

PRELIMINARY FULL YEAR REPORT ANNOUNCEMENT (Subject to Audit)**Solution Dynamics Limited**

(Name of Listed Issuer)

For Full Year Ended 30 June 2016

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

Preliminary unaudited full year report on consolidated results (including the results for the previous corresponding full year) 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]

		*Consolidated Statement Financial Performance		
1 CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE		Current full Year \$NZ'000	*Up/Down %	Previous corresponding full year \$NZ'000
1.1 OPERATING REVENUE				
(a) Trading Revenue		16,185	24.6%	12,989
(b) Other Revenue		137	7.0%	128
(c) Total Operating Revenue		16,322	24.4%	13,117
1.2 OPERATING *SURPLUS (DEFICIT) BEFORE TAXATION		1,439	74.2%	826
(a) Less taxation on operating result		(423)		(19)
1.3 OPERATING *SURPLUS (DEFICIT) AFTER TAX		1,016	25.9%	807
(a) Extraordinary Items after Tax [detail in Item 3]			-	
(b) Unrealised net change in value of investment properties		-	-	-
1.4 NET *SURPLUS (DEFICIT) FOR THE PERIOD		1,016	25.9%	807
(a) Net *Surplus (Deficit) attributable to minority interests		-		-
1.5 NET SURPLUS (DEFICIT) ATTRIBUTABLE TO MEMBERS OF THE LISTED ISSUER		1,016	25.9%	807

		*Consolidated Statement of Financial Performance	
2 DETAILS OF SPECIFIC RECEIPTS/OUTLAYS, REVENUES/ EXPENSES FOR FULL YEAR		Current full year \$NZ'000	Previous corresponding full year \$NZ'000
2.1 INCLUDED IN CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE			
(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) Net interest expense included in Item 1.2 (include all forms of interest, etc)		(10)	(10)
(e) Leasing and renting expenses		755	1,148
(f) Depreciation		252	202
(g) Diminution in the value of assets (other than depreciation)		-	-
(h) Amortisation of goodwill			
(i) Amortisation of other intangible assets		14	96
(j) Impairment of goodwill		-	-
(k) Impairment of other intangible assets		-	-

Consolidated Statement of
Financial Performance

	Current full Year \$NZ'000	Previous corresponding full Year \$NZ'000
	-	-
	-	-
	-	-
	-	-

2.2 SUPPLEMENTARY ITEMS

- (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 where 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 GROUPGroup - Current
Full Year**DETAILS AND COMMENTS**

Discontinued Activities:

(Disclose Operating Revenue and Operating Surplus)

TOTAL DISCONTINUED ACTIVITIES

Material Unusual (including Non Recurring) Items (included in 1.2)

Market & Tech Grants - Other Revenue
Gain on sale of business - Other Revenue

TOTAL MATERIAL NON RECURRING ITEMS

Extraordinary Items (Ref. Item 1.3(a))

Description:

Restructuring expense

TOTAL EXTRAORDINARY ITEMS

	Operating Revenue \$NZ'000	Operating Surplus \$NZ'000
	-	-
	-	-
	-	-
	-	-
	76	6
	76	6
	-	-

Statement of Movements
In Equity**4 STATEMENT OF MOVEMENTS IN EQUITY****4.1 *NET SURPLUS (DEFICIT) ATTRIBUTABLE TO MEMBERS OF LISTED ISSUER**

- (a) *Net Surplus (Deficit) attributable to minority interest

4.2 OTHER RECOGNISED REVENUE AND EXPENSES

- (a) *Increases (decreases) in other reserves
- (b) Current Translation Differences
- (c) Minority interest in other recognised revenue and expenses

4.3 TOTAL RECOGNISED REVENUES AND EXPENSES**4.4 OTHER MOVEMENTS**

- (a) Contributions by Owners
- (b) Distributions to Owners
- (c) Other - issue of shares as part consideration for the acquisition of Bremy NZ

4.5 EQUITY AT BEGINNING OF FULL YEAR**4.6 EQUITY AT END OF FULL YEAR**

	Current full year \$NZ'000	Previous corresponding full year \$NZ'000
	1,016	807
	-	-
	38	32
	30	(30)
	-	-
	1,084	809
	-	-
	(633)	
	-	-
	2,529	1,720
	2,980	2,529

		Earnings Per Security	
		Current full year \$NZ'000	Previous corresponding full year \$NZ'000
5 EARNINGS PER SECURITY	Calculation of basic and fully diluted, EPS in accordance with IAS33: Earnings Per Share		
(a)	Basic EPS	7.2	5.7
(b)	Diluted EPS (if materially different from (a))	6.9	5.5
6 MATERIAL ACQUISITIONS OF SUBSIDIARIES (See Note (VII) attached):			
(a)	Name of subsidiary or group of subsidiaries	Not applicable	
(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	Not applicable	
(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 - SEE MATERIAL NON RECURRING ITEMS	0	
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 IFRS8: 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

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 four streams; outsource services, technology & development services, intelligent imaging and output services. Specific elements of these streams are as follows:

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

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.

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.

Segment Information

	2015		2014	
	\$NZ'000	%	\$NZ'000	%
- Operating revenue:				
Software & technology	4,448	27.3%	3,505	26.7%
Digital printing & document handling	6,120	37.5%	5,888	44.9%
Outsourced services	5,754	35.3%	3,724	28.4%
- Total revenue [consolidated total equal to Item 1.1]	16,322	100.0%	13,117	100.0%
- Gross margin	7,083	43.4%	5,794	44.2%
- Unallocated expenses	6,067	37.2%	4,987	38.0%
- Operating surplus (Deficit) after tax (Item 1.3)	1,016	6.2%	807	6.2%

Geographical Information

New Zealand	14,427	88.4%	12,249	75.0%
Australia	467	2.9%	514	3.1%
Europe	1,428	8.7%	354	2.2%
Asia		0.0%		0.0%
	16,322	100.0%	13,117	80.4%

Note - Assets are not segmented between service streams

(Note (VIII) attached has particular relevance for the preparation)		Consolidated Statement of Financial Position		
		At end of current full Year \$NZ'000	As shown in last Annual Report \$NZ'000	If half yearly as shown in last half yearly report \$NZ'000
9	CURRENT ASSETS:			
	(a) Cash and bank balances	1,422	1,373	
	(b) Trade receivables & other current assets	2,071	1,741	
	(c) Inventories	109	72	
	(d) Prepayments	76	60	
	TOTAL CURRENT ASSETS	3,678	3,246	
9.1	NON-CURRENT ASSETS			
	(a) Trade receivables	-	-	
	(b) Investments	-	-	
	(c) Inventories	-	-	
	(d) Property, plant and equipment	764	626	
	(e) Goodwill	938	938	
	(f) Deferred Taxation Assets	85	71	
	(g) Other Intangible Assets	278	12	
	(h) Other assets, non current	-	-	
9.2	TOTAL NON-CURRENT ASSETS	2,065	1,647	
9.3	TOTAL ASSETS	5,743	4,893	
9.4	CURRENT LIABILITIES			
	(a) Finance facility			
	(b) Trade Creditors	1,081	954	
	(c) Income in advance, current	333	294	
	(d) Borrowings	10	20	
	(e) Other non financial liabilities	357	261	
	(f) Employee benefit liabilities	384	344	
	(g) Other liabilities, current	598	481	
	TOTAL CURRENT LIABILITIES	2,763	2,354	
9.5	NON-CURRENT LIABILITIES			
	(a) Accounts payable, non-current			
	(b) Secured loans	-	10	
	(c) Unsecured loans	-	-	
	(d) Provisions, non-current	-	-	
	(e) Deferred Taxation Liability, non-current	-	-	
	(f) Other liabilities, non-current	-	-	
9.6	TOTAL NON-CURRENT LIABILITIES	-	10	
9.7	TOTAL LIABILITIES	2,763	2,364	
9.8	NET ASSETS	2,980	2,529	
9.9	SHAREHOLDERS' EQUITY			
	(a) Share capital (optional)	5,169	5,169	
	(b) Reserves (optional)			
	(i) Revaluation reserve			
	(ii) Other reserves	77	9	
	(c) Retained Surplus (accumulated Deficit) (optional)	(2,266)	(2,649)	
9.10	SHAREHOLDERS' EQUITY ATTRIBUTABLE TO MEMBERS OF THE LISTED ISSUER	2,980	2,529	
	(a) Minority equity interests in subsidiaries	-	-	
9.11	TOTAL SHAREHOLDERS' EQUITY	2,980	2,529	
	(a) Returns on Assets (%) (EBIT divided by Total Assets)	24.88%	16.68%	
	(b) Return on Equity (%) (Net Income divided by Shareholders' Equity)	36.89%	41.17%	
	(c) Debt to Equity Ratio (%) (Total Liabilities divided by Shareholders' Equity)	92.72%	93.48%	
n/a	TOTAL TANGIBLE ASSETS	4,527	3,943	

		Consolidated Statement of cashflows for full year	
		Current full year \$NZ'000	Corresponding full year \$NZ'000
10 CASH FLOWS RELATING TO OPERATING ACTIVITIES			
(See Note (IX) attached)			
(a)	Receipts from customers	18,359	14,568
(b)	Interest received	-	-
(c)	Dividends received	-	-
(d)	Payments to suppliers and employees	(16,997)	(13,588)
(e)	Interest paid		
(f)	Income taxes paid		
(g)	Other cash flows relating to operating activities	-	-
	NET OPERATING FLOWS	1,362	980
11 CASH FLOWS RELATING TO INVESTING ACTIVITIES			
(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	(670)	(396)
(e)	Interest paid - capitalised	-	-
(f)	Cash paid for purchases of equity investments	-	-
(g)	Loans to other entities	-	-
(h)	Other cash flows relating to operating activities	-	-
	NET INVESTING CASH FLOWS	(670)	(396)
12 CASH FLOWS RELATED TO FINANCING ACTIVITIES			
(See Note (IX) attached)			
(a)	Cash proceeds from issue of shares, options, etc.	-	-
(b)	Borrowings	-	-
(c)	Repayment of borrowings	(20)	(227)
(d)	Dividends paid	(633)	-
(e)	Other cash flows relating to financing activities - interest on financing	10	10
	NET FINANCING CASH FLOWS	(643)	(217)
13 NET INCREASE (DECREASE IN CASH HELD)			
(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)	CASH AT END OF FULL YEAR	1,422	1,373
14 NON-CASH FINANCING AND INVESTING ACTIVITIES			
Provide details of financing and investing transactions which have had a material effect on group assets and liabilities but did not involve cash flows:			
.....			
N/a			
.....			
.....			
.....			
15 RECONCILIATION OF CASH			
For the purposes of the above Statement of cash flows, cash includes:		Current full Year NZ\$'000	Previous Corresponding full Year NZ\$'000
Bank, Petty Cash and NZAX Deposit			
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		1,422	1,740
Deposits at call		-	-
Bank overdraft		-	-
Other - NZAX Deposit		-	-
Total = Cash at End of Full Year (Item 13(c) above)		1,422	1,740

16 EQUITY ACCOUNTED INVESTMENTS IN ASSOCIATES

Information attributable to the reporting group's share of investments in associates and other material interests is to be disclosed by way of separate note below (refer FRS-38 Accounting for Investments in Associates).

16.1 GROUP SHARE OF RESULTS OF ASSOCIATES

- (a) OPERATING *SURPLUS (DEFICIT) BEFORE TAX
 (b) Less tax
 (c) OPERATING *SURPLUS (DEFICIT) AFTER TAX
 (i) Extraordinary items
 (d) NET *SURPLUS (DEFICIT) AND EXTRAORDINARY ITEMS AFTER TAX

Equity Earnings	
Current full year \$NZ'000	Previous corresponding full year \$NZ'000
Not applicable	Not applicable

16.2 MATERIAL INTERESTS IN CORPORATIONS NOT BEING SUBSIDIARIES

- (a) The group has a material (from group's viewpoint) interest in the following corporations:

Name	Percentage of ordinary shares held at end of Full Year		Contribution to net *surplus (deficit) (Item 1.5)	
	Current Full Year	Previous Corresponding Full Year	Current Full Year NZ\$'000	Previous Corresponding Full Year NZ\$'000
Equity Accounted Associates			<i>Equity Accounted in current year</i>	
	Not applicable	Not applicable	Not applicable	Not applicable
Other Material Interests			<i>Not Equity Accounted in current year</i>	
	Not applicable	Not applicable	Not applicable	Not applicable

- (b) Investments in Associates

	Current Full Year \$NZ'000	Previous Corresponding Full Year \$NZ'000
Carrying value of investments in associates beginning of full year	Not applicable	Not applicable
Share of changes in associates' post acquisition surpluses/and reserves:		
- Retained surplus		
- Reserves		
Net goodwill amortisation and impairment adjustments in the period		
Less Dividends received in the period		
Equity carrying value of investments at the end of full year		
Amount of goodwill included in carrying value at end of that full year		

17 ISSUED AND QUOTED SECURITIES AT END OF CURRENT FULL YEAR

Category of Securities Issued	Number Quoted	Number Cents	Paid-Up Value (If not fully paid)
PREFERENCE SHARES:			
# (Description)	Not applicable		Not applicable
Issued during current full year	-----		-----
ORDINARY SHARES:			
	14,059,810	\$ 5,169,000	Not applicable
Issued during current full year	-----		-----
	-	-	-----
CONVERTIBLE NOTES			
# (Description)	Not applicable		Not applicable
Issued during current full year	-----		-----
OPTIONS:			
	Issued	Quoted	Exercise Price Expiry Date
Issued during current full year	-----		-----
	-	\$	-
	-	\$	-
DEBENTURES - Totals only:	\$		Not applicable
UNSECURED NOTES - Totals only:	\$		Not applicable
OTHER SECURITIES	\$		Not applicable

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 to separate announcement management discussion & analysis announcement for 2015 year.

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

The Company intends to declare a fully imputed dividend of 2.25 cents per share for the 2016 year.

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

No material change in accounting policies.

- (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

Determining whether goodwill is impaired requires an estimation of the value in use of the Déjar & Bremy cash-generating units to which goodwill has been allocated. The value in use calculation requires the directors to estimate the future cash flows expected to arise from Déjar and Bremy and a suitable discount rate in order to calculate present value.

The carrying value of goodwill related to the software business at the balance sheet date was \$938,000 (2015: \$938,000.).

The recoverable amount of SDL Software (Déjar& Bremy) has been determined based on the budget, approved by directors covering the 2017 year, and forecast sales based on assessments of the current market opportunities through existing distribution channels net of forecast costs, through to the end of 2020, at a post tax discount rate of 5.6%. Cash flows beyond 2020 have not been taken into account.

Revenue assumptions used for the forecast period are based on management expectations supported by existing prospects for the budget period and allow for growth of 2.5% per annum over the balance of the forecast period. The assumptions are subject to fundamental uncertainties, particularly those surrounding future license sales which comprise a substantial portion of projected revenues. Gross margin is forecast to be consistent through the budget and forecast period. Assumptions on future exchange rates and the impact of inflation has not been included in the calculation.

In determining whether there was any impairment of goodwill associated with the Déjar and Bremy purchases, forecasts were prepared based on estimates for the software business as a whole, rather than as separate brands. This treatment varies from last year but is consistent with the merging of the development and marketing activities between the two products.

- Useful lives of Property, Plant & Equipment

As described at 2.10 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 30 June 2016 was \$702,000.

- (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 to separate 2016 profit announcement.

- (f) Other comments

19 DIVIDEND

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

1.916%

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

1.916%

20 ANNUAL MEETING (if full year report)

- (a) To be held at 18 Canaveral Drive, Albany, Auckland

- (b) Date - to be advised.

Time n/a

- (c) Approximate date of availability of Annual Report

8-Sep-16

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



(signed by) Authorised Officer of Listed Issuer

9-Aug-16

(date)