

INTERIM REPORT

FOR THE SIX MONTHS
ENDED 31 DECEMBER 2023

Transforming Global
Customer Communications

FY2024 1H Highlights

For the six months ended 31 December 2023

- Net profit after tax grew 0.6% to a record \$2.47 million and EPS of 16.8 cents
- Revenue declined 2.5% (NZ gained, International declined)
- EBITDA declined 2.7% to \$4.00 million
- Cash flow from operations \$2.34 million and net cash at 31 December 2023 was \$8.29 million
- Interim dividend of 7.0 cents per share (down 3.0 cents)
- SDL's largest customer conducting an RFP for its communications requirements
- Earnings outlook uncertain until largest customer RFP outcome known



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Directors' & Chief Executive Officer's Report

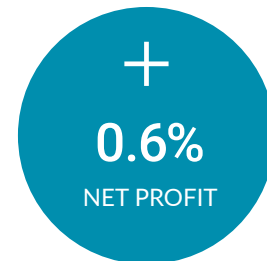
Result Overview

Solution Dynamics Limited ("SDL" or "Company") generated a 0.6% growth in unaudited net profit after tax of \$2.47 million for the FY2024 half year (1H FY2023 \$2.46 million). This was a record half-year earnings result and represents earnings per share of 16.8 cents.

As in prior years, the first half of FY2024 reflects a high concentration of large international customer jobs, along with usual seasonal 1H FY2024 strength in the New Zealand operations. In a difficult global environment, international activity declined year-on-year largely from SDL moving away from lower margin accounts that had become increasingly commoditised and US mortgage market customers continuing to operate with very low levels of communication volumes. Positively, gross margin from international customers continued to expand, helped by an increase in higher margin professional services revenue. There were one-time unrecoverable costs of around \$0.2 million incurred on a significant project during 1H FY2024.

Encouragingly, NZ print and mail services continues to grow in what is an extremely difficult market, thanks to a combination of new accounts, selective price increases and cross-selling additional services. The overall NZ print and mail house market remains in structural decline so SDL is pleased to grow market share in such a challenging market.

Cash flow from operations was \$2.34 million (1H FY2023 \$3.41million) with cash flow from trading declining 9.3% to \$2.80 million. Several large customer payments from 1H FY2024 billings were received in January.





The closing net cash position at 31 December was \$8.29 million (1H FY2023 \$7.13 million) although this includes \$0.5 million of customer prepaid postage. The cash position (net of prepaid postage) represents clear cash available to the Company of around 53 cents per share. The Directors have declared a fully imputed interim dividend of 7.0 cents per share (1H FY2023 10.0 cents).

Operational Commentary

Total revenue declined slightly, down 2.5% to \$22.77 million. The international revenue decline of 7% was not fully offset by strong growth of 8% in New Zealand.

NZ growth was driven by new customers, price increases and obtaining additional work from existing customers, especially in the Councils market. SDL is the undisputed leader in the Councils communication market in NZ and extended that lead in 1H FY2024. The growth in NZ sales is due to improved sales performance and a focus on “digital first” communications as part of a complete multi-channel communications approach. Email volumes in New Zealand were up around 8% year-on-year although print volumes declined around 11%.

SDL upgraded a portion of its leased printing equipment during 1H FY2024 at more favourable terms.

International revenue declined 7%, largely driven by the continuing mortgage market slump in the US, less low margin print work, and slightly lower volumes from SDL’s largest customer.



International sales remain focused on target vertical markets such as NGOs (e.g. charities) typically doing business globally (cross border mail requirements) or provide business process outsourcing to global enterprises. SDL was pleased to partner with EY (formerly Ernst and Young) as a customer in early 2023 and 1H FY2024 revenue reflected rollout in several international markets for one of their marquee financial services clients. The UK continued to see steady recovery in volumes from previously COVID-affected customers. More difficult global macroeconomic conditions are resulting in tightening of marketing budgets, particularly in the NGO space, making international sales efforts slower and more difficult. SDL implemented price rises in 1H FY2024, offsetting a range of cost pressures.

SG&A (Selling, General and Administration) costs rose 1.3% year-on-year, despite general wage increases across the Company of around 4-5%. Staffing costs globally increased because of general inflationary pressure, although the labour market does appear to be loosening. Some salary savings accrued from unfilled roles or from the consolidation of roles. SDL increased investments in building an improved brand awareness, launching a new website, attending tradeshow, and expanding digital marketing activity in 1H FY2024.

As previously advised, during 1H FY2024 the Company's largest customer notified SDL that it intended to run an RFP (Request for Proposal) tender for the communications requirements that SDL currently provides. While 1H FY2024 earnings were unaffected by the RFP, producing the response utilised significant internal resource in the period.

Financial Performance

Earnings before interest, tax, depreciation, and amortisation (EBITDA) declined 2.7% to \$4.00 million (1H FY2023 \$4.11 million) on total revenue that slightly declined by 2.5%.

Summary Financial Performance (all figures \$000's)	1H FY24	1H FY23	Yr-on-Yr \$ Change	Yr-on-Yr % Change
Total Revenue	22,766	23,344	-578	-2.5%
Cost of Goods Sold	13,790	14,322	-532	-3.7%
Gross Profit	8,976	9,022	-46	-0.5%
Gross Margin (%)	39.4%	38.6%		
Selling, General & Admin Costs	4,975	4,911	64	1.3%
EBITDA	4,001	4,111	-110	-2.7%
EBITDA Margin (%)	17.6%	17.6%		
Depreciation	449	494	-45	-9.1%
Amortisation	18	55	-37	-67.3%
EBIT	3,534	3,562	-28	-0.8%
Net Interest (received) / paid	-53	26	79	n.m.
Net Profit before Tax	3,587	3,536	51	1.4%
Taxation	1,114	1,079	35	3.2%
Net Profit after Tax	2,473	2,457	16	0.6%

The EBITDA margin was flat at 17.6% with higher Gross Margin (39.4% up from 38.6% the prior year) offset by slightly higher SG&A costs.

SDL's taxation rate in 1H FY2024 was 31.1% versus 30.5% in the prior period.

Revenue Analysis (all figures \$000's)	1H FY24	1H FY23	Yr-on-Yr \$ Change	Yr-on-Yr % Change
Software & Technology	16,265	17,125	-860	-5.0%
Digital Print & Document Handling	2,241	2,308	-67	-2.9%
Outsourced Services	4,260	3,911	349	8.9%
Total Revenue	22,766	23,344	-578	-2.5%

Total revenue was 2.5% below prior year. Software and Technology revenue, which is largely in International, declined 5% to \$16.26 million due to the US mortgage market decline, less low margin print work as SDL focused on growing more profitable customers with global requirements, and growth in digital services in New Zealand. Digital Print and Document Handling revenue, which is all in New Zealand, declined 2.9% to \$2.24 million

reflecting lower print volumes as customers shifted to digital channels, somewhat offset by price increases. Outsourced Services revenue, which is all in New Zealand, grew 8.9% to \$4.26 million reflecting digital channel volume growth and postage rate increases. While total revenue declined, gross profit was essentially flat to prior year due to growth in higher margin clients.

Balance Sheet, Liquidity and Debt

SDL closed the half year with net cash on hand of \$8.29 million, versus \$7.13 million in 1H FY2023 although the closing position includes \$0.5 million of customer prepaid postage. A bank overdraft facility of \$0.2 million remains in place but is unused.

Capital expenditure was \$0.1 million in 1H FY2024, largely a technology refresh of selected networking and computer equipment, plus upgrading of SDL internal systems.

Selected Balance Sheet and Cashflow Figures (all figures \$000's)	1H FY24	1H FY23	Yr-on-Yr \$ Change	Yr-on-Yr % Change
Net Cash on Hand (net of debt)	8,291	7,129	1,162	16.3%
Non-current Assets (excl right of use asset)	1,683	1,677	6	0.4%
Right of Use Assets	2,197	3,032	-835	-27.5%
Net Other Liabilities (excl right of use asset)	-350	-991	641	-64.7%
Right of Use Assets Liabilities	-2,242	-3,079	837	-27.2%
Net Assets	9,579	7,768	1,811	23.3%
Cashflow from Trading	2,807	3,092	-285	-9.2%
Movement in Working Capital	-465	314	-779	n.m.
Cash Inflow from Operations	2,342	3,406	-1,064	-31.2%

Book value (net assets) increased 23.3% to \$9.58 million, largely the result of solid first half earnings. Cashflow from trading declined 9.3% to \$2.81 million as a result of December timing for payment of suppliers with related customer receipts not received until January 2024.

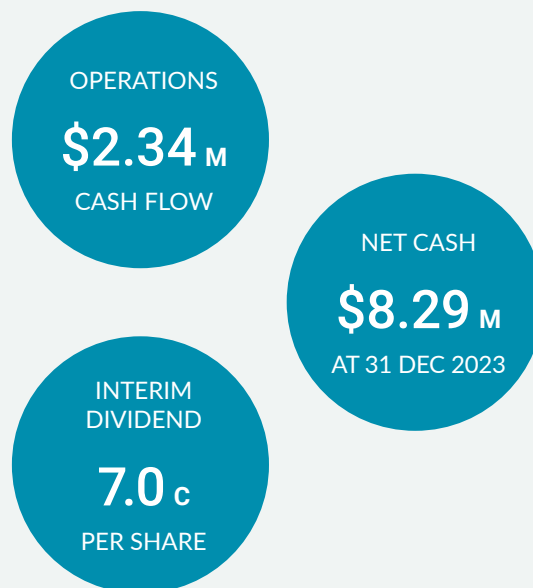
Dividend

SDL has declared an interim dividend of 7.0 cents per share, a 30% reduction on the prior year, on largely flat earnings per share of 16.8 cents.

Earnings and Dividend per Share	1H FY24	1H FY23	Yr-on-Yr Change	Yr-on-Yr % Change
Shares on Issue (\$000's)	14,719.8	14,719.8	0	0.0%
Earnings per share (cents)	16.80	16.69	0.11	0.6%
Dividend per share (cents)	7.00	10.00	-3.00	-30.0%
Dividend proportion Imputed	100.0%	100.0%	n.a.	n.a.
Payout ratio (on NPAT)	41.7%	59.9%	n.a.	n.a.

The dividend is fully imputed, and the cash dividend amount represents a payout ratio of 41.7% of earnings per share. 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. At the conclusion of the IGF agreement, the Directors will review SDL's dividend policy.

While SDL has a strong net cash position, the Directors continue to maintain a preference for financial flexibility given the macroeconomic uncertainty and the Company's largest customer currently undertaking review of its communication needs. The Company continues to review possible acquisition opportunities and emphasises that any transaction must add shareholder value.



Largest Customer RFP

There has been no change to the status of the RFP since SDL provided the last update to shareholders in November 2023. However, the RFP process is now taking longer than initially expected.

Strategy

Leveraging the acquisition of Digital-to-Print (DTP), SDL has become a leader in global customer communications delivered as a service, to marquee global NGOs and enterprise customers such as World Vision, Pitney Bowes and EY. In 2024 and beyond we are leveraging our expertise and technology into digital transformation of customer communications. “Digital transformation” appeals to a broad and growing market, enabling SDL to integrate its New Zealand and International businesses.



This approach in New Zealand has been instrumental in capturing new business and the Company’s market share gains. Our international approach is a work in progress. Global customer communications as a service will remain an important part of what we do. Aligning with and enabling our customers’ “digital first” communications strategy will increasingly be our strategic focus for growth.

FY 2024 Outlook

The timing and outcome of the largest customer RFP make providing FY2024 guidance more difficult than usual. The Directors continue to defer providing FY2024 earnings guidance until the result of the RFP is known as this could materially affect 4Q FY2024 results. The first half result for FY2024 was unaffected aside from diversion of significant SDL resource into producing information

for the RFP response. SDL’s largest customer is very material to SDL’s earnings and every effort will be undertaken to ensure the business is retained, although this RFP process will inevitably carry very significant earnings risk for the Company.

We expect that the second half of FY2024 should see ongoing gains in New Zealand operations (new business and 1H FY2024 price increases). International activity is expected to exhibit normal lower seasonality similar to prior years, aside from any impact from the RFP.

While the Company has a solid sales pipeline in New Zealand, the Company’s international growth opportunities are primarily with existing clients. Additional full year result risk factors beyond the RFP include other contract renewals and new business success coupled with global macroeconomic concerns and foreign exchange volatility.

Consolidated Statements

Consolidated Statement of Profit or Loss (unaudited)

For the six months ended 31 December 2023

(NZ\$000's)	6 Months Ended 31 Dec 2023	6 Months Ended 31 Dec 2022	Year Ended 30 Jun 2023 Audited
Operating revenue	22,432	23,425	40,443
Other income	334	(81)	(58)
Total income	22,766	23,344	40,385
Expenses			
Employee costs	5,421	5,411	9,921
Research & development	-	-	813
Directors' fees & salaries	144	124	268
Print & other outsource expenses	3,797	3,550	6,730
Other expenses	9,403	10,148	16,941
Total Expenses	18,765	19,233	34,673
Earnings before interest, tax, depreciation & amortisation (EBITDA)	4,001	4,111	5,712
Depreciation	449	494	965
Amortisation of intangible assets (software)	18	55	85
Net Interest (income) / expense	(53)	26	18
Profit before income tax	3,587	3,536	4,644
Income tax	1,114	1,079	1,219
Net profit after income tax	2,473	2,457	3,425
	Cents	Cents	Cents
Basic earnings per share	16.8	16.7	23.4
Diluted earnings per share	16.1	16.0	22.8

Consolidated Statement of Comprehensive Income (unaudited)

For the six months ended 31 December 2023

(NZ\$000's)	6 Months Ended 31 Dec 2023	6 Months Ended 31 Dec 2022	Year Ended 30 Jun 2023 Audited
Net operating profit after income tax	2,473	2,457	3,425
Exchange differences on translation of foreign operations	(62)	(50)	(5)
Total comprehensive income for the year	2,411	2,407	3,420

Consolidated Statement of Changes In Equity (unaudited)

For the six months ended 31 December 2023

(NZ\$000's)	Share Capital	Employee Share Plan	Currency Translation Reserve	Accumulated Losses	Total Equity
Balance 1 July 2022	5,574	65	(34)	309	5,914
Issue of shares to employees	-	36	-	-	36
Transactions with owners	-	36	-	-	36
Dividend	-	-	-	(589)	(589)
Profit for the period after tax	-	-	-	2,457	2,457
Other comprehensive (loss) income	-	-	(50)	-	(50)
Total comprehensive income	-	-	(50)	1,868	1,818
Balance 31 December 2022 (unaudited)	5,574	101	(84)	2,177	7,768
Issue of shares to employees	-	77	-	-	77
Exercise of employee options	-	-	-	-	-
Transactions with owners	-	77	-	-	77
Dividend	-	-	-	(2,060)	(2,060)
Profit for the year after tax	-	-	-	3,425	3,425
Other comprehensive loss	-	-	(5)	-	(5)
Total comprehensive income	-	-	(5)	1,674	1,360
Balance 30 June 2023 (audited)	5,574	142	(39)	1,365	7,351
Issue of shares to employees	-	39	-	-	39
Exercise of employee options	-	-	-	-	-
Dividend 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 (unaudited)	5,574	181	(101)	3,925	9,579

Consolidated Statement of Financial Position (unaudited)

As at 31 December 2023

(NZ\$000's)	As at 31 Dec 2023	As at 31 Dec 2022	As at 30 Jun 2023 Audited
Current Assets			
Cash and cash equivalents	8,291	7,129	6,628
Trade & other receivables	3,043	2,737	4,565
Inventories and work in progress	1,188	390	179
Deferred tax benefit	188	207	187
Prepayments	314	389	311
Total Current Assets	13,024	10,852	11,870
Current Liabilities			
Trade creditors	1,261	1,268	2,389
Other current liabilities	2,873	2,312	2,707
Other non-financial liabilities	74	22	152
Employee benefit liabilities	875	1,112	872
Lease liability – current	677	677	676
Total Current Liabilities	5,760	5,391	6,796
Working Capital	7,264	5,461	5,074
Non-Current Assets			
Capital works in progress	36	234	263
Property, plant & equipment	314	352	339
Right of use assets	2,197	3,032	2,188
Intangible assets	272	30	-

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Consolidated Statement of Financial Position (unaudited)

As at 31 December 2023

(NZ\$000's)	As at 31 Dec 2023	As at 31 Dec 2022	As at 30 Jun 2023 Audited
Goodwill	1,061	1,061	1,061
Total Non-Current Assets	3,880	4,709	3,851
Non-Current Liabilities			
Lease liability	1,565	2,402	1,574
	1,565	2,402	1,574
Net Assets	9,579	7,768	7,351
Equity			
Share capital	5,574	5,574	5,574
Employee share option plan	181	101	142
Foreign currency translation reserve	(101)	(84)	(39)
Accumulated profit	3,925	2,177	1,674
Total Equity	9,579	7,768	7,351

For and on behalf of the Board

John McMahon – Director (Chair)

Andy Preece – Director (Chair of Audit & Risk)

Date: 22 February 2024

Consolidated Statement of Cash Flow (unaudited)

For the six months ended 31 December 2023

(NZ\$000's)	6 Months to 31 Dec 2023	6 Months to 31 Dec 2022	Year to 30 Jun 2023 Audited
Cash Flow from Operating Activities			
Cash was provided from:			
Receipts from sales	25,566	26,015	42,315
Other revenue	334	(91)	(58)
	25,900	25,924	42,257
Cash was applied to:			
Payments to suppliers	17,053	16,454	24,899
Payments to employees	5,491	5,022	10,909
GST & Income Tax paid to Inland Revenue	1,014	1,042	1,606
	23,558	22,518	37,414
Net Cash Inflow from Operating Activities	2,342	3,406	4,843
Cash Flow from Investing Activities			
<i>Cash was applied to:</i>			
Purchase of right-of-use assets	381	-	-
Purchase of property, plant & equipment & capital works in progress	104	240	275
	485	240	275
Net Cash from Investing Activities	(485)	(240)	(275)
Cash Flow from Financing Activities			
<i>Cash was provided from:</i>			
Finance lease additions	381	-	-
	381	-	-

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Consolidated Statement of Cash Flow (unaudited)

For the six months ended 31 December 2023

(NZ\$000's)	6 Months to 31 Dec 2023	6 Months to 31 Dec 2022	Year to 30 Jun 2023 Audited
<i>Cash was applied to:</i>			
Payment of dividends	222	589	2,060
Interest (received) / paid	(53)	26	18
Finance lease liabilities	405	430	871
	574	1,045	2,949
Net Cash Outflow from Financing Activities	(193)	(1,045)	(2,949)
Net change in cash and cash equivalents	1,663	2,120	1,619
Add cash & cash equivalents held at beginning of year	6,628	5,009	5,009
Finance Facility and Cash Balance at End of Year	8,291	7,129	6,628

Reconciliation of net deficit after income tax for the year with net cash inflow from operating activities

Net surplus after income tax	2,473	2,457	3,425
Interest (received) / expense	(53)	26	18
Add non-cash items:			
Depreciation & amortisation of assets	467	549	1,050
Gain / (loss) on foreign exchange	(63)	91	168
Bad and doubtful debts	(1)	(16)	(15)
Other non-cash items	(16)	(15)	94
Cash Flow from Trading	2,807	3,092	4,740
Add movements in Working Capital	(465)	314	103
Net Cash Inflow from Operating Activities	2,342	3,406	4,843

Notes to the Financial Statement (unaudited)

For the six months ended 31 December 2023

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, Solution Dynamics International Limited, Solution Dynamics Incorporated and Déjar International Limited (collectively the Group) for the six months ended 31 December 2023 were authorised for issue in accordance with a resolution of directors on 22 February 2024.

These unaudited interim financial statements are for the six months ended 31 December 2023 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 generally accepted accounting practice 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 IFRS’s and should be read in conjunction with the consolidated financial statements for the year ended 30 June 2023.

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.

Nature of Operations

The Group offers a range of integrated solutions encompassing data management, electronic digital printing, document distribution, web presentment

and archiving, fulfilment, traditional print services, scanning, data entry and document management.

Accounting Framework

The preparation of the interim financial statements have been prepared in compliance with generally accepted accounting practice in New Zealand (NZ GAAP), the requirements set out in Part 7 of the Financial Markets Conduct Act 2013 as a reporting entity, the Main Board Listing Rules of the NZX, the Companies Act 1993, and other authoritative pronouncements issued by the New Zealand Accounting Standards Board (NZ ASB).

2. Significant Accounting Policies

These interim financial statements have been prepared in accordance with the accounting policies adopted in the Group’s most recent annual financial statements for the year ended 30 June 2023.

3. Estimates

When preparing the interim financial statements, management undertakes a number of 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 2023.

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

4. Segment Information

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, Outsource Services and Digital Communications. Specific elements of these streams are as follows:

- **Software & Technology**, Solution Dynamics owns the intellectual property in five products;
- Déjar is an enterprise-scale, SaaS-hosted document archiving and retrieval solution. It captures documents such as invoices, statements, and customer correspondence at the time of printing and stores them in highly efficient format as a permanent record for later viewing, reissue, or analysis.
- Bremy is a SaaS-based Digital Asset Management system that can repurpose high-resolution assets across multiple publishing channels, such as Email and the web. It can dynamically optimize these assets by changing file formats and sizes depending on the desired output channel.
- Composer is a SaaS-based PDF document composition solution. It is template-driven and uses client data to manage and generate customer communication. Composer is highly scalable and capable of generating millions of documents.
- Digital Mail Centre (DMC) is a SaaS-based solution that allows users to generate ad-hoc print, email, or SMS communication based on pre-configured templates. Users manage and create their own templates within the system using template builders. They can even use the production Composer templates SDL uses to generate the cyclic communication.

- Jupiter is a Global Job Workflow application that was acquired through the purchase of the DigitalToPrint business. The application manages and routes print jobs received from clients to multiple global print suppliers simultaneously. Jupiter monitors and reports all jobs globally informing clients of the job.

In addition to owning the intellectual property for the above products, Solution Dynamics provides programming, consulting and design services that help clients to distribute marketing and essential communications by mail and electronically. The provision of these services is covered under this category.

- **Digital Printing & Output Services** is solely New Zealand revenue and includes the printing of client's information digitally using high speed laser printers followed by output fulfilment, lodgement and distribution of those documents using a variety of machine and other processes.
- **Outsourced Services**, not all components of Solution Dynamics' services in New Zealand are produced internally. External elements such as domestic New Zealand post, freight, paper, and envelopes are sourced from external suppliers and included in this service stream. Solution Dynamics has long term arrangements with a number of key suppliers such as NZ Post for the provision of these services.

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

(NZ\$000's)	6 Months to 31 Dec 2023		6 Months to 31 Dec 2022		Year to 30 June 2023	
Software & Technology	16,265	71%	17,125	73%	28,427	70%
Digital Printing & Document Handling Services	2,241	10%	2,308	10%	4,430	11%
Outsourced services	4,260	19%	3,911	17%	7,528	19%
Total income	22,766	100%	23,344	100%	40,385	100%
Less cost of sales	13,790	61%	14,322	61%	24,399	60%
Gross margin	8,976	39%	9,022	39%	15,986	40%
Selling, general & administration	4,975	22%	4,911	21%	10,274	25%
Earnings before interest, tax, depreciation & amortisation	4,001	18%	4,111	18%	5,712	14%
Depreciation	449	2%	494	2%	965	2%
Amortisation	18	0%	55	0%	85	0%
Interest (received) / paid	(53)	0%	26	0%	18	0%
Income tax	1,114	5%	1,079	5%	1,219	3%
Operating Profit after income tax	2,473	11%	2,457	11%	3,425	8%

Notes to the Financial Statement (unaudited)

For the six months ended 31 December 2023

4. Segment Information (continued)

Segment Assets

Assets are not segmented between service streams.

Information about major customers

Included in revenues for Solution Dynamics of \$22.77 million (2022: \$23.34 million) are service revenues of \$10.49 million (2022: \$10.69 million) which arose from sales to the Company's largest customer.

Included in revenues for the group of \$22.77 million (2022: \$23.34 million) are service revenues of \$14.82 million (2022: \$15.34 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.

(NZ\$000's)	Revenue from external customers			Non-current assets		
	6 Months to 31 Dec 2023	6 Months to 31 Dec 2022	Year to 30 June 2023	As at 31 Dec 2023	As at 31 Dec 2022	As at 30 June 2023
New Zealand	8,209	7,448	14,668	3,877	4,699	3,845
Australia	239	260	536	-	-	-
United States of America	12,675	14,375	22,214	-	3	1
Europe	1,643	1,261	2,967	3	7	5
Total	22,766	23,344	40,385	3,880	4,709	3,851

5. Cash & Cash Equivalents

(NZ\$000's)	As at 31 Dec 2023	As at 31 Dec 2022	As at 30 Jun 2023
Cash and cash equivalents	8,291	7,129	6,628
Total Finance Facility and Cash	8,291	7,129	6,628

Solution Dynamics has an overdraft facility in place with the ANZ Bank at an interest rate of 12.05% p.a. (2022: 10.6%). This facility is to support the operational requirements of the Group, is interest only and is secured by first ranking security Agreement over the assets of the parent Solution Dynamics Limited.

At period end, the ANZ Bank has imposed no financial covenants to secure the existing facilities. The Group maintains a \$200,000 overdraft facility that was unused at the reporting date (2022: \$200,000). The Group continues to hold a net cash position with no bank debt (2022: \$Nil).

At the end of the reporting period the Bank provided commercial guarantees totalling \$65,000 (2022: \$65,000) to the Group's suppliers.

6. Share Capital & Share-based Payments

Solution Dynamics Limited has 14,719,810 ordinary shares (2022: 14,719,810 ordinary shares) each fully paid.

The Group operates equity-settled, share-based compensation plans, under which employees provide services in exchange for non-transferable options. The value of the employee services rendered for the grant of non-transferable options is recognised as an expense over the vesting period, and the amount is determined by reference to the fair value of the options granted.

Number of Shares Shares in NZ\$000's	As at 31 Dec 2023	As at 31 Dec 2022	As at 30 Jun 2023
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	373	373
• Granted	-	220	220
Shares Authorised for Share-based Payments	593	593	593
Total Shares Authorised at the end of the Period	15,313	15,313	15,313

Options granted during the year were nil (2022: 220,000), the 2022 options were at a weighted average exercise price of nil (2022: \$2.25). Of the current option pool, 200,000 options are eligible to be exercised from October 2023, 173,000 options eligible to be exercised in February 2025 and 220,000 options eligible to be exercised in October 2025.

7. 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 2023 to 31 December 2023 were as follows:

Key management were paid \$1,513,176 (as employees of Solution Dynamics Limited) during the period (2022: \$1,183,702) and were owed \$151,981, including annual leave, (2022: \$182,907)

- Salaries paid to directors are disclosed in the Consolidated Statement of Profit or Loss.

8. Events after the Balance Date

At the board meeting of 22 February 2024, the directors resolved to pay a fully imputed interim dividend of 7.0 cents per share, amounting to \$1,030,087 (2023: the directors approved the payment of a fully imputed interim dividend of 10.0 cents per share, amounting to \$1,471,981). There were no other significant events after balance date.

Directory

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 Partnership
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
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Private Bag 92119
Auckland Mail Centre
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**On Demand
Customer Communications
Cloud Software Suite**
DIGITAL FIRST
SOFTWARE LED

Global Print
Management

Production
Management

Digital Asset
Management

Content
Enhancement

Workflow
Management

Content
Composition



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