

**PRELIMINARY INTERIM YEAR REPORT ANNOUNCEMENT (UNAUDITED)****Solution Dynamics Limited**

(Name of Listed Issuer)

**For Half Year Ended 31 December 2015**

(referred to in this report as the "interim year")

Preliminary interim year report on consolidated results (including the results for the previous corresponding period) in accordance with Listing Rule 10.4.2. This report has been prepared in a manner which complies with generally accepted accounting practice and gives a true and fair view of the matters to which the report relates and is based on unaudited financial statements.

The Listed Issuer does not have a formally constituted Audit Committee of the Board of Directors.

[PLEASE REFER TO ATTACHED NOTES WHEN COMPLETING THIS FORM]

		<b>*Consolidated Statement Financial Performance</b>		
		Current half Year \$NZ'000	*Up/Down %	Previous half year \$NZ'000
<b>1</b>	<b>CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE</b>			
<b>1.1</b>	<b>OPERATING REVENUE</b>			
	(a) Trading Revenue	7,742	15.6%	6,696
	(b) Other Revenue	18	200.0%	6
	(c) Total Operating Revenue	7,760	15.8%	6,702
<b>1.2</b>	<b>OPERATING *SURPLUS (DEFICIT) BEFORE TAXATION</b>	804	47.3%	546
	(a) Less taxation on operating result	(217)		(1)
<b>1.3</b>	<b>OPERATING *SURPLUS (DEFICIT) AFTER TAX</b>	587	7.7%	545
	(a) Extraordinary Items after Tax [detail in Item 3]	8	n/a	2
	(b) Unrealised net change in value of investment properties	-	-	-
<b>1.4</b>	<b>NET *SURPLUS (DEFICIT) FOR THE PERIOD</b>	595	8.8%	547
	(a) Net *Surplus (Deficit) attributable to minority interests	-		-
<b>1.5</b>	<b>NET SURPLUS (DEFICIT) ATTRIBUTABLE TO MEMBERS OF THE LISTED ISSUER</b>	595	8.8%	547

		<b>*Consolidated Statement of Financial Performance</b>	
		Current half year \$NZ'000	Previous half year \$NZ'000
<b>2</b>	<b>DETAILS OF SPECIFIC RECEIPTS/OUTLAYS, REVENUES/ EXPENSES FOR REPORTING PERIOD</b>		
<b>2.1</b>	<b>INCLUDED IN CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE</b>		
	(a) Interest revenue included in Item 1.1(b)		
	(b) # Unusual items for separate disclosure (gain/loss) (detail - Item 3)		
	(c) Equity earnings (gain/loss) (detail - Item 16)		
	(d) Interest expense included in Item 1.2 (include all forms of interest, etc)	( 6)	( 7)
	(e) Leasing and renting expenses	448	584
	(f) Depreciation	128	103
	(g) Diminution in the value of assets (other than depreciation)	-	-
	(h) Amortisation of goodwill		
	(i) Amortisation of other intangible assets	5	48
	(j) Impairment of goodwill	-	-
	(k) Impairment of other intangible assets	-	-
<b>2.2</b>	<b>SUPPLEMENTARY ITEMS</b>		
	(a) # Interest costs excluded from Item 2.1(d) and capitalised	-	-
	(b) # Outlays (other than those arising from the acquisition of an existing business) capitalised in intangibles	-	-
	(c) Unrecognised differences between the carrying value and market value of publicly traded investments	-	-

#Items marked in this way need to be shown only there their inclusion as revenue or exclusion from expenses has had a material effect on reported \*surplus (deficit)

3 DISCONTINUED, UNUSUAL (INCLUDING NON RECURRING), AND EXTRAORDINARY ITEMS OF THE GROUP		Group - Current half Year	
		Operating Revenue \$NZ'000	Operating Surplus \$NZ'000
<b>DETAILS AND COMMENTS</b>			
Discontinued Activities:		-	-
(Disclose Operating Revenue and Operating Surplus)		-	-
<b>TOTAL DISCONTINUED ACTIVITIES</b>		-	-
Material Unusual (including Non Recurring) Items (included in 1.2)		-	-
Description:			
Exchange adjustment on international subsidiary		8	2
<b>TOTAL MATERIAL NON RECURRING ITEMS</b>		-	-
Extraordinary Items (Ref. Item 1.3(a))		-	-
Description:			
<b>TOTAL EXTRAORDINARY ITEMS</b>		8	2
4 STATEMENT OF MOVEMENTS IN EQUITY		Statement of Movements In Equity	
		Current half year \$NZ'000	Previous half year \$NZ'000
<b>4.1 *NET SURPLUS (DEFICIT) ATTRIBUTABLE TO MEMBERS OF LISTED ISSUER</b>		595	547
(a) *Net Surplus (Deficit) attributable to minority interest		-	-
<b>4.2 OTHER RECOGNISED REVENUE AND EXPENSES</b>			
(a) *Increases (decreases) in revaluation reserves		-	-
(b) Current Translation Differences		-	-
(c) Minority interest in other recognised revenue and expenses		-	-
<b>4.3 TOTAL RECOGNISED REVENUES AND EXPENSES</b>		595	547
<b>4.4 OTHER MOVEMENTS</b>			
(a) Contributions by Owners			
(b) Distributions to Owners		( 211)	
(c) Other (Employee Share Plan / Currency Translation Reserve)		18	14
<b>4.5 EQUITY AT BEGINNING OF FULL YEAR</b>		2,529	1,720
<b>4.6 EQUITY AT END OF FULL YEAR</b>		2,931	2,281
5 EARNINGS PER SECURITY		Earnings Per Security	
Calculation of basic and fully diluted, EPS in accordance with IAS33: Earnings Per Share		Current half year \$NZ'000	Previous half year \$NZ'000
(a) Basic EPS		\$ 0.042	\$ 0.039
(b) Diluted EPS		\$ 0.040	\$ 0.038

**6 MATERIAL ACQUISITIONS OF SUBSIDIARIES (See Note (VII) attached):**

(a) Name of subsidiary or group of subsidiaries	n/a
(b) Percentage of ownership acquired	-
(c) Contribution to consolidated net *Surplus (Deficit) (Item 1.4)	\$
(d) Date from which such contribution has been calculated	-
	-

**7 MATERIAL DISPOSALS OF SUBSIDIARIES (See Note (VII) attached)**

(a) Name of subsidiary or group of subsidiaries	n/a
(b) Contribution to consolidated net *Surplus (Deficit) (Item 1.4)	\$
(c) Date from which such contribution has been calculated	
(d) Contribution to consolidated net *Surplus (Deficit) (Item 1.4) for the previous corresponding full year	
(e) Contribution to consolidated net *Surplus (Deficit) (Item 1.4) from sale of subsidiary	\$

**8 REPORTS FOR INDUSTRY AND GEOGRAPHICAL SEGMENTS**

Information on the industry and geographical segments of the Listed Issuer is to be reported for the full year in accordance with the provisions of SSAP:23: Financial Reporting for Segments. Because of the differing nature and extent of segments among Listed Issuers, no complete proforma is provided, and the segment information should be completed separately and attached to this report. However, the following shows a suitable list of items for presentation and indicates which amounts should agree with items included elsewhere in the full year report:

**SEGMENTS**

Solution Dynamics offers clients a range of integrated document management solutions separated into three revenue streams; outsource services, software & technology services and digital printing & document handling services. Specific elements of these service streams are as follows:

Software & Technology, Solution Dynamics owns the intellectual property in three products,;

**Dejar**, 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.

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 and frequently followed by the lodgement and distribution of those documents using a variety of machine and other processes.

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.

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

**Industry**

* Software & Technology	
* Digital printing & Document Handling	
* Outsourced Services	
<b>Total revenue [consolidated total equal to Item 1.1(c) above]</b>	
- Less cost of sales	
Gross margin	
- Selling General & Administrations Overheads	
<b>Earnings before interest, tax, depreciation &amp; amortisation</b>	
<b>Less:</b>	
- Restructuring	
- Depreciation	
- Amortisation	
- Interest	
- Tax	
<b>Operating surplus (Deficit) after tax (Item 1.3)</b>	

**Geographical Information**

- \* New Zealand
- \* Australia

6-mths Dec '15		6-mths Dec '14	
\$NZ'000	%	\$NZ'000	%
2,038	26%	1,784	27%
3,088	40%	3,101	46%
2,634	34%	1,817	27%
<b>7,760</b>	<b>100%</b>	<b>6,702</b>	<b>100%</b>
4,411	57%	3,701	55%
3,349	43%	3,001	45%
2,418	31%	2,305	34%
<b>931</b>	<b>12%</b>	<b>696</b>	<b>10%</b>
	0%		0%
128	2%	103	2%
5	0%	48	1%
(6)	0%	(1)	0%
217	3%	1	0%
<b>587</b>	<b>8%</b>	<b>545</b>	<b>8%</b>
Revenue		Non-current Assets	
6-mths Dec '15	6-mths Dec '14	6-mths Dec '15	6-mths Dec '14
\$NZ'000	\$NZ'000	\$NZ'000	\$NZ'000
7,300	6,297	1,480	1,480
254	315		

**Solution Dynamics Limited**

- \* UK & Europe
- Total revenue [consolidated total equal to Item 1.1(c) above]

206	90		
7,760	6,702	1,480	1,480

(Note (VIII) attached has particular relevance for the preparation)		Consolidated Statement of Financial Position		
		At end of current half Year \$NZ'000	As shown in last Annual Report \$NZ'000	If half yearly as shown in last half yearly report \$NZ'000
<b>9</b>	<b>CURRENT ASSETS:</b>			
	(a) Trade receivables & other current assets	1,483	1,741	1,063
	(b) Cash	1,370	1,373	1,152
	(c) Inventories	124	72	77
	(d) Prepayments	101	60	99
	<b>TOTAL CURRENT ASSETS</b>	<b>3,078</b>	<b>3,246</b>	<b>2,391</b>
<b>9.1</b>	<b>NON-CURRENT ASSETS</b>			
	(a) Trade receivables	-	-	-
	(b) Investments	-	-	-
	(c) Inventories	-	-	-
	(d) Property, plant and equipment	727	626	485
	(e) Goodwill	938	938	938
	(f) Deferred Taxation Assets	68	71	-
	(g) Other Intangible Assets	260	12	57
	(h) Other assets, non current	-	-	-
<b>9.2</b>	<b>TOTAL NON-CURRENT ASSETS</b>	<b>1,993</b>	<b>1,647</b>	<b>1,480</b>
<b>9.3</b>	<b>TOTAL ASSETS</b>	<b>5,071</b>	<b>4,893</b>	<b>3,871</b>
<b>9.4</b>	<b>CURRENT LIABILITIES</b>			
	(a) Finance facility			
	(b) Trade Creditors	924	954	761
	(c) Income in advance	113	294	46
	(d) Borrowings	20	20	23
	(e) Other non-financial liabilities	277	261	244
	(f) Employee benefit liabilities	341	344	300
	(g) Other liabilities, current	465	481	195
	<b>TOTAL CURRENT LIABILITIES</b>	<b>2,140</b>	<b>2,354</b>	<b>1,569</b>
<b>9.5</b>	<b>NON-CURRENT LIABILITIES</b>			
	(a) Accounts payable, non-current			
	(b) Secured loans	-	10	21
	(c) Unsecured loans	-	-	-
	(d) Provisions, non-current	-	-	-
	(e) Deferred Taxation Liability, non-current	-	-	-
	(f) Other liabilities, non-current	-	-	-
<b>9.6</b>	<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>-</b>	<b>10</b>	<b>21</b>
<b>9.7</b>	<b>TOTAL LIABILITIES</b>	<b>2,140</b>	<b>2,364</b>	<b>1,590</b>
<b>9.8</b>	<b>NET ASSETS</b>	<b>2,931</b>	<b>2,529</b>	<b>2,281</b>
<b>9.9</b>	<b>SHAREHOLDERS' EQUITY</b>			
	(a) Share capital (optional)	5,169	5,169	5,169
	(b) Reserves (optional)	(22)	(30)	
	(i) Currency translation reserve			
	(ii) Other reserves (Employee Share Plan)	57	39	21
	(c) Retained Surplus (accumulated Deficit) (optional)	(2,273)	(2,649)	(2,909)
<b>9.10</b>	<b>SHAREHOLDERS' EQUITY ATTRIBUTABLE TO MEMBERS OF THE LISTED ISSUER</b>	<b>2,931</b>	<b>2,529</b>	<b>2,281</b>
	(a) Minority equity interests in subsidiaries	-	-	-
<b>9.11</b>	<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>2,931</b>	<b>2,529</b>	<b>2,281</b>
	(a) Returns on Assets (%) (EBIT divided by Total Assets)	15.74%	10.95%	14.10%
	(b) Return on Equity (%) (Net Income divided by Shareholders' Equity)	21.79%	28.40%	47.96%
	(c) Debt to Equity Ratio (%) (Total Liabilities divided by Shareholders' Equity)	73.01%	93.48%	69.71%
n/a	<b>TANGIBLE ASSETS</b>	<b>3,873</b>	<b>3,943</b>	<b>2,876</b>

		Consolidated Statement of cashflows for half year	
		Current half year \$NZ'000	Previous half year \$NZ'000
<b>10 CASH FLOWS RELATING TO OPERATING ACTIVITIES</b>			
(See Note (IX) attached )			
(a)	Receipts from customers	8,893	7,668
(b)	Interest received		
(c)	Dividends received	-	-
(d)	Payments to suppliers and employees	(8,099)	(7,086)
(e)	Interest paid		
(f)	Income taxes paid	(118)	(1)
(g)	Other cash flows relating to operating activities	18	1
	<b>NET OPERATING FLOWS</b>	<b>694</b>	<b>582</b>
<b>11 CASH FLOWS RELATING TO INVESTING ACTIVITIES</b>			
(See Note (IX) attached )			
(a)	Cash proceeds from sale of property, plant and equipment	-	-
(b)	Cash proceeds from sale of equity investments	-	-
(c)	Loans repaid by other entities	-	-
(d)	Cash paid for purchases of property, plant and equipment & software	(482)	(224)
(e)	Interest paid - capitalised	-	-
(f)	Cash paid for purchases of equity investments - Bremy NZ & UK	-	-
(g)	Loans to other entities	-	-
(h)	Other cash flows relating to operating activities	-	-
	<b>NET INVESTING CASH FLOWS</b>	<b>(482)</b>	<b>(224)</b>
<b>12 CASH FLOWS RELATED TO FINANCING ACTIVITIES</b>			
(See Note (IX) attached )			
(a)	Cash proceeds from issue of shares, options, etc & interest income	9	9
(b)	Borrowings	-	-
(c)	Repayment of borrowings	(10)	(213)
(d)	Dividends paid	(211)	-
(e)	Other cash flows relating to financing activities - interest on financing	(3)	(8)
	<b>NET FINANCING CASH FLOWS</b>	<b>(215)</b>	<b>(212)</b>
<b>13 NET INCREASE (DECREASE IN CASH HELD)</b>			
(See Note (IX) attached )			
(a)	Cash at beginning of full year	1,373	1,006
(b)	Exchange rate adjustments to Item 12.3(a) above	-	-
(c)	<b>CASH AT END OF PERIOD</b>	<b>1,370</b>	<b>1,152</b>
<b>14 NON-CASH FINANCING AND INVESTING ACTIVITIES</b>			
Provide details of financing and investing transactions which have had a material effect on group assets and liabilities but did not involve cash flows:			
.....			
.....			
.....			
.....			
.....			
.....			
.....			
<b>15 RECONCILIATION OF CASH</b>			
For the purposes of the above Statement of cash flows, cash includes:		Current	Previous
Bank, Petty Cash and NZAX Deposit		half Year	half Year
.....		NZ\$'000	NZ\$'000
Cash at the end of the full year as shown in the statement of cash flows is reconciled to the related items in the financial statements as follows:			
Cash on hand and at bank		1,370	1,152
Deposits at call		-	-
Bank overdraft (ANZ)			
Other - NZAX Deposit		-	-
<b>Total = Cash at End of Period (Item 13(c) above)</b>		<b>1,370</b>	<b>1,152</b>



**17 ISSUED AND QUOTED SECURITIES AT END OF REPORTING PERIOD**

Category of Securities	Issued	Number		Paid-Up Value (If not halfy paid)
		Quoted		
<b>PREFERENCE SHARES:</b>				
# (Description)		n/a		n/a
Issued during current full year				
<b>ORDINARY SHARES:</b>				
	14,059,810	\$ 5,169,000	14,059,810	\$ 5,169,000
Issued during current full year		\$ -	0	0
<b>CONVERTIBLE NOTES</b>				
# (Description)		n/a		n/a
Issued during current full year				
<b>OPTIONS:</b>				
	Issued	Quoted	Exercise Price	Expiry Date
Issued during current full year	-		\$ -	
	-		\$ -	
<b>DEBENTURES - Totals only:</b>		\$	n/a	
<b>UNSECURED NOTES - Totals only:</b>		\$	n/a	
<b>OTHER SECURITIES</b>		\$	n/a	

# Description includes rate of dividend or interest and any redemption or conversion rights together with the prices and dates thereof.

**18 COMMENTS BY DIRECTORS**

If no report in any section, state NIL. If insufficient space below, provide details in the form of notes to be attached to this report.

- (a) Material factors affecting the revenues and expenses of the group for the current full year

*Refer NZX release date 15 February 2016*

- (b) Significant trends or events since end of current full year

*Refer NZX release date 15 February 2016*

- (c) Changes in accounting policies since last Annual Report and/or last Half Yearly to be disclosed

- (d) Critical Accounting Policies - Management believes the following to be critical accounting policies. That is they are both important to the portrayal of the Issuer's financial condition and results, as they require management to make judgments and estimates about matters that they are inherently uncertain

**- Estimated Impairment of Goodwill and Intangible Assets**

The test for impairment of goodwill and intangible assets is undertaken on an annual basis at financial year end. No impairment test has been performed at Interim balance date.

**- Useful lives of Property, Plant & Equipment**

As described at 2.1 above, the Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. In assessing the useful lives of property, plant & equipment the Company makes reference to tax rates and these are used where they approximate estimates of useful lives. The carrying amount as at 31 December 2015 was \$727,000.

**- Contingent Consideration in Respect to Business Combinations**

Not applicable



- (e) Management's discussion and analysis of financial condition, result and/or operations (optional) - this section should contain forward looking statements that should outline where these involve risk and uncertainty

**Refer NZX release date 15 February 2016**

- (f) Other comments

**Refer NZX release date 15 February 2016**

**19 DIVIDEND**

- (a) Dividend Yield as at balance date (%) (Annual dividend per share divided by price per share)

N/A

- (b) Tax Adjusted Dividend Yield as at balance date (%) (Annual net dividend per share divided by price per share)

N/A

**20 ANNUAL MEETING (if full year report)**

- (a) n/a

- (b) n/a

Time

n/a

- (c) Approximate date of availability of Annual Report

If this full year report was approved by resolution of the Board of Directors, please indicate date of meeting:



15-Feb-16

(signed by) Authorised Officer of Listed Issuer

(date)

\*Delete as required