SDI Limited
A.C.N. 008 075 581

facsimile

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Date:	23-Feb-05		
To:	(02) 92417620	From:	Larry Squillace
Facsimile no:	1~~900 999~~ 279	No. of pages:	20
Attention:	ASX ONLINE	Copy:	
Re:	APPENDIX 4D HALF YEAR RESULTS DECEMBER 2004		

SDI Limited and controlled entities

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Appendix 4D

Interim Financial Report
31 December 2004

This information should be read in conjunction with the 30 June 2004 Annual Report.

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Results for announcement to the market

				A$'000
Revenue from ordinary activities	up	4.3%	to	$21,659
Profit from ordinary activities after Income tax attributable to members	down	95.1%	to	$ 122
Net profit for the period attributable To members	down	95.1%	to	$ 122

Dividends per Share

	Amount Per share	**Franked amount per share at 30% Tax.**
Interim		
- current period	0.6 cents	0.6 cents
- previous corresponding period	0.8 cents	0.8 cents

Record date for determining entitlements to dividend: 22 April 2005

	Current Period A$'000	**Previous Corresponding Period A$'000**
Interim dividend is payable on: 13 May 2005	703	936

	Current Period	**Previous Corresponding Period**
Net Tangible Assets per ordinary Share. (NTA backing)	14.6 cents	14.7 cents

Accounting Standards

AASB 1029 – Interim Financial Reporting Standards have been used in compiling the information contained in this Appendix 4D.

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SDI INTERIM RESULT - DECEMBER 2004

The Board of Directors of SDI Ltd today announced that the interim result, for the six months to 31 December 2004, delivered a 5% increase in sales to $21.1m (2003: $20.1m) with Net Profit after Tax of $0.1m (2003: $2.5m) broadly in line with the previous guidance given by the Company on 23 December 2004 and 4 February 2005.

As previously noted, the Company sustained some one-off non-recurring charges to its profits, which significantly affected the first half result. Specifically, these included a faulty battery pack in the initial shipments of Radii, SDI's LED light curing device for composite fillings. Subsequent shipments of these devices were unaffected and sales of this product have continued to be strong with the Company now ready to launch its new generation Radii at the upcoming international dental fair in Cologne, in April.

Other issues affecting first half sales and ultimately, profits, include a slower start in sales in the first quarter with some under-performing dealers having their contracts reviewed as well as the effects of significant forward buying in the 4th quarter of the prior financial year. Distributors and dealers do this in order to stock up before the Northern Hemisphere summer break as well as locking in their margins prior to the traditional 1 July industry price increase. SDI is taking steps to 'smooth' out these trading peaks and troughs by adjusting its price increase timing and reviewing its discounting policy to discourage significant forward buying in the 2nd and 4th quarters.

As well as the trading issues described, SDI also encountered a significant movement in silver prices which affected the production costs of amalgam fillings at a time when amalgam sales were strong and coinciding with the Company's successful tendering, at a lower than usual margin, for substantial International contracts. These contracts will continue to reap benefits for SDI well into the future but which were at a cost to profit margins in the first year.

Having put these issues behind it, SDI is now looking positively towards a strong trading second half. New infrastructure investment in Japan and in some European markets should begin to show some return in the six months to 30 June and more fully in the following financial year.

The Company has set itself a challenging second half target of achieving around $29.8m in sales and $9.1m in profit. This target assumes that there will be no further adverse issues and the successful launch of a large number of new products at the International Dental show (IDS) in Cologne in April, contributing to a strong final quarter. SDI believes its targets are attainable.

Internationally, SDI has been expanding its sales force in a number of countries. As well as the previously mentioned markets in Japan and the EU, the Company has expanded its work force in Latin America, including in its Brazilian subsidiary, and in Eastern Europe.

Commenting on the first half result, the Managing Director, Jeffery Cheetham, said "While I am obviously disappointed that, for the first time in more than 6 years, we have not delivered on our profit expectations, it is a little comfort to know that the problems were of a one-off nature and not systemic. I remain confident that as we look to the future, SDI will resume its growth trajectory, delivering approximately 15% sales growth and 20% profit growth, year on year, for a substantial period ahead"

"I am pleased that our R & D division has continued to deliver on our product development timelines and I am confident that the current batch of new products will be well received at the world's largest dental fair in April. I believe that following this year of consolidation that SDI is poised for its next period of growth", Mr Cheetham said.

Commenting on the SDI five-year growth plan, Mr. Cheetham said, "The Company is still confident that it will achieve its sales target of $100m, a virtual doubling of sales in the current financial year, by financial year 2009 by delivery of 15%, year on year, sales growth. The growth will come from the further development of existing products, new products and the significant further development of existing markets. SDI has already pre-invested in this planned growth at a cost to current profitability but with an eye to the big prize which will be the corresponding expediential profit growth".

The Board has declared an Interim dividend of 0.6 cents per share, which will be fully franked and paid on 13 May 2005. The Board also advised that the Company will be introducing a Dividend Reinvestment Plan for this dividend payment.

For further information:

Jeffery Cheetham	Managing Director	(03) 87277108
Gerry Bullon	INSOR Investor Relations	0418 106 675

22 February 2005

SDI

SDI Limited and controlled entities
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Directors' report

Your Directors present their report for SDI Limited and its Controlled Entities for the financial half year ended 31 December 2004.

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

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

Non-Executive Directors
Anthony John Bardsley (Chairman)
John Norman Isaac
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.

Review of Operations
Revenue from trading activities of $21,659,000 for the Group was 4.3% above that of the previous corresponding period. Profit from ordinary activities after income tax attributable to members of $122,000 was 95.1% below the previous corresponding period.

After Balance Date Events
No matters or circumstances have arisen since the end of the interim period which significantly affected or may significantly affect the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

Auditor's Independence Declaration

Following is an extract from the auditor's independence letter received by the Board on 22 February 2005:

Declaration of independence by BDO to the directors of SDI Limited

To the best of my knowledge and belief, there have been:
- no contraventions of the auditor independence requirements of this Act in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

BDO

BDO
Chartered Accountants

R D D Collie
Partner

Melbourne
Date: 21 February 2005

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Directors' report (continued)

Rounding of Amounts
The economic entity has applied the relief available to it in ASIC Class Order 98/100 and accordingly certain amounts in the financial report and the directors' report have been rounded off to the nearest $1,000.

This report is signed in accordance with a resolution of the Board of Directors.

J J Cheetham
Managing Director

Melbourne
22 February 2005

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Consolidated Statement Of Financial Performance
For The Half-Year Ended 31 December 2004

	Economic Entity 31 December 2004 $'000	Economic Entity 31 December 2003 $'000
Sales revenue	21,123	20,106
Cost of sales	(9,941)	(6,308)
Gross profit	11,182	13,798
Other revenues from ordinary activities	536	657
Selling & administration expenses	(10,887)	(8,892)
Research & development expenses	-	(694)
Borrowing costs	(378)	(156)
Other expenses from ordinary activities	(336)	(1,291)
Profit from ordinary activities before income tax	117	3,422
Income tax (expense)/ benefit relating to ordinary activities	5	(942)
Profit from ordinary activities after related income tax (expense)/benefit	122	2,480
Net exchange difference on translation of financial reports of self-sustaining foreign operations	(258)	(208)
Total changes in equity other than those resulting from transactions with owners as owners	(136)	2,272
Basic earnings per share (cents per share)	0.1 cents	2.1 cents
Diluted earnings per share (cents per share)	0.1 cents	2.1 cents

The accompanying notes form part of these financial statements.

SDI Limited and controlled entities
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Consolidated Statement Of Financial Position
As At 31 December 2004

	Economic Entity		
	31 December 2004 $'000	30 June 2004 $'000	31 December 2003 $'000
Current Assets			
Cash assets	776	1,249	1,008
Receivables	12,224	13,433	9,977
Inventories	9,917	9,391	9,273
Current tax assets	512	-	-
Other	923	497	518
Total current assets	24,352	24,570	20,776
Non-Current Assets			
Property, plant and equipment	12,578	11,980	10,319
Intangible assets	9,936	8,566	6,057
Deferred tax assets	1,088	516	574
Other	23	40	17
Total non-current assets	23,625	21,102	16,967
Total Assets	47,977	45,672	37,743
Current Liabilities			
Payables	2,685	2,620	2,839
Interest bearing liabilities	4,374	2,749	5,187
Tax liabilities	160	1,239	1,022
Provisions	1,285	1,140	1,040
Total current liabilities	8,504	7,748	10,088
Non-Current Liabilities			
Interest bearing liabilities	10,176	8,077	3,187
Deferred tax liabilities	2,161	1,583	1,074
Provisions	151	145	137
Total non-current liabilities	12,488	9,805	4,398
Total Liabilities	20,992	17,553	14,486
Net Assets	26,985	28,119	23,257
Equity			
Contributed equity	11,788	11,732	11,707
Reserves	919	1,177	952
Retained profits	14,278	15,210	10,598
Total Equity	26,985	28,119	23,257

The accompanying notes form part of these financial statements.

SDI Limited and controlled entities
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Consolidated Statement Of Cash Flows
For The Half Year ended 31 December 2004

	Economic Entity	
	31 December 2004 $'000	31 December 2003 $'000
Cash Flows from operating activities		
Receipts from customers	21,253	20,196
Payments to suppliers and employees	(19,355)	(18,430)
Interest received	1	2
Borrowing costs	(378)	(156)
Income tax paid	(1,650)	(2,009)
Government grants received	1	655
Net cash (used by)/received from operating activities	(128)	258
Cash Flows from investing activities		
Proceeds from sale of property, plant and equipment	15	24
Purchase of property, plant and equipment	(1,252)	(2,746)
Purchase of intangibles	(1,741)	(504)
Net cash used in investing activities	(2,978)	(3,226)
Cash Flows from financing activities		
Proceeds from share issue	-	7
Dividends paid	(1,054)	(1,053)
Proceeds from borrowings	2,345	2,654
Repayments of borrowings	(32)	(1,517)
Net cash provided by financing activities	1,259	91
Net decrease in cash held	(1847)	(2,877)
Cash at 1 July	(333)	1,553
Effect of exchange rates on cash holdings in foreign currencies	(41)	(107)
Cash at 31 December	(2,221)	(1,431)

The accompanying notes form part of these financial statements.

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Notes to the financial statements for the half-year ended 31 December 2004

Note 1 Basis of Preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Accounting Standard AASB 1029: Interim Financial Reporting, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that this financial report be read in conjunction with the annual financial report for the year ended 30 June 2004 and any public announcements made by SDI Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The accounting policies have been consistently applied by the entities in the economic entity and are consistent with those applied in the 30 June 2004 annual report.

The half-year report does not include full disclosures of the type normally included in an annual financial report.

a) Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective from financial years commencing on or after 1 January 2005. This requires the production of accounting data for future comparative purposes as of 1 July 2004.

(i) Management of the Transition Process

In order to facilitate this transition process, SDI has established a transition project team, which reports to the Audit Committee on a quarterly basis. The transition project team has established a timetable for the transition process to ensure that each phase of the transition project is completed on schedule and to ensure a smooth implementation.

The Company's transition process consists of 3 phases as follows:

- **Planning Phase**

This phase involves setting out the timetable for transition and identifying differences in key accounting policies between current Australian Accounting Standards and the Australian equivalents to IFRS to be adopted in future. It also involves an assessment of complex areas and a basic stocktaking of resources available to implement the process.

The planning phase has essentially been completed at 30 June 2004.

- **Diagnosis Phase**

Detailed training on specific Australian equivalents to IFRS will be undertaken during this phase, particularly for staff directly involved in accounting functions.

The Diagnosis Phase also involves a more detailed analysis (than merely of key accounting policy differences) of measurement and disclosure impacts and preparatory work on revised statutory reporting templates.

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Notes to the financial statements for the half-year ended 31 December 2004 (Continued)

To ensure that quantitative information is available for AASB 1047 disclosures required at 30 June 2005, decisions will be taken on exemptions and options provided in AASB 1 "First Time Adoption of Australian Equivalents to IFRS" and detailed impairment testing will be performed on opening balance sheet carrying values of assets at 1 July 2004.

Business impacts (e.g. relationships with bankers and lenders and employees), accounting system changes, training and resource requirements will also be identified during this phase.

Tax reviews will be commenced to identify any impacts on thin capitalisation.

- **Conversion Phase**

During this phase, changes required to accounting and reporting systems will be finalised and tested. Agreements with lenders and contracts with employees will be renegotiated to ensure that SDI is not prejudiced by the adoption of the new accounting framework. Key performance indicators will be reset and extensive training will be undertaken during this phase to ensure that all employees, accounting personnel and others, who are impacted by the adoption of Australian equivalents to IFRS are confident with the new processes.

This phase is expected to be completed by 30 June 2005.

(ii) Changes to Key Accounting Policies

The Directors are of the opinion that the key differences in the economic entity's accounting policies, which will arise from the adoption of IFRS, are:

- **Capitalisation of Research and Development Costs**

SDI's research and development is carried at cost less, where applicable, any accumulated amortisation. Significant research and development costs are capitalised to the extent that future benefits are expected, beyond reasonable doubt, to exceed these costs. Amortisation of capitalised costs commences six months immediately following the completion of individual projects, allowing time for full commercialisation of the project and continues with full clearance of the cost on a straight-line basis within a maximum of five years.

Research and development costs capitalised are regularly reviewed and, when the criterion for capitalisation is no longer met, the unamortised balance is charged to the profit from ordinary activities of that period.

Under Australian equivalents to IFRS, costs incurred in the 'research phase' defined as 'original and planned investigation undertaken with the prospect of obtaining new scientific or technical knowledge and understanding' will be required to be expensed when incurred. It is likely that this will
result in some previously recognised capitalised research costs being adjusted against the opening balance of retained earnings at 1 July 2004. The effect on future earnings will depend upon the amount of previously capitalised costs derecognised at 1 July 2004 on which

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Notes to the financial statements for the half-year ended 31 December 2004 (Continued)

- **Intangible Assets**

Purchased intellectual property is currently recognised in the Statement of Financial Position at cost less accumulated amortisation. However, the Directors are of the view that these intangible assets have an indefinite useful life and as such will not have to be amortised under Australian equivalents to IFRS, but merely subject to an annual impairment test. The absence of an annual amortisation charge will result in increased profits in future; however, these profits may be more volatile if one-off impairment losses are required.

- **Expensing of Options**

SDI currently has an employee share scheme and an executive share option scheme. Details of these schemes are included in the 2003 annual report and will continue to be included in future annual reports. The company does not currently recognise an expense for shares and options issued to staff. On adoption of Australian equivalents to IFRS, the company will recognise an expense for all share-based remuneration, including deferred shares and options, and will amortise those expenses over the relevant vesting periods. This will result in additional expenses being recorded and therefore lower earnings. There will be an initial negative impact on opening balances of retained earnings at 1 July 2004 when retrospective adjustments are made for options that have not vested by 1 January 2005.

- **Foreign Currency Hedges**

SDI currently does not recognise its foreign currency hedge options in the financial statements. Under Australian equivalents to IFRS derivative financial instruments will need to be recognised in the Statement of Financial Position at fair value with unrealised gains or losses recognised in income if they do not qualify for hedge accounting. This will result in new assets and liabilities being recognised and an increased volatility in future earnings. Recognition will also have an initial impact on opening retained earnings at 1 July 2004.

- **Taxation**

A "balance sheet" approach will be adopted under Australian equivalents to IFRS, replacing the "statement of financial performance" approach currently used by Australian companies. The "balance sheet" method recognises deferred tax balances when there is a difference between the carrying value of an asset or liability, and its tax base. Any initial adjustments to calculate deferred tax assets and liability balances on transition using the new basis will be made through opening balances of retained earnings at 1 July 2004. Deferred tax asset and liability balances at 1 July 2004 can only be calculated once all other opening balance sheet amounts have been finalised at that date.

- **Translation of Foreign Subsidiaries**

The group currently translates the accounts of foreign subsidiaries using the current rate method for self-sustaining operations. Australian equivalents to IFRS do not distinguish between integrated and self-sustaining foreign operations and all investments in a foreign subsidiary with a functional currency different to the group's presentation currency will be translated using the closing rate.
Balances of translation differences in equity will be reset to zero at 1 July 2004 with the initial adjustment being processed via opening balances of retained earnings at that date.

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Notes to the financial statements for the half-year ended 31 December 2004 (Continued)

- **Impairment of Assets**

The company currently assesses the amount of impairment of assets by determining the recoverable amount on the basis of undiscounted cash flows. Under Australian equivalents to IFRS, the company will be required to determine the recoverable amount as the higher of fair value less costs to sell and value in use (which is determined using discounted cash flows). This change in policy and basis for calculation may lead to more impairment losses being recognised and therefore greater volatility in future earnings. Also when discounting is initially applied on transition at 1 July 2004, impairment losses may need to be recognised resulting in a negative impact on opening balances of retained earnings at that date.

	Economic Entity	
	31 December 2004 $'000	31 December 2003 $'000
Note 2 Profit from Ordinary Activities		
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Depreciation and amortisation of non-current assets:		
Plant & Equipment	(609)	(497)
Intangibles	(366)	(369)
Total Depreciation and Amortisation	(975)	(866)
Foreign Currency Translation		
- Foreign currency translation gains (losses) – realised	518	(384)
- Foreign currency translation losses – unrealised	(139)	(348)
Net Foreign Currency losses	(379)	(732)
Note 3 Dividends		
Proposed Interim fully franked ordinary dividend of 0.6 cents (2003:0.8 cents) per share franked at the tax rate of 30% (2003: 30%)	703	817
Final fully franked dividend of 0.9 cents (2003: 0.9 cent) per share franked at tax rate of 30% (2003:30%) – paid	1,054	1,053

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Notes to the financial statements for the half-year ended 31 December 2004(Continued)

SDI Limited and controlled entities

Note 4 Segment Reporting

Primary Reporting – geographic segments (by location of assets)

	Australia	Europe	North America	South America	Middle East	Asia/ Pacific	Other	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2004 Revenue									
External segment revenue	9,794	5,950	4,634	1,259	-	20	-	-	21,657
Inter-segment revenue	7,160	3,247	-	-	-	-	-	(10,407)	-
Total segment revenue	16,954	9,197	4,634	1,259	-	20	-	(10,407)	21,657
Other unallocated revenue									2
Total revenue									21,659
Result									
Segment result	749	(354)	(63)	206	-	(238)	-	195	495
Unallocated Corporate Expenses									(378)
Profit from ordinary activities before income tax									117
Income tax expense									5
Net profit after income tax									122

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Notes to the financial statements for the half-year ended 31 December 2004 (Continued)

SDI Limited and controlled entities

Note 4 Segment Reporting (continued)

Primary Reporting – geographic segments (by location of assets)

	Australia	Europe	North America	South America	Middle East	Asia/ Pacific	Other	Eliminations	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2003 Revenue									
External segment revenue	6,974	6,958	5,873	956	-	-	-	-	20,761
Inter-segment revenue	8,521	2,215	-	-	-	-	-	(10,736)	-
Total segment revenue	15,495	9,173	5,873	956	-	-	-	(10,736)	20,761
Other unallocated revenue									2
Total revenue									20,763
Result									
Segment result	2,794	450	215	119	-	-	-	-	3,578
Unallocated Corporate Expenses									(156)
Profit from ordinary activities before income tax									3,422
Income tax expense									(942)
Net profit after income tax									2,480

SDI Limited and controlled entities
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Notes to the financial statements for the half-year ended 31 December 2004 (Continued)

Note 4 Segment Reporting (continued)

Secondary Reporting – business segments

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

Inter-segment Transfers

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

	Economic Entity	
	31 December 2004 $'000	31 December 2003 $'000
Note 5 Contributed Equity		
Fully paid ordinary shares at the beginning of reporting period	11,732	11,700
Shares issued during the year:		
115,000 on 11 October 2004	56	7
At reporting date	11,788	11,707
	No.	**No.**
Ordinary shares at the beginning of reporting period	117,059,810	23,389,017
Shares issued during the year		
- Conversion of options on 11October 2004	115,000	3,000
At reporting date	117,174,810	23,392,017

The following restates the number of ordinary shares for comparative purposes as if the capital restructure of five ordinary shares for each existing ordinary share had applied in the year 2003.

	No.
Ordinary shares at the beginning of reporting period	116,945,085
Shares issued during the year	
- Conversion of options on 5 December 2003	15,000
At reporting date	116,960,085

Note 6 Contingent Liabilities

There has been no change in contingent liabilities since the last annual reporting date.

Note 7 Events Subsequent to Reporting Date
There has been no reportable event subsequent to this reporting date.

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Directors' Declaration

The directors of the company declare that:

(1) The financial statements and notes, as set out on pages 8 to17

(a) comply with Accounting Standards AASB 1029: Interim Financial Reporting and the Corporations Regulations; and

(b) give a true and fair view of the economic entity's financial position as at 31 December 2004 and of its performance for the half-year ended on that date.

(2) In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

22 February 2005

BDO

Chartered Accountants

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DX 30937 Stock Exchange Melbourne
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SDI LIMITED AND CONTROLLED ENTITIES
ABN 27 008 075 581

INDEPENDENT REVIEW REPORT TO THE MEMBERS OF SDI LIMITED

We have audited the financial report of SDI Limited for the half-year ended 31 December 2004 as set out on pages 8 to 18. The financial report includes the consolidated financial statements of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year. The company's directors are responsible for the financial report. We have performed an independent review of the financial report in order to state whether, on the basis of the procedures described, anything has come to our attention that would indicate that the financial report is not presented fairly in accordance with Accounting Standard AASB 1029: Interim Financial Reporting and other mandatory professional reporting requirements and statutory requirements, so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows, and in order for the company to lodge the financial report with the Australian Securities and Investments Commission/Australian Stock Exchange Limited.

Our review has been conducted in accordance with Australian Auditing Standards applicable to review engagements. A review is limited primarily to inquiries of company personnel and analytical procedures applied to the financial data. These procedures do not provide all the evidence that would be required in an audit, thus the level of assurance provided is less than given in an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Statement

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of SDI Limited is not in accordance with:

(a) The Corporations Act 2001, including:

- (i) giving a true and fair view of the company's financial position as at 31 December 2004 and of its performance for the half-year ended on that date; and
- (ii) complying with Accounting Standard AASB 1029: Interim Financial Reporting and the Corporations Regulations 2001; and

(b) other mandatory financial reporting requirements in Australia.

BDO

BDO
Chartered Accountants

R D D Collie
Partner

Melbourne, 22 February 2005