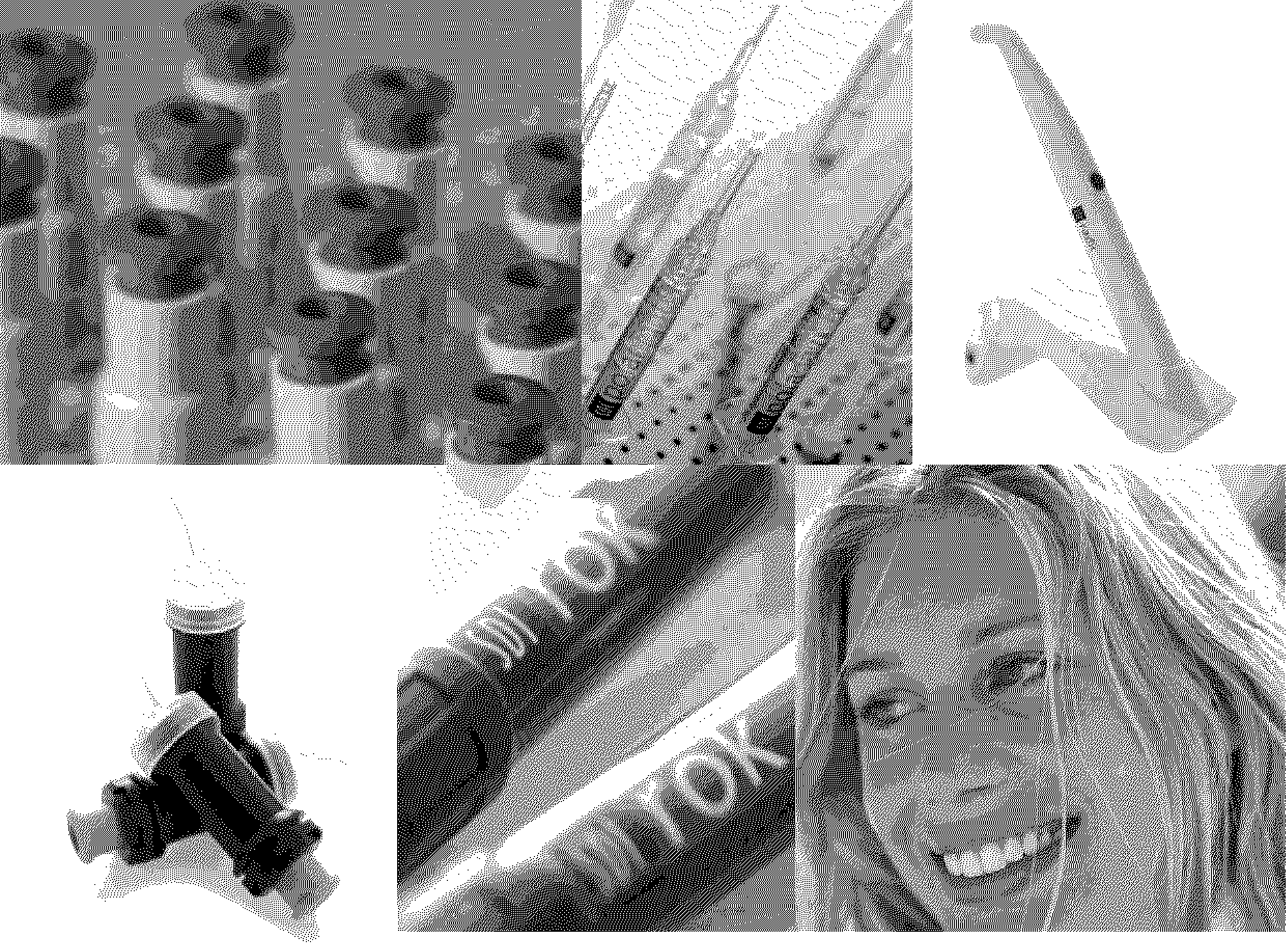
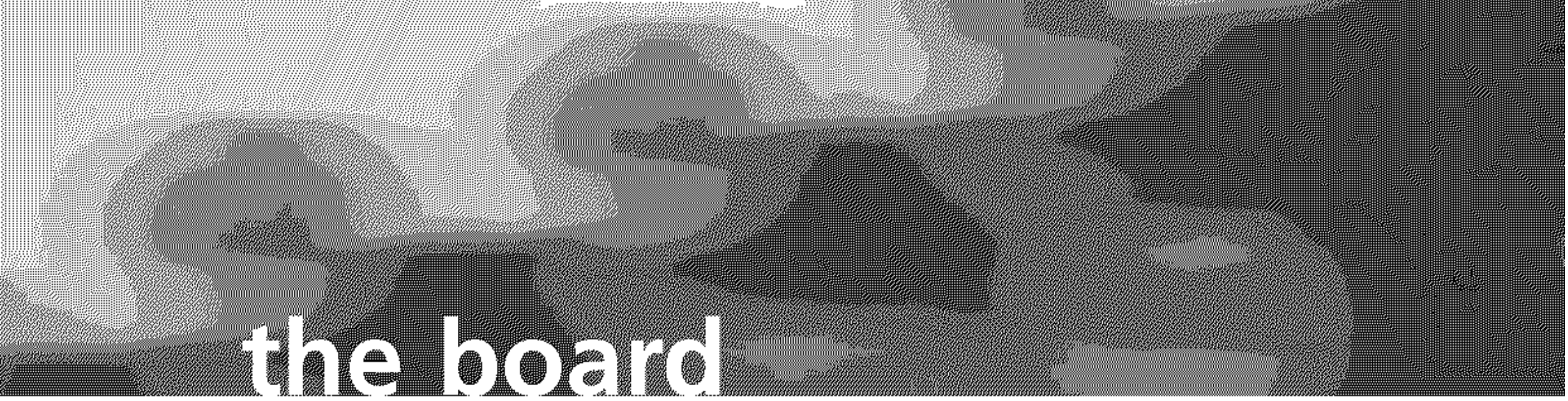
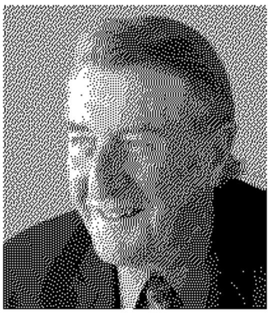


SDI

concise financial report 2004

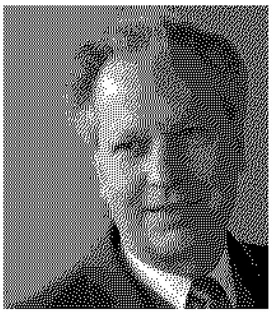


the board



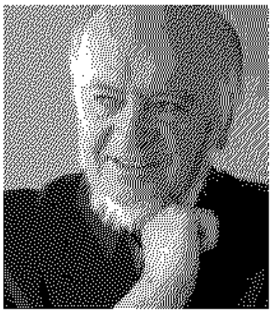
A.J. Bardsley
B.Sc., F.A.I.F.S.T., F.A.I.M.
CHAIRMAN

Mr Bardsley is the Chairman of Bardcorp Pty Ltd. Former Managing Director of Bonlac Foods Ltd and H J Heinz (Australia) Ltd.



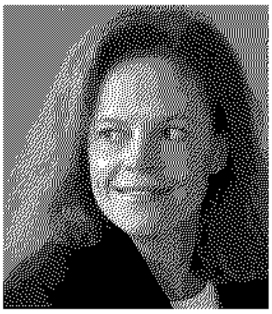
J A. Roseman
C.P.A.
CHAIRMAN, AUDIT COMMITTEE

Mr Roseman, principal of the firm of Roseman & Co. - C.P.A.s. Director of other companies. Mr Roseman is the chairman of the Audit Committee of SDI Limited.



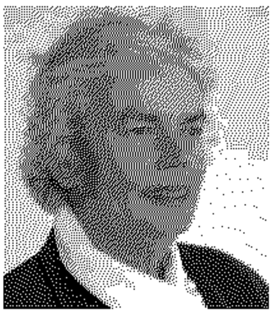
J.J. Cheetham
O.A.M.
MANAGING DIRECTOR

Mr Cheetham is the founder and Managing Director of SDI Ltd.



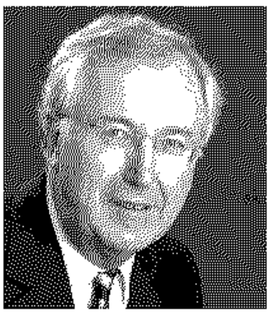
S.J. Cheetham
B.Bus., (Banking and Finance)
DIRECTOR, SALES & MARKETING

Samantha Cheetham has extensive experience in sales and marketing in Australia and Overseas. Samantha is the Director of Sales and Marketing of SDI Limited. V.P. of Sales and Marketing of Southern Dental Industries Inc. USA.



G.M.McCorkell
LL.B
NON-EXECUTIVE DIRECTOR

Mrs McCorkell is a graduate in Law from Melbourne University. She was an associate at Williams Winter Higgs from 1962 until 1968 when she established her own practice.



J. Isaac
LL.B., F.A.I.C.D.,
NON-EXECUTIVE DIRECTOR

Mr Isaac is a partner with Middleton Lawyers. He has extensive experience in commercial law and has practiced in the areas of health, intellectual property, banking and finance, property and development. He is a director of RACV Ltd and Deputy Chairman of Insurance Manufacturers of Australia Pty Ltd.

the annual general meeting
Separate Notice of the Annual General Meeting and Proxy Form are enclosed with this report.

auditors
BDO, Chartered Accountants
563 Bourke Street, Melbourne
Victoria, 3000, Australia

bankers
National Australia Bank Limited
3/330 Collins Street, Melbourne
Victoria, 3000, Australia

solicitors
Macpherson & Kelly Lawyers Pty Ltd
40-42 Scott Street, Dandenong
Victoria, 3175, Australia

share registry
ASX Perpetual Registrars Limited
Level 4, 333 Collins Street, Melbourne
Victoria, 3000, Australia
Ph: 03 9615 9800, Fax 03 9615 9900

patent attorneys
Lord & Company
2nd Floor, 4 Duro Place, West Perth
Western Australia, 6005, Australia

shares
Shares in SDI Limited are listed on the Australian Stock Exchange Limited, under the listing code SDI

board of directors

A.J. Bardsley, (Chairman) B.Sc., F.A.I.F.S.T., F.A.I.M.

J.J. Cheetham (Managing Director) O.A.M.

G.M. McCorkell, LL.B.

J.A. Roseman, C.P.A.

S.J. Cheetham, B.Bus. (Banking and Finance)

J.N. Isaac, LL.B., F.A.I.C.D.

alternate director

P.J. Cheetham

company secretary

J.J. Slaviero, B.Bus. (Acct.), C.P.A., F.T.M.A.

principal and registered office

5-7 Brunsdon Street, Bayswater,

Victoria, 3153, Australia

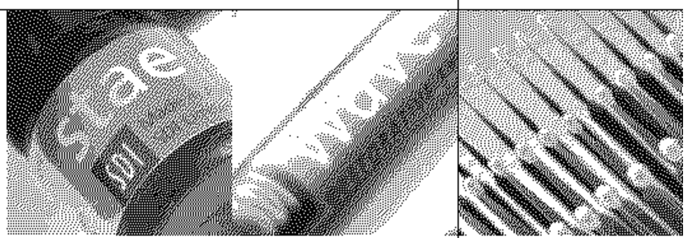
Telephone (03) 8727 7111

Facsimile (03) 8727 7222

email: info@sdi.com.au

website: www.sdi.com.au

contents

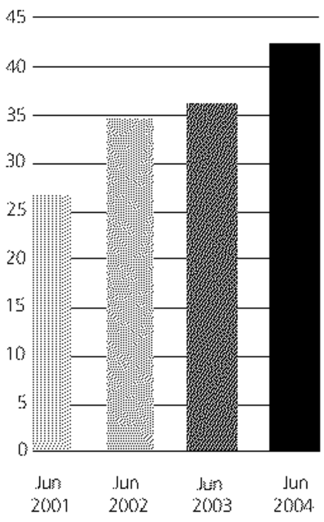


contents

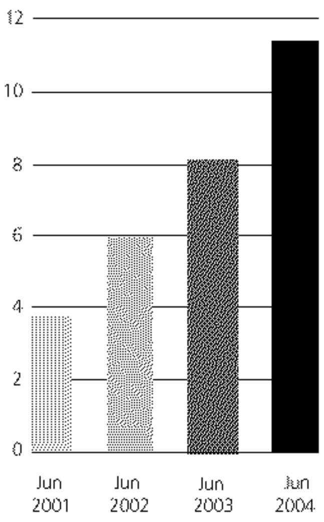
highlights

	2001	2002	2003	2004
Sales ($m)	26.9	34.2	36.7	42.5
EBITDA ($m)	4.9	7.2	9.6	12.9
EBIT ($m)	3.7	5.9	8.1	11.3
EBIT (%)	13.9	17.3	22.0	26.6
NPBT ($m)	3.5	5.6	7.8	10.9
NPAT ($m)	2.7	4.0	5.5	8.0
ROE (%)	18.1	22.7	24.7	28.5
EPS (cents)	11.6	17.2	23.3	34.3
DPS (cents)	3.0	5.0	7.5	8.5

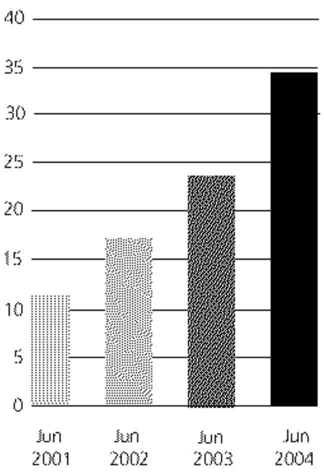
Sales ($m)



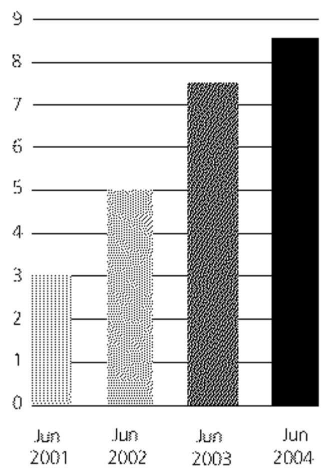
EBIT ($m)



EPS (cents)



DPS (cents)



chairman's report

As your new chairman, it is pleasing in my first report to shareholders to be able to acknowledge another record result delivered by the Company.

A 16% increase in sales and a 47% increase in net profit after tax following last year's strong growth have reinforced SDI's successful increased penetration of the global dental market.

Since the financial results and operations are dealt with in detail in the Managing Director's Report, I would like to make some observations regarding SDI Limited in my initial Chairman's Report.

SDI has established itself as an innovative export orientated Australian owned company with 90% of its products now sold overseas in close to 100 countries.

It is no small feat that SDI, which listed on the ASX in the mid 1980s, has not only survived but also thrived. SDI may be a relatively small company by global standards yet it successfully competes with large multi-national companies in its markets all over the world. SDI's success, in large part, is due to the high level of expenditure in Research and Development and its increased investment into its strategic marketing plans.

I believe that SDI is now an expert, by Australian standards, in worldwide sales and marketing and that this expertise will ensure the achievement of the continued sales growth objectives of the management team.

The year has seen many challenging changes in the corporate environment with the introduction of best practice corporate governance and the pending adoption of International Accounting Standards (IFRS). SDI has welcomed these changes and has planned and implemented the appropriate issues relevant to the Company. Full details of these are disclosed in the Annual Report.

In conclusion, I would like to take this opportunity of congratulating the management team and all staff for their efforts in delivering this year's excellent result. I would also like to thank all my fellow Directors for their work and deliberations during the year and for their assistance in the smooth transition to my role as chairman.

Anthony J. Bardsley
Chairman

managing director's report

I am very pleased to report that, once again, SDI has produced record results. The result for 2003-04 was an outstanding 47% increase in both net profit after tax and earnings per share which followed a 36% increase in the prior year. Net profit after tax increased to $8.03M. Earnings per share increased by 11 cents to 34.3 cents. Return on equity was 28.5%, up a further 15.8% on 2002/03.

The Company's sales increased by 15.7% to $42.5M and, after excluding currency fluctuations, sales increased by 25.8%. This increase was due to a combination of organic growth plus a contribution from new products, in particular 'Radii'.

Riva, Rok and Ice received favourable comments from both distributors and dentists during the year; however, sales of these new products had little impact on this year's growth. It is expected that these new products will be solid contributors in 2004/05.

Bayswater manufacturing facilities

During the year, SDI purchased substantial new adjoining manufacturing space (approximately one acre of land and factories) to facilitate the Company's growth in production for both existing and new products. Greater production efficiencies will also be achieved by streamlining the Company's production processes resulting from the better utilisation of this newly acquired space.

Production facilities at Bayswater have been further automated by considerable investment in new plant and equipment which will enable increased efficiencies and further facilitate the Company's "just in time" production policy. With the successful introduction of 'Riva SC' (a glass ionomer cement) and the strong sales growth forecast for 2004/05, additional production equipment has been purchased to produce Glass Ionomer capsules at high speed and to manufacture the components in large quantities.

Research & Development

R & D expenditure of $4.4M represented a significant increase over previous years. This increase is due in particular to the development of Riva, Radii, Rok, and Ice, together with the development of other new products to be released in the near future. There are approximately seven new products under development at this stage, which we expect to progressively release during 2004 and 2005. SDI now employs 15 qualified scientists all fully engaged in the research and development of dental materials. The new laboratories, completed last year, are working well, giving the R & D team the space, resources and inspiration to focus on developing world-class dental materials.

New product development continues to be one of the main focus points of SDI and a key driver of the Company's growth. In order to reach our medium term sales target of $100M, SDI recognises that new products and technologies must continually be introduced to SDI's markets.

Our new products, Rok (posterior alternative for amalgam), Ice (anterior and posterior nano-technology composite restorative) and Riva SC (glass ionomer cement) were all released to the international markets during 2003/04. As expected, these new materials have been well received by SDI customers who rely on academic comment to support their marketing. SDI has academics currently evaluating and issuing reports on these materials. It should be noted that these materials are effectively biomaterial implants and therefore, end users (dentists) are cautious about changing their usage habits. However, the market reaction to these new products, in particular Riva SC, has been most encouraging. End users are increasingly recognising that Riva has clinical advantages over products manufactured by our competitors.

managing director's report (continued)

'Radii', a new technology Light Emitting Diode (LED) curing device, made a good contribution in 2003/04 with sales exceeding the Company's target for the first year. SDI expects Radii to continue to be an important product in the future. Radii is now sold in most countries and is rapidly becoming one of the market leaders in its category.

Academic evaluations have confirmed the superiority of the Radii over other competitor units. Ongoing research into new and improved light curing technologies is currently being conducted by our research team.

Sales & Marketing

Our sales and marketing strategy has been further strengthened by extending the presence of SDI employees worldwide. With less than 3% of the world market, there is an enormous opportunity for SDI to increase its sales in all product groups in all countries, which is the primary objective of the Company. SDI's mid term sales target of $100M, when achieved, will still represent only a small part of the vast global market.

Australasia
This has been a strong year for Australasia from both the relatively small local market and the Export division. Exports from Australia to non-SDI entities (distributors) increased by over 24%. SDI Australia ships directly to exclusive distributors in the Middle East, Asia, certain Eastern European countries and Latin America. SDI now has exclusive distributors in over 100 countries and the majority of these distributors have contractual arrangements to include guaranteed sales growth on an annual basis.

North America
North America is still considered to be SDI's largest potential market. This year's sales growth of 12%, in local currency, was somewhat affected by local economic and political issues. However, this result was still within Company expectations. SDI continues to enjoy strong support from its dealer network throughout North America, several of which are actively engaged in also purchasing their 'private label' products from SDI. SDI manufactures 'private label' alloy capsules, composites, tooth whitening products, accessories and Radii for several customers worldwide. During the year, the sales and marketing team in North America was further expanded with additional full time SDI employees to enhance the future growth in this market.

Central & South America
A growing market for SDI is Central and South America, where strong sales growth of over 20% was experienced from countries in this region. Apart from our Country Managers in Brazil and Mexico, SDI has additional Country Managers and representatives in Colombia, Peru, Costa Rica and Nicaragua. The employment of our own salaried representatives in all regions is a strategy that SDI has been pursuing for many years and further appointments will occur in this region in the 2004/05 year. The Company has proved that having its own presence in a particular market reinforces the focus of customers, resulting in greater market penetration. SDI expects Latin America to continue to be a major growth market for the Company in the immediate future.

The EU and Eastern Europe
The European Union and Eastern Europe has become our largest sales area this year with a sales increase of 36% in local currency. SDI has excellent forward prospects in the newly expanded European Union with its market of 450 million, relatively wealthy and highly educated people. The EU now represents the largest free trade zone in the world with 25% of the world's GDP and will eventually account for 38% of world trade.

managing director's report (continued)

The recent expansion of the EU to include an additional 10 countries earlier this year is seen by SDI to be most significant.

SDI continues to work closely with its long-established distributor network in this region while looking for expansion opportunities through its own salaried employees.

In October 2003, SDI established a new entity, SDI Ireland, to further assist our advancement in the EU. This sales and marketing office is based in Dublin and enables access to the vibrant multicultural and multilingual workforce. It is now the core of SDI's European Union sales operation, servicing the Company's sales offices in the UK, France, Spain and Italy as well as our distributors. SDI Germany, based in Cologne, continues to service the German market and is the central distribution point for all European sales.

Japan

SDI has been selling its products, albeit in small quantities, to Japan for over 15 years. This year we made the decision to establish our own sales office and warehouse in this country in order to gain faster and greater market penetration. The SDI operation is located in Tokyo and all registrations and import licences have been granted. SDI Japan commenced sales and marketing operations in September and the Company expects that SDI Japan will make a significant contribution to the Group in the future.

The Future

The Company recently announced that the new earnings per share target for the 2004/05 financial year is 42.5 cents, a 25% increase on last year. The Company is respected for clearly articulating its earnings targets and for the transparency of its operations. We believe that this growth objective will be achieved by both organic sales increase as well as sales from new products, together with additional efficiencies occurring through larger volume production.

In summary, I believe that SDI is well positioned to continue to benefit from its existing strong global distribution and representation network, together with opportunities being presented through the release of new products. Our strong R & D team ensures that a "pipeline" of new products is available and our unique strategy of global representation will ensure that these quality SDI products will be sold around the world.

Finally, I invite you to visit our expanded and multi-lingual web site, www.sdi.com.au, to discover more about SDI's products and our worldwide operation.

Jeffery Cheetham
Managing Director

directors' report

Your Directors present their report for the Company and its Controlled Entities for the financial year ended 30 June 2004.

Directors
The names of Directors in office at any time during or since the end of the financial year are:

Executive Directors
Jeffery James Cheetham (Managing Director)
Samantha Jane Cheetham

Non-Executive Directors
Anthony John Bardsley (Chairman)
Russell Sinclair Smith (retired 18 March 2004)
John Norman Isaac (appointed 1 July 2004)
Gabrielle Mary McCorkell
Jack Arthur Roseman

Alternate Director for J.J. Cheetham
Pamela Joy Cheetham

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

Principal Activities
The principal activities of the Economic Entity during the financial year were the manufacture and distribution of amalgam and composite restorative materials, other dental materials and product research and development. There were no significant changes in the nature of the Economic Entity's principal activities during the financial year.

Operating Results

	2004 $'000	2003 $'000
The operating profit of the Economic Entity for the year, after providing for income tax is:	8,028	5,451

Dividends Paid or Recommended
A 4.5 cents per share fully franked final dividend amounting to $1,053,538 has been declared by the Directors of the Company for the year ended 30 June 2004. A 4.0 cents per share fully franked interim dividend of $936,478 was paid on 12 May 2004 from current year earnings.

Review of Operations
Revenue from trading activities of $44,586,000 for the Group was 15.3% above that of the previous period. A detailed review of the operations of the Economic Entity during the financial year, and of the results of the operations is contained on page 15.

Significant Changes in State of Affairs
In the opinion of the Directors, no significant changes occurred in the state of affairs of the Economic Entity during the financial year other than those disclosed in this report or the consolidated accounts.

After Balance Date Events
There is, at the date of this report, no matter of circumstance, which has arisen since 30 June 2004 that has significantly affected or may significantly affect:

(i) The operations of the Economic Entity;
(ii) The results of those operations; or
(iii) The state of affairs of the Economic Entity in subsequent financial years.

directors' report (continued)

Future Developments
In the opinion of the Directors, it would prejudice the interests of the Economic Entity to include additional information, except as represented in this Directors' Report, which relates to likely developments in the operations of the Economic Entity and the expected results of those operations in the financial periods subsequent to 30 June 2004.

Environmental Regulation
The parent entity holds licences issued by the Environmental Protection Authority, which specify limits for discharges to the environment arising from the Parent Entity's operations. These licences regulate the management of discharges to the air and storm water 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 or since 30 June 2004.

Indemnifying Officers or Auditor
The Company has not, during or since the financial year, in respect of any person who is or has been an Officer or Auditor of the company or a related body corporate:

- Indemnified or made any relevant agreement for indemnifying against a liability incurred as an Officer, including costs and expenses in successfully defending legal proceedings; or
- Paid or agreed to apply a premium in respect of a contract insuring against a liability incurred as an Officer for the costs or expenses to defend legal proceedings; with the exception of the following matters:

During the financial year, SDI Limited paid a premium of $22,700 to insure Directors and certain Executive Officers of the Company. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the Officers in their capacity as Officers of the Company or a related body corporate.

The Directors and Officers of the Company covered by the insurance policy are:

J.J. Cheetham
R.S. Smith (retired 18/3/04)
A.J. Bardsley
G.M. McCorkell
S.J. Cheetham
J.A. Roseman
J.N. Isaac (appointed 1/7/04)
P.J. Cheetham (alternate for J.J. Cheetham)
and the Secretary, J.J. Slaviero

Other Officers covered by the contract are Directors or Secretaries of Controlled Entities who are not also Directors or Secretaries of SDI Limited, and senior managers of the Parent Entity.

Directors' and Executive Officers' Emoluments
The Company does not have a formally constituted Remuneration Committee. Under Article 23.7 of the Articles of Association of the Company, non-executive Directors are remunerated by fees determined in the aggregate by the Company at a general meeting of shareholders. The remuneration of the Managing Director is fixed by the Directors as part of the terms and conditions of his appointment. Senior executives' remuneration and other terms of employment are reviewed annually by the Managing Director having regard to performance, relevant comparative information, and independent advice and any recommendations are ratified by the Board. Remuneration packages are set at levels designed to attract and retain senior executives capable of contributing to the financial well being of the Company. All executives (excluding the Chief Executive Officer) are eligible to participate in an Executive Share Option Plan on invitation from the Board. The ability to exercise the options is conditional on the economic entity achieving minimum earnings per share for each financial year set by the Board before the commencement of that financial year.

Details of the nature and amount of each element of the emolument of each Director of the Company and each of the Executive Officers of the Company and the Economic Entity receiving the highest emoluments for the financial year are as follows:

directors' report (continued)

Emoluments of Directors of SDI Limited

Name	Primary					Post Employment	
	Salary & Fees	Other Fees (A)	Superannuation Contributions	Non-Cash Benefits	Options Issued Vested (B)	Other	Total
	$	$	$	$	$	$	$
Mr J.J. Cheetham	227,050	80,000	32,273	95,677	-	-	435,000
Ms S.J. Cheetham	254,518	-	23,582	7,500	19,300	-	304,900
Mr R.S. Smith	18,749	-	36,987	3,969		104,282	163,987
Mr A.J. Bardsley	28,750	-	2,588	-	-	-	31,338
Mr J.A. Roseman	25,833	-	2,325	-	-	-	28,158
Mrs G.M. McCorkell	11,666	2,000	13,312	-	-	-	26,978
Mrs P.J. Cheetham	-	-	-	-	-	-	-

Emoluments of the Executive Officers of the Company and the Economic Entity

Name & Position Held	Primary			Post Employment		
	Salary & Fees	Superannuation Contributions	Non-Cash Benefits	Options Issued Vested (B)	Other	Total
	$	$	$	$	$	$
Mr J.J. Slaviero – CFO & Secretary	168,317	9,025	22,000	19,300	-	218,642
Mr N.A. Cheetham – Chief Information Officer	167,728	9,083	22,800	19,300	-	218,911
Mr J. Cheetham – Operations Director	144,468	12,732	7,000	19,300	-	183,500
Mr R.M. Cahill – Technical Director	114,781	14,018	30,400	19,300	-	178,499
Mr T. Cheetham – Vice President of SDI Japan	84,743	8,257	7,000	5,790	-	105,790

(A) Refer to accompanying Note 5(a) to the financial report.
(B) All options expire on 24 November 2007 and each option entitles the holder to purchase one ordinary share in the Company. The ability to exercise the options is conditional on the economic entity achieving a minimum earnings per share set by the Board. The estimated value disclosed above is calculated at the date of grant using the Black-Scholes model. Further details of options granted during the year are set out under "Options" below.

directors' report (continued)

Options and Rights Holding

Number of Options held by Specified Directors & Executives

Name	Balance 1.7.03	Granted as remuneration	Options Exercised	Net Change Other	Balance 30.6.04	Total Vested 30.06.04	Total Exercisable	Total Unexercisable 30.06.04
Ms S.J. Cheetham	50,000	-	-	-	50,000	20,000	10,000	40,000
Mr J.J. Slaviero	50,000	-	10,000	-	40,000	20,000	-	40,000
Mr N.A. Cheetham	50,000	-	-	-	50,000	20,000	10,000	40,000
Mr R.M. Cahill	50,000	-	-	-	50,000	20,000	10,000	40,000
Mr J. Cheetham	50,000	-	-	-	50,000	20,000	10,000	40,000
Mr T. Cheetham	15,000	-	-	-	15,000	6,000	3,000	12,000

The net change other reflected above includes those options that have been forfeited by holders as well as options issued during the year under review.

Shareholdings

Number of Shares held by Parent Entity Directors & Specified Executives

Name	Balance 1.7.03	Received as Remuneration	Options Exercised	Net Change Other*	Balance 30.6.04
Mr A.J. Bardsley	100,000	-	-	-	100,000
Mr R.S. Smith	225,000	-	-	-	225,000
Mr J.J. Cheetham	10,687,788	-	-	-	10,687,788
Mrs P.J. Cheetham #		-	-	-	
Ms S.J. Cheetham	114,878	-	-	(50,000)	64,878
Mrs G.M. McCorkell	135,000	-	-	-	135,000
Mr J.A. Roseman	12,000	-	-	-	12,000
Mr J.J. Slaviero	274	90	10,000	-	10,364
Mr N.A. Cheetham	52,000	-	-	-	52,000
Mr R.M. Cahill	594	90	-	-	684
Mr J. Cheetham	54,001	-	-	-	54,001
Mr T. Cheetham	36,000	-	-	-	36,000

*Net change other refers to shares purchased or sold during the financial year.

Mrs P.J Cheetham is a joint holder of the shares listed for Mr J.J. Cheetham.

The terms 'Director' and 'Executive Officer' have been treated as mutually exclusive for the purposes of this disclosure. The elements of emoluments have been determined on the basis of the cost to the Company and the Economic Entity. Executives are those directly accountable and responsible for the organisational management and strategic direction of the Company and the Economic Entity.

Directors' Meetings

During the year, 9 Directors' meeting were held. The number of meetings at which the Directors were in attendance is listed in 'Information on Directors' on page 13. There were 2 meetings of the Audit Committee.

directors' report (continued)

Options

During or since the end of the financial year, the Company has not granted any further options over unissued ordinary shares other than those reported in the 2003 Annual Report.

The options issued to each Director and Officer are divided into five equal tranches, each exercisable from 16 September each year commencing 16 September 2003. The ability to exercise the options is conditional upon the economic entity achieving minimum earnings per share for each financial year set by the Board before the commencement of that financial year. If the EPS target is not achieved all exercisable options for that year are forfeited. The minimum earnings per share for the year ended 30 June 2004 was 34 cents.

The number of shares that can be issued under the Executive Option Plan is limited to 10% of the total shares issued in the capital of the Company from time to time. The number of shares that can be issued to any one Executive cannot exceed 5% of the total shares issued in the capital of the Company from time to time.

At the date of this report, unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number of Shares
24 November 2007	$2.43	417,000

All options expire on the earlier of their expiry date or the termination of the employee's employment. In addition, the ability to exercise the options is conditional on the economic entity achieving certain performance hurdles, as noted above.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings. The Company was not a party to any such proceedings during the year.

Corporate Governance Statement

The Directors and management of SDI Limited support the spirit and substance of corporate governance, and aspire to achieve the highest level of corporate governance standards. A description of the Company's main corporate governance practices is set out in the 2004 Financial Report of SDI Limited and Controlled Entities. A copy of SDI's complete corporate governance statement will be sent to any member upon request and will also be available on the Company's web site, www.sdi.com.au, by the 31 October 2004.

Rounding of Amounts to the Nearest Thousand Dollars

The amounts contained in this report and in the financial report have been rounded under the option available to the Company under ASIC Class Order 98/100. The Company is an entity to which the Class Order applies.

directors' report (continued)

Information on Directors

Director/Experience	Special Responsibilities	Beneficial Interest in Shares held in Parent Entity	Directors' Meetings Attended	Audit Committee Meetings Attended
Anthony John Bardsley B.Sc., F.A.I.F.S.T., F.A.I.M. Mr Bardsley is the Chairman of Bardcorp Pty Ltd. Former Managing Director of Bonlac Foods Ltd and H J Heinz (Australia) Ltd.	Chairman of the Board of SDI Limited. Member of Audit Committee	100,000	8	2
Russell Sinclair Smith (retired 18/3/04) B.Bus., F.C.P.A., F.A.I.B., Grad, AMP, Harvard.	Former Chairman of the Board of SDI Limited Former Member of Audit Committee	225,000	6	2
Jeffery James Cheetham O.A.M. Mr Cheetham is the founder and Managing Director of SDI Ltd.	Managing Director	10,057,788 shares owned by Currango Pastoral Company Pty Ltd 630,000 shares owned by Silverglades Pty Ltd	8	Not applicable
Samantha Jane Cheetham B.Bus., (Banking and Finance) Samantha Cheetham has extensive experience in sales and marketing in Australia and Overseas. Samantha is the Director of Sales and Marketing of SDI Limited. V.P. of Sales and Marketing of Southern Dental Industries Inc. USA.	Director of Sales and Marketing of SDI Limited. V.P. of Sales and Marketing of Southern Dental Industries Inc. USA.	64,878	9	Not applicable
Gabrielle Mary McCorkell LL.B. Mrs McCorkell is a graduate in Law from Melbourne University. She was an associate at Williams Winter Higgs from 1962 until 1968 when she established her own practice.	Member of Audit Committee	135,000	9	2

directors' report (continued)

Information on Directors (continued)

Director/Experience	Special Responsibilities	Beneficial Interest in Shares held in Parent Entity	Directors' Meetings Attended	Audit Committee Meetings Attended
Jack Arthur Roseman C.P.A. Mr Roseman, principal of the firm of Roseman & Co. – C.P.A.s. Director of other companies. Mr Roseman is the chairman of the Audit Committee of SDI Limited.	Chairman of Audit Committee	12,000	9	1
John Norman Isaac LL.B, F.A.I.C.D. (Appointed 1/7/04) Mr John Isaac is a partner with Middleton Lawyers. He has extensive experience in commercial law. He is a director of RACV Ltd and Deputy Chairman of Insurance Manufacturers of Australia Pty Ltd.	Member of Audit Committee	-	-	-
Pamela Joy Cheetham Mrs Pamela Cheetham is the co-founder of SDI Limited.	Alternate director for Jeffery James Cheetham	Co-holder of shares shown for J.J. Cheetham. Refer above.	-	-

Company Secretary & Chief Financial Officer:
John J. Slaviero B.Bus (Acct.), C.P.A., F.T.M.A.
Mr Slaviero has over 20 years of finance and accounting experience in both the commercial and professional fields. Much of this experience was gained from working in large multi-national and medium size manufacturing companies.

Signed in accordance with a resolution of the Board of Directors.

J J Cheetham
Managing Director

Melbourne
27 September 2004

DISCUSSION AND ANALYSIS OF THE FINANCIAL STATEMENTS

Information on SDI Limited Concise Financial Report

The financial statements and disclosures in the concise financial report have been derived from the 2004 Financial Report of SDI Limited and Controlled Entities.

A copy of the full financial report and auditor's report will be sent to any member, free of charge, upon request.

The discussion and analysis is provided to assist members in understanding the concise financial report. The discussion and analysis is based on SDI Limited and Controlled Entities consolidated financial statements and the information contained in the concise financial report has been derived from the full 2004 Financial Report of SDI Limited and Controlled Entities.

Statement of Financial Performance

The consolidated profit from ordinary activities after income tax attributable to shareholders for the year is $2.6M higher than the results of 2003. The result for 2003/04 was a 47.2% increase in both net profit after tax and earnings per share, and, this is on the back of a 36.0% increase in the prior year. Net profit after tax increased to $8.03M. Earnings per share increased by 11 cents to 34.3 cents. Return on equity was 28.5%, up a further 15.8% on 2002/03.

The Company's sales increased by 15.8% to $42.5M and, after excluding currency fluctuations, sales increased by 25.8%. This increase was due to a combination of organic growth plus a contribution from new products, in particular 'Radii'.

Riva, Rok and Ice received favourable comments from both distributors and dentists during the year, however, sales of these new products had little impact on this year's growth. It is expected that these new products will be solid contributors in 2004/05.

Total expenses including cost of sales for the period increased by 9.1% from $31.0M to $33.8M. The increase primarily relates to the increase in sales and production and a number of new initiatives being pursued for the Company's longer-term growth, and which have resulted in increases in staff and equipment expenses. Staff numbers increased from 193 to 269, and the amortisation and depreciation of non-current assets increased by 21.4%.

Statement of Financial Position

Total assets increased by $12.3M to $45.7M representing an increase of 36.9%. Receivables increased by $2.8 M from the previous year, mainly as a result of a 16% increase in sales.

Inventories increased by $3.0M from $6.3M to $9.4M due to new product introductions and an increase in safety stocks for an expected increase in sales volumes.

Property, plant and equipment, and intangible assets increased by $6.5m, mainly because of an investment in new factories ($2.1M), the purchase of a new computer system ($0.5M), and an increase in capitalised R&D expenditure ($3.3M) for the development of several new products and the research into future products.

Statement of Financial Position (continued)

Total liabilities increased by $6.2M over the year to $17.6m due to additional borrowings used to fund increased working capital requirements and the investments in property, plant and equipment, and research and development.

Debt to equity ratio of 21.8% in 2003 increased to 38.5% in 2004 as a result of increased borrowings to fund additional working capital requirements and the investment in property, plant and equipment.

Statement of Cash Flows

Cash flows decreased relative to 2003. Net cash provided by operating activities of $3.9M remained consistent to 2003, an increase in receipts from customers of $6.6M being offset by an increase in payments to suppliers and employees of $5.6M and an increase in income tax paid of $1.1M.

An expansion in property, plant and equipment, and intangibles due to expanding production and the introduction of new products was partially funded by a $3.0M increase in borrowings.

Dividends paid in the year totalled $2.0M, $0.6M more than the previous financial year.

Consolidated Statement of Financial Performance for the Year Ended 30 June 2004

	Economic Entity 2004 $'000	Economic Entity 2003 $'000
Sales revenue	42,451	36,699
Cost of sales	(13,905)	(12,527)
Gross profit	28,546	24,172
Other revenues from ordinary activities	2,249	2,177
Selling & administration expenses	(16,844)	(16,304)
Research & development expenses	(1,109)	(1,110)
Borrowing costs	(475)	(246)
Other expenses from ordinary activities	(1,509)	(845)
Profit from ordinary activities before income tax	10,858	7,844
Income tax expense relating to ordinary activities	(2,830)	(2,393)
Profit from ordinary activities after related income tax expense	8,028	5,451
Net exchange difference on translation of financial report of self-sustaining foreign operations	18	(384)
Total changes in equity other than those resulting from transactions with owners as owners	8,046	5,067
Basic earnings per share (cents per share)		
- ordinary shares	34.3	23.3
Diluted earnings per share (cents per share)		
- ordinary shares	34.1	23.3

The accompanying notes form part of this concise financial report.

Consolidated Statement of Financial Position as at 30 June 2004

	Economic Entity 2004 $'000	Economic Entity 2003 $'000
Current Assets		
Cash assets	1,249	1,553
Receivables	13,433	10,694
Inventories	9,391	6,346
Other	497	216
Total current assets	24,570	18,809
Non-Current Assets		
Property, plant and equipment	11,980	8,102
Intangible assets	8,566	5,922
Deferred tax assets	516	520
Other	40	16
Total non-current assets	21,102	14,560
Total Assets	45,672	33,369
Current Liabilities		
Payables	2,620	2,465
Interest bearing liabilities	2,749	1,252
Tax liabilities	1,239	2,078
Provisions	1,140	849
Total current liabilities	7,748	6,644
Non-Current Liabilities		
Interest bearing liabilities	8,077	3,546
Deferred tax liabilities	1,583	1,031
Provisions	145	118
Total non-current liabilities	9,805	4,695
Total Liabilities	17,553	11,339
Net Assets	28,119	22,030
Equity		
Contributed equity	11,732	11,700
Reserves	1,177	1,159
Retained profits	15,210	9,171
Total Equity	28,119	22,030

The accompanying notes form part of this concise financial report.

Consolidated Statement of Cash Flows for the Year Ended 30 June 2004

	Economic Entity	
	2004	2003
	$'000	$'000
Cash Flows from operating activities		
Receipts from customers	41,179	34,454
Payments to suppliers and employees	(34,541)	(28,983)
Interest received	2	8
Borrowing costs	(475)	(246)
Income tax paid	(3,112)	(2,062)
Government grants received	897	696
Net cash provided by operating activities	3,950	3,867
Cash Flows from investing activities		
Proceeds from sale of property, plant and equipment	114	220
Purchase of property, plant and equipment	(5,026)	(2,850)
Purchase of intangibles	(3,378)	(767)
Net cash used in investing activities	(8,290)	(3,397)
Cash Flows from financing activities		
Proceeds from share issue	32	-
Dividends paid	(1,989)	(1,403)
Proceeds from borrowings	5,935	1,602
Repayments of borrowings	(1,489)	(193)
Net cash provided by (used in) financing activities	2,489	6
Net increase/ (decrease) in cash held	(1,851)	476
Cash at 1 July 2003	1,553	1,197
Effect of exchange rates on cash holdings in foreign currencies	(35)	(120)
Cash at 30 June 2004	(333)	1,553

The accompanying notes form part of this concise financial report.

NOTES TO THE CONCISE FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2004

Note 1 Basis of Preparation of the Concise Financial Report

The concise financial report has been prepared in accordance with Accounting Standard AASB 1039: Concise Financial Reports and the Corporations Act 2001.

The financial statements, specific disclosures and other information included in the concise financial report are derived from and are consistent with the full financial report of SDI Limited and Controlled Entities.
The concise financial report cannot be expected to provide as detailed an understanding of the financial performance, financial position and financing and investing activities of SDI Limited and Controlled Entities as the full financial report.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those of the previous financial year.

Note 2 Revenue

	Economic Entity	
	2004	**2003**
	$'000	**$'000**
Operating activities:		
Sale of goods	42,451	36,699
Interest received – other persons	2	8
Grants received – government	897	696
Unrealised foreign exchange gains	-	453
Realised foreign exchange gains	1,129	635
Other revenue	107	165
	44,586	38,656
Non-operating activities:		
Proceeds on disposal of property, plant and equipment	114	220
Total Revenue	44,700	38,876

Note 3 Dividends

	Economic Entity	
	2004	**2003**
	$'000	**$'000**
Interim fully franked ordinary dividend of 4 cents (2003: 3 cent) per share franked at the tax rate of 30% (2003: 30%)	936	702
Proposed final fully franked ordinary dividend of 4.5 cents (2003: 4.5 cents) per share franked at the tax rate of 30% (2003: 30%)	1,053	1,053
	1,989	1,755

Notes to the Concise Financial Report for the Year Ended 30 June 2004 (continued)

Note 4 Segment Reporting

(a) Primary Reporting – geographic segments (by location of assets).

	Australia $'000	Europe $'000	North America $'000	South America $'000	Middle East $'000	Asia/ Pacific $'000	Other $'000	Eliminations $'000	Consolidated $'000
(1) 2004 Revenue									
External segment revenue	16,404	14,400	11,583	2,311	-	-	-	-	44,698
Inter-segment revenue	16,207	5,525	-	-	-	-	-	(21,732)	-
Total segment revenue	32,611	19,925	11,583	2,311	-	-	-	(21,732)	44,698
Other unallocated revenue									2
Total revenue									44,700
Result									
Segment result	8,568	1,640	845	340	-	(60)	-	-	11,333
Unallocated Corporate Expenses									(475)
Profit from ordinary activities before income tax									10,858
Income tax expense									(2,830)
Net profit after income tax									8,028
The segment result has been arrived at after charging (crediting) the following items:									
Depreciation and amortisation expense	1,658	50	52	8	-	-	-	-	1,768
Non-cash expenses other than depreciation and amortisation	6	33	(2)	-	-	-	-	-	37
Proceeds on sale of property	26	88	-	-	-	-	-	-	114
Written down value of property disposed	(38)	(72)	-	-	-	-	-	-	(110)
(Gain)/Loss on sale of property	(12)	16	-	-	-	-	-	-	4

Notes to the Concise Financial Report for the Year Ended 30 June 2004 (continued)

Note 4 Segment Reporting (continued)

(a) Primary Reporting – geographic segments (by location of assets). (continued)

(1) 2004 (continued)	Australia $'000	Europe $'000	North America $'000	South America $'000	Middle East $'000	Asia/ Pacific $'000	Other $'000	Eliminations $'000	Consolidated $'000
Assets									
Segment assets	39,573	4,902	3,043	1,176	-	263	-	(3,286)	45,671
Unallocated Corporate assets									1
Consolidated total assets									45,672
Liabilities									
Segment liabilities	15,839	2,491	1,370	632	-	194	-	(2,974)	17,552
Unallocated corporate liabilities									1
Consolidated total liabilities									17,553
Acquisitions of non-current assets	8,083	298	4	2	-	143	-	(126)	8,404
Revenues from sales to external customers by location of customers	4,395	16,634	11,573	5,393	-	-	4,456	-	42,451

Notes to the Concise Financial Report for the Year Ended 30 June 2004 (continued)

Note 4 Segment Reporting (continued)

(a) Primary Reporting – geographic segments (by location of assets). (continued)

	Australia $'000	Europe $'000	North America $'000	South America $'000	Middle East $'000	Asia/ Pacific $'000	Other $'000	Eliminations $'000	Consolidated $'000
(2) 2003 Revenue									
External segment revenue	12,654	11,033	12,663	2,518	-	-	-	-	38,868
Inter-segment revenue	12,731	-	-	-	-	-	-	(12,731)	-
Total segment revenue	25,385	11,033	12,663	2,518	-	-	-	(12,731)	38,868
Other unallocated revenue									8
Total revenue									38,876
Result									
Segment result	6,591	258	884	496	-	-	-	-	8,229
Unallocated Corporate Expenses									(385)
Profit from ordinary activities before income tax									7,884
Income tax expense									(2,393)
Net profit after income tax									5,451
The segment result has been arrived at after charging (crediting) the following items:									
Depreciation and amortisation expense	1,352	27	69	8	-	-	-	-	1,456
Non-cash expenses other than depreciation and amortisation	11	-	3	4	-	-	-	-	18
Proceeds on sale of property	220	-	-	-	-	-	-	-	220
Written down value of property disposed	(196)	-	-	-	-	-	-	-	(196)
(Gain)/Loss on sale of property	24	-	-	-	-	-	-	-	24

Notes to the Concise Financial Report for the Year Ended 30 June 2004 (continued)

Note 4 Segment Reporting (continued)

(a) Primary Reporting – geographic segments (by location of assets). (continued)

	Australia	Europe	North America	South America	Middle East	Asia/ Pacific	Other	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
(2) 2003 (continued)									
Assets									
Segment assets	29,646	2,773	3,946	1,152	-	-	-	(4,148)	33,369
Unallocated Corporate assets	-	-	-	-	-	-	-	-	-
Consolidated total assets									33,369
Liabilities									
Segment liabilities	9,895	1,807	2,824	774	-	-	-	(3,961)	11,339
Unallocated corporate liabilities	-	-	-	-	-	-	-	-	-
Consolidated total liabilities									11,339
Other Information									
Acquisitions of non-current assets	3,571	106	-	-	-	-	-	(60)	3,617
Revenues from sales to external customers by location of customers	-	12,658	12,583	4,947	-	-	6,511	-	36,699

Notes to the Concise Financial Report for the Year Ended 30 June 3004 (continued)

Note 4 Segment Reporting (continued)

(b) Secondary Reporting – business segments

The economic entity operates predominantly in one business segment being the manufacturing and distribution of dental restorative products.

(c) Intersegment Transfers

The segment revenues, expenses and result include transfers between segments. The pricing of 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.

Note 5 Related Party Transactions

(a) Transactions between related parties are on normal commercial terms and conditions and are no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

Director	Related Party	Details of Transaction	2004 $	2003 $
Mrs G.M. McCorkell	Gabrielle McCorkell (Barrister and Solicitor)	Provision of legal services	2,000	4,000
Mr J.J. Cheetham	Silverglades Pty Ltd	Provision of consulting services	80,000	80,000
Mr J.A. Roseman	Roseman & Co C.P.A.s	Provision of consulting services	-	700

(b) (i) Sales are made by SDI Limited to related entities under normal commercial terms and conditions.
(ii) Intercompany charges are made between SDI Limited and controlled entities. These are made under normal commercial terms and conditions for the recoupment of costs and expenses incurred on their behalf.

(c) Transactions of Directors and Director-related entities concerning shares

	2004 No.	2003 No.
(i) Aggregate of shares acquired during the financial year by Directors of the Parent entity and their Director-related entities:		
Issuing entity: SDI Limited		
Ordinary Shares	-	51,788
(ii) Aggregate of shares held as at balance date by Directors of the Parent entity and their Director-related entities		
Issuing entity: SDI Limited		
Ordinary Shares	11,224,666	11,274,666
(iii) All share transactions were conducted on the open market under normal terms and conditions		

DIRECTORS' DECLARATION

The Directors of SDI Limited declare that the concise financial report of SDI Limited and Controlled Entities for the financial year ended 30 June 2004, as set out on pages 8 to 25:

(a) complies with Accounting Standard AASB 1039: Concise Financial Reports; and

(b) has been derived from and is consistent with the full financial report of SDI Limited and Controlled Entities.

This declaration is made in accordance with a resolution of the Board of Directors of SDI Limited and is signed for and on behalf of the Board.

J.J. Cheetham
Director

27 September 2004

BDO

Chartered Accountants

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INDEPENDENT AUDIT REPORT TO THE MEMBERS OF SDI LIMITED A.B.N. 27 008 075581

Scope

The concise financial report and directors' responsibility

The concise financial report comprises the statement of financial position, statement of financial performance, statement of cash flows and accompanying notes to the concise financial statements for the consolidated entity for the year ended 30 June 2004. The consolidated entity comprises both SDI Limited (the company) and the entities it controlled during the year.

The directors of the company are responsible for preparing a concise financial report that complies with Accounting Standard AASB 1039 "Concise Financial Reports", in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the concise financial report.

Audit approach

We conducted an independent audit on the concise financial report in order to express an opinion on it to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the concise financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the concise financial report is presented fairly in accordance with Accounting Standard AASB 1039 "Concise Financial Reports". We formed our audit opinion on the basis of these procedures, which included:

- testing that the information in the concise financial report is consistent with the full financial report; and
- examining, on a test basis, information to provide evidence supporting the amounts, discussion and analysis, and other disclosures in the concise financial report that were not directly derived from the full financial report.

We have also performed an independent audit of the full financial report of the company for the year ended 30 June 2004. Our audit report on the full financial report was signed on 27 September 2004 and was not subject to any qualification. For a better understanding of our approach to the audit of the full financial report, this report should be read in conjunction with our audit report on the full financial report.

Independence
We are independent of the company, and have met the independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001. In addition to our audit of the full and concise financial report, we were engaged to undertake the services disclosed in the notes to the financial statements of the full financial report. The provision of these services has not impaired our independence.

Audit Opinion
In our opinion, the concise financial report of SDI Limited complies with Accounting Standard AASB 1039 "Concise Financial Reports".

BDO
Chartered Accountants

R D D Collie
Partner

Melbourne: 27 September 2004

distribution

Unique distribution

The extensive worldwide distribution network is unique. 90% of SDI products are exported to over 100 countries on all continents. From SDI's headquarters in Bayswater, Victoria, product is shipped through the distribution network to the end user.

Every market is different. In some markets, e.g. Australia, France and the UK, SDI products are sold to dealers and dentists. In other markets, such as the USA, Germany, Ireland and Brazil, SDI has offices where shipments go to dealers who in turn sell to dentists. Sometimes, these overseas locations ship to distributors and/or dealers in countries close by, such as from the USA to Costa Rica. Most Asian, Middle Eastern and Eastern European markets are shipped from Australia.

In keeping with SDI's global marketing strategy, the Company recently established its own sales and warehousing centre in Japan.

For SDI, the world is covered. We have a presence in all major markets around the world. The challenge is to become a dominant player in all regions of the world.

The mission of SDI Limited is to be the world leader in the manufacturing and marketing of dental restorative and related products, achieve high recognition from dental professionals and sustainable returns for the shareholders - whilst providing personal and professional growth opportunities for our employees.

SDI

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