



SDI Limited and consolidated entities

ABN 27 008 075 581

Appendix 4D

**Interim Financial Report
31 December 2012**

This information should be read in conjunction with the 30 June 2012 Annual Report.



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Results for announcement to the market

				A\$'000
Revenue from operations	down	2.0 %	to	\$26,781
Profit from operations after Income tax attributable to members	up	614.6 %	to	\$2,244
Net profit for the period attributable to members	up	614.6%	to	\$2,244

Dividends per Share

	Amount Per share	Franked amount per share at 30% Tax
Interim		
- current period	0.0 cents	0.0 cents
- previous corresponding period	0.0 cents	0.0 cents
	Current Period	Previous Corresponding Period
Net Tangible Assets per ordinary Share (NTA backing)	22.1 cents	18.6 cents

Financial Information

The financial information provided in the Appendix 4D is based on the half year condensed financial report (attached) which has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (A-IFRS).



SDI INTERIM RESULT - DECEMBER 2012

The Directors of SDI Limited today announced a net profit after tax of \$2.2m (2011: \$0.3m) for the six months ending 31 December 2012. This result was largely influenced by strict cost control and relatively stable exchange rates and silver prices.

Earnings before interest and tax (EBIT) increased by \$2.4m to \$3.4m, compared to \$1.0m for the corresponding period last year.

Earnings per share for the 6 months ending 31 December 2012 were 1.9 cents compared to 0.3 cents for the corresponding period last year.

Sales in Australian Dollars were \$26.8m, compared to the prior year's sales of \$26.9m. When adjusted for the unfavourable currency movement, sales increased by 2.7%.

In local currencies, North American sales increased by 3%, Brazilian sales decreased by 4.6%, and European sales increased by 5.4% compared to the previous year. Australian sales, which includes Australian direct export sales, increased by 2.9%.

Operating expenses in Australian Dollars decreased by 5.2% compared to the previous year. However, as approximately 56% 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 decreased by 1.6%.

The Company continues to maintain its new product pipeline and will be launching several new products at the International Dental Show (IDS) held in Cologne Germany in March 2013. The IDS is the largest dental show in the world.

The relocation of the Company's labour intensive packing offshore is progressing but has increased inventory levels by approximately \$3.0m and decreased cash holdings by \$1.8m in the six months period. This initial phase has now been completed and it is expected that inventory levels will substantially decrease in the next six months of the financial year.

The weakening of the Brazilian currency against the Australian Dollar and the relative high cost of silver is continuing to adversely impact SDI's Brazilian subsidiary. The Brazilian market is price sensitive and the economic environment favours local Brazilian competitors. The introduction of cheaper product into the Brazilian market from SDI's offshore packing and the release of new products into the market should start showing positive results in the next six months. The Company is constantly evaluating all aspects of this business to ensure that its sales and marketing strategies are tailored to compete with local manufacturers.

Apart from the BRL the first six months of the financial year has shown relatively stable currency rates and silver prices. If economic conditions remain stable, SDI estimates that it will achieve a net profit after tax for the 12 months ending 30 June 2013 of between \$4.0m to \$5.0m, compared to \$1.97m for the corresponding period last year.

The Board of Directors have decided not to declare an interim dividend due to the increased working capital requirements of the Company.

For further information, please contact:

Gerry Bullon
26 February 2013

INSOR Investor Relations

0418 106 675



INTERIM FINANCIAL REPORT

Directors' report

The Directors of SDI Limited submit herewith the financial report for the half-year ended 31 December 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names of directors who held office during or since the end of the half-year are:

Executive Directors

Jeffery James Cheetham (Managing Director)
Samantha Jane Cheetham

Non-Executive Directors

John Norman Isaac (Chairman)
Steven James Molver
Jeffrey Robert Paterson (Appointed 6/7/2012)
Ian Frank Scholes (Appointed 6/7/2012)

Alternate Directors

Pamela Joy Cheetham (alternate director for Jeffery James Cheetham).
Nicholas Alexander Cheetham (alternate director for Samantha Jane Cheetham).

Directors have been in office since the start of the half year to the date of this report unless otherwise stated.

Review of Operations

Revenue from trading activities of \$26,750 thousand for the Group was 0.6% below that of the previous corresponding period. Profit after income tax of \$2,244 thousand was 614.6% above the previous corresponding period.

Events after the Reporting Period

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

Rounding of Amounts

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

Auditor's Independence Declaration

The lead auditor's independence declaration is included on page 20 of the half-year report.

Signed in accordance with a resolution of the directors made pursuant to section 306(3) of the Corporations Act 2001.

On behalf of the Directors


J. J. Cheetham
Director

Melbourne
26 February 2013



**Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For The Half-Year Ended 31 December 2012**

	Consolidated	
	Half-Year ended 31 December 2012 \$'000	Half-Year ended 31 December 2011 \$'000
Sales revenue	26,750	26,917
Cost of sales	(10,846)	(12,696)
Gross profit	15,904	14,221
Other revenues	31	420
Selling & administration expenses	(11,497)	(12,067)
Research & development expenses	(201)	(270)
Finance costs	(333)	(425)
Other expenses	(850)	(1,270)
Profit before income tax	3,054	609
Income tax expense	(810)	(295)
Profit from continuing operations	2,244	314
Other comprehensive income/(loss)		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences arising on translation of foreign controlled entities	121	290
Other comprehensive income for the period, net of tax	121	290
Total comprehensive income for the period	2,365	604
Earnings per share		
Basic earnings per share (cents per share)	1.9 cents	0.3 cents
Diluted earnings per share (cents per share)	1.9 cents	0.3 cents

Notes to the condensed consolidated financial statements are included on pages 10 to 15.



**Condensed Consolidated Statement of Financial Position
As At 31 December 2012**

	Consolidated	
	31 December	30 June
	2012	2012
	\$'000	\$'000
Current Assets		
Cash and cash equivalents	949	2,715
Trade and other receivables	8,526	8,636
Inventories	17,281	13,633
Current tax assets	434	567
Other current assets	1,806	1,175
Total Current Assets	28,996	26,726
Non-Current Assets		
Property, plant and equipment	16,229	16,197
Intangible assets	18,864	18,550
Deferred tax assets	2,885	3,041
Other non-current assets	75	98
Total Non-Current Assets	38,053	37,886
Total Assets	67,049	64,612
Current Liabilities		
Trade and other payables	4,376	4,027
Short-term borrowings	6,579	5,955
Current tax liabilities	763	980
Short-term provisions	2,582	2,547
Total Current Liabilities	14,300	13,509
Non-Current Liabilities		
Long-term borrowings	4,178	4,727
Deferred tax liabilities	3,884	3,837
Other long-term provisions	138	132
Total Non-Current Liabilities	8,200	8,696
Total Liabilities	22,500	22,205
Net Assets	44,549	42,407
Equity		
Contributed equity	12,890	12,890
Reserves	(535)	(790)
Retained earnings	32,194	30,307
Total Equity	44,549	42,407

Notes to the condensed consolidated financial statements are included on pages 10 to 15.



**Condensed Consolidated Statement Of Changes In Equity
For The Half-Year Ended 31 December 2012**

	Share Capital Ordinary	Retained Earnings	Capital Profits Reserve	Asset Revalua- tion Reserve	Foreign Currency Trans- lation Reserve	Hedge Reserve	Total
Note	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 July 2011	12,890	28,578	363	272	(1,811)	(351)	39,941
Profit for the period	-	314	-	-	-	-	314
Adjustments from translation of foreign controlled entities	-	-	-	-	290	-	290
Total comprehensive income for the period	-	314	-	-	290	-	604
Transfer to profit - realised loss	-	-	-	-	-	60	60
Dividends paid or provided for	-	(238)	-	-	-	-	(238)
Balance as at 31 December 2011	12,890	28,654	363	272	(1,521)	(291)	40,367
Balance at 1 July 2012	12,890	30,307	363	272	(1,291)	(134)	42,407
Profit for the period	-	2,244	-	-	-	-	2,244
Adjustments from translation of foreign controlled entities	-	-	-	-	121	-	121
Total comprehensive income for the period	-	2,244	-	-	121	-	2,365
Transfer to profit - realised loss	-	-	-	-	-	134	134
Dividends paid or provided for	-	(357)	-	-	-	-	(357)
Balance as at 31 December 2012	12,890	32,194	363	272	(1,170)	-	44,549

Notes to the condensed consolidated financial statements are included on pages 10 to 15.



**Condensed Consolidated Statement of Cash Flows
For The Half -Year ended 31 December 2012**

	Consolidated	
	31 December 2012 \$'000	31 December 2011 \$'000
Cash Flows from operating activities		
Receipts from customers	25,788	25,116
Payments to suppliers and employees	(25,096)	(21,205)
Interest received	9	49
Finance costs paid	(333)	(425)
Income tax paid	(129)	(928)
Net cash received from operating activities	239	2,607
Cash Flows from investing activities		
Proceeds from sale of property, plant and equipment	8	8
Purchase of property, plant and equipment	(943)	(1,393)
Purchase of intangible assets	(796)	(608)
Net cash used in investing activities	(1,731)	(1,993)
Cash Flows from financing activities		
Dividends paid by parent entity	(357)	(238)
Proceeds from borrowings	6,944	7,356
Repayments of borrowings	(6,869)	(6,697)
Net cash (used in)/provided by financing activities	(282)	421
Net (decrease)/increase in cash and cash equivalents	(1,774)	1,035
Cash and cash equivalents at beginning of period	2,715	1,033
Effect of exchange rates on cash holdings in foreign currencies	8	(677)
Cash at end of period	949	1,391

Notes to the condensed consolidated financial statements are included on pages 10 to 15.



Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2012

Note 1 Significant accounting policies

Statement of compliance

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain financial instruments. Cost is based on fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the directors' report and the half-year financial report are rounded off to the nearest thousand dollars, unless otherwise indicated.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2012 Annual Report for the financial year ended 30 June 2012, except for the impact of the Standards and interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

New and revised Standards and Interpretations that are first effective in the current reporting period

The Group has adopted all of the new and revised standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.



Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2012 (continued)

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the group include:

- Amendments to AASB 1, 5, 7, 101, 112, 120, 121, 132, 133 and 134 as a consequence of AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income'.

The adoption of all new and revised Standards and interpretations has not resulted in any changes to Group's accounting policies and has no effect on the amounts reported for the current or prior half-years. However, the application of AASB 2011-9 has resulted in changes to the Group's presentation of, or disclosure in, its half-year financial statements.

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



Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2012 (Continued)

	Consolidated	
	31 December 2012 \$'000	31 December 2011 \$'000

Note 2 Profit from Operations

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

Depreciation and amortisation of non-current assets:

Plant & Equipment	(907)	(836)
Intangibles	(471)	(449)
Total Depreciation and Amortisation	(1,378)	(1,285)

Foreign Currency Translation

• Foreign currency translation (losses)/gains – realised	(160)	278
• Foreign currency translation (losses) – unrealised	(244)	(780)
Net Foreign Currency Losses	(404)	(502)

	Consolidated			
	31 December 2012		31 December 2011	
Note 3 Dividends	Cents per share	Total \$'000	Cents per share	Total \$'000
Dividends Paid				
Fully paid ordinary shares				
Final dividend	0.3	357	0.2	238



Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2012 (Continued)

SDI Limited and consolidated entities

Note 4 Segment Information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segment and to assess its performance.

Information reported to the Group's Managing Director for the purpose of resource allocation and assessment of performance is more specifically focused on the performance of subsidiary companies in different markets. The Group's reportable segments under AASB 8 are therefore as follows:

- SDI Australia – SDI Limited
- SDI Europe – SDI Dental Limited (Ireland), SDI Italy S.r.l and Southern Dental Industries GmbH (Germany)
- SDI USA – SDI (North America), Inc
- SDI Brazil – SDI Brasil Industria e Comercio Ltda
- SDI NZ – SDI New Zealand Limited

Information regarding these segments is presented on the next page.

Inter-segment Transfers

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



Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2012 (Continued)

SDI Limited and consolidated entities

Note 4 Segment Information (continued)

The following is an analysis of the Group's revenue, results and assets by reportable operating segment for the periods under review.

	SDI Australia	SDI Europe	SDI USA	SDI Brazil	SDI New Zealand	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2012 Revenue							
External segment revenue	9,455	7,628	7,480	2,145	42		26,750
Inter-segment revenue	8,665	4,142	-	-	-	(12,807)	-
Total segment revenue	18,120	11,770	7,480	2,145	42	(12,807)	26,750
Other unallocated revenue							31
Total revenue							27,781
Result							
Segment result	3,279	1,001	976	(682)	(31)	(1,156)	3,387
Unallocated Corporate Expenses							(333)
Profit before tax							3,054
Income tax expense							(810)
Net profit after income tax							2,244
December 2012 Assets							
Segment assets	59,744	5,246	4,842	4,291	16	(10,409)	63,730
Unallocated assets							3,319
Total assets							67,049



Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2012 (Continued)

SDI Limited and consolidated entities

Note 4 Segment Information (continued)

	SDI Australia	SDI Europe	SDI USA	SDI Brazil	SDI New Zealand	Eliminations	Consolidated
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
2011 Revenue							
External segment revenue	9,192	7,786	7,199	2,688	52		26,917
Inter-segment revenue	11,852	4,735	-	-	-	(16,587)	-
Total segment revenue	21,044	12,521	7,199	2,688	52	(16,587)	26,917
Other unallocated revenue							420
Total revenue							27,337
Result							
Segment result	2,734	382	243	(988)	(16)	(1,321)	1,034
Unallocated Corporate Expenses							(425)
Loss before tax							609
Income tax expense							(295)
Net loss after income tax							314
December 2011 Assets							
Segment assets	58,732	5,790	5,146	5,827	20	(14,996)	60,519
Unallocated assets							3,481
Total assets							64,000



Notes to the Condensed Consolidated Financial Statements for the half-year ended 31 December 2012 (Continued)

	Consolidated	
	31 December 2012 \$'000	31 December 2011 \$'000
Note 5 Contributed Equity		
Fully paid ordinary shares at the beginning of reporting period	12,890	12,890
	-	-
At reporting date	12,890	12,890
	No.	No.
Ordinary shares at the beginning of reporting period	118,865,530	118,865,530
Shares issued during the year	-	-
At reporting date	118,865,530	118,865,530

The Dividend Reinvestment Plan was not offered for the final dividend declared on the 27 August 2012.



Directors' Declaration

The directors declare that:

- (1) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and
- (2) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the Directors

A handwritten signature in blue ink, appearing to read 'J.J. Cheetham'.

J.J. Cheetham
Director

Melbourne: 26 February 2013

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

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 2012, and the condensed consolidated statement of 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 6 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 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 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 the consolidated entity's financial position as at 31 December 2012 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

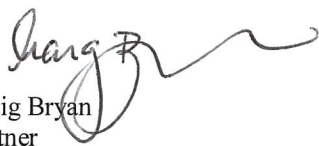
In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of SDI Limited, would be in the same terms if given to the directors 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 2012 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, 26 February 2013

26 February 2013

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 report of SDI Limited for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the *Corporations Act 2001* in relation to the 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