

SDI Limited

ABN 27 008 075 581

Appendix 4E Preliminary Final Report - 30 June 2014

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1. Company details

Name of entity:	SDI Limited
ABN:	27 008 075 581
Reporting period:	For the year ended 30 June 2014
Previous period:	For the year ended 30 June 2013

2. Results for announcement to the market

			A\$'000
Revenues from ordinary activities	up	15.4% to	65,330
Profit from ordinary activities after tax attributable to the owners of SDI Limited	up	37.9% to	6,467
Profit for the year attributable to the owners of SDI Limited	up	37.9% to	6,467

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend declared for the year ended 30 June 2014 to be paid on 26 September 2014	0.5	0.5
Interim dividend for the year ended 30 June 2014 paid on 2 May 2014	0.2	0.2

On 25 August 2014 the directors declared a dividend of 0.5 cents per ordinary share with a record date of 11 September 2014 to be paid on 26 September 2014.

Comments

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

SDI Limited Full Year Results for Financial Year Ending 30 June 2014

The Directors of SDI Limited today announced that net profit after tax increased by 37.9% to \$6.5m (2013: \$4.7m) for the twelve months ending 30 June 2014. This result was largely influenced by stable silver prices and a favourable currency environment compared to the previous year.

Earnings before interest and tax (EBIT) increased by 23.1% to \$8.0m, compared to \$6.5m for the corresponding period last year.

Earnings per share for the 12 months ending 30 June 2014 were 5.4 cents compared to 3.9 cents for the corresponding period last year.

Sales in Australian Dollars increased by 15.4% to \$65.3m compared to the prior year's sales of \$56.6m. When adjusted for currency movement, sales increased by 3.8%.

SDI exports approximately 90% of its products and in local currencies, Brazilian sales increased by 20.7%, North American sales decreased by 2.8%, and European sales decreased by 0.1% compared to the previous year. Australian sales, which includes Australian direct export sales, increased by 2.7%.

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

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

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

The Company's total cash holdings at the 30 June 2014 increased by \$0.3m to \$3.9m and debt decreased by \$1.4m after expenditure on plant & equipment of \$3.1m in research and development of \$1.5m. The Company continues to invest in new manufacturing equipment to accommodate new products and automate its production lines. During the year SDI has increased its warehousing capacity in Europe and upgraded its computer hardware to improve the Company's global communications and processing.

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

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

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

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

Commenting on the result, SDI's Executive Chairman and Managing Director, Mr. Jeffery Cheetham, said "The underlying strong fundamentals of the Company is now becoming evident. This year's result shows that with continued investment in infrastructure and R & D when the environment in Australia has been unfavourable to exporters and manufacturers, will deliver future returns provided that fundamentals and management of the company are strong."

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

For further information, please contact:
INSOR Investor Relations 0418 106 675
25 August 2014

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	27.89	23.80

4. Dividends

Current period

	Amount per security Cents	Franked amount per security Cents
Final dividend declared for the year ended 30 June 2014 to be paid on 26 September 2014	0.5	0.5
Interim dividend for the year ended 30 June 2014 paid on 2 May 2014	0.2	0.2

On 25 August 2014 the directors declared a dividend of 0.5 cents per ordinary share with a record date of 11 September 2014 to be paid on 26 September 2014.


Previous period

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2013 paid on 24 October 2013	0.5	0.5

5. Audit qualification or review

The audit of the preliminary financial report is currently being conducted and the audit report will be issued upon the approval of the financial statements by the directors.

6. Signed

Signed  _____

Date: 25 August 2014

Jeffery James Cheetham
Executive Chairman and Managing Director
Melbourne

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



	Note	Consolidated 2014 A\$'000	2013 A\$'000
Revenue			
Sales revenue		65,330	56,607
Cost of goods sold		(27,052)	(25,456)
Gross profit		38,278	31,151
Other income		114	750
Expenses			
Selling and administration expenses		(28,545)	(23,480)
Research and development costs		(415)	(928)
Other expenses		(1,464)	(1,009)
Finance costs	3	(499)	(644)
Profit before income tax expense		7,469	5,840
Income tax expense		(1,002)	(1,150)
Profit after income tax expense for the year attributable to the owners of SDI Limited		6,467	4,690
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		497	(327)
Exchange differences arising on translation of foreign controlled entities		(39)	943
Other comprehensive income for the year, net of tax		458	616
Total comprehensive income for the year attributable to the owners of SDI Limited		6,925	5,306
		Cents	Cents
Basic earnings per share	9	5.4	3.9
Diluted earnings per share	9	5.4	3.9

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

	Note	Consolidated 2014 A\$'000	2013 A\$'000
Assets			
Current assets			
Cash and cash equivalents	4	3,994	3,675
Trade and other receivables		11,897	10,862
Inventories		14,369	15,235
Derivative financial instruments		51	-
Deferred Tax Asset		668	558
Other current assets		2,196	1,309
Total current assets		33,175	31,639
Non-current assets			
Property, plant and equipment		17,867	16,543
Intangibles		20,303	19,351
Deferred tax asset		3,560	3,197
Other non-current assets		56	96
Total non-current assets		41,786	39,187
Total assets		74,961	70,826
Liabilities			
Current liabilities			
Trade and other payables		4,669	4,750
Borrowings		4,957	6,104
Derivative financial instruments		-	659
Provision for income tax		1,451	984
Other provisions		3,075	2,778
Total current liabilities		14,152	15,275
Non-current liabilities			
Borrowings		3,696	3,959
Deferred tax liability		3,519	4,091
Other provisions		145	145
Total non-current liabilities		7,360	8,195
Total liabilities		21,512	23,470
Net assets		53,449	47,356
Equity			
Issued capital	5	12,890	12,890
Reserves		284	(174)
Retained profits		40,275	34,640
Total equity		53,449	47,356

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



Consolidated	Issued capital A\$'000	Reserves A\$'000	Retained profits A\$'000	Total equity A\$'000
Balance at 1 July 2012	12,890	(790)	30,307	42,407
Profit after income tax expense for the year	-	-	4,690	4,690
Other comprehensive income for the year, net of tax	-	616	-	616
Total comprehensive income for the year	-	616	4,690	5,306
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 6)	-	-	(357)	(357)
Balance at 30 June 2013	12,890	(174)	34,640	47,356
Consolidated	Issued capital A\$'000	Reserves A\$'000	Retained profits A\$'000	Total equity A\$'000
Balance at 1 July 2013	12,890	(174)	34,640	47,356
Profit after income tax expense for the year	-	-	6,467	6,467
Other comprehensive income for the year, net of tax	-	458	-	458
Total comprehensive income for the year	-	458	6,467	6,925
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 6)	-	-	(832)	(832)
Balance at 30 June 2014	12,890	284	40,275	53,449

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

Note	Consolidated	
	2014 A\$'000	2013 A\$'000
Cash flows from operating activities		
Receipts from customers	64,284	56,115
Payments to suppliers and employees	(54,453)	(49,359)
	9,831	6,756
Interest received	11	15
Other revenue	92	-
Interest and other finance costs paid	(499)	(644)
Income taxes refunded	92	174
Income taxes paid	(1,885)	(694)
Net cash from operating activities	7,642	5,607
Cash flows from investing activities		
Payments for property, plant and equipment	(3,138)	(2,178)
Payments for intangibles	(1,926)	(1,766)
Proceeds from sale of property, plant and equipment	22	33
Net cash used in investing activities	(5,042)	(3,911)
Cash flows from financing activities		
Proceeds from borrowings	8,328	12,891
Dividends paid	(832)	(357)
Repayment of borrowings	(9,738)	(13,509)
Net cash used in financing activities	(2,242)	(975)
Net increase in cash and cash equivalents	358	721
Cash and cash equivalents at the beginning of the financial year	3,675	2,715
Effects of exchange rate changes on cash and cash equivalents	(39)	239
Cash and cash equivalents at the end of the financial year	4 3,994	3,675

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

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

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

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

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

AASB 10 Consolidated Financial Statements

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

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

AASB 12 Disclosure of Interests in Other Entities

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

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

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13

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

AASB 13 requires prospective application from 1 January 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2012 comparative period; the application of AASB 13 has not had any material impact on the amounts recognised in the consolidated financial statements.

Note 1. Significant accounting policies (continued)

AASB 119 Employee Benefits (September 2011) and AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011)

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

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

AASB 127 Separate Financial Statements (Revised), AASB 128 Investments in Associates and Joint Ventures (Reissued) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards

The consolidated entity has applied AASB 127, AASB 128 and AASB 2011-7 from 1 July 2013. AASB 127 and AASB 128 have been modified to remove specific guidance that is now contained in AASB 10, AASB 11 and AASB 12 and AASB 2011-7 makes numerous consequential changes to a range of Australian Accounting Standards and Interpretations. AASB 128 has also been amended to include the application of the equity method to investments in joint ventures.

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

AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures - Offsetting Financial Assets and Financial Liabilities

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

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

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

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

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

AASB 2012-10 Amendments to Australian Accounting Standards - Transition Guidance and Other Amendments

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

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

Note 1. Significant accounting policies (continued)

AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirement

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

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

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for derivative financial instruments.

Rounding of amounts

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2014. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

AASB 9 Financial Instruments and its consequential amendments

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

AASB 2012-3 Amendments to Australian Accounting Standards - Offsetting Financial Assets and Financial Liabilities

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

AASB 2013-3 Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

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

Note 1. Significant accounting policies (continued)

AASB 2013-4 Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting

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

AASB 2014-1 Amendments to Australian Accounting Standards

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

Annual Improvements to IFRSs 2010-2012 Cycle

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

Annual Improvements to IFRSs 2011-2013 Cycle

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

Note 1. Significant accounting policies (continued)

IFRS 15 Revenue from Contracts with Customers

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

Note 2. Operating segments

Identification of reportable operating segments

The consolidated entity is organised into 1 operating segment being the manufacture and distribution of dental restorative products. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The consolidated entity manufactures dental restoratives, tooth whitening systems and small dental equipment for sale to dental distributors, dental dealers and dentists worldwide.

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

Reportable segments

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

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

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

Intersegment transactions

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

Intersegment receivables, payables and loans

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

Major customers

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

Note 2. Operating segments (continued)

Operating segment information

Consolidated - 2014	SDI Australia A\$'000	SDI Europe A\$'000	SDI USA A\$'000	SDI Brazil A\$'000	Inter-segment eliminations/ unallocated A\$'000	Total A\$'000
Revenue						
Sales to external customers	22,418	19,510	17,643	5,650	109	65,330
Intersegment sales	21,336	10,939	-	-	(32,275)	-
Total sales revenue	43,754	30,449	17,643	5,650	(32,166)	65,330
Total revenue	43,754	30,449	17,643	5,650	(32,166)	65,330
Segment profit before tax	7,093	1,809	907	(824)	(1,017)	7,968
Finance costs						(499)
Profit before income tax expense						7,469
Income tax expense						(1,002)
Profit after income tax expense						6,467
Assets						
Segment assets	63,893	7,618	6,182	6,350	(13,310)	70,733
<i>Unallocated assets:</i>						
Deferred tax asset						4,228
Total assets						74,961
Liabilities						
Segment liabilities	15,807	3,535	358	5,325	(7,032)	17,993
<i>Unallocated liabilities:</i>						
Deferred tax liability						3,519
Total liabilities						21,512

Note 2. Operating segments (continued)

Consolidated - 2013	SDI Australia A\$'000	SDI Europe A\$'000	SDI USA A\$'000	SDI Brazil A\$'000	Inter-segment eliminations/ unallocated A\$'000	Total A\$'000
Revenue						
Sales to external customers	18,996	16,590	16,225	4,684	112	56,607
Intersegment sales	21,294	9,118	-	-	(30,412)	-
Total sales revenue	40,290	25,708	16,225	4,684	(30,300)	56,607
Total revenue	40,290	25,708	16,225	4,684	(30,300)	56,607
Segment profit before tax	4,582	2,116	1,053	(1,064)	(204)	6,483
Finance costs						(643)
Profit before income tax expense						5,840
Income tax expense						(1,150)
Profit after income tax expense						4,690
Assets						
Segment assets	60,163	7,463	6,355	5,646	(12,557)	67,070
<i>Unallocated assets:</i>						
Deferred tax asset						3,756
Total assets						70,826
Liabilities						
Segment liabilities	16,936	3,859	723	7,784	(9,923)	19,379
<i>Unallocated liabilities:</i>						
Deferred tax liability						4,091
Total liabilities						23,470

Note 3. Expenses

	Consolidated	
	2014 A\$'000	2013 A\$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Land and buildings	109	106
Plant and equipment	1,664	1,687
Total depreciation	1,773	1,793
<i>Amortisation</i>		
Development	749	748
Trademarks and licences	225	217
Total amortisation	974	965
Total depreciation and amortisation	2,747	2,758
<i>Other Significant Revenue & Expenses:</i>		
Foreign exchange (gain)/loss	368	(695)
Cost of sales	27,052	25,456
Employee benefits expense	21,116	18,532
Superannuation expense	1,210	1,075
Rental expense - minimum lease payments	338	307
Bad and doubtful debts	109	54
Interest and finance charges paid/payable	499	644
Total Other Significant Revenue & Expenses:	50,692	45,373

Note 4. Current assets - cash and cash equivalents

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

Note 5. Equity - issued capital

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

Note 6. Equity - dividends

Dividends paid during the financial year were as follows:

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

Note 7. Contingent liabilities

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

Note 8. Events after the reporting period

No matter or circumstance has arisen since 30 June 2014 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 9. Earnings per share

	Consolidated	
	2014 A\$'000	2013 A\$'000
Profit after income tax attributable to the owners of SDI Limited	<u>6,467</u>	<u>4,690</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>118,865,530</u>	<u>118,865,530</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>118,865,530</u>	<u>118,865,530</u>
	Cents	Cents
Basic earnings per share	5.4	3.9
Diluted earnings per share	5.4	3.9