Bayswater Victoria 3153 Australia. Telephone +61387277111.

4. Registers of securities are held at the following addresses

Victoria: Link Market Services Limited, Level 4, 333 Collins Street, Melbourne, Victoria, 3000 Australia

5. **Stock Exchange Listing**

Quotation has been granted for all the ordinary shares of the company on all Member Exchanges of the Australian Securities Exchange Limited.

Corporate Directory

SDI Limited
ABN 27 008 075 581

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

Bankers
HSBC Bank Australia Limited
Level 10, 333 Collins Street, Melbourne
Victoria, 3000, 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
J.N. Isaac, (Chairman) LL.B., F.A.I.C.D. F.A.I.M
J.J. Cheetham (Managing Director) O.A.M.
I.F. Scholes, B.Com, C.A.
J.R. Paterson, B.Eco, M.B.A.
S.J. Cheetham, B.Bus. (Banking and Finance), M.B.A.
S.J. Molver, B.Soc.Sc., B.Com. (Hon)
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
5-7 Brunsdon Street Bayswater
Victoria 3153 Australia

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email: info@sdi.com.au
www.sdi.com.au

Your Smile. Our Vision.

www.sdi.com.au
www.polawhite.com.au

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