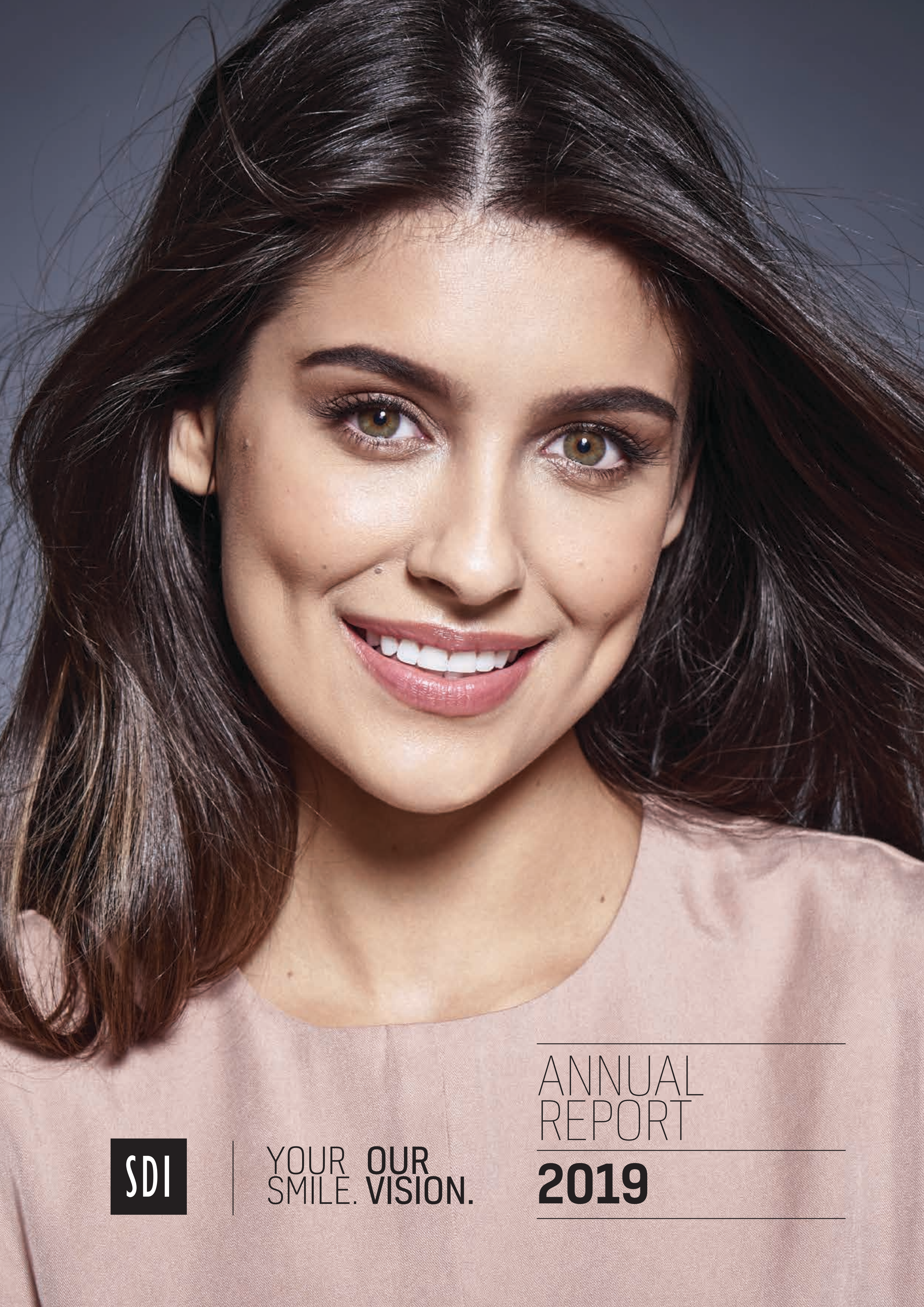


SDI

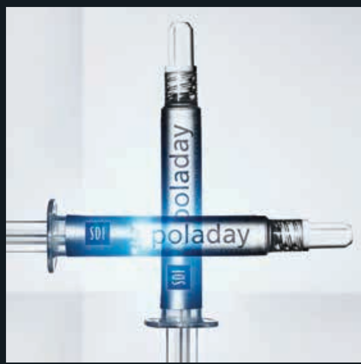
YOUR SMILE. **OUR VISION.**

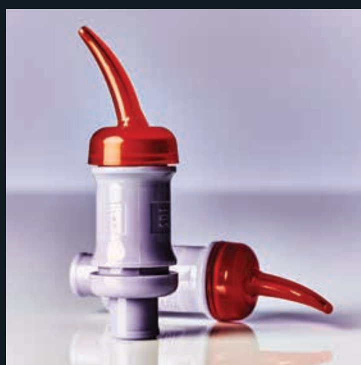
ANNUAL REPORT **2019**

Innovating Dentistry for better health.

Pioneering and driving the science of Dentistry.

SDI's products are a combination of innovation and excellence to provide the ideal restorative materials for the dental profession.





SEPTEMBER 2019

ESTABLISHED 1972

SDI Limited

ABN 27 008 075 581

Annual Report - 30 June 2019

Dear Shareholders,

On behalf of the Board of Directors of SDI Limited ('SDI' or the 'Company'), it is my pleasure to present SDI Limited's Annual Report for the financial year ended 30 June 2019.

As Chairman, I am pleased with the result for the financial year, seeing this as further evidence of the strong fundamentals of SDI. The Company's Aesthetics and Whitening business continue to gain momentum, now representing 70% of total sales. Our past investments in developing these products is now showing solid returns, more than offsetting the continuing decline in Amalgam sales over the past few years. We will continue to invest in these contemporary products, ensuring future returns stay strong.

SDI is an Australian manufacturer exporting around 90% of its products to more than 100 countries. In constant currency terms our business continues to see strong growth in Aesthetics and Whitening products. The Company continues to face challenges such as the change in global product regulatory environment and the ongoing need in any business to innovate and develop new products and services.

The Company generates strong cash flows, has no debt and is well placed to capitalise on future opportunities. Reflective of this the Board of Directors, with its continued confidence in the underlying strength of the business, has increased the ordinary dividends to shareholders by 8.0% as well as paying a 1.0 cent per share special dividend during the financial year.

The Company has a strong and experienced management team driven by its values of passion, accountability, respect, teamwork and innovation which are vital to the future growth of the Company. These values underpin the continuing progress of this great Australian company, which is now positioned to address future challenges and embrace future opportunities.

In closing, I wish to acknowledge the contribution made by my fellow Board of Directors who have served with distinction by advising, encouraging and assisting management. Additionally, I wish to express my appreciation to the managers and all the staff for their tremendous efforts. SDI is a great Australian manufacturing and exporting company, and we are very confident of continued growth in the business and rewards for shareholders.

Thank you for your ongoing support.

Yours sincerely,

Jeffery Cheetham, OAM
Chairman

26 September 2019
Melbourne

The financial year ended 30 June 2019 was a strong year of growth with net profit after tax ('NPAT') and earnings before interest, taxation, depreciation and amortisation ('EBITDA') up 29% and 17% respectively. This result was driven by strong Aesthetics sales growth, gross margin improvement, favourable currency movements and ongoing disciplined expense control.

During the year we invested in sales and marketing and continued to invest in research and development, targeting contemporary dental products. We have made excellent progress on the execution of our strategy and our objective to be recognised globally as a leader in the dental industry with innovative products in tooth Whitening, Glass Ionomer and Composites.

Earlier this calendar year, we were awarded a $3 million Commonwealth Government grant for our amalgam replacement project. This project, being led by SDI, will see collaboration with the University of Sydney, the University of New South Wales and the University of Wollongong and will run for three years.

During the financial year, we began a program of rationalising our product stock keeping units ('SKUs'). This is a significant and important step for the business, with progress on this driving further efficiencies in the business.

We have noticed that the global product regulatory compliance environment is becoming more demanding and expensive. While a short-term challenge for the introduction of our new products, this further entrenches the current significant barriers to entry we enjoy in the markets we operate in, making it difficult for new players to compete.

Every two years the dental industry holds its largest trade show ('IDS') in Germany. In March 2019, we exhibited at the IDS and we showcased our new products to be released and our new company branding. As part of participating in the trade show the team spent time meeting with our long-standing distributors from approximately 100 countries.

In the financial year just completed our sales grew 7%, reflecting strong regional growth in our key Aesthetic and Whitening products assisted with favourable currency movements. Our primary focus is on developing, manufacturing and marketing Aesthetic and Whitening products. Pleasingly our Aesthetic sales grew by 12% in local currencies, significantly ahead of our peer group and the market overall. Amalgam sales, now representing 23% of total sales compared to 43% five years ago, were weaker in the year falling by 10% in local currencies. Our expectation is that Amalgam sales will continue to decline over the coming years.

The Company continues to be in a strong financial position. Cash flow is strong and there is no debt. Fully franked ordinary dividends were up 8% to 2.7 cents, following a 1.0 cent per share special dividend paid at the interim. We continue to invest in product development and high-speed equipment to make our production lines more efficient.

I am very proud of our team. Our Company values of passion, accountability, respect, teamwork and innovation are embedded in our business. Our management is strong and our teams around the world are dedicated, knowledgeable and experienced. Finally, I would like to thank our management team and their staff for their support, hard work and dedication and look forward to another successful year.

Yours sincerely,

Samantha Jane Cheetham
Managing Director

26 September 2019
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 financial year ended 30 June 2019.

Directors

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

Jeffery James Cheetham OAM - 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 year the principal activities of the consolidated entity consisted of the manufacture and distribution of dental restorative materials, whitening systems, other dental materials and product research and development.

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2019 $'000	2018 $'000
Final dividend for the year ended 30 June 2018 of 1.4 cents (2017: 1.3 cents) per ordinary share	1,664	1,545
Interim dividend for the year ended 30 June 2019 of 1.2 cents (2018: 1.1 cents) per ordinary share	1,426	1,308
Special dividend for the year ended 30 June 2019 of 1.0 cents (2018: nil) per ordinary share	1,189	-
	4,279	2,853

On 22 August 2019, the Directors declared a final franked dividend of 1.5 cents per share to be paid on 20 September 2019. This equates to a total estimated distribution of $1,783,000, based on the number of ordinary shares on issue as at 30 June 2019. The financial effect of dividends declared after the reporting date is not reflected in the 30 June 2019 financial statements and will be recognised in subsequent financial reports.

Review of operations

The profit for the consolidated entity after providing for income tax amounted to $7,329,000 (30 June 2018: $5,661,000).

Highlights of the results from operations for the financial year ended 30 June 2019 are provided below:

Net profit after tax increased by 29.46% to $7,329,000 compared to $5,661,000 for the previous year. Profit before tax increased by 28.72% to $10,484,000 compared to $8,145,000 for the previous year.

Earnings per share for the year ended 30 June 2019 increased by 1.41 cents to 6.17 cents compared to 4.76 cents for the same period last year.

Earnings before interest, taxation, depreciation and amortisation ('EBITDA') is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for specific items.

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

	Consolidated	
	2019 $'000	2018 $'000
Profit after tax	7,329	5,661
Add: taxation	3,155	2,484
Add: interest expense	37	163
Less: interest income	(13)	(28)
Add: depreciation and amortisation	3,669	3,868
EBITDA	14,177	12,148

Sales reported in Australian dollars increased by 6.8% to $79,598,000 for the current year compared to $74,535,000 for the corresponding period last year. SDI exports approximately 90% of its products and when adjusted for currency movements, sales increased by 2.5%. This growth was driven by continued strong growth in Aesthetics sales, including Glass Ionomers and Composites, and modest growth in Whitening sales, offset by the ongoing decline in Amalgam sales.

In local currencies, Australian sales including direct exports (excluding inter-company sales) increased by 12.1%. These exports include the price competitive markets of Latin America, Africa, Middle East and Asia where Amalgam represents 18.2% of sales.

SDI North America's sales decreased 1.5% in local currency. Sales were impacted by 11.2% reduction in Amalgam sales which represent 34.4% of this market's total sales.

Sales in SDI Europe decreased by 3.5% in local currency. This result was impacted by 22.1% reduction in Amalgam sales which represent 17.9% of this market's total sales.

Brazilian sales decreased by 3.4% in local currency. Sales were impacted by the de-stocking of a major distributor and 7.5% reduction in Amalgam sales which represents 29.8% of total sales.

Aesthetics sales performed strongly, up 11.6% in local currency, offset by the continuing trend of declining Amalgam sales, down 10.1% in local currency, which represented 22.8% of the consolidated entity's total sales.

Total product margins increased by 1.5% to 62.6%, compared to 61.1% for the corresponding period last year. When adjusted for favourable currency movements, gross margin was in line with the previous corresponding period. This result is reflective of the improved product mix, given strong Australian direct export sales traditionally attract a lower margin.

Total operating expenses in Australian dollars increased by 7.3% when compared to the previous corresponding period. Approximately 48% of SDI's total operating expenses relate to its offshore subsidiaries and after adjusting for currency movements, total operating expenses increased by 5.1%.

SDI invested an additional $1.5 million in sales and marketing during the year. The consolidated entity underwent a strategic corporate rebranding program to promote the 'non-Amalgam' company image. The consolidated entity has invested in additional sales staff predominately in North America to increase the consolidated entity's support to the distributors and promote the non-Amalgam product lines. SDI has also invested additional funds globally in distributor training, key opinion leaders ('KOLs') and promotional material and products to further enhance the non-Amalgam strategy.

SDI participated in the world's largest dental exhibition ('IDS') held biennially in Germany at a total cost $0.3 million. This exhibition is attended by many of SDI's global distributors and dentists and gives the opportunity to launch its new products and showcase its current products on an international platform.

An employee long-term incentive ('LTI') program was implemented in the second half of the year at a total cost of $0.4 million. The program was offered to 38 employees globally and is designed to align employees with share price growth. Further details regarding this program are included in this report and notes to the financial statements.

The consolidated entity's total cash holdings for the 12 months decreased by $1.8 million after reducing debt by $2.2 million, increasing inventories by $2.7 million, increasing investment in plant and equipment by $1.3 million and increasing dividend payments by $1.4 million. Inventories have deliberately been increased to further improve customer service, reduce the cost of air freights and support expected increase in sales of existing and new products. SDI has invested in new machinery for new product lines and continues to upgrade its current equipment in line with its automation strategy.

SDI has a risk management framework ('Framework') that is reviewed annually by the Audit Committee. The risk management process that underlies this Framework sets a process for identifying, assessing, evaluating and monitoring SDI's key risks, primarily achieved via internal six-monthly risk workshops. Material business risks that could have an adverse impact on SDI's future financial prospects include the following:

Sales of Amalgam products	Amalgam sales currently represent approximately 22.8% of total sales and continues to show a decreasing sales trend as markets are moving to Aesthetic products. SDI has existing strategies and controls in place to increase its focus on replacement products, but also to continue to promote its Amalgam products to lower socio-economic markets; and
Foreign exchange risk	SDI exports approximately 90% of its products which are invoiced in various foreign currencies. The foreign currency exchange exposure is partially offset as SDI incurs approximately 54% of its operating expenses in foreign currencies. In addition to this, where possible the consolidated entity purchases raw materials in foreign currencies to further increase its natural hedge. Hedging instruments are considered when net foreign currency cash flows are in surplus.

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

Matters subsequent to the end of the financial year
Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2019 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.

Likely developments and expected results of operations
Information on likely developments in the operations of the consolidated entity and the expected results of operations has been included, where applicable, in the 'Review of operations' section above.

Environmental regulation
The consolidated entity holds licences issued by the Environmental Protection Authority, which specify limits for discharges to the environment arising from the consolidated entity's operations. These licences regulate the management of discharges to the air and stormwater run-off associated with the manufacturing operations as well as the storage of hazardous materials. The Directors are not aware of any breaches of the licence conditions during the year ended 30 June 2019 and up to the date of this report.

Information on Directors

Name:	Jeffery James Cheetham OAM
Title:	Chairman
Experience and expertise:	Founder of SDI Limited.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the SDI Limited Board, member of the Audit Committee and member of the Remuneration Committee.
Interests in shares:	37,905 ordinary shares held directly and 54,470,242 ordinary shares held indirectly.

Name:	Samantha Jane Cheetham
Title:	Managing Director and Chief Executive Officer
Qualifications:	Bachelor of Business (Banking and Finance), Master of Business Administration
Experience and expertise:	Extensive experience in sales and marketing in Australia and overseas.
Other current directorships:	Australian Dental Industry Association ('ADIA') - Board member since January 2016.
Former directorships (last 3 years):	None
Special responsibilities:	Responsible for marketing and sales activities of the consolidated entity.
Interests in shares:	333,565 ordinary shares held directly and 25,708 ordinary shares held indirectly.

Name:	John Joseph Slaviero
Title:	Executive Director, Chief Operating Officer, Chief Financial Officer and Company Secretary
Qualifications:	Bachelor of Business, Certified Practicing Accountant, Fellow of the Association of Taxation and Management Accountants
Experience and expertise:	John has been the Chief Financial Officer and Company Secretary of SDI Limited since 2002 and has extensive finance and accounting experience in both the commercial and professional fields. Much of this experience was gained from working in senior finance and accounting roles in large multinational and medium size manufacturing companies.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Company Secretary
Interests in shares:	2,689 ordinary shares held directly.

Name:	Dr Geoffrey Macdonald Knight
Title:	Non-Executive Director
Qualifications:	Bachelor of Dental Science, Master of Business Administration, Master of Science (London University), Doctor of Philosophy (Adelaide University)
Experience and expertise:	Geoffrey is an experienced and world recognised dental scientist as well as a practicing dentist. He has published numerous technical dentistry papers both locally and internationally and has held senior positions with the Australian Dental Association (Victorian Branch), Australian Society of Periodontology (Victorian Branch), Australian Society of Dental Aesthetics, the Society of Occlusal Studies and other professional groups.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit Committee and member of the Remuneration Committee.
Interests in shares:	165,516 ordinary shares held directly and 1,215,790 ordinary shares held indirectly.

Name:	Gerald Allan Bullon
Title:	Non-Executive Director
Qualifications:	Fellow of the Australian Institute of Company Directors
Experience and expertise:	Gerald has managed his own Investor Relations consultancy firm, Insor Pty Ltd, since 1996. He has been involved with several ASX initial public offerings including Australian Hospital Care Limited, Sigma Pharmaceuticals Limited and Nick Scali Limited. He has also held senior executive roles in a number of public companies.
Other current directorships:	Longevity Group Australia - Non-Executive Director since November 2018
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit Committee and Chairman of the Remuneration Committee.
Interests in shares:	310,000 ordinary shares held indirectly.

Name:	Cameron Neil Allen
Title:	Non-Executive Director
Qualifications:	Master of Taxation (University of Melbourne), Bachelor of Business (Accounting) (Deakin University), Chartered Tax Adviser and Member of The Tax Institute (Australia)
Experience and expertise:	Cameron is currently the Managing Partner of A&A Tax Legal Consulting (formerly WTS Australia), which he established in 2010. Prior to A&A, Cameron was a tax partner at Deloitte Touche Tohmatsu and BDO, as well as holding a senior role at Ernst & Young. He has over 25 years' experience in advising large and small corporate organisations on domestic and international taxation and 'best practice' processes. In addition to his extensive career, Cameron also sits on the global board of FTI Consulting Global Tax Network which coordinates its network activities in over 100 countries.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Audit Committee and member of the Remuneration Committee.
Interests in shares:	10,000 ordinary shares held indirectly.

Name:	Gerard Desmond Kennedy
Title:	Non-Executive Director
Qualifications:	Law Institute of Victoria Accredited Business Law Specialist, Barrister and Solicitor of the Supreme Court of Victoria and the High Court of Australia, Postgraduate Diploma in Commercial Law (Monash University) majoring in International Trade Law and International Banking and Finance Law, Notary Public and a Member of the Victorian Lawyers RPA Ltd
Experience and expertise:	Gerard is a Special Council in the Law firm of Macpherson and Kelley Lawyers and has spent many years in advising clients on matters of mergers and acquisitions, contract, licensing, joint ventures, tenders, corporate governance and compliance, Corporation law and international trade.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit Committee and member of the Remuneration Committee.
Interests in shares:	99,000 ordinary shares held directly.

Name:	Pamela Joy Cheetham
Title:	Alternate Director for Jeffery James Cheetham
Experience and expertise:	Co-founder of SDI Limited
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	None
Interests in shares:	Co-holder of shares shown for Jeffery James Cheetham.

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company Secretary

John Joseph Slaviero is an Executive Director and Company Secretary. Details of John's experience and expertise are detailed in the 'Information on Directors' section above.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2019, and the number of meetings attended by each Director were:

	Full Board		Remuneration Committee		Audit Committee	
	Attended	Held	Attended	Held	Attended	Held
Jeffery James Cheetham	11	11	1	1	2	2
Samantha Jane Cheetham	11	11	-	-	-	-
John Joseph Slaviero	11	11	-	-	-	-
Dr Geoffrey Macdonald Knight	10	11	1	1	2	2
Gerald Allan Bullon	11	11	1	1	2	2
Cameron Neil Allen	11	11	1	1	2	2
Gerard Desmond Kennedy	11	11	1	1	2	2

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

Remuneration report (audited)

The remuneration report, which has been audited, outlines the key management personnel ('KMP') remuneration arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

For the purposes of this report, KMP are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Share-based compensation
- Additional information
- Additional disclosures relating to KMP

Principles used to determine the nature and amount of remuneration
The objective of the consolidated entity's executive reward framework is to ensure reward for performance is market competitive and appropriate for the results delivered. The framework aligns executive reward with the achievement of strategic objectives and the creation of value for shareholders, and it is considered to conform to the market best practice for delivery of reward.

The Board of Directors ('the Board') ensures that executive reward satisfies the following key criteria for good governance practices:
- competitiveness and reasonableness;
- acceptability to shareholders;
- performance linkage / alignment of executive compensation; and
- transparency.

The Remuneration Committee is responsible for determining and reviewing remuneration arrangements for its Directors and executives. The performance of the consolidated entity depends on the quality of its Directors and executives. The remuneration philosophy is to attract, motivate and retain high-performance and high-quality personnel.

The Remuneration Committee has structured an executive remuneration framework based on external remuneration reports that is market competitive and complementary to the reward strategy of the consolidated entity. The reward framework is designed to align executive reward to shareholders' interests. The Board have considered that it should seek to enhance shareholders' interests by:
- having economic profit as a core component of plan design;
- focusing on sustained growth in shareholder wealth, consisting of dividends and growth in share price, and delivering constant or increasing return on assets as well as focusing the executives on key non-financial drivers of value; and
- attracting and retaining high calibre executives.

Additionally, the reward framework should seek to enhance executives' interests by:
- rewarding capability and experience;
- reflecting competitive reward for contribution to growth in shareholder wealth; and
- providing a clear structure for earning rewards.

In accordance with best practice corporate governance, the structure of Non-Executive Directors' and Executive Directors' remuneration are separate.

Non-Executive Directors' remuneration
Fees and payments to Non-Executive Directors reflect the demands which are made on, and the responsibilities of, these Directors. Non-Executive Directors' fees and payments are reviewed annually by the Remuneration Committee. The Remuneration Committee may, from time to time, receive advice from independent remuneration consultants to ensure Non-Executive Directors' fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other Non-Executive Directors based on comparative roles in the external market. Non-Executive Directors do not receive share options or other incentives.

ASX listing rules require the aggregate Non-Executive Directors’ remuneration be determined periodically by a general meeting. The most recent determination was at the Annual General Meeting held on 17 November 2017, where the shareholders approved an aggregate maximum remuneration of $450,000 per annum.

Executive remuneration
The consolidated entity aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components.

The executive remuneration and reward framework has the following components:
- base pay and non-monetary benefits;
- short-term performance incentives;
- long-term performance incentives; and
- other remuneration such as superannuation and long service leave.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits are reviewed annually by the Remuneration Committee based on individual responsibilities, the overall performance of the consolidated entity and comparable market remunerations. Executives may receive their fixed remuneration in the form of cash or other fringe benefits.

Consolidated entity performance and link to remuneration
The short-term incentives ('STI') program is designed to link the achievement of the consolidated entity's operational targets with the remuneration received by the executives responsible with meeting those targets. A summary of the plan is as follow:
- A maximum STI value of 10% of each executive's fixed remuneration is granted depending on the extent to which specific targets set at the beginning of the financial year are met;
- STI payments are made if the executive team achieve 95% or greater of budgeted net profit after tax ('NPAT') for the full year, and the executives meet their individual key performance indicators ('KPIs') for the full year;
- If the executive team exceeds 100% of budgeted NPAT they may receive an extraordinary payment at the discretion of the Board; and
- All STI payments are made in the form of cash.

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

The long-term incentives ('LTI') is designed to align executives and shareholder interests by linking reward with key performance drivers that underpin long-term sustainable growth. A summary of the plan is as follow:
- A maximum yearly LTI value of 20% of each executive's fixed remuneration is granted depending on the extent to which specific targets set at the beginning of the financial year are met;
- Once the eligibility criteria has been met and the incentive has been approved, a three-year restriction period is enforceable before the employee can receive the payment in cash or shares as determined by the Board;
- The payment will be indexed by the weighted average share price over twenty-one days prior to the date of eligibility and the date that the restriction period ends (three years); and
- If an executive leaves the Company for any reason apart from retirement or death, all incentives that fall within the restriction period are forfeited.

In determining the eligibility of the LTI, the following is also considered:
- The overall performance of the Company;
- The executives must have had at least six months employment prior to being eligible; and
- The executives must have achieved their individual objectives and complied with the Company's values of passion, accountability, respect, teamwork and innovation for the year.

Once confirmation is received by the Board and the Audit Committee of the results for the relevant reporting period, any proposed executive STI and LTI payments are referred to the Remuneration Committee for final approval prior to any payments being made.

During the financial year the Company did not engage any remuneration consultants.

Voting and comments made at the Company's 2018 Annual General Meeting ('AGM')
At the 2018 AGM, 88.3% of the eligible votes received supported the adoption of the remuneration report for the year ended 30 June 2018. The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration
Amounts of remuneration

The KMP of the consolidated entity consisted of the Directors of SDI Limited.

Details of the remuneration of the KMP of the consolidated entity are set out in this section:

2019	Short-term benefits			Post-employment benefits	Long-term benefits		Share-based payments	
	Cash salary and fees $	STI bonus** $	Non-monetary $	Super-annuation $	Employee benefits $	LTI bonus*** $	Equity-settled $	Total $
Non-Executive Directors:								
Dr G M Knight	54,795	-	-	5,205	-	-	-	60,000
G A Bullon	63,927	-	-	6,073	-	-	-	70,000
C N Allen	70,000	-	-	-	-	-	-	70,000
G D Kennedy	54,795	-	-	5,205	-	-	-	60,000
J J Cheetham	150,000	-	-	-	-	-	-	150,000
Executive Directors:								
S J Cheetham *	471,311	47,132	-	47,013	7,855	47,132	-	620,443
J J Slaviero *	433,411	43,342	-	43,233	7,223	43,342	-	570,551
	1,298,239	90,474	-	106,729	15,078	90,474	-	1,600,994

* Increase in cash salary is offset by a decrease in short-term non-monetary benefits.
** Includes paid 5% STI and accrued 5% STI for year ended 30 June 2019 which was approved and paid in August 2019.
*** Includes a provision of 10% LTI relating to the year ended 30 June 2019 to be paid at a later date as per the terms and conditions of the LTI plan.

2018	Short-term benefits			Post-employment benefits	Long-term benefits		Share-based payments	
	Cash salary and fees $	STI bonus $	Non-monetary $	Super-annuation $	Employee benefits $	LTI bonus $	Equity-settled $	Total $
Non-Executive Directors:								
Dr G M Knight	54,795	-	-	5,205	-	-	-	60,000
G A Bullon	63,927	-	-	6,073	-	-	-	70,000
C N Allen	70,000	-	-	-	-	-	-	70,000
G D Kennedy	54,795	-	-	5,205	-	-	-	60,000
J J Cheetham	150,000	-	-	-	-	-	-	150,000
Executive Directors:								
S J Cheetham *	436,409	-	34,748	41,459	7,855	-	-	520,471
J J Slaviero *	383,995	-	39,461	36,480	7,223	-	-	467,159
	1,213,921	-	74,209	94,422	15,078	-	-	1,397,630

* Increase in cash salary is offset by a decrease in short-term non-monetary benefits.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2019	2018	2019	2018	2019	2018
Non-Executive Directors:						
Dr G M Knight	100%	100%	-	-	-	-
G A Bullon	100%	100%	-	-	-	-
C N Allen	100%	100%	-	-	-	-
G D Kennedy	100%	100%	-	-	-	-
J J Cheetham	100%	100%	-	-	-	-
Executive Directors:						
S J Cheetham	70%	70%	10%	10%	20%	20%
J J Slaviero	70%	70%	10%	10%	20%	20%

Share-based compensation

Issue of shares
There were no shares issued to Directors and other KMP as part of compensation during the year ended 30 June 2019.

Options
There were no options over ordinary shares issued to Directors and other KMP as part of compensation that were outstanding as at 30 June 2019.

There were no options over ordinary shares granted to or vested by Directors and other KMP as part of compensation during the year ended 30 June 2019.

Additional information
The earnings of the consolidated entity for the five years to 30 June 2019 are summarised below:

	2019 $'000	2018 $'000	2017 $'000	2016 $'000	2015 $'000
Sales revenue and other income	80,499	74,571	74,166	74,335	68,881
Profit before income tax	10,484	8,145	8,191	11,098	8,700
Profit after income tax	7,329	5,661	5,576	7,566	6,200

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2019	2018	2017	2016	2015
Share price at financial year end ($)	0.89	0.50	0.58	0.52	0.50
Total dividends declared (cents per share)	3.70	2.50	2.30	2.00	1.40
Basic earnings per share (cents per share)	6.17	4.76	4.69	6.37	5.22
Diluted earnings per share (cents per share)	6.17	4.76	4.69	6.37	5.22

Additional disclosures relating to KMP

Shareholding
The number of shares in the Company held during the financial year by each Director and other members of KMP of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
J J Cheetham *	54,470,247	-	-	-	54,470,247
S J Cheetham	359,273	-	-	-	359,273
J J Slaviero	2,689	-	-	-	2,689
Dr G M Knight	1,381,306	-	-	-	1,381,306
G A Bullon **	252,716	-	47,284	-	300,000
C N Allen ***	-	-	-	-	-
G D Kennedy ****	40,000	-	42,000	-	82,000
	56,506,231	-	89,284	-	56,595,515

* On 27 August 2019, J J Cheetham purchased 37,900 shares increasing his holding from 54,470,247 shares at 30 June 2019 to 54,508,147 shares.
** On 26 August 2019, G A Bullon purchased 10,000 shares increasing his holding from 300,000 shares at 30 June 2019 to 310,000 shares.
*** On 26 August 2019, C N Allen purchased 10,000 shares.
**** On 26 August 2019, G D Kennedy purchased 17,000 shares increasing his holding from 82,000 shares at 30 June 2019 to 99,000 shares.

Other transactions with KMP and their related parties
Sale of goods to:
- Dr G M Knight ceased being a director of Gemko Pty Ltd on 30 June 2018, hence no sales reported as at 30 June 2019 (30 June 2018: $20,130).

Provision of consulting services by:
- A&A Tax Legal Consulting formerly (WTS Australia Consulting Pty Ltd), a company controlled by Director, C N Allen amounted to $22,273 (30 June 2018: $13,066).
- Dr G M Knight ceased being a director of Gemko Pty Ltd on 30 June 2018, hence no consulting services as at 30 June 2019 (30 June 2018: $463).
- Director, Dr G M Knight amounted to $875 (30 June 2018: $5,739).
- Director, G D Kennedy amounted to $660 (30 June 2018: $200).

Payments for the lease of property owned by Silver Glades Pty Ltd, a company controlled by Director, J J Cheetham amounted to $90,000 (30 June 2018: $90,000).

This concludes the remuneration report, which has been audited.

Shares under option
There were no unissued ordinary shares of SDI Limited under option outstanding at the date of this report.

Shares issued on the exercise of options
There were no ordinary shares of SDI Limited issued on the exercise of options during the year ended 30 June 2019 and up to the date of this report.

Indemnity and insurance of officers
The Company has indemnified the Directors and executives of the Company for costs incurred, in their capacity as a Director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the Directors and executives of the Company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Indemnity and insurance of auditor
The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company
No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services
Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 22 to the financial statements.

The Directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 22 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:
- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Deloitte Touche Tohmatsu
There are no officers of the Company who were former audit partners of Deloitte Touche Tohmatsu. Cameron Neil Allen was a former tax partner of Deloitte Touche Tohmatsu. Refer to 'Information on Directors' for further details.

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

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

Auditor
Deloitte Touche Tohmatsu continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the Directors

Samantha Jane Cheetham
Managing Director

26 September 2019
Melbourne

Deloitte Touche Tohmatsu
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26 September 2019

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

Dear Board Members

Auditor's Independence Declaration to SDI Limited

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

As lead audit partner for the audit of the financial report of SDI Limited for the year ended 30 June 2019, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
(ii) any applicable code of professional conduct in relation to the audit.

Yours faithfully

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Anneke du Toit
Partner
Chartered Accountants

YOUR SMILE. OUR VISION.

	Note	Consolidated 2019 $'000	2018 $'000
Revenue			
Sales revenue	5	79,598	74,535
Cost of goods sold		(29,805)	(28,966)
Gross profit		49,793	45,569
Other income	6	888	8
Interest revenue calculated using the effective interest method		13	28
Expenses			
Selling and administration expenses		(37,883)	(34,231)
Research and development costs		(1,015)	(1,253)
Impairment of receivables	10	(143)	(167)
Other expenses		(1,132)	(1,646)
Finance costs	7	(37)	(163)
Profit before income tax expense		10,484	8,145
Income tax expense	8	(3,155)	(2,484)
Profit after income tax expense for the year attributable to the owners of SDI Limited		7,329	5,661
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translation of foreign controlled entities		481	403
Other comprehensive income for the year, net of tax		481	403
Total comprehensive income for the year attributable to the owners of SDI Limited		7,810	6,064
		Cents	**Cents**
Basic earnings per share	9	6.17	4.76
Diluted earnings per share	9	6.17	4.76

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

SDI Limited
Consolidated statement of financial position
As at 30 June 2019

YOUR SMILE. OUR VISION.

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Assets			
Current assets			
Cash and cash equivalents		6,481	8,246
Trade and other receivables	10	17,780	16,225
Inventories	11	17,242	14,558
Prepayments		1,100	750
Total current assets		42,603	39,779
Non-current assets			
Other receivables	12	713	885
Property, plant and equipment	13	18,680	17,569
Intangibles	14	24,603	23,657
Total non-current assets		43,996	42,111
Total assets		86,599	81,890
Liabilities			
Current liabilities			
Trade and other payables	15	6,249	3,957
Borrowings	16	-	214
Provision for income tax	8	1,386	182
Employee benefits		3,344	3,363
Total current liabilities		10,979	7,716
Non-current liabilities			
Borrowings	17	-	2,000
Deferred tax liability	8	2,363	2,437
Employee benefits		172	183
Total non-current liabilities		2,535	4,620
Total liabilities		13,514	12,336
Net assets		73,085	69,554
Equity			
Issued capital	18	12,890	12,890
Reserves	19	1,647	1,166
Retained profits		58,548	55,498
Total equity		73,085	69,554

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

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2017	12,890	763	52,690	66,343
Profit after income tax expense for the year	-	-	5,661	5,661
Other comprehensive income for the year, net of tax	-	403	-	403
Total comprehensive income for the year	-	403	5,661	6,064
Transactions with owners in their capacity as owners:				
Dividends paid (note 20)	-	-	(2,853)	(2,853)
Balance at 30 June 2018	12,890	1,166	55,498	69,554

Consolidated	Issued capital $'000	Reserves $'000	Retained profits $'000	Total equity $'000
Balance at 1 July 2018	12,890	1,166	55,498	69,554
Profit after income tax expense for the year	-	-	7,329	7,329
Other comprehensive income for the year, net of tax	-	481	-	481
Total comprehensive income for the year	-	481	7,329	7,810
Transactions with owners in their capacity as owners:				
Dividends paid (note 20)	-	-	(4,279)	(4,279)
Balance at 30 June 2019	12,890	1,647	58,548	73,085

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

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Cash flows from operating activities			
Receipts from customers		78,215	74,000
Payments to suppliers and employees		(65,722)	(60,264)
		12,493	13,736
Interest received		13	-
Other revenue		59	36
Interest and other finance costs paid		(37)	(163)
Income taxes paid		(2,025)	(2,319)
Net cash from operating activities	28	10,503	11,290
Cash flows from investing activities			
Payments for property, plant and equipment	13	(3,146)	(1,824)
Payments for intangibles	14	(2,706)	(2,346)
Proceeds from disposal of property, plant and equipment		158	43
Net cash used in investing activities		(5,694)	(4,127)
Cash flows from financing activities			
Proceeds from borrowings		-	78
Dividends paid	20	(4,279)	(2,853)
Repayment of borrowings		(2,214)	(2,001)
Net cash used in financing activities		(6,493)	(4,776)
Net (decrease)/increase in cash and cash equivalents		(1,684)	2,387
Cash and cash equivalents at the beginning of the financial year		8,246	5,754
Effects of exchange rate changes on cash and cash equivalents		(81)	105
Cash and cash equivalents at the end of the financial year		6,481	8,246

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

Note 1. General information

The financial statements cover SDI Limited as a consolidated entity comprising of SDI Limited ('Company' or 'parent entity') and its subsidiaries (collectively referred to as the 'consolidated entity'). The financial statements are presented in Australian dollars, which is SDI Limited's functional and presentation currency.

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

Registered office	Principal place of business
5 - 9 Brunsdon Street Bayswater VIC 3153	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 26 September 2019. The Directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

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

New and amended Accounting Standards and Interpretations adopted

The consolidated entity has adopted all new and amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are relevant to its operations and effective for the current reporting period.

New and amended Accounting Standards or Interpretations that are not yet mandatory and have not been early adopted by the consolidated entity are disclosed in note 30.

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

AASB 9 Financial Instruments

The consolidated entity adopted AASB 9 from 1 July 2018 with the option not to restate comparatives. The standard introduced new classification and measurement models for financial assets. New impairment requirements use a forward looking expected credit loss ('ECL') model to recognise an allowance for impairment.

This new model has resulted in a change to the approach under which the consolidated entity has determined its allowance for ECL, which replaces the previous provision for doubtful debts. For receivables, a simplified approach to measuring ECL using a lifetime expected loss allowance is available. This simplified approach requires the identification of groups within trade receivables with shared credit risk characteristics in order to determine ECL. The consolidated entity has used historical credit loss, adjusted for any other observable data based on groupings of trade receivables by ageing, trade terms and geography.

The allowance for ECL on transition, 1 July 2018, and at the reporting date 30 June 2019 were determined in a manner consistent with this approach. The impact on the amounts reported at 30 June 2019 did not result in any material changes.

The changes in relation to classification and measurement models for financial assets and financial liabilities did not have any impact on existing classifications of financial assets and liabilities, which continue to be classified and measured at amortised cost.

The consolidated entity currently did not have any hedging instruments. Therefore the changes in the hedging requirements in the standard had no effect on the consolidated entity.

Note 2. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers
The consolidated entity adopted AASB 15 from 1 July 2018 using the modified retrospective approach where comparatives have not been restated. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. Credit risk is presented separately as an expense rather than adjusted against revenue.

In previous reporting periods revenue from the sale of goods was recognised on the transfer of risk and rewards of ownership. Under AASB 15, revenue for the sale of goods is recognised at a point-in-time basis when the performance obligation is satisfied, which occurs when control of goods is transferred to the customer. The timing of revenue recognition under AASB 15 is consistent with the previous standard AASB 118 'Revenue' and consequently the adoption of AASB 15 has not resulted in an impact during the current period nor on transition, 1 July 2018.

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.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in note 31.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of SDI Limited as at 30 June 2019 and the results of all subsidiaries for the year then ended.

Subsidiaries are all those entities over which the consolidated entity has control. The consolidated entity controls an entity when the consolidated entity is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the consolidated entity are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the consolidated entity loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The consolidated entity recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Foreign currency translation
The financial statements are presented in Australian dollars, which is SDI Limited's functional and presentation currency. The functional currencies of foreign operations are the currencies where they operate, being Euro, United States dollar, Brazilian real, Pound Sterling and New Zealand dollar.

Note 2. Significant accounting policies (continued)

Foreign currency transactions
Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sales revenue
Sales revenue is recognised at the point of sale when the customer obtains control of the goods, which is generally at the time of delivery, and there is a valid sales contract. Amounts disclosed as revenue are net of sales returns and trade discounts.

Research and development expense
Expenditure during the research phase of a project is expensed to profit or loss when incurred. Expenditure incurred in the development phase of a project is capitalised as an intangible asset when the criteria for capitalisation has been satisfied (refer to accounting policy for intangible assets). Development costs are expensed to profit or loss when it cannot be demonstrated that it is probable that the expenditure results in the control of future economic benefits.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is current when it is expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading if it is expected to be realised within 12 months after the reporting period or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

Note 2. Significant accounting policies (continued)

A liability is current when it is expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Impairment of non-financial assets
Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date is measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
The liability for annual leave, long service leave and other long term employee benefits not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows

Note 2. Significant accounting policies (continued)

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Rounding of amounts

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

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or related dentistry techniques. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated, whereas technically obsolete or non-strategic assets that have been abandoned or sold are impaired or written down.

Impairment of finite life non-financial assets
The consolidated entity assesses impairment of finite life non-financial assets at each reporting date by evaluating conditions specific to the consolidated entity and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Capitalisation of development costs
Expenditure incurred on the development phase of the consolidated entity's research projects are capitalised as intangible assets when the recognition criteria detailed in the accounting policy for intangible assets has been met. Significant judgement is involved in assessing whether the carrying value of such assets can be recovered through subsequent commercialisation and involves consideration as to the ability to patent or trademark the intellectual property and successfully market related products in a competitive market. The carrying values of such assets are continually reviewed for indicators of impairment which also requires judgement.

Note 4. Operating segments

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

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

Note 4. Operating segments (continued)

Reportable segments
The consolidated entity's reportable segments are as follows:

Australia:	SDI Limited
Europe:	SDI Germany GmbH (Germany) and SDI Dental Innovations Limited (United Kingdom).
USA:	SDI (North America), Inc.
Brazil:	SDI Brasil Industria e Comercio Ltda

Intersegment transactions
The segment revenues, expenses and results 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.

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 sells products. No single customer represents 10% or more of the consolidated entity's revenue.

Operating segment information

Consolidated - 2019	Australia $'000	Europe $'000	USA $'000	Brazil $'000	Other segments $'000	Total $'000
Revenue						
Sales to external customers	30,514	24,737	19,195	5,065	87	79,598
Intersegment sales	25,695	4,156	-	-	-	29,851
Total sales revenue	56,209	28,893	19,195	5,065	87	109,449
Total segment revenue	56,209	28,893	19,195	5,065	87	109,449
Intersegment eliminations						(29,851)
Total revenue						79,598
Segment results before tax	14,030	906	660	282	62	15,940
Intersegment eliminations	(1,763)	-	-	-	-	(1,763)
Depreciation and amortisation	(3,456)	(36)	(83)	(88)	(6)	(3,669)
Interest revenue	2	-	2	-	9	13
Finance costs	(33)	-	(3)	(1)	-	(37)
Profit before income tax expense	8,780	870	576	193	65	10,484
Income tax expense						(3,155)
Profit after income tax expense						7,329
Assets						
Segment assets	82,004	14,355	8,876	5,496	41	110,772
Intersegment eliminations						(24,173)
Total assets						86,599
Liabilities						
Segment liabilities	12,008	11,427	2,075	5,640	499	31,649
Intersegment eliminations						(18,135)
Total liabilities						13,514

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Note 4. Operating segments (continued)

Consolidated - 2018	Australia $'000	Europe $'000	USA $'000	Brazil $'000	Other segments $'000	Total $'000
Revenue						
Sales to external customers	26,067	24,750	17,980	5,637	101	74,535
Intersegment sales	21,386	-	-	47	-	21,433
Total sales revenue	47,453	24,750	17,980	5,684	101	95,968
Total segment revenue	47,453	24,750	17,980	5,684	101	95,968
Intersegment eliminations						(21,433)
Total revenue						74,535
Segment results before tax	10,510	806	598	(289)	33	11,658
Intersegment eliminations	490	-	-	-	-	490
Depreciation and amortisation	(3,636)	(64)	(59)	(101)	(8)	(3,868)
Interest revenue	1	-	-	27	-	28
Finance costs	(160)	-	-	(3)	-	(163)
Profit/(loss) before income tax expense	7,205	742	539	(366)	25	8,145
Income tax expense						(2,484)
Profit after income tax expense						5,661
Assets						
Segment assets	78,160	7,657	7,608	6,469	84	99,978
Intersegment eliminations						(18,088)
Total assets						81,890
Liabilities						
Segment liabilities	11,214	5,403	1,539	6,800	580	25,536
Intersegment eliminations						(13,200)
Total liabilities						12,336

Note 5. Sales revenue

	Consolidated 2019 $'000	Consolidated 2018 $'000
Sales revenue	79,598	74,535

	Consolidated 2019 $'000
Timing of revenue recognition	
Goods transferred at a point in time	79,598

AASB 15 was adopted using the modified retrospective approach and as such comparatives have not been provided for disaggregation of revenue. There has been no impact on the prior year reported revenues.

Refer to note 4 for disaggregation of revenue from contracts with customers based on geographical regions.

Note 6. Other income

	Consolidated 2019 $'000	Consolidated 2018 $'000
Net foreign exchange gain	798	-
Net gain on disposal of property, plant and equipment	31	-
Other income	59	8
Other income	888	8

Note 7. Expenses

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Land and buildings	126	117
Plant and equipment	1,783	2,203
Total depreciation	1,909	2,320
Amortisation		
Product development costs	1,239	973
Intellectual property	521	575
Total amortisation	1,760	1,548
Total depreciation and amortisation	3,669	3,868
Employee benefit expense		
Employee costs other than superannuation expense	28,942	26,341
Superannuation expenses	1,444	1,335
Total employee benefit expense	30,386	27,676
Finance costs		
Interest and finance charges paid/payable	37	163
Net loss on disposal		
Net loss on disposal of property, plant and equipment	-	13
Rental expense relating to operating leases		
Minimum lease payments	760	742
Other		
Foreign exchange losses - realised	-	55
Foreign exchange losses - unrealised	-	252
Impairment of receivables (2018: Bad and doubtful debts)	143	167
	143	474

Accounting policy for finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Note 8. Income tax

	Consolidated 2019 $'000	Consolidated 2018 $'000
Income tax expense		
Current tax	2,959	2,166
Deferred tax - origination and reversal of temporary differences	(74)	231
Adjustment recognised for prior periods	270	87
Aggregate income tax expense	3,155	2,484
Deferred tax included in income tax expense comprises:		
Increase/(decrease) in deferred tax liabilities	(74)	231
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	10,484	8,145
Tax at the statutory tax rate of 30%	3,145	2,444
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Research and development concession	(244)	(229)
Other deductible / non-deductible items	20	18
	2,921	2,233
Adjustment recognised for prior periods	270	87
Difference in overseas tax rates	(36)	164
Income tax expense	3,155	2,484

	Consolidated 2019 $'000	Consolidated 2018 $'000
Deferred tax liability		
Net deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss for (deferred tax asset)/deferred tax liability		
Property, plant and equipment	(1,001)	(911)
Intangible assets	5,418	5,254
Accrued expenses	(1,214)	(1,180)
Elimination of profit held in stock sold to subsidiaries	(949)	(457)
Other	109	(269)
Deferred tax liability	2,363	2,437
Movements:		
Opening balance	2,437	2,206
Charged/(credited) to profit or loss	(74)	231
Closing balance	2,363	2,437

Note 8. Income tax (continued)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Provision for income tax		
Provision for income tax	1,386	182

Accounting policy for income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Note 9. Earnings per share

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit after income tax attributable to the owners of SDI Limited	7,329	5,661
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	118,865,530	118,865,530
Weighted average number of ordinary shares used in calculating diluted earnings per share	118,865,530	118,865,530
	Cents	**Cents**
Basic earnings per share	6.17	4.76
Diluted earnings per share	6.17	4.76

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of SDI Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 10. Current assets - trade and other receivables

	Consolidated 2019 $'000	Consolidated 2018 $'000
Trade receivables	17,085	15,322
Less: Allowance for expected credit losses (2018: Provision for impairment of receivables)	(394)	(274)
	16,691	15,048
Other receivables	1,089	1,177
	17,780	16,225

Allowance for expected credit losses
The consolidated entity has recognised a loss of $143,000 (2018: $167,000) in profit or loss in respect of the expected credit losses for the year ended 30 June 2019.

Consolidated	Expected credit loss rate 2019 %	Carrying amount 2019 $'000	Allowance for expected credit losses 2019 $'000
Not overdue	0.19%	13,521	26
1 to 4 months overdue	0.19%	2,289	4
Over 4 months overdue	28.53%	1,275	364
		17,085	394

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 - 90 days from invoice date.

The consolidated entity has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 11. Current assets - inventories

	Consolidated 2019 $'000	Consolidated 2018 $'000
Raw materials - at cost	8,598	7,462
Finished goods - at cost	8,887	7,310
Less: Provision for inventory obsolescence	(243)	(214)
	17,242	14,558

Accounting policy for inventories
Inventories are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises direct materials and delivery costs, direct labour, import duties and other taxes, an appropriate proportion of variable and fixed overhead expenditure based on normal operating capacity, and, where applicable, transfers from cash flow hedging reserves in equity. Costs of purchased inventory are determined after deducting rebates and discounts received or receivable.

Note 11. Current assets - inventories (continued)

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Note 12. Non-current assets - other receivables

	Consolidated 2019 $'000	Consolidated 2018 $'000
Trade and other receivables	713	885

Note 13. Non-current assets - property, plant and equipment

	Consolidated 2019 $'000	Consolidated 2018 $'000
Land and buildings - at cost	10,781	10,410
Less: Accumulated depreciation	(1,684)	(1,558)
	9,097	8,852
Plant and equipment - at cost	34,591	32,303
Less: Accumulated depreciation	(25,008)	(23,586)
	9,583	8,717
	18,680	17,569

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Land and buildings $'000	Plant and equipment $'000	Total $'000
Balance at 1 July 2017	8,716	9,405	18,121
Additions	253	1,571	1,824
Disposals	-	(56)	(56)
Depreciation expense	(117)	(2,203)	(2,320)
Balance at 30 June 2018	8,852	8,717	17,569
Additions	371	2,775	3,146
Disposals	-	(126)	(126)
Depreciation expense	(126)	(1,783)	(1,909)
Balance at 30 June 2019	9,097	9,583	18,680

Property, plant and equipment secured under finance leases
Also refer to note 17 for property, plant and equipment used as security for borrowings.

Accounting policy for property, plant and equipment
Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Note 13. Non-current assets - property, plant and equipment (continued)

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Buildings	50 years
Plant and equipment	2.5 - 10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements and plant and equipment under lease are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 14. Non-current assets - intangibles

	Consolidated	
	2019 $'000	2018 $'000
Product development costs - at cost	25,517	24,957
Less: Accumulated amortisation	(10,757)	(9,461)
	14,760	15,496
Intellectual property - at cost	7,634	7,363
Less: Accumulated amortisation	(4,558)	(4,040)
	3,076	3,323
Development work in progress - at cost	6,767	4,838
	24,603	23,657

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Product development costs $'000	Intellectual property $'000	Development work in progress $'000	Total $'000
Balance at 1 July 2017	15,265	3,430	4,164	22,859
Additions	1,204	468	674	2,346
Amortisation expense	(973)	(575)	-	(1,548)
Balance at 30 June 2018	15,496	3,323	4,838	23,657
Additions	503	274	1,929	2,706
Amortisation expense	(1,239)	(521)	-	(1,760)
Balance at 30 June 2019	14,760	3,076	6,767	24,603

Impairment testing was undertaken on the consolidated entity's capitalised project development costs and intellectual property.

Note 14. Non-current assets - intangibles (continued)

The recoverable amount of each cash-generating unit by product group to which such assets are allocated is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a five year period plus the terminal value. The cash flows are discounted using a pre-tax discount rate of 13.8% (2018: 15.4%) and are adjusted to incorporate risks associated with a particular cash generating unit.

These budgets use historical weighted average growth rates and average exchange rates and silver costs for the previous 12 months to project future revenue. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates over the period.

Based on the value-in-use calculations the recoverable amount exceeded the carrying amounts of the cash generating units and therefore no impairment charge was required.

Any reasonable change in the key assumptions on which the value-in-use calculations are based would not cause the carrying value to exceed the recoverable amount.

Accounting policy for intangible assets
Intangible assets acquired are initially recognised at cost. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period. Amortisation commences when the asset is available for use in the manner intended by management.

Product development costs
Development costs are capitalised when it is probable that the project will be a success, considering its commercial and technical feasibility, the consolidated entity will be able to use or sell the asset, the consolidated entity has sufficient resources and intent to complete the development and its costs can be measured reliably. The majority of additions to development work in progress are developed internally. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit being their finite useful lives of between 10 and 30 years. The useful life is determined based on past experience and an assessment of the projected life cycle of the product. Amortisation commences when the asset is available for use, ie. when it is in the location and condition necessary for it to be capable of operating in a manner intended by management.

Intellectual property
Intellectual property consists of patents, trademarks, licences and other technical know-how which has a benefit to the consolidated entity of greater than one year. Intellectual property is recognised at cost of acquisition. Intellectual property with a finite life is carried at cost less any accumulated amortisation and any impairment losses. It is amortised over its useful life of up to 10 years.

Note 15. Current liabilities - trade and other payables

	Consolidated	
	2019 $'000	2018 $'000
Trade payables	3,253	2,939
Other payables and accrued expenses	2,996	1,018
	6,249	3,957

Refer to note 21 for further information on financial instruments.

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The average credit period on the purchases of goods and services ranges from 7 to 60 days. No interest is charged on trade payables and the amounts are unsecured.

Note 16. Current liabilities - borrowings

	Consolidated 2019 $'000	Consolidated 2018 $'000
Bank loans	-	214

Refer to note 21 for further information on financial instruments.

Note 17. Non-current liabilities - borrowings

	Consolidated 2019 $'000	Consolidated 2018 $'000
Bank loans	-	2,000

Refer to note 21 for further information on financial instruments.

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Bank loans	-	2,214

Assets pledged as security
The bank loans were secured by a registered first mortgage debenture over the assets of the parent entity, a registered first mortgage over its freehold properties and a cross guarantee between the companies subsidiaries The consolidated entity has a loan facility of $10,000,000 and an export line facility of $450,000. The facilities allow for both fixed and variable rate loans. The loan period does not exceed 5 years. Finance is provided under all facilities, which are reviewed annually, provided the parent entity is within the terms and conditions of the Agreement.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Freehold land and buildings	9,097	8,852
Other assets	42,130	36,039
	51,227	44,891

Note 17. Non-current liabilities - borrowings (continued)

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2019 $'000	2018 $'000
Total facilities		
Bank loans	10,450	10,450
Used at the reporting date		
Bank loans	-	2,214
Unused at the reporting date		
Bank loans	10,450	8,236

Accounting policy for borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 18. Equity - issued capital

	Consolidated			
	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Ordinary shares - fully paid	118,865,530	118,865,530	12,890	12,890

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short-term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The consolidated entity is subject to certain financing arrangements covenants and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

Note 18. Equity - issued capital (continued)

The capital risk management policy has not changed from the 2018 Annual Report.

Accounting policy for issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 19. Equity - reserves

	Consolidated	
	2019 $'000	2018 $'000
Foreign currency reserve	1,284	803
Capital profits reserve	363	363
	1,647	1,166

Foreign currency reserve
The reserve is used to recognise exchange differences arising from translation of the financial statements of foreign operations to Australian dollars. It is also used to recognise gains and losses on hedges of the net investments in foreign operations.

Capital profits reserve
The reserve is used to recognise non-taxable capital profits arising from the disposal of investments.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Foreign currency $'000	Capital profits $'000	Total $'000
Balance at 1 July 2017	400	363	763
Foreign currency translation	403	-	403
Balance at 30 June 2018	803	363	1,166
Foreign currency translation	481	-	481
Balance at 30 June 2019	1,284	363	1,647

Note 20. Equity - dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated	
	2019 $'000	2018 $'000
Final dividend for the year ended 30 June 2018 of 1.4 cents (2017: 1.3 cents) per ordinary share	1,664	1,545
Interim dividend for the year ended 30 June 2019 of 1.2 cents (2018: 1.1 cents) per ordinary share	1,426	1,308
Special dividend for the year ended 30 June 2019 of 1.0 cents (2018: nil) per ordinary share	1,189	-
	4,279	2,853

On 22 August 2019, the Directors declared a final franked dividend of 1.5 cents per share to be paid on 20 September 2019. This equates to a total estimated distribution of $1,783,000, based on the number of ordinary shares on issue as at 30 June 2019. The financial effect of dividends declared after the reporting date is not reflected in the 30 June 2019 financial statements and will be recognised in subsequent financial reports.

Total dividends for the 2019 financial year which included 1.0 cent special dividend increased by 48.0% to 3.7 cents compared to 2.5 cents in the previous year. The Directors decided that the Company's Dividend Reinvestment Plan ('DRP') will not be offered to Shareholders for this dividend payment.

Franking credits

	Consolidated	
	2019 $'000	2018 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	9,170	9,039

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 21. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and if deemed appropriate at the time may hedge financial risks within the consolidated entity's operating units. Finance reports to the Board on a regular basis.

Market risk

Foreign currency risk
The consolidated entity invoices international customers in various currencies and is therefore exposed to foreign currency risk through foreign exchange rate fluctuations. Where considered appropriate, hedging against currency movements is undertaken to protect margins using forward foreign exchange contracts.

Note 21. Financial instruments (continued)

It is the consolidated entity's policy that net foreign exchange exposure, be hedged where deemed appropriate. At the reporting date, there were no unexpired foreign currency hedge contracts as at 30 June 2019. (2018: none).

The following table shows the foreign currency risk on the financial assets and liabilities of the consolidated entity's operations denominated in currencies other than the functional currency of the operations.

Consolidated	Assets 2019 $'000	Assets 2018 $'000	Liabilities 2019 $'000	Liabilities 2018 $'000
US dollars	5,590	5,169	920	587
Euros	4,273	4,525	844	1,073
Pound Sterling	1,886	-	820	-
Brazilian Real	3,703	3,861	181	156
Other	23	39	9	4
	15,475	13,594	2,774	1,820

Sensitivity analysis
The following table illustrates sensitivities to the consolidated entity's exposure to changes in exchange rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variables that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

Consolidated - 2019	AUD strengthened % change	AUD strengthened Effect on profit before tax $'000	AUD strengthened Effect on equity $'000	AUD weakened % change	AUD weakened Effect on profit before tax $'000	AUD weakened Effect on equity $'000
US dollars	10%	425	298	10%	(425)	(298)
Euros	10%	312	218	10%	(312)	(218)
Pound Sterling	10%	97	68	-	(97)	(68)
Brazilian Real	10%	320	224	10%	(320)	(224)
Other	10%	1	1	10%	(1)	(1)
		1,155	809		(1,155)	(809)

Consolidated - 2018	AUD strengthened % change	AUD strengthened Effect on profit before tax $'000	AUD strengthened Effect on equity $'000	AUD weakened % change	AUD weakened Effect on profit before tax $'000	AUD weakened Effect on equity $'000
US dollars	10%	550	385	10%	(550)	(385)
Euros	10%	484	339	10%	(484)	(339)
Brazilian Real	10%	119	83	10%	(119)	(83)
Other	10%	3	2	10%	(3)	(2)
		1,156	809		(1,156)	(809)

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

Note 21. Financial instruments (continued)

Price risk
The consolidated entity is exposed to commodity price risk due to the use of Silver in its Amalgam products. The consolidated entity has no hedges in place at the reporting date due to the requirement for silver reducing, making the benefit of hedging silver uneconomical.

Interest rate risk
The consolidated entity's main interest rate risk arises from borrowings. Borrowings issued at variable rates expose the consolidated entity to interest rate risk. Borrowings issued at fixed rates expose the consolidated entity to fair value interest rate risk.

As at the reporting date, the consolidated entity had the following variable rate borrowings outstanding:

	2019		2018	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Bank loans	-	-	4.24%	2,214
Net exposure to cash flow interest rate risk		-		2,214

Sensitivity analysis
The following table illustrates sensitivities to the consolidated entity's exposure to changes in interest rates. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variables that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Basis points increase			Basis points decrease		
Consolidated - 2019	Basis points change	Effect on profit before tax $'000	Effect on equity $'000	Basis points change	Effect on profit before tax $'000	Effect on equity $'000
Bank loans	-	-	-	-	-	-

	Basis points increase			Basis points decrease		
Consolidated - 2018	Basis points change	Effect on profit before tax $'000	Effect on equity $'000	Basis points change	Effect on profit before tax $'000	Effect on equity $'000
Bank loans	50	(11)	(8)	(50)	11	8

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

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

Note 21. Financial instruments (continued)

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated 2019 $'000	Consolidated 2018 $'000
Bank loans	10,450	8,236

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2019	Weighted average interest rate %	Less than 1 month $'000	Between 1 and 3 months $'000	Between 3 months to 1 year $'000	Between 1 to 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	2,457	222	574	-	3,253
Other payables (excluding statutory payables)	-	2,454	-	-	-	2,454
Total non-derivatives		4,911	222	574	-	5,707

Consolidated - 2018	Weighted average interest rate %	Less than 1 month $'000	Between 1 and 3 months $'000	Between 3 months to 1 year $'000	Between 1 to 5 years $'000	Remaining contractual maturities $'000
Non-derivatives						
Non-interest bearing						
Trade payables	-	2,318	7	614	-	2,939
Other payables (excluding statutory payables)	-	1,018	-	-	-	1,018
Interest-bearing - variable						
Bank loans	4.24%	-	214	-	2,000	2,214
Total non-derivatives		3,336	221	614	2,000	6,171

Note 21. Financial instruments (continued)

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

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

Note 22. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Deloitte Touche Tohmatsu, the auditor of the Company, and unrelated firms:

	Consolidated	
	2019 $	2018 $
Audit services - Deloitte Touche Tohmatsu		
Audit or review of the financial statements	239,500	218,700
Other services - Deloitte Touche Tohmatsu		
Taxation services	26,500	59,250
	266,000	277,950
Audit services of subsidiaries - unrelated firms		
Audit or review of the financial statements	52,436	30,486

Remuneration of auditors for unrelated firms relate to the audit of subsidiaries by:
- Crowe Horwath LLP. (USA)
- Fickus & Fickus, (Germany)
- Lewis Brownlee (UK)

Note 23. Contingent liabilities

The consolidated entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Note 24. Commitments

	Consolidated	
	2019 $'000	2018 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	689	465
One to five years	638	836
	1,327	1,301

Operating lease commitments includes contracted amounts for various warehouses, offices and motor vehicles under non-cancellable operating leases expiring within one to five years with, in some cases, options to extend. On renewal, the terms of the leases are renegotiated.

Note 25. Related party transactions

Parent entity
SDI Limited is the parent entity.

Note 25. Related party transactions (continued)

Subsidiaries
Interests in subsidiaries are set out in note 27.

Key management personnel
Disclosures relating to key management personnel are set out in note 26 and the remuneration report included in the Directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated 2019 $	Consolidated 2018 $
Sale of goods and services:		
Sale of goods to Gemko Pty Ltd, a company controlled by Director, Dr. Geoffrey Macdonald Knight until 30 June 2018.	-	20,130
Payment for goods and services:		
Provision of consulting services by A&A Tax Legal Consulting formerly (WTS Australia Consulting Pty Ltd), a company controlled by Director, Cameron Neil Allen.	22,273	13,066
Provision of consulting services by Gemko Pty Ltd, a company controlled by Director, Dr. Geoffrey Macdonald Knight until 30 June 2018.	-	463
Provision of consulting services by Director, Dr. Geoffrey Macdonald Knight.	875	5,739
Provision of consulting services by Director, Gerard Desmond Kennedy.	660	200
Payment for other expenses:		
Payments for the lease of property to Silver Glades Pty. Ltd, a company controlled by Director Jeffery James Cheetham.	90,000	90,000

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated 2019 $	Consolidated 2018 $
Current receivables:		
Dr G M Knight. ceased control as a director of Gemko Pty Ltd as at 30 June 2018.	-	-
Current payables:		
Dr G M Knight. ceased control as a director of Gemko Pty Ltd as at 30 June 2018.	-	322

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 26. Key management personnel disclosures

Compensation
The aggregate compensation made to Directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated 2019 $	Consolidated 2018 $
Short-term employee benefits	1,388,713	1,288,130
Post-employment benefits	106,729	94,422
Long-term benefits	105,552	15,078
	1,600,994	1,397,630

Note 27. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
SDI (North America), Inc.	United States of America	100%	100%
SDI Holdings Pty Ltd	Australia	100%	100%
SDI Germany GmbH	Germany	100%	100%
SDI Brasil Industria e Comercio Ltda	Brazil	100%	100%
SDI New Zealand Limited	New Zealand	100%	100%

Note 28. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit after income tax expense for the year	7,329	5,661
Adjustments for:		
Depreciation and amortisation	3,669	3,868
Net loss/(gain) on disposal of non-current assets	(31)	13
Other revenue - non-cash	(798)	-
Foreign currency differences	562	298
Change in operating assets and liabilities:		
Increase in trade and other receivables	(1,383)	(535)
Decrease/(increase) in inventories	(2,684)	2,577
Decrease/(increase) in prepayments	(350)	68
Increase in other operating assets	(370)	-
Increase/(decrease) in trade and other payables	3,459	(594)
Decrease in derivative liabilities	-	(62)
Increase/(decrease) in provision for income tax	1,204	(66)
Increase/(decrease) in deferred tax liabilities	(74)	231
Decrease in employee benefits	(30)	(169)
Net cash from operating activities	10,503	11,290

Note 29. Changes in liabilities arising from financing activities

Consolidated	Bank loans $'000
Balance at 1 July 2017	4,137
Net cash from financing activities	78
Repayment of bank loans	(2,001)
Balance at 30 June 2018	2,214
Repayment of bank loans	(2,214)
Balance at 30 June 2019	-

Note 30. 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 2019. 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 16 Leases (effective 1 January 2019)
AASB 16 introduces a comprehensive model for the identification of lease arrangements and guidance for the associated accounting treatment, replacing the existing AASB 117 'Leases', Interpretation 4 'Determining whether an Arrangement contains a Lease' and Interpretation 127 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'.

Subject to exceptions, a lease liability and 'right-of-use' asset shall be recognised in the statement of financial position. The lease liability will initially be measured at the present value of the unavoidable future lease payments to be made over the lease term and subsequently adjusted for lease payments made and reflecting modifications to the lease. The right-of-use asset corresponding to the capitalised lease liability will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs and subsequently measured at cost less accumulated depreciation and impairment losses, adjusted for any re-measurements in the lease liability.

The consolidated entity has made progress in its assessment of the impact of adoption of AASB 16 by identifying all leases that it expects to be subject to the new standard and collated all data associated with the leases. However, at present it is not practical to provide a reliable estimate of the financial impact of the adoption of this standard. Final determination of the impact of the adoption of AASB 16 is subject to the resolution of the following key matters:
- finalisation of choice of transition method;
- finalisation of discount rates to be applied; and
- consideration of the impact of practical expedients.

IASB revised Conceptual Framework for Financial Reporting
A revised Conceptual Framework for Financial Reporting has been issued by the AASB and is applicable for annual reporting periods beginning on or after 1 January 2020. This release impacts for-profit private sector entities that have public accountability that are required by legislation to comply with Australian Accounting Standards and other for-profit entities that voluntarily elect to apply the Conceptual Framework. Phase 2 of the framework is yet to be released which will impact for-profit private sector entities. The application of new definition and recognition criteria as well as new guidance on measurement will result in amendments to several accounting standards. The issue of AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework, also applicable from 1 January 2020, includes such amendments. Where the consolidated entity has relied on the conceptual framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards, the consolidated entity may need to revisit such policies.

Note 31. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent 2019 $'000	Parent 2018 $'000
Profit after income tax	7,335	4,825
Other comprehensive income for the year, net of tax	-	-
Total comprehensive income	7,335	4,825

Statement of financial position

	Parent 2019 $'000	Parent 2018 $'000
Total current assets	35,553	33,828
Total non-current assets	46,451	44,330
Total assets	82,004	78,158
Total current liabilities	8,521	6,138
Total non-current liabilities	3,484	5,077
Total liabilities	12,005	11,215
Net assets	69,999	66,943
Equity		
Issued capital	12,890	12,890
Capital profits reserve	363	363
Retained profits	56,746	53,690
Total equity	69,999	66,943

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2019 and 30 June 2018.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments - Property, plant and equipment
The parent entity had no material capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 32. Events after the reporting period

Apart from the dividend declared as disclosed in note 20, no other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2019 and of its performance for the financial 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.

The Directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of Directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the Directors

Samantha Jane Cheetham
Managing Director

26 September 2019
Melbourne

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Independent Auditor's Report to the members of SDI Limited

Opinion

We have audited the financial report of SDI Limited (the "Company") and its subsidiaries (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report for the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	
Capitalisation of Development Costs As at 30 June 2019 the Group has capitalised development costs of $2.4M as disclosed in Note 14. Judgment is required by management in determining if the internal labour and external supplier costs incurred are directly attributable to develop the existing product development projects and the appropriateness of these costs to be capitalised.	Our procedures included, but were not limited to: • Holding discussions with the department heads involved in product development to understand the basis and rationale for capitalising internal labour and external supplier costs, • Assessing the status of the current ongoing projects and understanding the nature of the internal labour and external supplier costs capitalised during the period to ensure they are in accordance with the criteria for capitalisation under the relevant accounting standards, • Obtaining an understanding of the status of the projects in progress that have not incurred any development costs during the year and testing these projects for impairment, • Testing on a sample basis, capitalised costs by reviewing the supplier invoice, project budgets and/or employee timesheets, and • Challenging management's key assumptions in the internal labour cost capitalisation calculation. We also assessed the appropriateness of the disclosure in Note 14 to the financial statements.
Amortisation of Intangible Assets SDI has two major categories of finite life intangible assets being capitalised product development costs of $14.8M, along with patents and trademarks costs totalling $3.1M as disclosed in Note 14. The determination of the useful lives in relation to capitalised development costs and patents & trademarks is subject to management judgement including: • Estimations of the product lifecycle of general dental products based on historical experience, • Assessing the impact of changes in technological and market trends, and • Review of historical and forecasted sales of product ranges supporting the appropriateness of the useful life determined.	Our procedures included, but were not limited to: • Assessing the estimated useful lives of the intellectual property and capitalised development costs, ensuring the amortisation period applied and the assumptions used for patents and trademarks are appropriate, • Assessing amortisation rates used by comparing with industry benchmarks, • Assessing the product life cycle and market demand for the underlying products including assessing the possibility of product obsolescence or cannibalisation as a result of recently released products or products that are likely to be released in the near term, and • Evaluating the legal rights and period of the patents and trademarks. We also assessed the appropriateness of the disclosure in Note 14 to the financial statements.

Deloitte.

Impairment of Intangible Assets As at 30 June 2019 the carrying amount of the intangible assets is $24.6M as disclosed in Note 14. SDI has finite life intangible assets being capitalised product development costs and patents and trademarks along with development work in progress. Capitalised product development costs and patents and trademarks are subject to impairment testing whenever an impairment indicator is identified. However, development work in progress is subject to impairment testing annually. The determination of the recoverable amount is subject to management judgement including: • Cash flow projections • Estimated future growth in the product market • The likelihood of future economic benefits, and • Discount rates	Our procedures included, but were not limited to: • Assessing the impairment indicators for Australia, Brazil, Europe and new Zealand separately; • Comparing SDI's market capitalisation as at 30 June 2019 to consolidated net assets; • Assessing the maintainable earnings for Australia; and • Comparing the maintainable EBITDA multiple to industry multiples as advised by our Corporate Finance specialists. We also assessed the appropriateness of the disclosure in Note 14 to the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Company's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group's audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 8 to 13 of the Directors' Report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of SDI Limited, for the year ended 30 June 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Anneke du Toit
Partner
Chartered Accountants
Melbourne, 26 September 2019

The shareholder information set out below was applicable as at 31 August 2019.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	334	-
1,001 to 5,000	796	-
5,001 to 10,000	421	-
10,001 to 100,000	584	-
100,001 and over	95	-
	2,230	-
Holding less than a marketable parcel	130	-

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Currango Pastoral Company Pty Ltd	50,691,328	42.65
Mr Nicholas Barry Debenham & Mrs Annette Cecilia Debenham	4,273,312	3.60
Garrett Smythe Ltd	2,708,600	2.28
Silverglades Pty Ltd	2,357,829	1.98
HSBC Custody Nominees (Australia) Limited	2,296,637	1.93
National Nominees Limited	1,921,880	1.62
Indcorp Consulting Group Pty Limited (Superannuation Fund A/C)	1,696,501	1.43
Mr Nicholas Barry Debenham	1,653,441	1.39
Jeffnpam Superannuation Fund Pty Ltd	1,421,085	1.20
Santos L Helper Pty Ltd (The Van Paassen Family A/C)	1,333,861	1.12
Dr Geoffrey Macdonald Knight & Ms Anneli Kaarina Knight	1,215,790	1.02
Mr Michael Lazzarin	1,069,000	0.90
Mr Brendan Francis Carroll	1,040,490	0.88
Dr Martin James Grehan & Dr Penelope Jane Spring	931,500	0.78
Charlotte B Pty Ltd	800,000	0.67
Mr Neil Peter Goosen	763,142	0.64
Mdf Superannuation Pty Limited (Mdf Super Fund A/C)	755,909	0.64
Branka Nominees Pty Ltd	750,220	0.63
Elata Investment Co Pty Limited	701,942	0.59
Inari Investment Co Pty Limited	701,942	0.59
	79,084,409	66.54

Unquoted equity securities
There are no unquoted equity securities.

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Currango Pastoral Company Pty Ltd*	50,691,328	42.65

* Registered holder of the relevant interest but may not be registered holder of the securities.

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Directors	Jeffery James Cheetham OAM - 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)
Company secretary	John Joseph Slaviero
Registered office	5 - 9 Brunsdon Street Bayswater VIC 3153 P: (03) 8727 7111 or 1800 337 003 F: (03) 8727 7222
Share register	Link Market Services Limited Tower 4 727 Collins Street Docklands VIC 3008 P: (03) 9615 9800 or 1300 554 474 F: (03) 9615 9900
Auditor	Deloitte Touche Tohmatsu 550 Bourke Street Melbourne VIC 3000
Bankers	HSBC Bank Australia Limited Level 10 333 Collins Street Melbourne VIC 3000
Stock exchange listing	SDI Limited shares are listed on the Australian Securities Exchange (ASX code: SDI)
Website	www.sdi.com.au
Email	info@sdi.com.au
Corporate governance statement ('CGS')	SDI's Directors and management are committed to conducting its business in an ethical manner and in accordance with the highest standards of corporate governance. SDI has adopted and substantially complies with the ASX Corporate Governance Principles and Recommendations (3rd Edition) ('Recommendations') to the extent appropriate to the size and nature of its business. In accordance with Listing Rule 4.10.3, the Company has prepared a CGS which sets out the corporate governance practices that were in operation throughout the financial year for the Company, identifies any recommendations that have not been followed, and provides reasons for not following such recommendations. The Company's CGS has been approved at the same time as the Annual Report, can be found on its website: http://www.sdi.com.au/en-au/corporate-governance.html In accordance with Listing Rules 4.7.4 and 4.7.3, the CGS and the Appendix 4G has be lodged with the ASX at the same time as this Annual Report. The Appendix 4G details the Recommendations that the Company needs to report against and provides shareholders with information regarding where the Company's disclosures in relation to the Recommendations can be found.

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