Solution Dynamics

Interim Report

For the period ended 31 December 2015

Simplifying Business

Solution Dynamics

HIGHLIGHTS FOR SIX MONTHS TO 31 DECEMBER 2015

- Net profit before tax lifts 47.3% to $804,000 and net profit after tax increases 7.7% to $587,000
- Software and technology revenues grew 14.2% to $2.0 million
- EBITDA increased 33.8% to $931,000
- Cash flow from operations increased by $112,000 to $694,000
- Interim dividend of 3.0 cents per share
- Growth in DéjarMail accelerating
- FY2016 profit (NPAT) outlook $850,000+

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CHAIRMAN'S & CHIEF EXECUTIVE OFFICER'S REPORT

Solution Dynamics Limited ("SDL" or "Company") produced an unaudited net profit after tax of $587,000 for the half year. This represents 7.7% year-on-year growth on an after-tax basis although the prior financial interim result had no tax expense as the Company was still utilising tax losses. On a net profit before tax basis, SDL's result was $804,000 and this represented 47.3% year-on-year growth. The result and underlying growth was mainly generated from Software & Technology and contained no unusual items or material one-off software licensing revenue. The Directors have declared an interim dividend of 3.0 cents per share, fully imputed.

Operating revenue grew 15.8%, however, much of this was from gains in low margin postage revenue, with Outsourced Services revenue increasing 45.0%. The consequence of this was a decline in the Company's gross margin percentage (although dollar gross margin continued to grow and was up 11.6% to $3,349,000). More pleasingly, Software & Technology revenues increased 14.2% assisted by a modest contribution from a new product development being undertaken for a large print equipment supply company.

Revenue was largely flat year-on-year in the traditional digital print and document handling services market, a market which otherwise remains in overall decline. Opportunities for SDL in this sector come from both new business wins and incremental business from existing clients, offset by migration of some client volumes to electronic distribution. New business wins partly stem from the Company's software technology offerings coupled with a commitment to maintaining high service levels and, where possible, integrating SDL's technology into its customers' internal processes to help drive customer efficiencies. SDL gained a couple of reasonably sized new digital print accounts during 1H and these will begin contributing during the second half.

High asset utilisation of SDL's print imaging and document handling equipment coupled with ongoing cost efficiency gains saw modest improvement in imaging gross margin. The major change to the mail and print operation during the six months was finalising installation of a high-speed, continuous-sheet laser printer. This was a requirement for SDL being appointed as an accredited DMS (Document Management Services) partner for Fuji Xerox. The DMS arrangement is unlikely to show much near term financial benefit but has medium term potential to add meaningfully to print revenues and SDL believes that, in conjunction with Fuji Xerox, it now provides a very competitive offering for large print customers.

The key first half development for Software & Technology has been the acceleration in rollout of DéjarMail into health practices in the UK. This is through embedding DéjarMail into the health practice management system provided by a third party software developer. The rate of take up by practices improved significantly late in the first half and we expect this rate of increase to continue during the second half. There was little first half revenue generated from this activity and there are up-front costs in the second half which will mute any profitability gains for FY2016, however, we expect FY2017 to see a strong positive effect from this contract.

The first half also included some capitalised software development costs as SDL acquired the IP for a print procurement package the Company is having developed by a third party. This software development was undertaken on the basis that a customer has already signed up to utilise the package on a SaaS basis, and revenues should commence during the second half with the likelihood of additional users (and revenues) in FY2017.

The Company's balance sheet remains very strong with half year net cash on hand (i.e. cash less interest bearing debt) of $1,350,000. Major cash outflows occurred during the half year for finalising the specialised print room to house the DMS contract print equipment, the software IP development referred to above, as well as the payment of SDL's maiden dividend of 1.5 cents per share for the FY15 year.

The first half saw SDL conclude a market development agreement with NZ Trade and Enterprise ("NZTE"). NZTE will assist in funding 40% of certain market development costs in relation to expanding the Company's software revenue in the UK (over a three year period, to a maximum reimbursement of $428,000). SDL believes the UK will prove to be an important growth market over the coming years. A degree of growth is already assured as the rollout of DéjarMail into health practices is unlikely to fully mature for several years and that contract has already opened discussions with other parties which have potentially significant revenue opportunities.

Financial Performance

Earnings before interest, tax, depreciation and amortisation (EBITDA) improved by $235,000 (+33.8%) on sales volumes that rose 15.8%.

Summary Financial Performance (all figures $000)	1H FY16	1H FY15	Yr-on-Yr $ Change	Yr-on-Yr % Change
Total Revenue	**7,760**	**6,702**	**1,058**	**15.8%**
Cost of Goods Sold	4,411	3,701	710	19.2%
Gross Margin	**3,349**	**3,001**	**348**	**11.6%**
Gross Margin (%)	43.2%	44.8%		
Selling, General & Admin Costs	2,418	2,305	113	4.9%
EBITDA	**931**	**696**	**235**	**33.8%**
EBITDA Margin (%)	**12.0%**	**10.4%**		
Depreciation	128	103	25	24.3%
Amortisation	5	48	(43)	-89.6%
EBIT	**798**	**545**	**253**	**46.4%**
Net Interest (Income)	(6)	(1)	(5)	500.0%
Net Profit before Tax	**804**	**546**	**258**	**47.3%**
Taxation	217	1	216	n.a.
Net Profit after Tax	**587**	**545**	**42**	**7.7%**

Note that prior year FY15 profit figure has been adjusted and differs from that shown in the FY15 interim report. This is due to the incorrect classification of $14,000 ESOP expense into Comprehensive Income in FY15. It is now included in Selling, General & Admin Costs for both years (FY16 ESOP charge was $18,000).

The EBITDA gain is partly the benefit of higher gross margin in both digital print and software & technology, coupled with holding selling, general and administration (SG&A) costs to a modest year-on-year increase. Underlying SG&A costs remain well managed; the SG&A increase is partly accruing for higher staff incentive payments as a result of improved operating results and partly from higher costs in relation to new business initiatives.

SDL held its digital print and document handling revenues steady despite the ongoing erosion of mail volumes. This has resulted in market share gains and we expect this trend to continue as a result of:

- SDL's ownership of intellectual property (IP) relating to document creation, handling and archival, enabling technology-based solutions to clients' communications needs. This also provides an ability to quickly meet changing client requirements;
- a strong service-oriented and customer-focused culture; and
- new products such as DéjarMail driving growth in variable print-on-demand volumes.

New digital print business wins should begin to generate modest revenue growth during the second half although this is partly dependent on the timing of when the print work handover occurs.

Revenue Analysis (all figures $000)	1H FY16	1H FY15	Yr-on-Yr $ Change	Yr-on-Yr % Change
Software & Technology	2,038	1,784	254	14.2%
Digital Print & Document Handling	3,088	3,101	(13)	-0.4%
Outsourced Services	2,634	1,817	817	45.0%
Total Revenue	**7,760**	**6,702**	**1,058**	**15.8%**

While SDL's market share gains are covering general mail volumes erosion, the development of non-mailing revenue is key to the Company's successful longer term growth. SDL continues to develop its core software products and is building distribution channels, although channel development progress remains slow and the Company is still too reliant on direct sales efforts and a small number of key customers. The 14.2% revenue growth rate for the first half was slightly ahead of our internal target and our efforts in the UK market are likely to ensure Software & Technology has a number of years of solid revenue growth ahead.

Balance Sheet, Liquidity and Debt

SDL closed the half year with net cash on hand of $1,350,000. A $200,000 bank overdraft facility remains in placed but is presently unused.

Selected Balance Sheet and Cashflow Figures (all figures $000)	1H FY16	1H FY15	Yr-on-Yr $ Change	Yr-on-Yr % Change
Net Cash on Hand (net of debt)	1,350	1,108	242	21.8%
Non-current Assets	1,993	1,480	513	34.7%
Net Other Liabilities	(412)	(307)	(105)	34.2%
Net Assets	**2,931**	**2,281**	**650**	**28.5%**
Cashflow from Trading	743	708	35	4.9%
Movement in Working Capital	(49)	(126)	77	-61.1%
Cash Inflow from Operations	**694**	**582**	**112**	**19.2%**

As a result of the above items, book value (net assets) has increased by 28.5% to $2.93 million. This increase is largely the result of SDL's investment in fixed assets related to the DMS contract and software IP development. Working capital continues to be well managed.

SDL made capital expenditure additions during the half of $482,000, the majority of which, as noted above, was to house the DMS-related print equipment. Additionally, and also previously noted, SDL has acquired the IP to a software product it is having externally developed and most of the capital expenditure related to this was incurred in the first half (approximately $200,000 was spent and some modest remaining spend will be required in the second half). We believe the Company's current print and print-related equipment configuration means there is little obvious requirement for anything other than minor capital expenditure in the near-to-medium term.

In reviewing the above cash flow figures, a degree of seasonality should be noted. Historically, sales and earnings are higher in 1H compared to 2H and accordingly the movement in working capital is negative in 1H, and positive in 2H. As SDL's software revenues increase over time, the extent of the seasonality should reduce.

We have noted in the past, but it bears reiterating, that the Company has a cautious stance in relation to acquisitions and retains a strong preference for organic growth. The directors are conscious that acquisitions often fail to add value to shareholders. Acquisitions would typically either need to be "bolt ons" where removal of duplicated costs means the effective acquisition multiple is very low, or product extensions where the acquisition fills a gap in SDL's software portfolio plus SDL has the opportunity to sell its software into the acquired company's customer base.

Dividend

SDL is pleased to announce the payment of an interim dividend of 3.0 cents per share. This is SDL's maiden interim dividend and follows the Company's maiden final dividend for FY15.

Earnings and Dividend per Share	1H FY16	1H FY15	Yr-on-Yr Change	Yr-on-Yr % Change
Earnings per share (cents)	4.18	3.88	0.30	7.7%
Dividend per share (cents)	3.00	n.a.	n.a.	n.a.
Dividend proportion Imputed	100.0%	n.a.	n.a.	n.a.
Payout ratio	71.9%	n.a.	n.a.	n.a.

The dividend is fully imputed and the amount represents a payout ratio of 72% of earnings per share. The arrangement with NZTE in relation to funding UK market development requires the Company to cap the payout ratio at less than 75% for the duration of the agreement.

As first half profitability is normally seasonally stronger than the second half, the interim dividend is likely to also be correspondingly stronger.

FY 2016 Outlook

The interim result was slightly better than expectations at the start of the year and is in line with SDL's earnings upgrade issued on 17 December 2015. The Company's forecast for the full financial year remains for a net profit after tax in excess of $850,000. SDL also notes that a number of digital print and software contracts are only partly contributing to the expected FY16 full year result and furthermore, that some of these initiatives have one-off start-up costs. Subject to the usual risk caveats, this augurs well for potentially robust earnings growth in FY17.

John McMahon
Chairman
+61-410-411 806

Nelson Siva
Director & Chief Executive Officer
+64-21-415027

CONDENSED CONSOLIDATED STATEMENT OF INCOME (UNAUDITED)

(NZ$ in thousands, except per share amounts)	6 MONTHS ENDED 31 DEC 2015	6 MONTHS ENDED 31 DEC 2014	AUDITED YEAR ENDED 30 JUN 2015
Operating revenue	7,710	6,636	12,989
Grant income	18	6	6
Property rental	32	60	122
Total income	**7,760**	**6,702**	**13,117**
Operating expenses			
Employee costs	2,275	2,124	4,306
Rental and operating lease expenses	448	584	1,148
Research & development	153	168	309
Directors fees & salaries	291	237	430
Print & other outsource expenses	2,369	1,575	2,910
Other operating expenses	1,293	1,318	2,900
Total Operating Expenses	**6,829**	**6,006**	**12,003**
Earnings before interest, tax, depreciation & amortisation (EBITDA)	**931**	**696**	**1,114**
Depreciation	128	103	202
Amortisation of intangible assets (software)	5	48	96
Net Interest (income)/expense	(6)	(1)	(10)
Operating profit before income tax	**804**	**546**	**826**
Income tax expense	217	1	19
Net operating profit after income tax	**587**	**545**	**807**
	Cents	**Cents**	**Cents**
Basic earnings per share	4.2	3.9	5.7
Diluted earnings per share	4.0	3.8	5.5

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

(NZ$ in thousands, except per share amounts)	6 MONTHS ENDED 31 DEC 2015	6 MONTHS ENDED 31 DEC 2014	AUDITED YEAR ENDED 30 JUN 2015
Net operating profit after income tax	587	545	807
Exchange (gain)/loss on translation of foreign operations	(8)	(2)	30
Total comprehensive income for the year	**595**	**547**	**777**

CONDENSED CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY (UNAUDITED)

(NZ$ in thousands)	SHARE CAPITAL	EMPLOYEE SHARE PLAN	CURRENCY TRANSLATION RESERVE	ACCUM-ULATED LOSSES	TOTAL EQUITY
Balance 1 July 2014	5,169	7	-	(3,456)	1,720
Accrual of shares	-	14	-	-	14
Transactions with owners		**14**	**-**	**-**	**14**
Profit for the year after tax	-	-	-	545	545
Other comprehensive income	-	-	2	-	2
Balance 31 December 2014	**5,169**	**21**	**2**	**(2,911)**	**2,281**
Accrual of shares	-	18	-	-	18
Transactions with owners	**-**	**18**	**-**	**-**	**18**
Profit for the year after tax	-	-	-	262	262
Other comprehensive loss	-	-	(32)	-	(32)
Balance 30 June 2015 (Audited)	**5,169**	**39**	**(30)**	**(2,649)**	**2,529**
Accrual of shares	-	18		-	18
Dividend	-	-	-	(211)	(211)
Transactions with owners	**-**	**18**	**-**	**(211)**	**(193)**
Profit for the year after tax	-	-		587	587
Other comprehensive income	-	-	8	-	8
Balance 31 December 2015	**5,169**	**57**	**(22)**	**(2,273)**	**2,931**

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

(NZ$ in thousands)	AS AT 31 DEC 2015	AS AT 31 DEC 2014	AUDITED AS AT 30 JUN 2015
Current Assets			
Cash and bank balances	1,370	1,152	1,373
Trade & other receivables	1,483	1,063	1,741
Inventories and work in progress	124	77	72
Prepayments	101	99	60
Total Current Assets	**3,078**	**2,391**	**3,246**
Current Liabilities			
Trade creditors	924	761	954
Other current liabilities	578	241	775
Other non-financial liabilities	277	244	261
Employee benefit Liabilities	341	300	344
Borrowings	20	23	20
Total Current Liabilities	**2,140**	**1,569**	**2,354**
Working Capital	**938**	**822**	**892**
Non-Current Assets			
Deferred tax asset	68	-	71
Capital works in progress	246	-	67
Property, plant & equipment	727	485	559
Intangible assets	14	57	12
Goodwill	938	938	938
Total Non-Current Assets	**1,993**	**1,480**	**1,647**
Non-Current Liabilities			
Borrowings	-	21	10
Total Non-Current Liabilities	**-**	**21**	**10**
Net Assets	**2,931**	**2,281**	**2,529**
Equity			
Share capital	5,169	5,169	5,169
Employee share option plan	57	21	39
Foreign currency translation reserve	(22)	2	(30)
Retained (deficit)	(2,273)	(2,911)	(2,649)
Total Equity	**2,931**	**2,281**	**2,529**

For and on behalf of the Board

John McMahon.

John McMahon – Director (Chairman)
Date:

Nelson Siva – Director
Date:

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

(NZ$ in thousands)	6 MONTHS TO 31 DEC 2015	6 MONTHS TO 31 DEC 2014	AUDITED YEAR TO 30 JUN 2015
Cash Flow from Operating Activities			
Cash was provided from:			
Cash receipts from customers	8,893	7,668	14,567
Other income	18	1	1
	8,911	**7,669**	**14,568**
Cash was applied to:			
Payments to suppliers	(5,065)	(4,022)	(7,749)
Payments to employees	(2,706)	(2,699)	(5,050)
GST paid to IRD	(446)	(366)	(789)
Cash outflows	(8,217)	(7,087)	(13,588)
Net Cash Inflow from Operating Activities	**694**	**582**	**980**
Cash Flow from Investing Activities			
Cash was applied to:			
Purchase of property, plant & equipment & software	(482)	(224)	(394)
Purchase of software	-	-	(2)
Net Cash (Outflow) from Investing Activities	**(482)**	**(224)**	**(396)**
Cash Flow from Financing Activities			
Cash was provided from:			
Interest received	9	9	21
Cash was applied to:			
Dividend	(211)	-	-
Interest paid	(3)	(8)	(11)
Repayments for term loan & finance lease liabilities secured on equipment	(10)	(213)	(227)
Net Cash (Outflow) from Financing Activities	**(215)**	**(212)**	**(217)**
Net change in cash and cash equivalents	(3)	146	367
Add cash & cash equivalents held at beginning of year	1,373	1,006	1,006
Finance Facility and Cash Balance at End of Year	**1,370**	**1,152**	**1,373**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT CONTINUED (UNAUDITED)

(NZ$ in thousands)	6 MONTHS TO 31 DEC 2015	6 MONTHS TO 31 DEC 2014	AUDITED YEAR TO 30 JUN 2015
Reconciliation of net deficit after income tax for the year with net cash inflow/ (outflow) from operating activities			
Net surplus after income tax	587	545	807
Interest expense (reclassified as financing activity)	3	8	11
Interest income (reclassified as financing activity)	(9)	(9)	(21)
Add non-cash items:			
Depreciation & amortisation of assets	133	151	298
(Gain) / Loss on foreign exchange	6	(3)	(41)
Other non-cash items	23	16	(15)
Cash Flow From Trading	**743**	**708**	**1,039**
Add movements in Working Capital	(49)	(126)	(59)
Net Cash Inflow from Operating Activities	**694**	**582**	**980**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2015

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The condensed interim consolidated financial statements (the interim financial statements) are for the six months ended 31 December 2015 and are presented in 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 (NZIAS34) and IAS 34 “Interim Financial Reporting” (IAS34). 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 2015.

Solution Dynamics Limited is the Group’s ultimate parent company. It is a limited liability public company and is listed with the New Zealand Stock Exchange on the NZAX. The address of its registered office and principal place of business is 18 Canaveral Drive, Auckland, New Zealand.

The Group comprises Solution Dynamics Limited and its wholly owned subsidiaries Solution Dynamics (International) Limited, based in the United Kingdom and Déjar International Limited. Déjar International Limited is non-trading.

The interim financial statements for the six months ended 31 December 2015 and the related comparative interim period, are unaudited. Due to seasonal variability financial information from the audited financial statements for the immediate preceding financial year ending 30 June 2015 have also been included.

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 2015.

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 2015. The only exception is the estimate of the provision for income taxes which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

4. SEGMENT INFORMATION

The Group supplies customer communication solutions. These include a range of integrated document management products and services separated into three streams; software & technology services, digital printing & document handling services and outsourced services. Specific elements of these streams are as follows:

- **Software & Technology,** Solution Dynamics owns the intellectual property in four key products;
  - » Déjar, an online digital archival and retrieval system sold stand-alone under licence agreements and also as a hosted service in New Zealand and Internationally.
  - » Bremy, Digital asset management, workflow and multichannel publishing software sold as a licenced product and also as a hosted service in New Zealand, Australia and the UK.
  - » Composer, "On-Demand" content creation software.
  - » DéjarMail is a web based application that accepts PDF documents, as either single or multiple documents within a PDF file and prepares them for bulk postal delivery or email.

  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 & Document Handling Services,** the printing of client's information digitally using high speed laser printers followed by the lodgement and distribution of those documents using a variety of machine and other processes.

4. SEGMENT INFORMATION CONTINUED

- **Outsourced Services**, not all components of Solution Dynamics' solutions are produced internally. External elements such as 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.

Selling, general and administration costs are not allocated to the revenue streams in the Group reporting and hence there are no segment profit or loss amounts reported to management.

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

(NZ$ in thousands)	6 months to December 2015		6 months to December 2014		Year to June 2015	
Software & Technology	2,038	26%	1,784	27%	3,505	27%
Digital Printing & Document Handling Services	3,088	40%	3,101	46%	5,888	45%
Outsourced services	2,634	34%	1,817	27%	3,724	28%
Total income	**7,760**	**100%**	**6,702**	**100%**	**13,117**	**100%**
Less cost of sales	4,411	57%	3,701	55%	7,323	56%
Gross margin	**3,349**	**43%**	**3,001**	**45%**	**5,794**	**44%**
Selling, general & administration	2,418	31%	2,305	34%	4,680	35%
Earnings before interest, tax, depreciation & amortisation	**931**	**12%**	**696**	**11%**	**1,114**	**9%**
Depreciation	128	2%	103	2%	202	2%
Amortisation	5	0%	48	1%	96	1%
Interest	(6)	0%	(1)	0%	(10)	0%
Operating Profit before tax	**804**	**10%**	**546**	**6%**	**826**	**5%**

Segment Assets

Assets are not segmented between service streams.

Information about Major Customers

Included in revenues for Solution Dynamics of $7.760 million (2014: $6.702 million) are services revenues of $0.884 million (2014: $0.861 million) which arose from sales to the Company's largest customer.

Geographical Information

The Group has customers in New Zealand, Australia and Europe.

	Revenue from external customers			Non-current assets		
(NZ$ in thousands)	6 months to 31 Dec 2015	6 months to 31 Dec 2014	Year to 30 June 2015	As at 31 Dec 2015	As at 31 Dec 2014	As at 30 June 2015
New Zealand	7,300	6,297	12,249	1,993	1,480	1,647
Australia	254	315	514	-	-	-
Europe	206	90	354	-	-	-
Total	**7,760**	**6,702**	**13,117**	**1,993**	**1,480**	**1,647**

5. FINANCE FACILITY

(NZ$ in thousands)	As at 31 Dec 2015	As at 31 Dec 2014	As at 30 Jun 2015
Cash on hand	1,370	1,152	1,373
Total Facility	**1,370**	**1,152**	**812**

Solution Dynamics has a finance facility in place with the ANZ Bank. This facility is to support the operational requirements of the Group and includes an overdraft facility of $200,000 that is unused at the reporting date. The Group now holds a net cash position with no bank debt (2014: $Nil). The facilities are secured by a first ranking debenture over the assets of the Group.

The ANZ facility, as is normal banking practice, imposes a number of covenants, including an interest cover covenant (calculated on a rolling 12 month period) and a receivables cover covenant (calculated as a ratio of receivables + stock divided by bank debt). The Company has been in compliance with all financial covenants though the period.

6. SHARE CAPITAL & SHARE-BASED PAYMENTS

Solution Dynamics Limited has 14,059,810 ordinary shares (2014: 14,059,810 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 $000's)	**As at 31 Dec 2015**	**As at 31 Dec 2014**	**As at 30 Jun 2015**
Shares Issued and Fully Paid:			
- Beginning of the Period	14,060	14,060	14,060
- Share Issue	-	-	-
Shares Issued and Fully Paid	**14,060**	**14,060**	**14,060**
Employee Share Option Plan:			
- Beginning of the Period	580	415	415
- Options issued	-	140	220
- Options forfeited	-	(55)	(55)
Shares Authorised for Share-based Payments	**580**	**500**	**580**
Total Shares Authorised at the end of the Period	**14,640**	**14,560**	**14,640**

The 580,000 options issued (2014: 500,000) were at a weighted average exercise price of $0.42 (2014: $0.375).

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 2015 to 31 December 2015 were as follows:

- Key management were paid $662,139 (as employees of Solution Dynamics Limited) during the period (2014: $498,979) and were owed $109,842, including annual leave, at 31 December 2015 (2014: $47,365).
- Salaries paid to directors are disclosed in the Consolidated Statement of Comprehensive Income.

8. EVENTS AFTER THE BALANCE DATE

At the board meeting of 15 February 2016, the directors resolved to pay an interim dividend of 3.0 cents per share fully imputed.

On 19 February 2016 the Board resolved to appoint Mr Elmar Toime of London as a director of the Company. Details of Mr Toime's experience and expertise may be found on Solution Dynamics website (www.solutiondynamics.com/our-team/). There were no other significant events after balance date (2014: $Nil).

9. COMMITMENTS & CONTINGENCIES

At 31 December 2015 there were no commitments and contingencies (2014: $Nil).

COMPANY DIRECTORY

Directors
John McMahon - Chairman
Michael Jean Smith
Julian Beavis
Indrajit Nelson Sivasubramaniam
(Nelson Siva)
– Chief Executive Officer

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 0632

Solicitors
Russell McVeagh
Vero Centre, 48 Shortland Street
AUCKLAND

Share Registry
Computershare Investor Services
Level 2, 159 Hurstmere Rd
Takapuna
AUCKLAND

Private Bag 92119
Auckland Mail Centre
AUCKLAND 1142

Registered Office and address for service
18 Canaveral Drive
Albany
AUCKLAND

PO Box 301248
Albany
AUCKLAND 0752
Tel +64 9 9707700

Solution Dynamics (International) Limited
C/- Liz Butterworth & Associates
7 Clarendon Road
Borehamwood
Herts WD6 1BD
UNITED KINGDOM
Tel +44 (20) 8953-2835

Déjar International Limited
18 Canaveral Drive
Albany
AUCKLAND

PO Box 301248
Albany
AUCKLAND 0752

Stock Exchange
The Company's shares trade on the
New Zealand Stock Exchange Alternative Market (NZAX).
NZAX Trading Code: SDL

Bremy

Déjar

Composer

Déjar Mail

SOLUTION DYNAMICS ON THE WEB

www.solutiondynamics.com

www.dejar.com

www.bremy.com

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