



INTERIM REPORT

For the six months
ended 31 December 2024

Transforming
Global Customer
Communications



FY2025 1H Highlights

For the six months ended 31 December 2024

- Net profit after tax declined 5.2% to \$2.34 million and EPS of 15.9 cents
- Revenue increased 14.6%
- EBITDA declined 7.1% to \$3.71 million
- Cash flow from operations \$5.19 million and net cash at 31 December 2024 was \$12.41 million
- Cash flow and net cash benefitted from timing issues and normalised net cash position nearer \$10–\$11 million
- No interim dividend given uncertain outlook as SDL's largest customer is now in a multi-vendor position
- FY2025 earnings outlook remains unclear but should achieve improved visibility over 2025

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DIRECTORS' & CHIEF EXECUTIVE OFFICER'S REPORT

Result Overview

Solution Dynamics Limited ("SDL" or "Company") produced a 5.2% decline in unaudited net profit after tax of \$2.34 million for the FY2025 half year (1H FY2024 \$2.47 million). This represents undiluted earnings per share of 15.9 cents.

As usual, the first half of FY2025 reflects a high concentration of large international customer jobs, along with usual seasonal 1H strength in the New Zealand operations. The global environment generally remains difficult. In particular, North American longer-term interest rates remained high, preventing recovery in US mortgage market communications activity.

First half earnings included a number of one-off items relating to restructuring following the outcome of the request for proposal (RFP) from SDL's largest customer. Restructuring provisions were around \$0.2 million and partly offset by some incentive and accrual write-backs.

In the NZ print and mail house market, SDL continued to gain share, growing mail lodgements 1%. This is a strong result, relatively speaking, given the NZ market remains in structural decline.

Cash flow from operations was \$5.19 million (1H FY2024 \$2.34 million) with cash flow from trading improving 6.2% to \$2.98 million. Notably, a large customer receipt from 1H billings was received in December with associated costs not paid until January. This inflated the combined closing cash and short-term cash deposits position at 31 December to \$12.41 million (1H FY2024 \$8.29 million). Adjusting for this timing difference, the underlying cash position was nearer \$10–\$11 million (and was \$11.4 million at end January 2025).

The most significant factor during 1H was SDL's largest customer advising it would shift from a single supplier (SDL) model to a multi-vendor (SDL and one other) model. SDL has been advised that it will remain a supplier to the customer and that the customer now expects to tender its communications programme services (software/professional services and print/logistics) on a project by project basis. SDL was advised that the RFP decision was based on commercial factors not on operational performance.

The contestable nature of future work means it will take some time to understand the full impact on revenue and margins, although it has the potential to be severe.

As a result of this decision, the Company promptly moved forward with a comprehensive restructure, affecting both New Zealand and international operations, removing a material level of costs. Additionally, from 1 January 2025 the Directors will reduce Board fees to the level prior to the last fee increase in 2022 while the Chair will reduce fees entirely.

In view of the near-term uncertainty, the Directors have deferred any possible FY2025 dividend (1H FY2024 7.0 cents) until the end of the financial year.

Operational Commentary

Operating revenue rose 14.6% to \$26.09 million. International revenue increased 8.6% although much of that was one large print/logistics job that fell into early 1H rather than late FY2024. Revenue growth in New Zealand was solid, with core printing and document handling up 9.0%, from a combination of market shares gains and selected price adjustments. While Outsourced Services rose 40.3% to \$5.98 million this was mainly the result of greater postage volumes and the impact of NZ Post's price rises – both of these are very low margin revenue so there was only modest earnings gain.

The success in growing NZ was driven by a combination of new customers, price adjustments and obtaining additional work from existing customers, an ongoing feature of SDL's efforts, particularly in the Councils market. SDL remains the undisputed leader for Council communications in NZ. NZ sales efforts remain focused on "digital first" communications as part of a complete multi-channel communications approach. This was reflected in email volumes in New Zealand increasing around 15% year-on-year with print volumes rising around 3%.

Internationally, in addition to the positive effect from timing of one large job, growth occurred across a range of clients although the ongoing mortgage market slump in the US means there has been no recovery in mortgage-related communications as yet.

During 1H, SDL integrated a small North American marketing agency – GRI Marketing – into its operations. This transaction is expected to be largely cash flow neutral, and adds both marketing and enterprise sales capability, along with several brand name clients.

SG&A (Selling, General and Administration) costs rose 6.8% year-on-year, largely from inflation-related rises in general costs, plus increases in salary costs.

Financial Performance

Earnings before interest, tax, depreciation, and amortisation (EBITDA) declined 7.1% to \$3.72 million (1H FY2024 \$4.00 million) on sales revenue that rose 14.6%.

Summary Financial Performance (all figures \$'000)	1H FY25	1H FY24	Yr-on-Yr \$ Change	Yr-on-Yr % Change
Total Revenue	26,091	22,766	3,325	14.6%
Cost of Goods Sold	17,065	13,790	3,275	23.7%
Gross Profit	9,026	8,976	50	0.6%
Gross Margin (%)	34.6%	39.4%		
Selling, General & Admin Costs	5,311	4,975	336	6.8%
EBITDA	3,715	4,001	-286	-7.1%
EBITDA Margin (%)	14.2%	17.6%		
Depreciation	424	449	-25	-5.6%
Amortisation	27	18	9	50.0%
EBIT	3,264	3,534	-270	-7.6%
Net Interest Paid/(Rec'd)	-62	-53	9	17.0%
Net Profit before Tax	3,326	3,587	-261	-7.3%
Taxation	983	1,114	-131	-11.8%
Net Profit after Tax	2,343	2,473	-130	-5.2%

The EBITDA margin declined from 17.6% to 14.2% with the lower Gross Margin (34.6% from 39.4% the prior year) mainly the result of the increase in low margin postage revenue in New Zealand.

SDL's taxation rate in 1H FY2025 was 29.6% versus 31.1% in the prior period.

Revenue Analysis (all figures \$'000)	1H FY25	1H FY24	Yr-on-Yr \$ Change	Yr-on-Yr % Change
Software & Technology	17,671	16,265	1,406	8.6%
Digital Print & Document Handling	2,442	2,241	201	9.0%
Outsourced Services	5,978	4,260	1,718	40.3%
Total Revenue	26,091	22,766	3,325	14.6%

Total revenue was up 14.6% on the prior year. Software and Technology revenue, which is mostly in International, rose 8.6% to \$17.67 million with one larger job falling into early 1H rather than late FY2024. Digital Print and Document Handling revenue, which is all in New Zealand, rose 9.0% to \$2.44 million reflecting improved print volumes from market shares gains, plus price increases. Outsourced Services revenue, which is all in New Zealand, grew 40.3% to \$5.98 million reflecting increases in both postage rates and low-margin postage volumes.

Balance Sheet, Liquidity and Debt

SDL closed the half year with net cash on hand of \$12.41 million, versus \$8.29 million in 1H FY2024. As previously noted, the cash position is overstated because of working capital timing over year end, with underlying closing cash nearer \$10–\$11 million (cash at end January was \$11.4 million). A bank overdraft facility of \$0.2 million remains in place but is unused.

Capital expenditure was negligible for the half year, largely for minor items of computer equipment.

Selected Balance Sheet and Cashflow Figures (all figures \$'000)			Yr-on-Yr	Yr-on-Yr
	1H FY25	1H FY24	\$ Change	% Change
Net Cash on Hand (net of debt)	12,405	8,291	4,114	49.6%
Non-current Assets (excl Right of Use)	1,675	1,871	-196	-10.5%
Right of Use Assets	1,431	2,197	-766	-34.9%
Net Other Liabilities (excl Right of Use)	-2,803	-538	-2,265	421.0%
Right of Use Liabilities	-1,456	-2,242	786	-35.1%
Net Assets	11,252	9,579	1,673	17.5%
Cashflow from Trading	2,982	2,807	175	6.2%
Movement in Working Capital	2,206	-465	2,671	-574.4%
Cash Inflow from Operations	5,188	2,342	2,846	121.5%

Book value (net assets) increased 17.5% to \$11.25 million, predominantly from solid first half earnings.

Dividend

Earnings per share was 5.2% lower at 15.9 cents.

With near-term earnings uncertainty, the Directors have deferred consideration of a dividend until end of FY2025.

Earnings and Dividend per Share			Yr-on-Yr	Yr-on-Yr
	1H FY25	1H FY24	Change	% Change
Shares on Issue (000)	14,719.8	14,719.8	-	0.0%
Earnings per share (cents)	15.92	16.80	-0.88	-5.2%
Dividend per share (cents)	n.a.	7.00	-7.00	-100.0%
Dividend proportion Imputed	n.a.	100.0%	n.a.	n.a.
Payout ratio (on NPAT)	n.a.	41.7%	n.a.	n.a.

SDL's payout ratio (covering dividends and buybacks) is currently limited to a maximum 50% of earnings under the terms of co-funding from New Zealand Trade and Enterprise's (NZTE) International Growth Fund (IGF). IGF co-funding is supporting a range of SDL's market development activities in North America. The IGF provides 50:50 co-funding for eligible project costs up to a maximum of \$600,000 from NZTE over a three-year period.

The Directors will review both SDL's dividend and capital management policy prior to the conclusion of the IGF agreement in late 2025.

While SDL has a strong net cash position, the Directors continue to maintain a preference for financial flexibility given the macroeconomic uncertainty and unclear effect of the Company's largest customer now operating a multi-vendor model. The Company continues to review possible acquisition opportunities and emphasises that any transaction must add shareholder value.

Strategy

SDL's strategy is to lead with "Digital First" customer communications software and services, reducing our reliance on mail outsourcing. It now seems likely that AI will emerge as both a threat and an opportunity in this industry. SDL's response is twofold. First is integrating "best of breed" AI into our products and second, driving operational efficiency, particularly in mail-related functions.

The three key areas of near-term focus in 2025 are:

1. Streamline operational efficiency, with a well-executed business restructuring and increased automation, plus elimination of certain lower margin work.
2. Leverage AI to modernise and enhance SDL's digital marketing software value. Build out SDL's GenComm AI capabilities and complete several proof-of-concept projects this calendar year.
3. Drive international sales, leveraging the recent integration of GRI Marketing, investment in software sales and support talent, with both geographic and targeted vertical market focus.

We can be sure that both new and traditional competitors will also be leading with AI, so a business-as-usual strategy that ignores it, risks being left behind by more agile competitors.

FY 2025 Outlook

With SDL's largest customer having moved to a multi-vendor model, the extent to which the Company retains a portion of revenue and margin is more unclear than it has been in recent years. This makes forecasting particularly difficult as a wide range of outcomes are possible.

Noting that SDL's second half of the financial year is typically seasonally much weaker than the first it seems likely that 2H FY2025 will incur a loss. That said, the Company is not currently in a position to provide a full year FY2025 forecast.

While there are ongoing gains in New Zealand operations (new business and 1H price increases), and SG&A cost savings that will be partially realised, the loss of gross profit from our largest customer is likely to outpace those gains. As well, the usual risk factors apply to second half expectations and include other contract renewals, the extent of new business success, along with global macroeconomic concerns and continued foreign exchange volatility.



CONSOLIDATED
INTERIM
FINANCIAL
STATEMENTS

Consolidated Statement of Profit or Loss and Other Comprehensive Income (unaudited)

For the six months ended 31 December 2024

	6 Months Ended 31 Dec 2024	6 Months Ended 31 Dec 2023	Year Ended 30 Jun 2024 Audited
Revenue from contracts with customers	25,945	22,432	38,252
Other income	146	334	416
Total Revenue and Income	26,091	22,766	38,668
Cost of Sales	17,065	13,790	23,824
Selling, General & Administration	5,311	4,975	10,009
Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA)	3,715	4,001	4,835
Depreciation	424	449	851
Amortisation	27	18	54
Net Finance Income	(62)	(53)	(125)
Profit before Income Tax	3,326	3,587	4,055
Income Tax	983	1,114	1,236
Net Profit after Income Tax	2,343	2,473	2,819
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss:			
Exchange gain/(loss) on translation of foreign operations	239	(62)	60
Other Comprehensive Gain/(Loss) Net of Tax	239	(62)	60
Total Comprehensive Income for the Year	2,582	2,411	2,879
Earnings per Share – Net Profit after Tax			
	Cents	Cents	Cents
Basic earnings per share	15.9	16.8	19.2
Diluted earnings per share	15.3	16.1	19.2

Consolidated Statement of Changes In Equity (unaudited)

For the six months ended 31 December 2024

	Share Capital	Employee Share Option Plan	Foreign Currency Translation Reserve	Accumulated Profit	Total Equity
Balance 1 July 2023	5,574	142	(39)	1,674	7,351
Issue of share options to employees	-	39	-	-	39
Dividends paid	-	-	-	(222)	(222)
Transactions with Owners	-	39	-	(222)	(183)
Profit for the period after tax	-	-	-	2,473	2,473
Other comprehensive loss	-	-	(62)	-	(62)
Total Comprehensive Income	-	-	(62)	2,473	2,411
Balance 31 December 2023	5,574	181	(101)	3,925	9,579
Issue of share options to employees	-	24	-	-	24
Dividends paid	-	-	-	(1,252)	(1,252)
Transactions with Owners	-	24	-	(1,252)	(1,228)
Profit for the period after tax	-	-	-	2,819	2,819
Other comprehensive income	-	-	60	-	60
Total Comprehensive Income	-	-	60	2,819	2,879
Balance 30 June 2024 (audited)	5,574	166	21	3,241	9,002
Issue of share options to employees	-	36	-	-	36
Dividends paid	-	-	-	(368)	(368)
Transactions with Owners	-	36	-	(368)	(332)
Profit for the period after tax	-	-	-	2,343	2,343
Other comprehensive income	-	-	239	-	239
Total Comprehensive Income	-	-	239	2,343	2,582
Balance 31 December 2024 (unaudited)	5,574	202	260	5,216	11,252

Consolidated Statement of Financial Position (unaudited)

As at 31 December 2024

	As at 31 Dec 2024	As at 31 Dec 2023	As at 30 Jun 2024 Audited
Current Assets			
Cash and cash equivalents	9,405	4,791	4,950
Short-term cash deposits	3,000	3,500	3,000
Trade & other receivables	2,659	3,105	3,861
Inventories	506	1,188	271
Prepayments	294	314	470
Total Current Assets	15,864	12,898	12,552
Current Liabilities			
Trade and other payables	4,347	2,989	3,923
Provision for taxation	798	761	281
Deferred contract revenue	186	520	216
Lease liability	735	677	735
Employee benefit liabilities	931	875	855
Total Current Liabilities	6,997	5,822	6,010
Working Capital	8,867	7,076	6,542
Non-Current Assets			
Property, plant & equipment	220	350	278
Right of use assets	1,431	2,197	1,795
Goodwill & intangible assets	1,229	1,333	1,241
Deferred tax benefit	226	188	226
Total Non-Current Assets	3,106	4,068	3,540

Consolidated Statement of Financial Position (unaudited)

As at 31 December 2024

	As at 31 Dec 2024	As at 31 Dec 2023	As at 30 Jun 2024 Audited
Non-Current Liabilities			
Lease liability	721	1,565	1,080
Total Non-Current Liabilities	721	1,565	1,080
Net Assets	11,252	9,579	9,002
Equity			
Share Capital	5,574	5,574	5,574
Employee share option plan	202	181	166
Foreign currency translation reserve	260	(101)	21
Accumulated profit	5,216	3,925	3,241
Total Equity	11,252	9,579	9,002

For and on behalf of the Board who approved these financial statements for issue on 27 February 2025.

For and on behalf of the Board



John McMahon – Director (Chair)

Date: 27 February 2025



Andy Preece – Director
(Chair of Audit & Risk)

The accompanying notes on pages 17–24 form part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flow (unaudited)

For the six months ended 31 December 2024

	6 Months to 31 Dec 2024	6 Months to 31 Dec 2023	Year to 30 Jun 2024 Audited
Cash Flow from Operating Activities			
Cash was provided from:			
Receipts from customers	29,043	25,566	41,565
Other income	146	334	416
	29,189	25,900	41,981
Cash was applied to:			
Payments to suppliers	16,628	17,053	26,210
Payments to employees	6,067	5,491	10,957
Income tax paid	983	1,114	1,236
GST and VAT paid/(received)	323	(100)	223
	24,001	23,558	38,626
Net Cash Inflow from Operating Activities	5,188	2,342	3,355
Cash Flow from Investing Activities			
Cash was applied to:			
Transfer to short-term cash deposits	3,000	-	3,000
Purchase of property, plant & equipment & capital works in progress	18	105	64
Purchase of software & intangible assets	-	-	17
	3,018	105	3,081
Cash was provided from:			
Transfer from short-term cash deposits	3,000	-	-
	3,000	-	-
Net Cash Outflows from Investing Activities	(18)	(105)	(3,081)

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Consolidated Statement of Cash Flow (unaudited)

For the six months ended 31 December 2024

	6 Months to 31 Dec 2024	6 Months to 31 Dec 2023	Year to 30 Jun 2024 Audited
Cash Flow from Financing Activities			
Cash was applied to:			
Payment of dividends	368	222	1,252
Interest paid	110	98	125
Interest received	(172)	(151)	(250)
Lease liability payments	409	405	825
	715	574	1,952
Net Cash Outflow from Financing Activities	(715)	(574)	(1,952)
Net Change in Cash and Cash Equivalents	4,455	1,663	(1,678)
Add cash & cash equivalents held at beginning of year	4,950	6,628	6,628
Cash and Cash Equivalents at End of Year	9,405	8,291	4,950
Reconciliation of net surplus after income tax for the year with net cash inflow from operating activities			
Net surplus after income tax	2,343	2,473	2,819
Interest (received)/expense	(62)	(53)	(125)
Add non-cash items:			
Depreciation & Amortisation of assets	451	467	904
Gain/(loss) on foreign exchange	(25)	(63)	(217)
Bad debts	-	(1)	-
Other non-cash items	275	(16)	48
Cash Flow from Trading	2,982	2,807	3,429
Add movements in Working Capital	2,206	(465)	(74)
Net Cash Inflow from Operating Activities	5,188	2,342	3,355

Notes to the Financial Statement (unaudited)

For the six months ended 31 December 2024

1. Corporate Information

Principles of consolidation

The condensed unaudited interim financial statements include the accounts of Solution Dynamics Limited (SDL or Company) and its subsidiaries. The condensed unaudited interim financial statements for the six months ended 31 December 2024 were authorised for issue in accordance with a resolution of directors on 27 February 2025.

These unaudited interim financial statements are for the six months ended 31 December 2024 and are presented in rounded thousands NZ\$, which is the functional currency of the parent company. They have been prepared in accordance with New Zealand's generally accepted accounting practices and comply with New Zealand Equivalent to International Accounting Standard 34 (NZ IAS 34) and IAS 34 "Interim Financial Reporting" (IAS 34). They do not include all of the information required in annual financial statements in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the consolidated financial statements for the year ended 30 June 2024.

Solution Dynamics Limited is a public company incorporated and domiciled in New Zealand and is listed on the (NZX). The registered office is located at 18 Canaveral Drive, Albany in Auckland.

Details on subsidiaries is provided below:

Entity name	Country of Incorporation and Primary Place of Business	Proportion of Ownership Interests (%)	
		2024	2023
Solution Dynamics International Limited	United Kingdom	100%	100%
Solution Dynamics Incorporated	United States of America	100%	100%
Déjar International Limited	New Zealand	100%	100%

Nature of Operations

The Group offers a range of integrated solutions encompassing data management, electronic digital printing, document distribution, web presentation and archiving, fulfilment, traditional print services, scanning, data entry and document management.

Accounting Framework

The parent company, Solution Dynamics Limited, is a profit-oriented entity, domiciled in New Zealand, registered under the companies Act 1993 and listed on the New Zealand Stock Exchange. Solution Dynamics Limited is an FMC Reporting Entity under the Financial Markets Conducts Act 2013 and the Financial Reporting Act 2013.

The interim financial statements have been prepared in accordance with Generally Accepted Practice in New Zealand (NZ GAAP) and other authoritative pronouncements issued by the New Zealand Accounting Standards Board (NZ ASB).

2. Significant Accounting Policies

Re-presentations

To improve disclosure effectiveness, the Group has made a number of reclassifications to the interim Financial Statements in the current year.

The previously separate Consolidated Statement of Profit or Loss and Consolidated Statement of Comprehensive Income have combined into the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

The simplifications have also resulted in a number of segregation and amendments where line items are not material and affected comparatives have been re-presented for consistency. These re-presentations have not had an impact on the Profit after tax or Total Comprehensive Income in the Statement of Profit or Loss and Other Comprehensive Income, Net Assets in the Statement of Financial Position, or the Net increase/ (decrease) in cash presented in the statement of Cash Flows.

3. Estimates

When preparing the interim financial statements, management undertakes several judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2024.

The consolidated financial statements have been prepared under the assumption that the Group operates as a going concern.

3.1 Revenue, Income, and Segment Reporting

Accounting policy

Revenue is recognised when control of a product or service, or a distinct performance obligation is transferred to the customer. Where multiple products or services are sold in a single arrangement, revenue is recognised for each distinct good or service.

Digital Printing & Document Services revenue

Service revenue is earned from providing mail house operations, high-volume postal business and ancillary document handling operations such as automated envelope inserting and flow-wrap. The lodgement and distribution of these documents is managed using a variety of machines and processes.

Alongside our services, we offer Digital Mail Centre (DMC) enabling customers/users to generate print, email, or SMS communications from pre-configured templates. Customer/users manage and create their own templates using template builders within the system.

Revenue is recognised over time using the output method as the relevant services are completed and delivered to the customer.

Outsourced Services revenue

Outsourced services revenue is earned on combined functions or components such as postage, third party offset printing, freight, paper and envelopes. These are integrated into the above service offerings. Long-term arrangements have been established with key suppliers such as NZ Post, for the provision of these services.

For performance obligations involving the delivery of goods (e.g., paper, envelopes), revenue is recognised at the point in time when control is transferred to the customer, usually upon receipt of the goods.

For services where the customer benefits from the service as it is performed, revenue is recognised over time via the output method. The measure of progress toward satisfying these performance obligations is determined based on the extent of services delivered or consumed by the customer during the period.

Digital Software & Technology revenue

Software platforms are leveraged to onboard customers, facilitate the sending and tracking of documentation through physical and digital channels and manage archiving and retrieval processes using a SaaS model (software as a service arrangement). Revenue earned from the platform can be structured as a monthly subscription or charged on a per-document basis.

Revenue earned is recognised over-time via the output method as customers simultaneously and continuously derive the benefit from their subscription rights or at a point in time on a per- document basis as the performance obligation is met instantly with a customer self-generated digital print.

Segment Reporting

The Group operates in one business segment, the supply of customer communication solutions. These include a range of integrated document management products and services separated into three streams; Software & Technology, Digital Printing & Document Handling Services and Outsourced revenue.

An overhead structure including sales, marketing and administration departments provides services for all of the above revenue streams.

There are no reconciling items in this note due to the management information provided to the Chief Operating Decision Maker, the CEO Patrick Brand, being compiled using the same standards and accounting policies as those used to prepare the financial statements.

Revenue from contracts with customers

2024 1H	Digital Printing & Document Services	Outsourced Services	Digital Software & Technology	Total
Revenue recognised over time	2,442	5,538	17,009	24,989
Revenue recognised at a point in time	-	440	516	956
Total	2,442	5,978	17,525	25,945

2023 1H	Digital Printing & Document Services	Outsourced Services	Digital Software & Technology	Total
Revenue recognised over time	2,241	3,749	15,238	21,228
Revenue recognised at a point in time	-	511	693	1,204
Total	2,241	4,260	15,931	22,432

Other income

	6 Months Ended 31 Dec 2024	6 Months Ended 31 Dec 2023	Year Ended 30 Jun 2024 Audited
Government grant income	121	105	199
Other Income	25	229	217
Total Other Income	146	334	416

3.2 Other Estimates

Restructuring Costs

Following the event of SDL's largest customer advising it would shift from a single supplier model to a multi-vendor model, SDL's Consolidated Interim Financial Statements, for the period ended 31 December 2024, contains a current estimated restructuring cost of \$0.2m.

Seasonality

Communications volumes are typically seasonally stronger in the July to December period meaning that SDL's interim result is typically stronger than its second half financial performance.

4. Segment Information

Segment Assets

Assets are not segmented between service streams.

Information about major customers

Included in revenue from customer contracts for Solution Dynamics of \$25.95 million (2023: \$22.43 million) are service revenues of \$12.03 million (2023: \$10.49 million) which arose from sales to the Company's largest customer.

Included in revenue from customer contracts for the group of \$25.95 million (2023: \$22.43 million) are service revenues of \$16.83 million (2023: \$14.82 million) which arose from sales of the top five customers in the group.

Geographical information

The Group has customers in New Zealand, Australia, United States of America, and Europe.

	Revenue from external customers			Non-current assets		
	6 Months to 31 Dec 2024	6 Months to 31 Dec 2023	Year to 30 June 2024	As at 31 Dec 2024	As at 31 Dec 2023	As at 30 June 2024
New Zealand	9,754	7,875	15,288	3,096	4,065	3,529
Australia	551	239	1,333	-	-	-
United States of America	13,556	12,675	18,360	2	-	-
Europe	2,084	1,643	3,271	8	3	11
Total	25,945	22,432	38,252	3,106	4,068	3,540

5. Cash & Cash Equivalents

	As at 31 Dec 2024	As at 31 Dec 2023
Cash at bank	9,405	4,950
Total Cash and Cash Equivalents	9,405	4,950

Interest rates on cash and cash equivalents:

Cash at bank 2.50% - 4.80% (2024: 3.65% - 4.80%)

Solution Dynamics has a \$200,000 overdraft facility in place with the ANZ Bank at an interest rate of 14.35% p.a. (2024: 15.70%). This facility, which was unused as at 31 December 2024, is to support the operational requirements of the Group. The facility is interest only and is secured by first ranking debenture over the assets of the Group.

6. Short-term Deposits

	As at 31 Dec 2024	As at 31 Dec 2023
Short-term deposits (less than 6 months maturity)	3,000	3,000
Total Short-Term Deposits	3,000	3,000

Funds in short-term deposits are accessible following a 30-day notice period, subject to approval by the counterparty.

Interest rates on short-term deposits:

Short-term deposits 4.04% – 5.91% (2024: 5.50% - 6.19%)

As at 31 December 2024 the ANZ Bank has imposed no financial covenants to secure the existing facilities. The Group holds a net cash position with no bank debt (2023: \$Nil).

As at 31 December 2024 SDL provided commercial guarantees totaling \$64,500 (2023: \$64,500) to the Group's suppliers.

7. Share Capital & Share-based Payments

The Company had 14,719,810 (2024: 14,719,810) ordinary shares on issue at 31 December 2024. All ordinary shares ranked equally with one vote attached to each fully paid ordinary share and share equally in dividends and surplus on winding up.

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. On each reporting date, the Group revises its estimate of the number of equity instruments expected to vest.

The impact of the revision of the original estimates, if any, is recognised in the Consolidated Statement of Profit or Loss over the remaining period, with a corresponding adjustment to the equity-settled employee benefits reserve.

Solution Dynamics Limited offers an equity settled employee share option plan. The general principles of the scheme are:

- The maximum aggregate number of share options to be granted pursuant to the plan is 5% of the total number of shares on issue at any one time.
- Options of no more than 1% of the total number of SDL's shares on issue can be granted to an individual staff member (the directors made an exception to this limit for the US-based CEO Patrick Brand)
- The exercise price will be determined by the Board based on the market price at the time of issue.
- The options may be exercised by the participant (in whole or part) after three years from the date that they are granted. The key employees have 18-months from the date of eligibility and must be employed by SDL at the date the option is exercised.

Number of Shares	As at 31 Dec 2024	As at 31 Dec 2023	As at 30 Jun 2024
Shares Issued and Fully Paid:			
• Beginning of the period	14,720	14,720	14,720
Shares Issued and Fully Paid	14,720	14,720	14,720
Employee Share Option Plan:			
• Beginning of the period	593	593	593
• Granted	-	-	-
Shares Authorised for Share-based Payments	593	593	593
Total Shares Authorised at the end of the Period	15,313	15,313	15,313

	31 Dec 2024 Number of Shares	31 Dec 2023 Number of Shares
Unvested shares at 1 July	593	593
Granted	-	-
Unvested shares at 31 December	593	593
Percentage of total ordinary shares	3.90%	3.90%

Grant Date	Options Issued	Share Price at Grant Date	Exercise Price	Options Expire	Option Value \$
March 2021	200,000	\$2.60	\$2.60	September 2025	\$114,625
February 2023	172,796	\$2.90	\$2.90	August 2026	\$29,994
October 2023	220,000	\$2.25	\$2.25	October 2027	\$68,066

Options granted during the year were nil (2023: nil). Share options were approved for 220,000 shares for three key members in October 2023 (with an exercise price of \$2.25), all three remain as employees at 30 December 2024 bringing the total of share options to 592,796.

8. Related Parties

Transactions between related parties include payments to shareholders, directors and their companies and senior executives, also being shareholders.

Related party transactions from 1 July 2024 to 31 December 2024 were as follows:

Key management were paid \$1,243,648 (as employees of Solution Dynamics Limited) during the period (2023: \$1,513,176) and were owed \$185,714 including annual leave, (2023: \$151,981).

Salaries paid to directors are disclosed in the Consolidated Statement of Profit or Loss and Other Comprehensive Income.

9. Events after the Balance Date

There were no significant events after balance date. (2023: the directors approved the payment of a fully imputed interim dividend of 7.0 cents per share, amounting to \$1,030,387).

COMPANY DIRECTORY

Nature of Business

Data management, electronic digital printing, document distribution, web presentment and archiving, fulfilment, print services, scanning, data entry and document management.

Directors

John McMahon – Non-independent Chair
Julian Beavis – Independent
Elmar Toime – Independent
Andy Preece – Independent
Lee Eglinton – Independent

Company Officers

Patrick Brand – CEO
Suzanne Watts – CFO & Company Secretary

Auditors

Grant Thornton New Zealand Audit Limited
Grant Thornton House
152 Fanshawe Street, Auckland

Bankers

ANZ National Bank Limited
9-11 Corinthian Drive, Albany, Auckland

Legal Representative

Stephen Layburn
Commercial Barrister
Level 3, 175 Queen Street, Auckland

Share Registry

Computershare Investor Services Level 2,
159 Hurstmere Rd Takapuna, Auckland

Private Bag 92119 Auckland Mail Centre
Auckland 1142

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