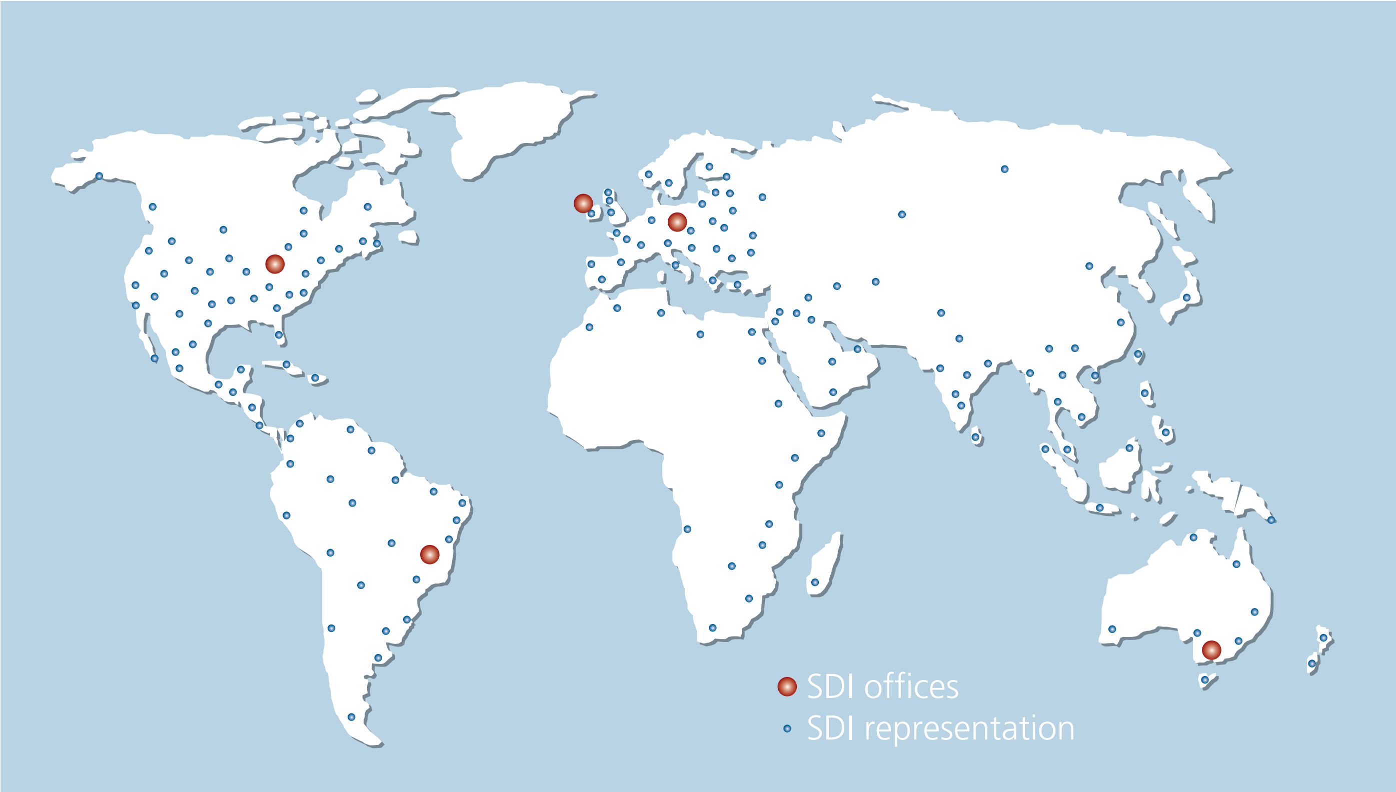
ANNUAL REPORT

2013

Your Smile. Our Vision.


SDI offices
SDI representation

SDI LIMITED
AND CONTROLLED ENTITIES

ABN 27008075581

Financial Report
for the year ended 30 June 2013

Chairman's and Managing Director's Report

The 2013 financial year has shown a substantial improvement on the previous year largely influenced by strict cost control, improved result from the Brazilian subsidiary, and relatively stable exchange rates and silver prices.

Net profit after tax increased by 138% to $4.7m for the twelve months ending 30 June 2013. Earnings before interest and tax (EBIT) increased by $3.5m to $6.5m, compared to $3.0m for the corresponding period last year.

Sales in Australian Dollars were flat, however when adjusted for the unfavourable currency movement, sales increased by 1.3%. SDI exports over 90% of its products, and in local currencies, North American sales increased by 3.3%, Brazilian sales decreased by 4.3%, and European sales increased by 7.0% compared to the previous year. Australian sales, which includes Australian direct export sales, decreased by 2.7%.

Australian direct exports markets are generally very price sensitive and if the recent favourable exchange rate and silver price movement continues, the Company expects that it will become more aggressive in these markets with stronger marketing campaigns.

In the last quarter of the financial year, the Company changed its sales management in both its Brazilian and European subsidiaries in order to boost the level of expertise to re-focus their sales teams in these markets. It is expected that these changes will start to show positive results in the 2014 financial year.

Operating expenses in Australian Dollars decreased by 1.0% compared to the previous year. However, as approximately 57% of SDI's total operating expenses relate to its offshore subsidiaries and are subject to currency movements when reporting in Australian Dollars, on a constant currency basis, operating expenses remained unchanged from last year.

SDI's Brazilian subsidiary has shown a $1.5m improvement on the previous year's result on a consolidated basis. However, the historically high Australian Dollar against the Brazilian currency and high cost of silver is continuing to adversely impact SDI's Brazilian subsidiary. Despite this, the introduction of lower cost product into the Brazilian market from SDI's offshore packing facility is now starting to show positive results. The Brazilian position will be further strengthened when the recent silver price reduction starts to flow through its cost of inventory and new products are released into the market now that SDI has recently received its GMP approval from the Brazilian regulatory authorities.

Total cash holdings increased by $1.0m and debt decreased by $0.6m after expenditure on plant & equipment of $2.1m and intangibles of $1.8m which includes expenditure on R&D, patents and trademarks. The Company continues to invest in new manufacturing equipment to automate its production lines bringing further increased manufacturing efficiencies.

The Company continues to invest in R & D activities as this should ensure SDI's future sales. R & D spend will be maintained at the current levels and directed towards developing new and improved Aesthetics products to increase the Company's offering of these products. SDI is committed to the maintenance of its new product pipeline and expects that new Aesthetic products will be released before December 2013. It is not anticipated that these products will have a significant impact on sales in the near future.

This year's result shows that with a stable currency and silver environment, strict cost control, continued R & D expenditure, and a strong committed management that the Company's fundamentals are sound and likely to further enhance its global presence into the future.

Chairman's and Managing Director's Report (cont'd)

The Board of Directors has declared a final fully franked dividend of 0.5 cents per share which will be paid on 24th October 2013. The Directors have decided that the Company's Dividend Reinvestment Plan (DRP) will not be offered to Shareholders for this dividend payment.

John Norman Isaac
Chairman

Jeffery James Cheetham
Managing Director

General purpose financial statements for the year ended 30 June 2013

Contents	Page

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 ("recommendations") released by the Australian Securities Exchange (ASX). A description of SDI's main corporate governance practices are set out below. 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 not independent Directors as defined by the Corporate Governance Principles and Recommendations as the Company is small and Directors are chosen on their experience and expertise to enhance the Company's future strategic direction. The Board of Directors comprises of four Non-Executive Directors and two Executive Directors. The following are considered when appointing a Non-Executive Director:

- The Director is not an officer of the Company;
- the Director is not a principal of a material professional adviser or a material consultant to the Company or another group member ;
- 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; 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 defines material as not having invoiced the Company for fees in excess of $40,000 per annum.

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;

Corporate Governance Statement (cont'd)

Board Responsibilities (cont'd)

- 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:

- 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

The Company has a remuneration committee and consists of all Non-Executive Directors and the Managing Director.

The Committee 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 Committee reviews and makes recommendations on remuneration strategy, policies and practices applicable to the Key Management Personnel (KMP) 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.

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.

In performing its duties, the committee maintains effective working relationships with the Board of Directors, management and the 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.

Audit Committee (cont'd)

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 its 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 4D 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

Corporate Governance Statement (cont'd)

Risk assessment and management (cont'd)

- 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. Details of the Company's remuneration policy are included in the Directors' report.

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.

Code of Conduct

SDI has developed a code of conduct, which is communicated to all employees via the Company's employee 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 Managing Director and the Company Secretary are 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.

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 environment by taking action against inappropriate behaviour which includes discrimination harassment, bullying, victimisation and vilification.
- Facilitating equal employment opportunities by considering a broad and diverse talent 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 recruitment 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, advertisements, 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 environment 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 2013, women represented 54% of the Group's total workforce and 31% of senior management, and there is one woman on the Board as an Executive Director.

Directors' Report

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 2013.

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

SDI Limited manufactures dental restorative products, small dental equipment and tooth whitening systems. The Company's research and development, and manufacturing functions are based in Australia with a packing operation off shore. Approximately 90% of its products are exported to over 80 countries via its own subsidiaries and external distributors. Approximately 45% of its sales are Amalgam products, 21% Whitening, 25% Aesthetics, and 9% small dental equipment.

The Company's R & D spend in the current and future years will be maintained at the current levels and directed towards developing new and improved Aesthetic products to increase the Company's overall sales mix of these products as Amalgam products have a substantial silver raw material cost. SDI is committed to the maintenance of its new product pipeline and expects that new Aesthetic products will be released before December 2013, however once released it is expected that these products will take some years to have a significant impact on sales.

Net profit after tax increased by 138% to $4.7m for the twelve months ending 30 June 2013. This result was largely influenced by strict cost control and a more favourable environment for Australian exporters and manufacturers due to relatively stable exchange rates and silver prices.

SDI's Brazilian subsidiary has shown on a consolidated basis a $1.5m improvement on the previous year's result; however the historically high Australian Dollar against the Brazilian currency and high cost of silver is continuing to adversely impact SDI's Brazilian subsidiary. The introduction of cheaper product into the Brazilian market from SDI's offshore packing facility is now starting to show positive results. This will be further strengthened when new products are released into the market now that SDI has received its GMP approval by the Brazilian regulatory authorities, and the recent silver price reduction starts to flow through its cost of inventory.

Sales in Australian Dollars were $56.6m, compared to the prior year's sales of $56.4m. When adjusted for the unfavourable currency movement, sales increased by 1.3%. in local currencies, North American sales increased by 3.3%, Brazilian sales decreased by 4.3%, and European sales increased by 7.0% compared to the previous year. Australian sales which include Australian direct export sales, decreased by 2.7%. Total sales were relatively flat due to the restriction of new products into the Brazilian market and the loss of market share in some price sensitive Australian Direct Export markets as a result of uncompetitive pricing due to historically high Australian dollar.

Australian direct export markets are generally very price sensitive and if the recent favourable exchange rate and silver price movement continues, the Company expects to become more aggressive in these markets with stronger marketing campaigns.

Operating expenses in Australian Dollars decreased by 1.0% compared to the previous year, however as approximately 57% of SDI's total operating expenses relate to its offshore subsidiaries and are subject to currency movements when reporting in Australian Dollars, on a constant currency basis, operating expenses showed no movement from last year.

Directors' Report (cont'd)

The Group's net assets increased by 11.7% over the previous financial year and were funded internally from the current year's after tax profit.

Inventories increased by $1.6m due to the additional stocking levels required for the Group's off shore packing. Receivables increased by $2.2m predominately due to the large sales in the last month of the financial year.

Total cash holdings increased by $1.0m and debt decreased by $0.6m after expenditure on plant & equipment of $2.2m and intangibles of $1.8m which includes expenditure on capitalised development costs, patents and trademarks. The Company continues to invest in new manufacturing equipment to automate its production lines enabling further increased manufacturing efficiencies.

Between the end of the financial year and the date of this report there has not been any item, transaction or event of a material and unusual nature that, in the opinion of the directors of the Company, is likely to significantly affect the operations, the results of those operations, or state of affairs of the consolidated entity, in future financial years which has not been previously disclosed.

There are a number of risk factors that could have a materially adverse impact on the future operating and financial performance of the Company. These risks are both specific to the Company and also relate to the general business. The Company has processes in place which are focussed on the identification and management of risk through regular Board Reporting and exception reporting between meetings. Note 28 of the attached financial statements provides further detail on some of the financial risks faced by the Company. Material business risks of the Company include:

Foreign exchange risk – The Company exports approximately 90% of its products to over 80 countries. These sales are invoiced to the customer in various currencies. Where appropriate the Company hedges against currency movements to protect its margins.

Silver price risk – Silver is used in the Company's Amalgam products which represent approximately 45% of its sales. The Company has three months rolling hedges in place to protect its margins.

Further information to those matters already disclosed on likely developments in the operations of the consolidated entity and the expected results of those operations in future financial years has not been included in this report where disclosure of the information would be likely to result in unreasonable prejudice to the consolidated entity.

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 25 October 2012 as recommend in last year's report	$356,597
• Final ordinary dividend of $0.5 cents per share recommended by the Directors to be paid on 24 October 2013 out of retained profits at 30 June 2013	$594,328

Directors' Report (cont'd)

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.

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 2013.

Information on Directors

John Norman Isaac	**Chairman Non-executive**
Age	69 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	70 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	44 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

Directors' Report (cont'd)

Information on Directors (cont'd)

Steven James Molver	**Non-executive Director**
Age	52 years
Qualifications	B.Soc.Sc, B.Com (Hon).
Experience	Over 20 years' experience as an 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 is the chairman of the Audit Committee
Pamela Joy Cheetham	**Alternate director for Jeffery James Cheetham**
Age	67 years
Experience	Co-founder of SDI Limited
Interest in Shares and Options	Co-holder of shares shown for J.J. Cheetham
Nicholas A. Cheetham (Retired 28/06/2013)	**Alternate director for Samantha Jane Cheetham**
Age	40 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 (Retired 30/07/2013)	**Non-executive Director**
Age	65 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	200,000 Ordinary shares beneficially owned by Paisley Craft Pty Ltd
Special Responsibilities	Mr Paterson was a member of the Audit Committee
Ian Frank Scholes (Retired 02/08/2013)	**Non-executive Director**
Age	58 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.

Directors' Report (cont'd)

Information on Directors (cont'd)

Interest in Shares and Options	49,896 Ordinary shares beneficially owned by Scholes Superannuation Fund.
Special Responsibilities	Mr Scholes was a member of the Audit Committee
Dr Geoffrey Macdonald Knight (Appointed 02/08/2013)	**Non-executive Director**
Age	67 years
Qualifications	Bachelor of Dental Science, M.B.A, Master of Science (London University), PhD Adelaide University.
Experience	Dr Knight is an experienced and world recognised Dental scientist as well as a practicing dentist. He has published numerous technical Dentistry papers both locally and internationally and has held senior positions with the Australian Dental Association (Victorian Branch), Australian Society of Periodontology (Victorian Branch), Australian Society of Dental Aesthetics, the Society of Occlusal Studies, and other professional groups.
Interest in Shares and Options	165,516 Ordinary shares in SDI Limited as well as 613,790 Ordinary shares beneficially owned by Geoff Knight Superannuation Fund
Special Responsibilities	Dr Knight was appointed as a member of the Audit Committee on the 26/08/13
Gerald Allan Bullon (Appointed 02/08/2013)	**Non-executive Director**
Age	66 years
Qualifications	Fellow of the Australian Institute of Company Directors
Experience	Mr Bullon has managed his own Investor Relations consultancy firm, Insor Pty Ltd, since 1996. He has facilitated several IPO listings on ASX including Australian Hospital Care, Sigma Pharmaceuticals and Nick Scali Limited. He has also held senior executive roles in a number of Public companies.
Interest in Shares and Options	120,716 Ordinary shares beneficially owned by Insor Superannuation Fund
Special Responsibilities	Mr Bullon was appointed as a member of the Audit Committee on the 26/08/13

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.

Directors' Report (cont'd)

Meetings of Directors

During the financial year, 13 meetings of directors (including committees of directors) were held.

Attendances by each director during the year were as follows:

	Directors' Meetings		Audit		Remuneration Committee	
	Number eligible to attend	**Number attended**	**Number eligible to attend**	**Number attended**	**Number eligible to attend**	**Number attended**
John Norman Isaac	9	8	2	2	2	2
Jeffery James Cheetham	9	9	-	-	2	2
Samantha Jane Cheetham	9	9	-	-	-	-
Steven James Molver	9	9	2	2	2	2
Ian Frank Scholes	9	8	2	2	2	2
Jeffrey Robert Paterson	9	9	2	2	2	2
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.

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.

Directors' Report (cont'd)

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 2013:

Taxation services	$46,371

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2013 has been received and can be found on page 22 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.

Directors' Report (cont'd)

Remuneration Report

Remuneration policy

Details of SDI Limited's remuneration policies and practices, together with details of the remuneration of directors and key management personnel (KMP), are set out below. For the purposes of this report, KMP are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company, directly or indirectly and include the 3 executives receiving the highest remuneration.

The Board recognises that the quality and performance of directors, executives and staff are essential to achieving a competitive advantage and creating a sustainable future.

The Board's policy for determining the nature and amount of remuneration for KMP 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.
- The Managing Director having regard to performance and relevant comparative information reviews senior executives' remuneration and other terms of employment annually and any recommendations are presented to the Remuneration Committee for approval by the Board.
- 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.

Context of recent changes

The Board and Executive have sought ways to reward senior management in a way that reflects best practice, is seen to be fair, is reflective of the market and helps focus efforts on areas that are considered fundamental if the Company is to meet its performance targets and achieve its long term business objectives. In 2012 the Company received a 'strike' against the Remuneration Report and, as a result, the Company increased its efforts and sought independent advice from remuneration experts.

Several principles emerged from the consultation and they include;

- Pay competitive rewards to attract and retain high quality executives, having regard for the following:
    - Capabilities and experience
    - Competitive by market standards
    - Reward executives for achieving Company and business targets
    - Align the interests of the executive with those of shareholders
- Remuneration paid to the executive group should reflect industry and market conditions
- Remuneration paid to the executive group needs to include some 'at-risk' component to align with market best practice

Directors' Report (cont'd)

Remuneration Report (cont'd)

- Exceptional performance-based remuneration will be available and paid by exception and at the discretion of the Board
- Performance measures associated with incentives should be challenging and achievable, with KPIs that are linked to factors over which the executive has control, but which are not easily manipulated
- It is prudent to create a Remuneration Committee to oversee the review and approve remuneration policies, quantum and structure

The Board and Executive has listened to these views and made a range of changes to the Company's remuneration structure and policies.

Improvements to Executive Remuneration – Policy, Quantum and Structure

Flowing from discussion between the Board and Executive and guidance from independent remuneration consultants, the Board has made the following changes to the remuneration policy.

Actions taken

- A thorough, independent comparative analysis and review of comparable remuneration practices across the general market and specific industry has been conducted
- A high level, independent comparative analysis and review of market performance across a sample of specific industry companies has been conducted and found that SDI Limited performed at the 80th percentile of the salary benchmarks identified
- Based upon this data, the Board has determined that it is both fair and sufficient to attract and retain high calibre executives and provide a market based equitable remuneration policy whereby:
  - There is a fixed element to remuneration, a short term incentive (STI) and a long term incentive (LTI) dependent upon performance for executives roles, as appears common practice across the market
  - Total Remuneration Packages (Base salary plus STI & LTI) would be targeted at the 80th percentile of the salary benchmarks which corresponds to SDI's comparative performance. This sits just above midway between the middle and top of the market
  - An STI was introduced as part of the remuneration packages of the Executive group in the 2013 financial year. It is intended that LTIs be introduced after further discussion and analysis of what is most appropriate given the principles mentioned above.

The Board and Executive feel that this approach is appropriate in addressing the challenges expected in the foreseeable future and that by providing performance-related incentives this creates a strong platform to attract, retain and motivate executives across the group.

Directors' Report (cont'd)

Remuneration Report (cont'd)

Base pay and Benefits (Fixed)

Objective

The level of fixed remuneration is set so as to provide a base level of remuneration which is appropriate to the position, role and experience and is competitive in the market.
Fixed remuneration is reviewed annually by the Remuneration Committee; the process consists of a review of company-wide performance and individual performance and relevant comparative remuneration from external sources including relevant industry remuneration data.

Structure

Executives receive their fixed remuneration as a salary payment.

Short Term Incentives (STI)

Objective
The objective of the STI is to link the achievement of the company's operational targets with the remuneration received by the executives responsible with meeting those targets.

Structure

A maximum STI value of 20% of each executive's fixed remuneration will be granted depending on the extent to which specific targets set at the beginning of the financial year are met. STI payments are based on the executive team achieving budgeted Net Profit after tax (NPAT), as follows:

- 50% of the STI will be paid if the executive team achieves 95% of budgeted NPAT
- 100% of the STI will be paid if the executive team achieves 100% of budgeted NPAT
- If the executive team exceeds 100% of budgeted NPAT they may receive an extra-ordinary payment at the discretion of the Board.
- Payments will be made in the form of cash.

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

Long Term Incentives (LTI)

LTIs are yet to be formally embedded into the executive remuneration structure. It is the intention of the Board and Executive to do this but require more time to thoroughly investigate the most appropriate structure for LTIs. Suffice to say the intention of LTIs is to:

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

Performance-based Remuneration for all employees

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

Directors' Report (cont'd)

Performance-based Remuneration for all employees (cont'd)

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 ended 30 June 2013.

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 are restricted for a period being the shorter of three years from date of issue, or the time when the participant ceases to be an employee of the Company, after which the shares become unrestricted ordinary shares of the Company quoted on the ASX.

Conclusion

Over recent years, the Company has produced positive outcomes for shareholders in the midst of a high Australian dollar and a tough competitive market. In order to build upon this and continue to drive more positive outcomes for shareholders, the Remuneration Committee views it as appropriate to continue to develop a culture of high performance expectations and competitive and fair rewards.

The Board of SDI Limited remains committed to engaging with shareholders and stakeholders on remuneration issues. The Remuneration Committee is continuously seeking and welcomes input from various sources including shareholders, advisors, remuneration consultants and the executive of SDI, with the aim of improving remuneration issues where possible. It is the Board's aim to maintain appropriate practices for the KMP of the Company as SDI moves forward.

Relationship between Remuneration Policy and Company Performances

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 table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to June 2013. 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.

	2009	**2010**	**2011**	**2012**	**2013**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Revenue	59,516	54,043	54,981	56,681	57,360
Net Profit before tax	4,590	4,415	1,362	2,201	5,840
Net Profit after tax	3,120	3,473	1,206	1,967	4,690

	2009	**2010**	**2011**	**2012**	**2013**
Share Price at start of year	$0.17	$0.23	$0.18	$0.17	$0.11
Share Price at end of year	$0.23	$0.18	$0.17	$0.11	$0.51
Interim Dividend (1)	Nil	Nil	Nil	Nil	Nil
Final Dividend (1) & (2)	0.3 cps	0.4 cps	0.2 cps	0.3 cps	0.5 cps
Basic earnings per share	2.6 cps	2.9 cps	1.0 cps	1.7 cps	3.9 cps
Diluted earnings per share	2.6 cps	2.9 cps	1.0 cps	1.7 cps	3.9 cps

(1) Franked to 100% at 30%

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

Directors' Report (cont'd)

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 remuneration 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 months' notice by the employee and 12 months' 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 the 30/07/2013, Jeffrey Robert Paterson resigned as a non-executive director.
On the 02/08/2013, Ian Frank Scholes resigned as a non-executive director.
On the 02/08/2013, Dr Geoffrey Macdonald Knight and Gerald Alan Bullon were appointed as non-executive directors.

List of Directors

The following persons were directors of SDI Limited during the whole of the financial year and up to the date of this report (unless other otherswise stated):

John Norman Isaac (Chairman)	Ian Frank Scholes (appointed 06/07/2012 and resigned 02/08/2013)
Jeffery James Cheetham	Dr Geoffrey Macdonald Knight (appointed 02/08/2013)
Samantha Jane Cheetham	Gerald Allan Bullon (appointed 02/08/2013)
Steven James Molver	Pamela Joy Cheetham (alternate director for J J Cheetham)
Jeffery Robert Patterson (appointed 06/07/2012 and resigned 30/07/2013)	Nicholas A Cheetham (resigned 28/06/2013) alternate director for S J Cheetham

Directors' Report (cont'd)

Remuneration Details for the Year Ended 30 June 2013

The following table of benefits and payments details, in respect of 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 2013

	Short-term benefits				Post-Employment Benefits	
2013	**Salary, Fees and Leave $**	**Incentive Plans $**	**Non-monetary $**	**Other $**	**Superannuation $**	**Other $**
Group Key Management Personnel						
John Norman Isaac	64,220	-	-	-	5,780	-
Jeffery James Cheetham	416,866	101,170	50,078	-	43,842	-
Samantha Jane Cheetham	349,644	74,909	26,791	-	31,459	-
Steven James Molver	11,697	-	-	-	28,303	-
Jeffrey Robert Paterson (appointed 06/07/2012)	36,697	-	-	-	3,303	-
Ian Frank Scholes (appointed 06/07/2012)	36,697	-	-	-	3,303	-
Pamela Joy Cheetham	-	-	-	-	-	-
Nicholas A. Cheetham	207,413	51,045	40,521	-	21,756	-
Executives						
John J. Slaviero	226,667	51,309	22,537	-	13,639	-
Total Key Management Personnel	1,349,901	278,433	139,927	-	151,385	-

	Long-term benefits		Equity-settled share-based payments				
2013	**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	-	9,615	-	-	-	-	621,571
Samantha Jane Cheetham	-	5,819	-	-	-	-	488,622
Steven James Molver	-	-	-	-	-	-	40,000
Jeffrey Robert Paterson (appointed 06/07/2012)	-	-	-	-	-	-	40,000
Ian Frank Scholes (appointed 06/07/2012)	-	-	-	-	-	-	40,000
Pamela Joy Cheetham	-	-	-	-	-	-	-
Nicholas A. Cheetham	-	3,834	-	-	-	-	324,569
Executives							
John J. Slaviero	-	2,524	-	-	-	-	316,676
Total Key Management Personnel	-	21,792	-	-	-	-	1,941,438

Directors' Report

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

2012	Short-term benefits: Salary, Fees and Leave $	Short-term benefits: Incentive Plans $	Short-term benefits: Non-monetary $	Short-term benefits: Other $	Post-Employment Benefits: Superannuation $	Post-Employment Benefits: 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	-
Total Key Management Personnel	1,235,273	-	207,930	-	195,249	-

2012	Long-term benefits: Incentive Plans $	Long-term benefits: LSL $	Equity-settled share-based payments: Shares/ Units $	Equity-settled share-based payments: 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
Total Key Management Personnel	-	16,803	-	-	-	-	1,655,255

Directors' Report

Share-based Payments

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. There were no options granted during the year.

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: 30 September 2013

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Tel: +61 3 9671 7000
Fax: +61 9671 7001
www.deloitte.com.au

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

30 September 2013

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 2013, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Craig Bryan

Craig Bryan
Partner
Chartered Accountants

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Tel: +61 3 9671 7000
Fax: +61 9671 7001
www.deloitte.com.au

Independent Auditor's Report to the members of SDI Limited

Report on the Financial Report

We have audited the accompanying financial report of SDI Limited, which comprises the consolidated statement of financial position as at 30 June 2013, the consolidated statement of profit or loss and comprehensive income, the consolidated statement of cash flows and the consolidated statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 25 to 67.

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 2013 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 14 to 21 of the directors' report for the year ended 30 June 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Craig Bryan
Partner
Chartered Accountants
Melbourne, 30 September 2013

Consolidated Statement of Profit or Loss and Comprehensive Income for the year ended 30 June 2013

	Notes	Consolidated Group 2013 $000	2012 $000
Sales revenue	3	56,607	56,402
Cost of Sales		(25,456)	(26,685)
Gross Profit		31,151	29,717
Other income	3	22	176
Selling and administration expenses		(23,447)	(24,079)
Research and development costs		(928)	(551)
Finance costs		(644)	(819)
Net foreign exchange gain/(loss)		695	(1,225)
Other expenses		(1,009)	(1,018)
Profit before income tax	4	5,840	2,201
Income tax expense	5	(1,150)	(234)
Profit from continuing operations		4,690	1,967
Profit for the year		4,690	1,967
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign controlled entities		943	520
(Loss)/Profit on hedging Instruments		(327)	217
Other comprehensive income for the year, net of tax		616	737
Total comprehensive income for the year		5,306	2,704
Earnings per share			
From continuing operations:			
Basic earnings per share (cents)	9	3.9	1.7
Diluted earnings per share (cents)	9	3.9	1.7

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position as at 30 June 2013

	Notes	Consolidated Group 2013 $000	2012 $000
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	10	3,675	2,715
Trade and other receivables	11	10,862	8,636
Inventories	12	15,235	13,633
Current tax asset	19	558	567
Other assets	16	1,309	1,175
TOTAL CURRENT ASSETS		31,639	26,726
NON-CURRENT ASSETS			
Property, plant and equipment	14	16,543	16,197
Deferred tax assets	19	3,197	3,041
Intangible assets	15	19,351	18,550
Other non-current assets	16	96	98
TOTAL NON-CURRENT ASSETS		39,187	37,886
TOTAL ASSETS		70,826	64,612
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	5,409	4,027
Borrowings	18	6,104	5,955
Current tax liabilities	19	984	980
Provisions	20	2,778	2,547
TOTAL CURRENT LIABILITIES		15,275	13,509
NON-CURRENT LIABILITIES			
Borrowings	18	3,959	4,727
Deferred tax liabilities	19	4,091	3,837
Provisions	20	145	132
TOTAL NON-CURRENT LIABILITIES		8,195	8,696
TOTAL LIABILITIES		23,470	22,205
NET ASSETS		47,356	42,407
EQUITY			
Issued capital	21	12,890	12,890
Reserves	29	(174)	(790)
Retained earnings		34,640	30,307
TOTAL EQUITY		47,356	42,407

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity for the year ended 30 June 2013

		Share capital		Reserves				
		Ordinary	Retained Earnings	Capital Profit Reserve	Revaluation Surplus	Foreign Currency Translation Reserve	Hedge Reserve	Total
	Notes	$000	$000	$000	$000	$000	$000	$000
Consolidated Group								
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
Balance at 1 July 2012		12,890	30,307	363	272	(1,291)	(134)	42,407
Comprehensive income								
Profit for the year		-	4,690	-	-	-	-	4,690
Adjustments from translation of foreign controlled entities		-	-	-	-	943	-	943
Loss on hedging instrument		-	-	-	-	-	(327)	(327)
Total comprehensive (loss)/income for the year		-	4,690	-	-	943	(327)	5,306
Transactions with owners, in their capacity as owners, and other transfers								
Dividends recognised for the year	8	-	(357)	-	-	-	-	(357)
Total transactions with owners and other transfers		-	(357)	-	-	-	-	(357)
Balance at 30 June 2013		12,890	34,640	363	272	(348)	(461)	47,356

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows for the year ended 30 June 2013

	Notes	Consolidated Group 2013 $000	2012 $000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		56,115	52,939
Interest received		15	38
Payments to suppliers and employees		(49,359)	(45,842)
Finance costs		(644)	(819)
Income tax paid		(694)	(837)
Income tax refund		174	974
Net cash provided by operating activities	24a	5,607	6,453
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		33	14
Purchase of property, plant and equipment		(2,178)	(753)
Purchase of Intangibles		(1,766)	(2,494)
Net cash used in investing activities		(3,911)	(3,233)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from borrowings		12,891	11,204
Repayment of borrowings		(13,509)	(12,443)
Dividends paid by parent entity		(357)	(238)
Net cash used in financing activities		(975)	(1,477)
Net increase in cash held		721	1,743
Cash and cash equivalents at beginning of financial year	10	2,715	1,033
Effect of exchange rates on cash holdings in foreign currencies		239	(61)
Cash and cash equivalents at end of financial year	10	3,675	2,715

The above cash flow statement should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

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 30 September 2013 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

Income tax expense represents the sum of the tax currently payable and deferred tax.

<u>Current tax</u>
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

<u>Deferred tax</u>
Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Income tax (cont'd)

Deferred tax (cont'd)
Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity, respectively.

(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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Property, Plant and Equipment (cont'd)

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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).

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Financial Instruments (cont'd)

Derivative instruments (cont'd)

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 arm's 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 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 amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Impairment of other tangible and intangible assets (cont'd)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years.

A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(h) Financial instruments issued by the Company

Classification as debt or equity
Debt and equity instruments are classified as either financial 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

The financial statements of the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Group are expressed in Australian dollars ('$'), which is the functional currency of the Group and the presentation currency for the financial statements.

In preparing the financial statements of the company, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks and;
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting the financial statements, the assets and liabilities of the Group's foreign operations are translated into Australian dollars using exchange rates prevailing at the end of the reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Foreign currency (cont'd)

influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

For partial disposals (i.e. reductions in the Group's ownership interests in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments on identifiable assets and liabilities acquired arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in equity.

(l) Employee Benefits

A liability is recognised for benefits accruing to employees in respect of wages and salaries, annual leave, and long service leave when it is probable that settlement will be required and they are capable of being measured reliably.

Liabilities recognised in respect of employee benefits expected to be settled within 12 months, are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

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

(m) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

<u>Warranties</u>

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

(n) Share-based payments

Share-based payments made to employees and others, that grant rights over the shares of the parent entity, SDI Limited, are accounted for as equity-settled share-based payment transactions when the rights over the shares are granted by SDI Limited. As SDI Limited does not require reimbursement for the cost of the grant, amounts relating to the grant are deemed a contribution by SDI Limited in its capacity as owner.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Share-based payments (cont'd)

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Fair value is measured by use of a binomial model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability

(o) 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).

(p) 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.

(q) 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.

(r) Borrowing costs

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(r) Borrowing costs (cont'd)

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

i. where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or

ii. for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the statement of cash flows on a net basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(t) 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.

(u) 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.

Critical accounting estimates and judgments

In the application of the company's accounting policies, which are described below, the directors are required to make judgments, estimates and assumptions about carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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 2013.

Research and Development Expenditure

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Standards and Interpretations affecting amounts reported in the current year (and/or prior years)

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.

Standards affecting presentation and disclosure

Amendments to AASB 101 'Presentation of Financial Statements'	The amendment (part of AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income' introduce new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Standards and Interpretations issued not yet effective

At the date of authorisation of the financial report, a number of Standards and Interpretations were in issue but not yet effective. The Group has not yet made an assessment 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', and the relevant amending standards[1]	1 January 2015	30 June 2016
AASB 10 'Consolidated Financial Statements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities' and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011) and AASB 2011-7 'Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards'	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'	1 January 2014	30 June 2015
AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'	1 January 2014	30 June 2015
AASB 2013-4 'Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting'	1 January 2014	30 June 2015

[1] The AASB has issued the following versions of AASB 9 and the relevant amending standards;

- AASB 9 'Financial Instruments' (December 2009), AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures'
- AASB 9 'Financial Instruments' (December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosure'.

For annual reporting periods beginning before 1 January 2015, an entity may early adopt either AASB 9 (December 2009) or AASB 9 (December 2010) and the relevant amending standards.

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.

STATEMENT OF FINANCIAL POSITION

	2013 $000	2012 $000
PARENT INFORMATION		
Operating Activities		
ASSETS		
Current Assets	21,802	19,323
Non-current Assets	41,558	40,245
TOTAL ASSETS	63,360	59,568
LIABILITIES		
Current Liabilities	12,828	11,392
Non-current Liabilities	8,170	8,682
TOTAL LIABILITIES	20,998	20,074
EQUITY		
Issued Capital	12,890	12,890
Retained earnings	29,298	26,103
Capital profits reserve	363	363
Asset realisation reserve	272	272
Hedge reserve	(461)	(134)
TOTAL EQUITY	42,362	39,494
STATEMENT OF COMPREHENSIVE INCOME		
Profit for the year	3,552	1,007
Other comprehensive (loss)/income	(327)	217
Total comprehensive income	3,225	1,224

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.

	2013 $000	2012 $000

3. REVENUES AND EXPENSES

	2013 $000	2012 $000
(a) Revenue from continuing operations		
Sales revenue		
- Sale of goods	56,607	56,402
	56,607	56,402
Other income		
- Interest received	15	38
- Other revenue	7	138
Total other income	22	176

4. PROFIT FOR THE YEAR

Profit before income tax from continuing operations includes the following specific expenses:

(a) Expenses

	2013 $000	2012 $000
Cost of sales	25,456	26,685
Interest expense on financial liabilities not at fair value through profit or loss:		
- Other persons	644	819
Total finance cost	644	819
Bad and doubtful debts:		
- Trade receivables	54	45
Total bad and doubtful debts	54	45
Rental expense on operating leases		
- minimum lease payments	235	212
Research and development costs	526	153
Depreciation of property, plant and equipment	1,793	1,607
Amortisation of intangibles	965	985
Employee benefits expenses	18,532	18,447
Superannuation expenses	1,075	1,153

(b) Significant Revenue and Expenses

The following significant revenue and expense items are relevant in explaining the financial performance:

	2013 $000	2012 $000
Foreign exchange gain/(loss)	695	(1,225)

	2013 $000	2012 $000

5. INCOME TAX EXPENSE

	2013 $000	2012 $000
(a) The components of tax expense comprise:		
Current tax	1,493	946
Deferred tax	(98)	(592)
Under provision in respect of prior years	(245)	(120)
	1,150	234

The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:

	2013 $000	2012 $000
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2012: 30%)		
- Consolidated group	1,752	660
Add:		
Tax effect of:		
- Other non-allowable items	40	54
	1,792	714
Less:		
- Tax rate differences in overseas entities	183	235
- Research and development concession	168	81
- Other deductible items	46	45
- Over provision of income tax in prior year	245	120
Income tax attributable to entity	1,150	234
The applicable weighted average effective tax rates are as follows:	19.7%	10.6%

The increase in the weighted average effective consolidated tax rate for 2013 is as result of the increase in in the over provision of income tax brought to account in respect of the prior year and the decrease in tax rate differences in the overseas entities.

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 2013.

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

	$	$
Short-term employee benefits	1,768,261	1,443,203
Post-employment benefits	151,385	195,249
Other long term benefits	21,792	16,803
Termination benefits	-	-
Share-based payments	-	-
Total KMP compensation	1,941,438	1,655,255

6. KEY MANAGEMENT PERSONNEL COMPENSATION

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 2013	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
Ian Frank Scholes (appointed 6/7/12)	-	-	-	49,896	49,896
Jeffrey Robert Paterson (appointed 6/7/12)	-	-	-	200,000	200,000
Pamela Joy Cheetham	-	-	-	-	-
Nicholas A. Cheetham (retired 28/6/13)	10,000	-	-	(10,000)	-
Executives					
John J. Slaviero	2,689	-	-	-	2,689
	62,849,209	-	-	239,896	63,089,105

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
	63,471,225	-	-	(622,016)	62,849,209

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.

	2013	2012

7. AUDITORS' RENUMERATION

	$	$
Remuneration of the auditor for:		
- auditing or reviewing the financial report	179,000	172,000
- taxation services	46,371	72,240
	225,371	244,240
Remuneration of other auditors of subsidiaries for:		
- auditing or reviewing the financial statements of subsidiaries	76,154	46,648

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

Other auditors of the subsidiaries are:		
- Tollefson & Clancy - USA	8,608	10,352
- Fickus & Fickus - Germany	27,507	6,074
- Stephens Cooke and Associates - Ireland	23,559	8,648
- Deloitte Touche Tohmatsu - Brazil	16,480	21,574

8. DIVIDEND

	$000	$000
Distributions paid:	357	238
2012 final dividend (fully franked) of 0.3 cents per share paid in 2013	357	-
2011 final dividend (fully franked) of 0.2 cents per share paid in 2012	-	238
	357	238

Total dividends per share:

(a) Proposed final 2013 fully franked ordinary dividend of 0.5 cents (2012: 0.3 cents) per share franked at the tax rate of 30% (2012: 30%)	595	357
(b) Balance of franking account at year end	3,780	3,935

9. EARNINGS PER SHARE

(a) Reconciliation of earnings to profit

Profit	4,690	1,967
Earnings used to calculate basic EPS	4,690	1,967
Earnings used in the calculation of dilutive EPS	4,690	1,967

	Notes	2013	2012

9. EARNINGS PER SHARE (cont'd)

(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic/dilutive EPS

Weighted average number of ordinary shares outstanding during the year used in calculating basic/dilutive EPS		118,865,530	118,865,530

10. CASH AND CASH EQUIVALENTS

	Notes	2013 $000	2012 $000
Cash at bank and on hand	28	3,675	2,715

11. TRADE AND OTHER RECEIVABLES

	Notes	2013	2012
CURRENT			
Trade receivables		9,974	8,308
Provision for doubtful debts	11(i)	(103)	(44)
		9,871	8,264
Other receivables		991	372
Total current trade and other receivables		10,862	8,636

(i) Provision For Doubtful Debts

Movement in the provision for doubtful debts is as follows:

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

	Opening Balance 01.07.12 $000	Charge for the Year $000	Amounts Written Off $000	Closing Balance 30.06.13 $000
Consolidated Group				
Current trade receivables	(44)	(59)	-	(103)
	(44)	(59)	-	(103)

Credit risk

Credit terms with domestic customers are 30 days from invoice date. Credit terms for export customers vary depending on a number of factors. The average credit terms for export customers are 90 days from invoice date.

11. TRADE AND OTHER RECEIVABLES

Credit risk (cont'd)

Amounts owed by wholly-owned subsidiaries are trade in nature and are settled on credit terms ranging from 30 days to 180 days from date of invoice.

As at 30 June 2013 there were no material balances in existence that are considered to be past due that have not already been provided for. The Group has a provision for doubtful debts of $103,000 to cover overdue payments ranging from 61 days to 2 years.

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.

12. INVENTORIES

	2013 $000	2012 $000
CURRENT		
At cost:		
Raw materials and stores	6,831	6,397
Finished goods	8,773	7,827
Provision for inventory obsolescence	(369)	(591)
	15,235	13,633

13. CONTROLLED ENTITIES

Controlled Entities Consolidated

Subsidiaries of SDI Limited	Country of Incorporation	Percentage Owned (%)* 2013	2012
SDI (North America), Inc.	United States of America	100.00	100.00
SDI Holdings Pty Ltd	Australia	100.00	100.00
SDI Germany GmbH	Germany	100.00	100.00
SDI Brasil Industria e Comercio Ltda	Brazil	100.00	100.00
SDI Dental Limited	Ireland	100.00	100.00
SDI New Zealand Limited	New Zealand	100.00	100.00
SDI Italy S.r.l	Italy	100.00	100.00

* Percentage of voting power is in proportion to ownership

14. PROPERTY, PLANT AND EQUIPMENT

Land and buildings	2013 $000	2012 $000
Land and Buildings at:		
- at cost	9,112	8,914
Less: accumulated depreciation	(984)	(877)
Total land and buildings	8,128	8,037

14. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Plant and Equipment	**2013 $000**	**2012 $000**
Plant and equipment:		
- at cost	24,058	22,280
Less: accumulated depreciation	(15,643)	(14,120)
Total land and buildings	8,415	8,160
Total property, plant and equipment	16,543	16,197

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 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
Additions	197	1,981	2,178
Disposals	-	(39)	(39)
Depreciation expense	(106)	(1,687)	(1,793)
Balance at 30 June 2013	8,128	8,415	16,543

15. INTANGIBLE ASSETS

	2013	**2012**
Trademarks and licences	**$000**	**$000**
Cost	6,062	5,704
Accumulated amortisation and impairment losses	(1,984)	(1,714)
Net carrying amount	4,078	3,990
Development costs		
Cost	20,193	18,734
Accumulated amortisation and impairment losses	(4,920)	(4,174)
Net carrying amount	15,273	14,560
Total intangible assets	19,351	18,550

15. INTANGIBLE ASSETS (cont'd)

Consolidated Group:	Trademarks & Licences $000	Develop -ment Costs $000	Total $000
Year ended 30 June 2012			
Balance at the beginning of year	4,063	12,978	17,041
Additions	146	2,348	2,494
Amortisation charge	(219)	(766)	(985)
Closing value at 30 June 2012	3,990	14,560	18,560
Year ended 30 June 2013			
Balance at the beginning of year	3,990	14,560	18,550
Additions	306	1,460	1,766
Amortisation charge	(218)	(747)	(965)
Closing value at 30 June 2013	4,078	15,273	19,351

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 amortization:

- 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 10.87 % at the beginning of the budget period.

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

16. OTHER ASSETS

CURRENT		
Prepayments	1,309	1,175
	1,309	1,175
NON-CURRENT		
Prepayments	96	98
	96	98

	Notes	2013 $000	2012 $000

17. TRADE AND OTHER PAYABLES

	Notes	2013 $000	2012 $000
CURRENT			
Unsecured liabilities			
Trade payables		2,603	2,367
Derivative financial instruments - at fair value		659	191
Sundry payables and accrued expenses		2,147	1,469
		5,409	4,027

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.

18. BORROWINGS

	Notes	2013 $000	2012 $000
CURRENT			
Secured liabilities			
Bank loans	18a, c	5,596	5,567
Hire Purchase		508	388
Total current borrowings		6,104	5,955
NON-CURRENT			
Secured liabilities			
Bank loans	18a, c	2,750	3,750
Hire Purchase		1,209	977
Total non-current borrowings		3,959	4,727
Total borrowings		10,063	10,682

		2013 $000	2012 $000
(a)	Total current and non-current secured liabilities:		
	Bank loan	8,346	9,317
	Hire Purchase	1,717	1,365
		10,063	10,682
(b)	The carrying amounts of non-current assets pledged as security for the bank loan facilities are:		
	Freehold land and buildings	8,128	8,037
	Floating charge over assets at market value	33,289	29,674
		41,417	37,711

	2013 $000	2012 $000

18. BORROWINGS (cont'd)

(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 6,750,000, 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, which are reviewed annually, provided the Company and the Group are within the terms and conditions of the Agreement.

19. INCOME TAX

	2013 $000	2012 $000
CURRENT		
Tax assets/(liabilities)		
Current tax liability	(984)	(980)
Current tax asset	558	567
Net Balance as at 30 June	(426)	(413)

NON-CURRENT	**Opening Balance $000**	**Charged to Income $000**	**Closing Balance $000**
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 receivables	159	959	1,118
Other	1,117	(103)	1,014
Balance at 30 June 2012	(1,388)	592	(796)
Deferred tax assets/(liabilities)			
Property, plant and equipment	442	584	1,026
Intangible assets	(4,564)	(936)	(5,500)
Inventories	177	(66)	111
Provisions	1,017	(6)	1,011
Trade & other receivables	1,118	(699)	419
Other	1,014	1,025	2,039
Balance at 30 June 2013	(796)	(98)	(894)
Deferred Tax (Liabilities)	(3,837)	(254)	(4,091)
Deferred Tax Assets	3,041	156	3,197
Net Balance as at 30 June 2013	(796)	(98)	(894)

20. PROVISIONS

	2013 $000	2012 $000
CURRENT		
Warranties		
Opening balance at 1 July	50	50
Additional provisions	-	-
Amounts used	-	-
Balance at 30 June	50	50
Short-term Employee Benefits		
Opening balance at 1 July	2,497	2,329
Additional provisions	1,218	1,205
Amounts used	(987)	(1,037)
Balance at 30 June	2,728	2,497
Total	2,778	2,547
NON CURRENT		
Long-term Employee Benefits		
Opening balance at 1 July	132	165
Additional provisions	13	-
Amounts used	-	-
Unused amounts reversed	-	(33)
Balance at 30 June	145	132
Total	145	132
Analysis of Total Provisions		
Current	2,778	2,547
Non-current	145	132
	2,923	2,679

Provision for Warranties
A provision of $50,000 at 30 June 2013 (2012: $50,000) 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.

	2013 $000	2012 $000

21. ISSUED CAPITAL

118,865,530 (2012: 118,865,530) fully paid ordinary shares	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.

	No.	No.
Ordinary Shares		
At the beginning of the reporting year	118,865,530	118,865,530
Shares issued during the year	-	-
At the end of the reporting year	118,865,530	118,865,530

22. CAPITAL AND LEASING COMMITMENTS

Finance Lease Commitments

		Minimum lease payments		Present Value of minimum lease payments	
		30/06/13	30/06/12	30/06/13	30/06/12
		$000	$000	$000	$000
- not later than 12 months		508	388	402	289
- between 12 months and 5 years		1,209	977	1,113	879
- later than 5 years		-	-	-	-
	18	1,717	1,365	1,515	1,168
Less future finance charges		(202)	(197)	-	-
Present value of minimum lease payments		1,515	1,168	1,515	1,168

	2013 $000	2012 $000
Included in the financial statements as (note 29):		
- current borrowings	402	289
- non-current borrowings	1,113	879

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.

CAPITAL AND LEASING COMMITMENTS (cont'd)

(a) Operating Lease Commitments

Non-cancellable operating leases contracted for but not recognised in the financial statements
Payable — minimum lease payments

	2013 $000	2012 $000
- not later than 12 months	291	187
- between 12 months and 5 years	313	143
- later than 5 years	-	-
Total Operating Lease Commitments	604	330

Operating Leases relate to the rental of office and warehouse space.

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.

23. OPERATING SEGMENTS (cont'd)

Basis of accounting for purposes of reporting by operating segments (cont'd)
(c) Segment performance

30 June 2013	**SDI Australia $000**	**SDI Europe $000**	**SDI USA $000**	**SDI Brazil $000**	**SDI New Zealand $000**	**Eliminations $000**	**Total $000**
Revenue							
External sales	18,996	16,590	16,225	4,684	112	-	56,607
Inter-segment sales	21,294	9,118	-	-	-	(30,412)	-
Total segment revenue	40,290	25,708	16,225	4,684	112	(30,412)	56,607
Unallocated Revenue							753
Total group revenue							57,360
Segment net profit before tax	4,582	2,116	1,053	(1,064)	(70)	(134)	6,483
Unallocated corporate expenses							(643)
Profit before income tax							5,840
Income tax expense							(1,150)
Profit after income tax							4,690
Assets							
Segment assets	60,163	7,463	6,355	5,646	42	(12,599)	67,070
Unallocated assets							3,756
Total Assets							70,826
Liabilities							
Segment liabilities	16,936	3,859	723	7,784	158	(10,081)	19,379
Unallocated liabilities							4,091
Total Liabilities							23,470
Other							
Depreciation and amortisation of segment assets	2,629	63	12	53	1	-	2,758
Other non-cash segment expenses	1,460	3	-	-	-	(1,460)	3

30 June 2012							
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							
Depreciation and amortisation of segment assets	2,423	68	13	88	-	-	2,592
Other non-cash segment expenses	2,985	29	-	-	-	(2,969)	45

23. OPERATING SEGMENTS (cont'd)

(c) Segment performance (cont'd)

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 worldwide.

24. CASH FLOW INFORMATION

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

	2013 $000	2012 $000
Profit after income tax	4,690	1,967
Cash flows excluded from profit attributable to operating activities		
Non-cash flows in profit		
Amortisation	965	985
Depreciation	1,793	1,607
Write-off/(reversal) of obsolete stock	(221)	484
Net loss on disposal of property, plant and equipment	6	7
Write-off of bad debts	1	-
Doubtful debts adjustment	(3)	45
Movement in working capital		
(Increase)/decrease in assets:		
Trade and term receivables	(472)	(2,757)
Other debtors and prepayments	(649)	175
Inventories	(648)	(286)
Increase/(decrease) in liabilities:		
Trade payables and accruals	(166)	3,675
Income taxes payable	(28)	401
Deferred taxes payable	251	243
Deferred taxes receivable	(147)	(248)
Provisions	235	155
Cash flow provided by operating activity	5,607	6,453

(b) Loan Facilities

	2013	2012
Loan facilities	10,486	11,517
Amount utilised	(8,353)	(9,366)
	2,133	2,151

24. CASH FLOW INFORMATION (cont'd)

The major facilities are summarised as follows:

The Company operates a loan facility of AUD 6,750,000 (2012: AUD 7,750,000). The facilities allow for both fixed and variable loans. These facilities represent a fully drawn term loan of a AUD 2,750,000 which matures on 31 July 2014 and a loan of AUD 4,000,000 on demand subject to annual review in October of each year.

It also operates a trade finance facility of AUD 3,000,000 (2012: AUD 3,000,000), an export facility of AUD 700,000 (2012: AUD 700,000) and an unsecured insurance premium funding facility of AUD 36,000 (2012: AUD 67,000). These facilities are on demand and subject to annual review in October of each year.

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.

25. SHARE –BASED PAYMENTS

The following share-based payment arrangements existed at 30 June 2013:

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.

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

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

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.

27. RELATED PARTY TRANSACTIONS

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:

Director-related entities:	**2013** **$**	**2012** **$**
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.	86,667	33,000

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. 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.

28. FINANCIAL RISK MANAGEMENT (cont'd)

(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.

Financial liability and financial asset maturity analysis:

2013 Consolidated Group	Weighted Average Effective Interest Rate %	Less than 1 month $000	1 to 3 months $000	3 months to 1 year $000	1 to 5 years $000	5 years + $000	Total $000
Financial Liabilities							
Trade Creditors	-	2,028	545	30	-	-	2,603
Derivative financial instruments	-	283	376	-	-	-	659
Other payables (excluding statutory payables)		1,095	-	-	-	-	1,095
Secured bank loans - variable	6.21	885	1,264	4,678	1,869	-	8,696
Financial lease liabilities	8.97	46	138	508	1,025	-	1,717
Total anticipated outflows		4,337	2,323	5,216	2,894	-	14,770
Financial Assets - cash flows realisable							
Cash and cash equivalents	0.11	3,675	-	-	-	-	3,675
Trade, term and loans receivables	-	8,268	1,090	617	-	-	9,975
Other receivables (excluding statutory receivables)	-	573	-	-	-	-	573
Total anticipated inflows		12,516	1,090	617	-	-	14,223
Net (outflow) / inflow on financial instruments		8,179	(1,233)	(4,599)	(2,894)	-	(547)

28. FINANCIAL RISK MANAGEMENT (cont'd)

Financial liability and financial asset maturity analysis

(b) Liquidity risk (cont'd)

2012 Consolidated Group	Weighted Average Effective Interest Rate %	Less than 1 month $000	1 to 3 months $000	3 months to 1 year $000	1 to 5 years $000	5 years + $000	Total $000
Financial Liabilities							
Trade Creditors	-	2,113	79	176	-	-	2,368
Derivative financial instruments	-	69	122	-	-	-	191
Other payables (excluding statutory payables)		1,275	-	-	-	-	1,275
Secured bank loans - variable	6.31	2,513	254	3,997	3,111	-	9,875
Financial lease liabilities	9.50	32	65	291	977	-	1,365
Total anticipated outflows		6,002	520	4,464	4,088	-	15,074
Financial Assets - cash flows realisable							
Cash and cash equivalents	0.49	2,715	-	-	-	-	2,715
Trade, term and loans receivables	-	6,124	1,490	694	-	-	8,308
Other receivables (excluding statutory receivables)	-	54	-	-	-	-	54
Total anticipated inflows		8,893	1,490	694	-	-	11,077
Net (outflow) / inflow on financial instruments		2,891	970	(3,770)	(4,088)	-	(3,997)

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.

28. FINANCIAL RISK MANAGEMENT (cont'd)

(c) Market Risk (cont'd)

(i) Interest rate risk

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

	2013 $000	2012 $000
Fixed rate instruments		
Financial Assets	-	-
Financial Liabilities	1,717	1,365
	1,717	1,365
Variable rate instruments		
Financial Assets	-	-
Financial Liabilities	8,346	9,317
	8,346	9,317

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 current reporting period had interest rates been 50 basis points higher, net profit would have been lower by $52,000 (2012: $65,000) 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:

2013	**Net financial assets/(liabilities) in AUD $000**				
Consolidated Group	**USD**	**EUR**	**BRL**	**Other**	**Total AUD**
Foreign Currency Exposure					
Financial Assets	2,999	4,469	1,896	28	9,392
Financial Liabilities	(504)	(1,309)	(190)	(3)	(2,006)
Net Exposure	**2,495**	**3,160**	**1,706**	**25**	**7,386**

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**

28. FINANCIAL RISK MANAGEMENT (cont'd)

Foreign exchange risk (cont'd)

Sensitivity Analysis

The effect on profit and equity as a result of changes in the foreign exchange rates on the above financial assets and liabilities, 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	
	Profit $000	Equity $000
Year ended 30 June 2013		
+/- 10% in foreign currency exchange rates	739	739
Year ended 30 June 2012		
+/- 10% in foreign currency exchange rates	538	538

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

The following significant exchange rates applied at reporting date:	**2013**	**2012**
Currency		
Foreign Currency Exposure		
USD	0.91666	1.0236
JPY	N/A	81.7024
EUR	0.70459	0.8080
BRL	2.0235	2.0566
NZD	1.1823	1.2753

Forward exchange currency option contracts

The Consolidated Entity and Company did not have any foreign exchange currency option contracts at year end or at any time during the year.

28. FINANCIAL RISK MANAGEMENT (cont'd)

(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	
	Profit $000	**Equity $000**
Year ended 30 June 2013		
+/- 10% in silver prices	66	66
Year ended 30 June 2012		
+/- 10% in silver prices	19	19

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

	Contract Value	
	2013 $000	**2012 $000**
Settlement	659	191

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. The financial instruments that are measured subsequent to initial recognitions at fair value are grouped into level 1 to 3 based on the degree to which the fair value is observable.

Definitions of levels 1 to 3 measurements are as follows:

- Level 1 (L1) - fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2(L2) - fair value measurements are those derived from inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3(L3) – fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level	2013 Carrying Amount $000	2013 Fair Value $000	2012 Carrying Amount $000	2012 Fair Value $000
Consolidated Group					
Financial assets					
Cash and cash equivalents	1	3,675	3,675	2,715	2,715
Trade and other receivables (excluding statutory receivables)	1	10,548	10,548	8,362	8,362
Total financial assets		14,223	14,223	11,077	11,077
Financial liabilities					
Trade and other payables (excluding statutory payables)	1	3,698	3,698	3,643	3,643
Derivative financial instrument	2	659	659	191	191
Lease liability	1	1,717	1,717	1,365	1,365
Bank debt	1	8,346	8,346	9,317	9,317
Total financial liabilities		14,420	14,420	14,516	14,516

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.

(d) Capital Risk (cont'd)

	Consolidated Group	
	2013	**2012**
	$000	**$000**
Debt (i)	10,063	10,682
Cash and Cash equivalents	(3,675)	(2,715)
Net Debt	6,388	7,967
Equity (ii)	47,356	42,407
Net Debt to Equity Ratio	13.5%	18.8%

(i) Debt is defined as long and short-term borrowings, as detailed in note 18 (Borrowings).
(ii) Equity includes all capital and reserves.

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.

(c) Foreign Currency Translation Reserve

The foreign currency translation reserve records exchange differences arising on translation of a foreign controlled subsidiary.

(d) Hedge Reserve

The hedge reserve records revaluations of items designated as cash flow hedges.

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
New Zealand

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

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 30th day of September 2013

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES

The following information is current as at 30 August 2013:

1. Shareholding

(a) Distribution of Shareholders

	Number	
Category (size of holding)	**Ordinary**	**Redeemable**
1 – 1,000	201	-
1,001 – 5,000	385	-
5,001 – 10,000	190	-
10,001 – 100,000	336	-
100,001 – and over	92	-
	1,204	-

(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:

	Number	
Category (size of holding)	**Ordinary**	**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. HSBC Custody Nominees (Australia) Limited	3,710,346	3.12
5. JP Morgan Nominees Australia Limited	3,037,633	2.56
6. Silverglades Pty Ltd	2,357,829	1.98
7. JEFFNPAM Superannuation Fund Pty Ltd	1,421,085	1.20
8. BFA Super Pty Ltd	1,194,996	1.01
9. Mr Gerard James Van Paasen (The Van Paassen family A/C)	1,104,348	0.93
10. Mr Brendan Francis Carroll	1,040,490	0.88
11. Garrett Smythe Ltd	1,030,951	0.87
12. Mr David William Kingsley Thomas	1,000,000	0.84
13. Incorp Consulting Group Pty Limited - Superannuation A/C	850,000	0.72
14. Cheetham Superannuation Pty Ltd	805,168	0.68
15. MDF Superannuation Pty Limited	755,909	0.64
16. Branka Nominees Pty Ltd	750,220	0.63
17. Mr Michael Lazzarin	725,000	0.61
18. Aust Executor Trustees Ltd – Henroth Pty Ltd	724,000	0.61
19. Ruminator Pty Ltd	710,516	0.60
20. Dr Martin James Grehan & Dr Penelope Jane Spring	708,500	0.60
	86,848,381	73.10

ADDITIONAL INFORMATION FOR LISTED PUBLIC COMPANIES (cont'd)

2. The name of the 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.
G.A. Bullon
G.M. Knight, B.Dental Sc, M.B.A., M.Sc., PhD.
S.J. Cheetham, B.Bus. (Banking and Finance), M.B.A.
S.J. Molver, B.Soc.Sc., B.Com. (Hon)
Alternate Director
P.J. 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

toll free 1 800 337 003
p (03) 8727 7111
f (03) 8727 7222
email: info@sdi.com.au
www.sdi.com.au

SDI

Your Smile. Our Vision.

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

Head Office 3-15 Brunsdon St Bayswater,
P.O. Box 314 Victoria, 3153 Australia
Toll Free 1 800 337 003
T +61 3 8727 7111
F +61 3 8727 7222