

SDI Limited

ABN 27 008 075 581

Financial Report for the six months ended - 31 December 2015

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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 2015
Previous period:	For the half-year ended 31 December 2014

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	9.6% to	34,659
Profit from ordinary activities after tax attributable to the owners of SDI Limited	up	10.0% to	3,008
Profit for the half-year attributable to the owners of SDI Limited	up	10.0% to	3,008

Dividends

	Amount per security Cents	Franked amount per security Cents
Interim dividend payable 7 April 2016	0.8	0.8

On 23 February 2016 the directors declared an interim dividend of 0.8 cents per ordinary share with a record date of 24 March 2016 to be paid 7 April 2016.

Comments

The profit for the consolidated entity after providing for income tax amounted to \$3,008,000 (31 December 2014: \$2,735,000).

Earnings before interest, tax, depreciation and amortisation ('EBITDA') increased by 14.7% to \$6,178,000 (2014: \$5,386,000).

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

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

	Consolidated	
	31 Dec 2015	31 Dec 2014
	\$'000	\$'000
Profit after tax	3,008	2,735
Add: taxation	941	922
Add: interest expense	166	215
Less: interest income	(4)	(10)
Add: depreciation and amortisation	2,067	1,524
EBITDA	6,178	5,386

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>32.23</u>	<u>28.90</u>

4. Dividends

Current period

	Amount per security Cents	Franked amount per security Cents
Interim dividend payable 7 April 2016	0.8	0.8

On 23 February 2016 the directors declared an interim dividend of 0.8 cents per ordinary share with a record date of 24 March 2016 to be paid 7 April 2016.

Previous period

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2015 was paid on 25 September 2015	1.0	1.0

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 of SDI Limited for the six months ended 31 December 2015 is attached.

8. Signed



Signed _____

Date: 24 February 2016

Jeffery James Cheetham
Executive Chairman and Joint 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 2015.

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 - 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.

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$3,008,000 (31 December 2014: \$2,735,000).

Earnings before interest, tax, depreciation and amortisation ('EBITDA') increased by 14.7% to \$6,178,000 (2014: \$5,386,000).

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

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

	Consolidated	
	31 Dec 2015	31 Dec 2014
	\$'000	\$'000
Profit after tax	3,008	2,735
Add: taxation	941	922
Add: interest expense	166	215
Less: interest income	(4)	(10)
Add: depreciation and amortisation	<u>2,067</u>	<u>1,524</u>
 EBITDA	 <u><u>6,178</u></u>	 <u><u>5,386</u></u>

HIGHLIGHTS

- Sales revenue up 10% to \$34.7m
- Profit after tax up 10% to \$3.0m
- EBITDA up 15%
- Interim dividend doubled to 0.8 cents per share
- Glass Ionomer sales increased by 25%
- Composite sales increased by 15%
- Whitening sales increased by 29%

Profit after tax increased by 10.0% to \$3.0m for the six months ending 31 December 2015 compared to \$2.7m for the same period last year. Profit before tax was up 8.0% to \$3.9m compared to the same period last year of \$3.7m. The current year's profit before tax includes \$0.6m of once off restructuring costs and intellectual property write downs. If not for these once off costs, profit before tax would have increased 24.4%.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 14.7% to \$6.2m compared to \$5.4m for the corresponding period last year. Earnings per share for the 6 months ending 31 December 2015 increased by 0.2 cents to 2.5 cents compared to 2.3 cents for the same period last year.

Sales reported in Australian Dollars for the 6 months ending 31 December 2015 increased by 9.6% to \$34.7m compared to \$31.6m for the corresponding period last year. SDI exports approximately 90% of its products and when adjusted for currency movements, sales increased by 0.2%.

Glass Ionomer sales increased by 25.4%, Composites increased by 14.5%, Whitening increased by 28.7%, Equipment sales were constant, and Amalgam sales decreased by 3.1%. Although SDI experienced significant increases in its non-Amalgam sales, these increases were offset with the decline in Amalgam sales particularly in North America. Amalgam sales currently represent 36.2% of the Company's total sales. SDI has been aware of the declining global demand for Amalgam and has focused its R & D strategy on Glass Ionomer and Composite products which are now starting to penetrate the market. SDI is globally well known for its high quality Amalgam products and R & D in the past 15 years has been fully focused on non-Amalgam products.

National Australian Sales increased by 6.1%. In Australian Dollars, Australian direct exports (excluding intercompany sales) increased by 5.7%. When adjusted for currency movements sales decreased by 11.4%. These export markets include Latin America, Africa, Asia and the Middle East. Amalgam products represent a large proportion of sales in these markets and there is a growing trend showing a move to Composite and Glass Ionomer products. SDI is working with its Distributors in these markets to adjust their businesses to the changing demands in their markets.

North American sales in local currency decreased by 10.2%. The majority of this decrease was caused by the Dealers and Group Practices reducing their stock levels of Amalgam products. In addition to this the market is becoming more price-competitive with the growth of Dental Group Practices and Corporates. With the continuing training of the Company's recently restructured sales team, the Company expects greater growth in non-Amalgam products over the next 12 months.

Sales in Europe increased by 11.9% in local currency. The recent restructure of the European operations is now starting to show positive results across all European markets.

Brazilian sales increased by 18.1% in local currency. Sales growth was strong across all product lines. SDI Brazil expects to start packing product in March 2016 and will start benefiting from reduced product costs. The devaluation of the Brazilian Real (BRL) has continued to have adverse effects the Subsidiary's results. SDI considers Brazil as vital for SDI's future growth strategy for selling into other South American markets.

Group operating expenses in Australian Dollars increased by 14.0% when compared to the previous year. Approximately 59% 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 and once off restructuring costs, expenses increased by 5.8%.

The Company's total cash holdings for the 6 months decreased by \$1.5m. Inventories increased by \$2.6m. which was predominately due to the bulk purchase of materials from overseas suppliers which have long lead times, the build-up of semi-finished products to commence the Brazilian packing operations, and the revaluation of inventories held in foreign currencies to the lower Australian dollar. Expenditure on plant & equipment was \$0.8m and intangibles were \$1.0m which includes expenditure on R&D, patents and trademarks in line with the Company's expectations of its strategic ongoing commitment in investing in automation, new product development and intellectual property.

The Board of Directors has declared an interim fully franked dividend of 0.8 cents per share which is double the previous interim dividend and will be paid on 7th April 2016. The Directors have decided that the Company's Dividend Reinvestment Plan (DRP) will not be offered to Shareholders for this dividend payment.

Commenting on the result, SDI's Executive Chairman and Joint Managing Director, Mr. Jeffery Cheetham, said "The first half result was pleasing and traditionally the Company has consistently showed a stronger performance in the second half of the financial year."

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 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.

Auditor's independence declaration

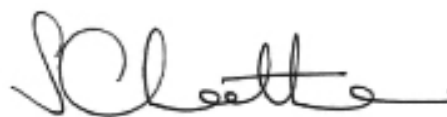
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

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



Jeffery James Cheetham
Executive Chairman and Joint Managing Director



Samantha Jane Cheetham
Joint Managing Director

24 February 2016
Melbourne

24 February 2016

The Board of Directors
SDI Limited
5-9 Brunson 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 2015, 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

DELOITTE TOUCHE TOHMATSU



Craig Bryan
Partner
Chartered Accountants

		Consolidated	
	Note	31 Dec 2015 \$'000	31 Dec 2014 \$'000
Revenue			
Sales revenue		34,659	31,617
Cost of goods sold		<u>(13,084)</u>	<u>(12,878)</u>
Gross profit		<u>21,575</u>	<u>18,739</u>
Other income	4	105	267
Expenses			
Selling and administration expenses		(16,345)	(14,430)
Research and development costs		(387)	(223)
Other expenses		(833)	(481)
Finance costs		<u>(166)</u>	<u>(215)</u>
Profit before income tax expense		3,949	3,657
Income tax expense		<u>(941)</u>	<u>(922)</u>
Profit after income tax expense for the half-year attributable to the owners of SDI Limited		3,008	2,735
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)	(142)
Exchange differences arising on translation of foreign controlled entities		<u>(412)</u>	<u>974</u>
Other comprehensive income for the half-year, net of tax		<u>(431)</u>	<u>832</u>
Total comprehensive income for the half-year attributable to the owners of SDI Limited		<u><u>2,577</u></u>	<u><u>3,567</u></u>
		Cents	Cents
Basic earnings per share	12	2.53	2.30
Diluted earnings per share	12	2.53	2.30

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

SDI Limited
Condensed consolidated statement of financial position
As at 31 December 2015



	Note	Consolidated 31 Dec 2015 \$'000	30 Jun 2015 \$'000
Assets			
Current assets			
Cash and cash equivalents	6	3,585	5,037
Trade and other receivables		12,487	12,866
Inventories		19,127	16,568
Derivative financial instruments		25	54
Prepayments		1,978	1,822
Total current assets		<u>37,202</u>	<u>36,347</u>
Non-current assets			
Property, plant and equipment		18,114	18,555
Intangibles		21,166	21,030
Total non-current assets		<u>39,280</u>	<u>39,585</u>
Total assets		<u>76,482</u>	<u>75,932</u>
Liabilities			
Current liabilities			
Trade and other payables		4,538	5,415
Borrowings		4,011	3,676
Provision for income tax		447	322
Employee benefits		3,105	3,202
Total current liabilities		<u>12,101</u>	<u>12,615</u>
Non-current liabilities			
Borrowings		3,310	3,438
Deferred tax liability		1,450	1,660
Employee benefits		142	128
Total non-current liabilities		<u>4,902</u>	<u>5,226</u>
Total liabilities		<u>17,003</u>	<u>17,841</u>
Net assets		<u>59,479</u>	<u>58,091</u>
Equity			
Issued capital		12,890	12,890
Reserves	7	467	1,170
Retained profits		46,122	44,031
Total equity		<u>59,479</u>	<u>58,091</u>

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

SDI Limited
Condensed consolidated statement of changes in equity
For the half-year ended 31 December 2015



Consolidated	Issued capital \$'000	Reserves \$'000	Retained profits \$'000	Total equity \$'000
Balance at 1 July 2014	12,890	284	38,901	52,075
Profit after income tax expense for the half-year	-	-	2,735	2,735
Other comprehensive income for the half-year, net of tax	-	832	-	832
Total comprehensive income for the half-year	-	832	2,735	3,567
<i>Transactions with owners in their capacity as owners:</i>				
Dividends paid (note 8)	-	-	(594)	(594)
Balance at 31 December 2014	<u>12,890</u>	<u>1,116</u>	<u>41,042</u>	<u>55,048</u>
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	<u>12,890</u>	<u>467</u>	<u>46,122</u>	<u>59,479</u>

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

SDI Limited
Condensed consolidated statement of cash flows
For the half-year ended 31 December 2015



	Consolidated	
Note	31 Dec 2015	31 Dec 2014
	\$'000	\$'000
Cash flows from operating activities		
Receipts from customers	34,464	31,230
Payments to suppliers and employees	(32,322)	(27,619)
	2,142	3,611
Other revenue	105	267
Interest and other finance costs paid	(156)	(215)
Income taxes paid	(961)	(1,672)
Net cash from operating activities	1,130	1,991
Cash flows from investing activities		
Payments for property, plant and equipment	(842)	(1,727)
Payments for intangibles	(981)	(896)
Proceeds from disposal of property, plant and equipment	91	54
Net cash used in investing activities	(1,732)	(2,569)
Cash flows from financing activities		
Proceeds from borrowings	4,437	3,548
Dividends paid	(1,189)	(594)
Repayment of borrowings	(4,230)	(3,656)
Net cash used in financing activities	(982)	(702)
Net decrease in cash and cash equivalents	(1,584)	(1,280)
Cash and cash equivalents at the beginning of the financial half-year	5,037	3,994
Effects of exchange rate changes on cash and cash equivalents	132	208
Cash and cash equivalents at the end of the financial half-year	6 <u>3,585</u>	<u>2,922</u>

The above condensed 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 (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 24 February 2016.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2015 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 2015 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.

From 1 July 2015, management in accordance with their policy determined that alloy based products no longer have indefinite lives and have commenced to amortise the intellectual property relating to alloy based products over a period of 10 years. These were previously classified as having indefinite useful lives and the decision to change to a finite useful life of 10 years is in line with the company's plans to move away from alloy based products and focus more on the sale of Pola, Riva and Aura products.

Basis of preparation

These general purpose condensed consolidated 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 condensed consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The condensed consolidated 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.

Note 2. Significant accounting policies (continued)

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. 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 2015 and are not expected to have any significant impact for the full financial year ending 30 June 2016.

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 related equipment for sale to distributors, dealers and dentists worldwide.

Based on 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.

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 the segment, intersegment eliminations / unallocated as the results were judged immaterial for separate inclusion in the segment report.

Note 3. Operating segments (continued)

Operating segment information

Consolidated - 31 Dec 2015	SDI Australia \$'000	SDI Europe \$'000	SDI USA \$'000	SDI Brazil \$'000	Intersegment eliminations/ unallocated \$'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	(18,788)	34,659
Total revenue	24,879	16,773	9,176	2,619	(18,788)	34,659
Segment EBITDA results						
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	4,060	867	(91)	(961)	74	3,949
Income tax expense						(941)
Profit after income tax expense						3,008
Assets						
Segment assets	72,158	8,213	7,649	5,543	(17,081)	76,482
Total assets						76,482
Liabilities						
Segment liabilities	16,139	3,795	(592)	5,912	(9,701)	15,553
<i>Unallocated liabilities:</i>						
Deferred tax liability						1,450
Total liabilities						17,003

Note 3. Operating segments (continued)

Consolidated - 31 Dec 2014	SDI Australia \$'000	SDI Europe \$'000	SDI USA \$'000	SDI Brazil \$'000	Intersegment eliminations/ unallocated \$'000	Total \$'000
Revenue						
Sales to external customers	11,065	9,361	8,333	2,774	84	31,617
Intersegment sales	11,614	5,345	-	-	(16,959)	-
Total sales revenue	22,679	14,706	8,333	2,774	(16,875)	31,617
Total revenue	22,679	14,706	8,333	2,774	(16,875)	31,617
Segment EBITDA results	5,052	892	448	(566)	(440)	5,386
Depreciation and amortisation	(1,361)	(98)	(17)	(41)	(7)	(1,524)
Interest revenue	-	-	-	-	10	10
Finance costs	-	-	-	-	(215)	(215)
Profit/(loss) before income tax expense	3,691	794	431	(607)	(652)	3,657
Income tax expense						(922)
Profit after income tax expense						2,735
Consolidated - 30 Jun 2015						
Assets						
Segment assets	67,896	7,924	8,878	5,494	(14,260)	75,932
Total assets						75,932
Liabilities						
Segment liabilities	13,785	4,331	994	4,866	(7,795)	16,181
<i>Unallocated liabilities:</i>						
Deferred tax liability						1,660
Total liabilities						17,841

Note 4. Other income

	Consolidated	
	31 Dec 2015	31 Dec 2014
	\$'000	\$'000
Foreign exchange gain	17	245
Net gain on disposal of property, plant and equipment	30	4
Interest revenue	4	10
Other income	54	8
Other income	105	267

Note 5. Expenses

	Consolidated	
	31 Dec 2015	31 Dec 2014
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Land and buildings	58	56
Plant and equipment	1,164	963
	<hr/>	<hr/>
Total depreciation	1,222	1,019
<i>Amortisation</i>		
Development costs	468	401
Trademarks and licences	377	104
	<hr/>	<hr/>
Total amortisation	845	505
	<hr/>	<hr/>
Total depreciation and amortisation	2,067	1,524
<i>Other</i>		
Foreign exchange loss	74	-
	<hr/>	<hr/>

Note 6. Current assets - cash and cash equivalents

	Consolidated	
	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
Cash at bank and on hand	3,585	5,037
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Note 7. Equity - reserves

	Consolidated	
	31 Dec 2015	30 Jun 2015
	\$'000	\$'000
Revaluation surplus reserve	-	272
Foreign currency reserve	86	498
Capital profits reserve	363	363
Hedging reserve - cash flow hedges	18	37
	<hr/>	<hr/>
	467	1,170
	<hr/> <hr/>	<hr/> <hr/>

Note 8. Equity - dividends

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

	Consolidated	
	31 Dec 2015	31 Dec 2014
	\$'000	\$'000
Final dividend for the year ended 30 June 2015 of 1.0 cents (2014: 0.5 cents) per ordinary share	1,189	594
	<hr/> <hr/>	<hr/> <hr/>

Note 9. Fair value measurement

Fair value hierarchy

The following tables detail the consolidated entity's assets and liabilities, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

Level 3: Unobservable inputs for the asset or liability

Consolidated - 31 Dec 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Derivative financial asset	-	25	-	25
Total assets	-	25	-	25
Consolidated - 30 Jun 2015	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<i>Assets</i>				
Derivative financial asset	-	54	-	54
Total assets	-	54	-	54

There were no transfers between levels during the financial half-year.

Cash flow hedge is due to be settled within the next 3 months.

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature..

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Valuation techniques for fair value measurements categorised within level 2

Derivative contracts are marked to market using valuation techniques supported by observable market prices. The future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risks of various counterparties.

Note 10. Contingent liabilities

The consolidated entity had no contingent liabilities as at 31 December 2015 and 30 June 2015.

Note 11. Events after the reporting period

No matter or circumstance has arisen since 31 December 2015 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 12. Earnings per share

	Consolidated	
	31 Dec 2015	31 Dec 2014
	\$'000	\$'000
Profit after income tax attributable to the owners of SDI Limited	<u>3,008</u>	<u>2,735</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	2.53	2.30
Diluted earnings per share	2.53	2.30

SDI Limited
Directors' declaration
31 December 2015



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 2015 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

Jeffery James Cheetham
Executive Chairman and Joint Managing Director

Samantha Jane Cheetham
Joint Managing Director

24 February 2016
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 2015, 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 8 to 19.

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 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 2014 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 company's financial position as at 31 December 2015 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, 24 February 2016