

SDI Limited

ABN 27 008 075 581

Financial Report for the six months ended - 31 December 2016

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1. Company details

Name of entity:	SDI Limited
ABN:	27 008 075 581
Reporting period:	For the half-year ended 31 December 2016
Previous period:	For the half-year ended 31 December 2015

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	down	0.9% to	34,358
Profit from ordinary activities after tax attributable to the owners of SDI Limited	down	32.8% to	2,020
Profit for the half-year attributable to the owners of SDI Limited	down	32.8% to	2,020

Dividends

	Amount per security Cents	Franked amount per security Cents
Interim dividend payable 7 April 2017	1.0	1.0

On 23 February 2017 the Directors declared an interim dividend of 1.0 cents per ordinary share with a record date of 24 March 2017 to be paid 7 April 2017.

Comments

The profit for the consolidated entity after providing for income tax amounted to \$2,020,000 (31 December 2015: \$3,008,000).

Earnings before interest, tax, depreciation and amortisation ('EBITDA') decreased by 20.0% to \$4,943,000 (2015: \$6,178,000).

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for specific items.

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

	Consolidated	
	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Profit after tax	2,020	3,008
Add: taxation	805	941
Add: interest expense	113	166
Less: interest income	(3)	(4)
Add: depreciation and amortisation	2,008	2,067
EBITDA	<u>4,943</u>	<u>6,178</u>

Further information on the results is detailed in the 'Review of operations' section of the Directors' report which is part of the Interim Report.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>35.69</u>	<u>35.54</u>

4. Dividends

Current period

	Amount per security Cents	Franked amount per security Cents
Interim dividend payable 7 April 2017	1.0	1.0

On 23 February 2017 the Directors declared an interim dividend of 1.0 cents per ordinary share with a record date of 24 March 2017 to be paid 7 April 2017.

Previous period

	Amount per security Cents	Franked amount per security Cents
Final dividend for the financial year ended 30 June 2016 paid on 23 September 2016	1.2	1.2

5. Dividend reinvestment plans

The following dividend or distribution plans are in operation:

The Company has a Dividend Reinvestment Plan ('DRP'). However the Directors have decided that the DRP will not be offered to Shareholders for the dividend payments.


6. Audit qualification or review

The financial statements were subject to a review by the auditors and the review report is attached as part of the Financial Report for the six months ended.

7. Attachments

The Financial Report for the six months ended of SDI Limited for the half-year ended 31 December 2016 is attached.

8. Signed

Signed  _____

Date: 23 February 2017

Samantha Jane Cheetham
Managing Director
Melbourne

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of SDI Limited (referred to hereafter as the 'Company', 'SDI' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

The following persons were Directors of SDI Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Jeffery James Cheetham O.A.M - Chairman
Samantha Jane Cheetham
John Joseph Slaviero
Dr Geoffrey Macdonald Knight
Gerald Allan Bullon
Cameron Neil Allen
Gerard Desmond Kennedy

Alternate director

Pamela Joy Cheetham (alternate for Jeffery James Cheetham)

Principal activities

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

Dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Final dividend for the year ended 30 June 2016 of 1.2 cents (2015: 1.0 cent) per ordinary share	1,426	1,189

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$2,020,000 (31 December 2015: \$3,008,000).

Earnings before interest, tax, depreciation and amortisation ('EBITDA') decreased by 20.00% to \$4,943,000 (2015: \$6,178,000).

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for specific items.

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

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Profit after tax	2,020	3,008
Add: taxation	805	941
Add: interest expense	113	166
Less: interest income	(3)	(4)
Add: depreciation and amortisation	2,008	2,067
EBITDA	4,943	6,178

	HY 2016	HY 2015	Change %
Sales	34.4m	34.7m	-
EBITDA	4.9m	6.2m	(20.0)
NPBT	2.8m	3.9m	(28.5)
NPAT	2.0m	3.0m	(32.8)
Borrowings	5.4m	5.7m	(5.3)
Cash	3.7m	3.6m	2.3
Declared / Paid Dividends	1.0c	0.8c	25.0

Profit before tax for the six months ending 31 December 2016 decreased by 28.5 per cent to \$2.8 million compared to \$3.9 million for the corresponding period last year.

Net Profit after tax decreased by 32.8% to \$2.0 million compared to \$3.0 million, Earnings before interest, tax, depreciation and amortisation (EBITDA) decreased by 20.0% to \$4.9 million, compared to \$6.2 million, and earnings per share for the 6 months ending 31 December 2016 decreased by 0.83 cents to 1.70 cents compared to 2.53 cents for the previous corresponding period.

Sales reported in Australian dollars for the period decreased by \$0.3 million to \$34.4 million compared to \$34.7 million for the corresponding period last year. SDI exports approximately 90% of its products and when adjusted for currency movements, sales increased by 2.9%. The main adverse drivers behind this sales result are the sharp devaluation of the British Pound and the continuing decrease in Amalgam sales across all markets. The Company's R&D, sales and marketing efforts are concentrated on Non-Amalgam products and the Company has plans to release exciting new products. It is expected that this will assist in offsetting the weakness in traditional Amalgam sales.

Esthetic sales increased by 13.4%, Whitening by 3.7 per cent, Equipment was flat and in total Non-Amalgam product sales increased by 7.8%. Amalgam sales decreased by 15.1% and Amalgam sales now represent 30.0% of the company's total sales compared to 35.2% for the same period last year..

Australian sales which include both Australian domestic and direct exports to non-subsidary companies increased by 5.9%. After adjusting for currency movements for exports, sales increased by 8.1%. These export markets include Latin America, Africa, Asia and the Middle East. This increase in sales was predominately due to increases in Non-Amalgam sales which traditionally represented a large proportion of sales in these price competitive markets.

North American sales in local currency decreased by 4.4% with the major contributor to this performance due to a decline in Amalgam sales. The North American restorative market is generally flat. SDI is re-aligning its marketing strategy to better reflect the targeted product mix and is expecting stronger growth in Non-Amalgam products in the future.

Sales in Europe in Euro Dollars increased by 4.6 per cent, after allowing for the devaluation of the British Pound against the Euro Dollar. These markets showed 11.3 % increase in the Glass Ionomer products and 3.2% increase in the Whitening products. The recent consolidation of the Company's European business is starting to show positive results in its operational efficiencies.

Brazilian sales in Brazilian Real increased by 3.0%. The highlight of this result was the strong growth in Non-Amalgam products which was offset by an equally strong decline in Amalgam sales. Brazil's packing operations is gaining momentum and will continue to expand with the view of packing products for the South American market.

Total expenses in Australian dollars decreased by 0.6% when compared to the previous year. Approximately 56% of SDI's total operating expenses relate to its offshore subsidiaries and are subject to currency movements when reporting in Australian dollars. When adjusted for currency movements expenses increased by 0.9%.

The Company's total cash holdings for the 6 months decreased by \$2.3 million after decreasing debt by \$0.4 million and dividend payments of \$1.4 million. Inventories increased by \$2.1 million due to the lower than expected Amalgam sales and the continued stocking of the Company's Brazilian subsidiary to transition it to supplying the Latin American markets.

SDI considers 2017 as a year of change for the Company. The Company expects that product sales mix will continue to shift from Amalgam which will be somewhat offset with the launch of new products adding to the existing Non-Amalgam product range. SDI has been traditionally known in the market as an Amalgam company. The Company is rolling out a campaign to change this perception to position SDI as a highly technical and innovative company.

The Board of Directors has declared an interim fully franked dividend of 1.0 cent per share which is 0.2 cents higher than the previous interim dividend and will be paid on 7th April 2017.

The Directors have decided that the Company's Dividend Reinvestment Plan (DRP) will not be offered to Shareholders for this dividend payment.

Significant changes in the state of affairs

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

Rounding of amounts

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this Directors' report.

This report is made in accordance with a resolution of Directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the Directors



Samantha Jane Cheetham
Managing Director

23 February 2017
Melbourne

23 February 2017

The Board of Directors
SDI Limited
5-9 Brunsdon Street
BAYSWATER VIC 3153

Dear Board Members

SDI Limited

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

As lead audit partner for the review of the financial statements of SDI Limited for the half-year ended 31 December 2016, 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 review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Craig Bryan
Partner
Chartered Accountants

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SDI Limited
Consolidated statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016



		Consolidated	
	Note	31 Dec 2016	31 Dec 2015
		\$'000	\$'000
Revenue			
Sales revenue		34,358	34,659
Cost of goods sold		(13,690)	(13,084)
Gross profit		20,668	21,575
Other income	4	16	105
Expenses			
Selling and administration expenses		(16,275)	(16,345)
Research and development costs		(450)	(387)
Other expenses		(1,021)	(833)
Finance costs		(113)	(166)
Profit before income tax expense		2,825	3,949
Income tax expense		(805)	(941)
Profit after income tax expense for the half-year attributable to the owners of SDI Limited		2,020	3,008
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Net change in the fair value of cash flow hedges taken to equity, net of tax		-	(19)
Exchange differences arising on translation of foreign controlled entities		220	(412)
Other comprehensive income for the half-year, net of tax		220	(431)
Total comprehensive income for the half-year attributable to the owners of SDI Limited		2,240	2,577
		Cents	Cents
Basic earnings per share	6	1.70	2.53
Diluted earnings per share	6	1.70	2.53

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

SDI Limited
Consolidated statement of financial position
As at 31 December 2016



	Consolidated	
Note	31 Dec 2016	30 Jun 2016
	\$'000	\$'000
Assets		
Current assets		
Cash and cash equivalents	3,668	6,001
Trade and other receivables	13,495	14,454
Inventories	20,453	18,365
Prepayments	1,003	550
Total current assets	<u>38,619</u>	<u>39,370</u>
Non-current assets		
Other receivables	1,413	1,165
Property, plant and equipment	17,741	18,334
Intangibles	22,171	21,533
Total non-current assets	<u>41,325</u>	<u>41,032</u>
Total assets	<u>79,944</u>	<u>80,402</u>
Liabilities		
Current liabilities		
Trade and other payables	4,233	4,375
Borrowings	2,245	2,521
Provision for income tax	753	1,516
Employee benefits	3,335	3,322
Total current liabilities	<u>10,566</u>	<u>11,734</u>
Non-current liabilities		
Borrowings	3,122	3,209
Deferred tax liability	1,383	1,488
Employee benefits	280	192
Total non-current liabilities	<u>4,785</u>	<u>4,889</u>
Total liabilities	<u>15,351</u>	<u>16,623</u>
Net assets	<u>64,593</u>	<u>63,779</u>
Equity		
Issued capital	12,890	12,890
Reserves	1,380	1,160
Retained profits	<u>50,323</u>	<u>49,729</u>
Total equity	<u>64,593</u>	<u>63,779</u>

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

SDI Limited
Consolidated statement of changes in equity
For the half-year ended 31 December 2016



Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2015	12,890	1,170	44,031	58,091
Profit after income tax expense for the half-year	-	-	3,008	3,008
Other comprehensive income for the half-year, net of tax	-	(431)	-	(431)
Total comprehensive income for the half-year	-	(431)	3,008	2,577
Transfer of revaluation reserve	-	(272)	272	-
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 8)	-	-	(1,189)	(1,189)
Balance at 31 December 2015	12,890	467	46,122	59,479
Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2016	12,890	1,160	49,729	63,779
Profit after income tax expense for the half-year	-	-	2,020	2,020
Other comprehensive income for the half-year, net of tax	-	220	-	220
Total comprehensive income for the half-year	-	220	2,020	2,240
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 8)	-	-	(1,426)	(1,426)
Balance at 31 December 2016	12,890	1,380	50,323	64,593

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

SDI Limited
Consolidated statement of cash flows
For the half-year ended 31 December 2016



	Consolidated	
Note	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	35,069	34,464
Payments to suppliers and employees	(31,657)	(32,322)
	3,412	2,142
Other revenue	16	105
Interest and other finance costs paid	(113)	(156)
Income taxes paid	(1,759)	(961)
Net cash from operating activities	1,556	1,130
Cash flows from investing activities		
Payments for property, plant and equipment	(724)	(842)
Payments for intangibles	(1,401)	(981)
Proceeds from disposal of property, plant and equipment	-	91
Net cash used in investing activities	(2,125)	(1,732)
Cash flows from financing activities		
Proceeds from borrowings	148	4,437
Dividends paid	(1,426)	(1,189)
Repayment of borrowings	(511)	(4,230)
Net cash used in financing activities	(1,789)	(982)
Net decrease in cash and cash equivalents	(2,358)	(1,584)
Cash and cash equivalents at the beginning of the financial half-year	6,001	5,037
Effects of exchange rate changes on cash and cash equivalents	25	132
Cash and cash equivalents at the end of the financial half-year	3,668	3,585

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

Note 1. General information

The financial statements cover SDI Limited as a consolidated entity consisting of SDI Limited (the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year (collectively referred to as the 'consolidated entity'). The financial statements are presented in Australian dollars, which is SDI Limited's functional and presentation currency.

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

Registered office

5 - 9 Brunsdon Street
Bayswater VIC 3153

Principal place of business

3 - 15 Brunsdon Street
Bayswater VIC 3153

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 23 February 2017. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

New, revised or amending Accounting Standards and Interpretations adopted

The consolidated entity has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant to their operations and effective for the current half-year. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity during the financial half-year ended 31 December 2016 and are not expected to have any significant impact for the full financial year ending 30 June 2017.

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

Note 3. Operating segments

Identification of reportable operating segments

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

Operating segments are determined using the 'management approach', where the information presented is on the same basis as the internal reports reviewed by the Board of Directors (identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources, the consolidated entity comprises four separate operating segments. These are primarily identified on the basis of subsidiary companies in different markets.

Note 3. Operating segments (continued)

Reportable segments

The consolidated entity's reportable segments are as follows:

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

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

Operating segment information

Consolidated - 31 Dec 2016	SDI Australia \$'000	SDI Europe \$'000	SDI USA \$'000	SDI Brazil \$'000	Other segments \$'000	Total \$'000
Revenue						
Sales to external customers	12,499	10,452	8,495	2,866	46	34,358
Intersegment sales	12,154	-	-	-	-	12,154
Total sales revenue	24,653	10,452	8,495	2,866	46	46,512
Total segment revenue	24,653	10,452	8,495	2,866	46	46,512
Intersegment eliminations						(12,154)
Total revenue						34,358
Segment results before tax	2,571	1,238	553	339	(63)	4,638
Inter-segment eliminations	305	-	-	-	-	305
Depreciation and amortisation	(1,822)	(108)	(26)	(50)	(2)	(2,008)
Interest revenue	-	-	-	3	-	3
Finance costs	(113)	-	-	-	-	(113)
Profit/(loss) before income tax expense	941	1,130	527	292	(65)	2,825
Income tax expense						(805)
Profit after income tax expense						2,020
Assets						
Segment assets	75,450	7,501	7,277	8,273	73	98,574
Intersegment eliminations						(18,630)
Total assets						79,944
Liabilities						
Segment liabilities	16,383	3,501	117	7,813	581	28,395
Intersegment eliminations						(13,044)
Total liabilities						15,351

Note 3. Operating segments (continued)

Consolidated - 31 Dec 2015	SDI Australia \$'000	SDI Europe \$'000	SDI USA \$'000	SDI Brazil \$'000	Other segments \$'000	Total \$'000
Revenue						
Sales to external customers	11,801	10,993	9,176	2,619	70	34,659
Intersegment sales	13,078	5,780	-	-	-	18,858
Total sales revenue	24,879	16,773	9,176	2,619	70	53,517
Total segment revenue	24,879	16,773	9,176	2,619	70	53,517
Intersegment eliminations						(18,858)
Total revenue						34,659
Segment results before tax	6,111	980	(65)	(924)	(32)	6,070
Inter-segment eliminations	108	-	-	-	-	108
Depreciation and amortisation	(1,885)	(113)	(26)	(41)	(2)	(2,067)
Interest revenue	-	-	-	4	-	4
Finance costs	(166)	-	-	-	-	(166)
Profit/(loss) before income tax expense	4,168	867	(91)	(961)	(34)	3,949
Income tax expense						(941)
Profit after income tax expense						3,008

Consolidated - 30 Jun 2016

Assets						
Segment assets	75,966	9,722	7,806	7,600	67	101,161
Intersegment eliminations						(20,759)
Total assets						80,402
Liabilities						
Segment liabilities	15,930	6,387	1,250	7,443	502	31,512
Intersegment eliminations						(14,889)
Total liabilities						16,623

Note 4. Other income

	Consolidated 31 Dec 2016 \$'000	31 Dec 2015 \$'000
Foreign exchange gain	-	17
Net gain on disposal of property, plant and equipment	-	30
Interest revenue	3	4
Other income	13	54
Other income	16	105

Note 5. Expenses

	Consolidated	
	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Land and buildings	58	58
Plant and equipment	1,187	1,164
Total depreciation	1,245	1,222
<i>Amortisation</i>		
Development costs	566	468
Trademarks and licences	197	377
Total amortisation	763	845
Total depreciation and amortisation	2,008	2,067
<i>Net loss on disposal</i>		
Net loss on disposal of property, plant and equipment	72	-
<i>Other</i>		
Foreign exchange loss	346	74

Note 6. Earnings per share

	Consolidated	
	31 Dec 2016 \$'000	31 Dec 2015 \$'000
Profit after income tax attributable to the owners of SDI Limited	2,020	3,008
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	118,865,530	118,865,530
Weighted average number of ordinary shares used in calculating diluted earnings per share	118,865,530	118,865,530
	Cents	Cents
Basic earnings per share	1.70	2.53
Diluted earnings per share	1.70	2.53

Note 7. Equity - reserves

	Consolidated	
	31 Dec 2016 \$'000	30 Jun 2016 \$'000
Foreign currency reserve	1,017	797
Capital profits reserve	363	363
	1,380	1,160

Note 7. Equity - reserves (continued)

Movements in reserves

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

Consolidated	Foreign currency \$'000	Capital profits \$'000	Total \$'000
Balance at 1 July 2016	797	363	1,160
Foreign currency translation	220	-	220
Balance at 31 December 2016	<u>1,017</u>	<u>363</u>	<u>1,380</u>

Note 8. Equity - dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2016	31 Dec 2015
	\$'000	\$'000
Final dividend for the year ended 30 June 2016 of 1.2 cents (2015: 1.0 cent) per ordinary share	<u>1,426</u>	<u>1,189</u>

Note 9. Fair value measurement

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

Note 10. Contingent liabilities

The consolidated entity had no contingent liabilities as at 31 December 2016 and 30 June 2016.

Note 11. Events after the reporting period

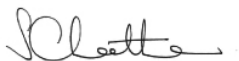
No matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of Directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the Directors



Samantha Jane Cheetham
Managing Director

23 February 2017
Melbourne

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of SDI Limited, which comprises the condensed consolidated statement of financial position as at 31 December 2016, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 9 to 17.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards or 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of SDI Limited's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of SDI Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, 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 review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of SDI Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Craig Bryan
Partner
Chartered Accountants
Melbourne, 23 February 2017