

SIMPLIFYING BUSINESS



INTERIM REPORT

20
22



For the six months ended 31 December 2021

2021 Highlights

For the six months ended 31 December 2021

- Net profit after tax increased 40% to \$2.03 million
- Software & technology revenues grew 42% to \$18.65 million
- EBITDA increased 27% to \$3.62 million
- Cash flow from operations increased \$0.80 million to \$3.34 million and net cash at 31 December 2021 was \$7.00 million
- Interim dividend of 9.0 cents per share (up 2.0 cents)
- Full year earnings guidance lowered to around \$2.3 million

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Chairman's and Chief Executive Officer's Report

Result Overview

Solution Dynamics Limited ("SDL" or "Company") produced an unaudited net profit after tax of \$2.03 million for the half year (1H FY2021 \$1.45 million), a year-on-year increase of 40.2%. This is a record half year profit for the Company and equals the entire year's profit in FY2021.

However, the extent of year-on-year first half growth in FY2022 reflects a high concentration of customer jobs that are usually spread more evenly across the year. This is partly the result of COVID-related delays and disruptions in 2021. International activity and revenue continued to increase through a combination of new customers and generally growing volume levels, although some markets and customers remain affected by COVID. NZ print and mail services continues to see pressure, particularly on pricing and gross margins, although volumes held up well and recent sales efforts have begun to gain traction with some new business success which is expected to partly contribute later in the second half.

Cash flow from operations was \$3.34 million (1H FY2021 \$2.54million). The closing net cash position at 31 December was \$7.00 million (1H FY2021 \$6.06 million), noting that approximately \$1.2 million of this cash represents pre-payments of postage by customers. The Directors have declared a fully-imputed interim dividend of 9.0 cents per share (1H FY2021 7.0 cents).

Nelson Siva and Governance Update

The biggest change – and a loss that cannot be understated – in SDL's first half was the November passing of long-term CEO, Nelson Siva, after an illness since early 2020. The significant growth in earnings over the last ten years, along with the Company's international expansion are Nelson's legacy to SDL. More importantly, is the legacy of SDL's culture; a "can do", strong customer service-oriented focus, that drives the ability to tackle complex customer communication problems. Development of the Company's communications platforms and capability to sustain growth are testament to Nelson's strategic and tactical capabilities and the development of internal management capability is testament to Nelson's positive approach and people skills.

In November, SDL appointed Mr Patrick Brand, who previously headed SDL's US and international operations, as the Company's new CEO. Patrick has significant depth of global experience in customer communications, including as a member of the executive leadership team at Pitney Bowes. The Company has subsequently made a number of internal responsibility changes aimed at enhancing operational and sales effectiveness, as well as providing structure to cover COVID travel restrictions that are likely to prevent Patrick from being in New Zealand for some time. The Directors are conscious of ensuring both business momentum and the Company culture are maintained during COVID headwinds and the handover to Patrick.



Operational Commentary

Operating revenue grew 28.1% to \$23.72 million with strong international gains offset by declines in New Zealand operations. Software & Technology revenue increased 42.3%. As noted above, this growth rate was assisted by the timing of customer activity, although revenue growth continues to be held back by volume weakness in the UK (COVID-affected customers). The overall New Zealand market remains in structural decline and SDL is now seeing this place pressure on pricing and margins.

SG&A costs rose 20.9% year-on-year (on top of a 6.2% increase in the prior year first half). Part of this is the annualised effect of prior increase in staff numbers for in-market customer support for account management, applications and DevOps, along with increased New Zealand and international staffing for software development and IT infrastructure. The Company is also seeing a broad range of cost pressures across much of its operating structure, with technology costs particularly affected.

SDL's traditional digital print and document handling services market revenue in New Zealand grew 3.6% year-on-year to \$2.14 million (1H FY2021 \$2.07 million), although this was cycling a 23.9% drop in the prior comparable period when COVID affected volumes. Digital imaging processing volumes for the first half were almost flat year-on-year and this along with a sales mix change, drove the revenue growth. Pricing pressure is expected to continue and the Company has restructured its sales efforts to look to gain market share. Email volumes in New Zealand were largely flat year-on-year.

SDL continued with its COVID-related work practices around health monitoring, segregated teams and controlled facility access, which has helped ensure no staff member has been infected to date. Post the half year end, the Omicron variant has begun circulating in New Zealand. Overseas experience around the high level of Omicron transmissibility suggests it will likely become endemic in New Zealand during the second half of FY2022. The Company has reiterated its commitment to having effective health protocols in place. Nevertheless, a key risk is that operations – both SDL's and our customers – may see disruption affecting FY2022 earnings.

The Company continues to generate new sales for its post-on-demand (POD) and distributed print solutions. Functionality is being updated, combining some existing products into a Digital Mail Centre (DMC) and this includes enhancing the platform for improved scalability and more cost-effective customer onboarding. Sales activity internationally remains mainly focussed on the enterprise market; particular success has been achieved in the mortgage origination and data breach notice sectors. In the SMB (small-to-medium business) segment, SDL's present sales efforts are largely through one very large channel partner and mainly focussed in Europe. Further development of DMC as noted above, along with sales rollout into the US, UK and New Zealand markets, is a key priority for 2022 and beyond.

Financial Performance

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased 27.4% to \$3.62 million (1H HY2021 \$2.85 million) on sales revenue that rose 28.1%.

Summary Financial Performance (all figures \$000)	1H FY22	1H FY21	Yr-on-Yr \$ change	Yr-on-Yr % change
Total Revenue	23,718	18,522	5,196	28.1%
Cost of Goods Sold	14,700	11,214	3,486	31.1%
Gross Margin	9,018	7,308	1,710	23.4%
Gross Margin (%)	38.0%	39.5%		
Selling, General & Admin Costs	5,397	4,463	934	20.9%
EBITDA	3,621	2,845	776	27.3%
EBITDA Margin (%)	15.3%	15.4%		
Depreciation	476	612	-136	-22.2%
Amortisation	97	150	-53	-35.2%
EBIT	3,048	2,083	965	46.3%
Net Interest	60	27	33	122.2%
Net Profit before Tax	2,988	2,056	932	45.3%
Taxation	956	607	349	57.5%
Net Profit after Tax	2,032	1,449	583	40.2%

The EBITDA gain is largely based on the abnormally high concentration of customer activity in the first half of FY2022. Note that 1H FY2022 includes no support from NZ Trade & Enterprise for market development as the grant was fully utilised in FY2021. The interim result in the prior period also included a net gain from foreign exchange currency hedges that were not repeated in this half year result. These two items totalled around \$0.8 million (pre-tax) in the prior comparable period.

SDL's taxation rate in 1H FY2022 was 32.0% versus 29.5% in the prior period.

Revenue Analysis (all figures \$000)	1H FY22	1H FY21	Yr-on-Yr \$ change	Yr-on-Yr % change
Software & Technology	18,645	13,099	5,546	42.3%
Digital Print & Document Handling	2,140	2,065	75	3.6%
Outsourced Services	2,933	3,358	-425	-12.7%
Total Revenue	23,718	18,522	5,196	28.1%

SDL's pipeline of opportunities and sales efforts in the UK, European and US markets points to Software & Technology continuing to grow revenue, although COVID remains a risk to sales activity and the Company has several large customers where operational issues, changes to contracts or changes to those customers' plans could materially alter the revenue outlook.

Balance Sheet, Liquidity and Debt

SDL closed the half year with net cash on hand of \$7.0 million, up 15.4% on 1H FY2021 (\$6.06 million), although around \$1.2 million of this represents customer balances the Company is holding as prepayment for postage (the customers can ask for this to be returned). A bank overdraft facility of \$0.2 million remains in place but is unused. Capital expenditure remains low at \$0.04 million in the half, largely for minor items of print and computer equipment.

Selected Balance Sheet and Cashflow (all figures \$000)	1H FY22	1H FY21	Yr-on-Yr \$ change	Yr-on-Yr % change
Net Cash on Hand (net of debt)	6,998	6,063	935	15.4%
Non-current Assets (excl Right of Use)	1,665	2,048	-383	-18.7%
Right of Use Assets	826	900	-74	-8.2%
Net Other Liabilities (excl Right of Use)	-2,065	-2,606	541	-20.8%
Right of Use Liabilities	-974	-1,036	62	-6.0%

Selected Balance Sheet and Cashflow (all figures \$000)	1H FY22	1H FY21	Yr-on-Yr \$ change	Yr-on-Yr % change
Net Assets	6,450	5,369	1,081	20.1%
Cashflow from Trading	2,705	1,887	818	43.3%
Movement in Working Capital	636	651	-15	-2.3%
Cash Inflow from Operations	3,341	2,538	803	31.6%

Book value (net assets) increased 20.1% to \$6.45 million, mainly the effect of higher first half earnings. Working capital remains reasonably well managed and SDL has not seen any bad or doubtful debt issues arising as a result of COVID although some payment times have stretched.

Dividend

SDL has declared an interim dividend of 9.0 cents per share, a 28.6% increase on the prior year.

Earnings and Dividend per Share	1H FY22	1H FY21	Yr-on-Yr \$ change	Yr-on-Yr % change
Shares on Issue (000)	14,639.8	14,639.8	0	0.0%
Earnings per share (cents)	13.88	9.90	3.98	40.2%
Earnings per share (cents) on NPATA ^(a)	14.54	10.92	3.62	33.2%
Dividend per share (cents)	9.00	7.00	2.00	28.6%
Dividend proportion Imputed	100.0%	100.0%	n.a.	n.a.
Payout ratio (on NPATA)	61.9%	64.1%	n.a.	n.a.

(a) NPATA is Net Profit After Tax plus Amortisation (i.e. adding back Amortisation to net profit). This is non-GAAP measure of earnings agreed with NZTE for maximum dividend payout ratio purposes.

The dividend is fully imputed and the amount represents a payout ratio of 64.9% of earnings per share (61.9% of NPATA). While the Company maintains a comparatively high net cash position (excluding the customer balances for pre-payments of postage), the Directors maintain a preference for financial flexibility given the ongoing elevated level of global uncertainty. Furthermore, the extent of volatility in global markets and economies may provide SDL with the opportunity for step-out or bolt-on acquisitions to broaden the Company's product offering or channels to market internationally.

FY 2022 Outlook

SDL has previously provided FY2022 earnings guidance of around \$2.5 million.

A number of factors are likely to affect the second half, including price and margin pressure in the New Zealand print and mail market, greater than expected cost pressures and COVID (Omicron) disruption to revenue in the UK which we had previously expected would begin to recover during 2H FY2022. While SDL is gaining new business and continues to have a solid pipeline of opportunity (in both New Zealand and the US), the timing of customer onboarding is unlikely to fully offset these drags on earnings.

Based on the above factors, SDL is amending its FY2022 guidance to around \$2.3 million. Significant volatility is possible around this guidance range.

Consolidated Financial Statements

Consolidated Statement of Profit or Loss (unaudited)

For the six months ended 31 December 2021

(NZ\$ in thousands, except per share amounts)	6 months ended 31 Dec 2021	6 months ended 31 Dec 2020	Year ended 30 Jun 2021 AUDITED
Operating revenue	23,697	17,697	34,302
Grant income	21	825	1,143
Total income	23,718	18,522	35,445
Expenses			
Employee costs	4,951	3,808	7,673
Research & development	330	613	1,415
Directors fees & salaries	270	445	769
Print & other outsource expenses	2,658	2,708	5,420
Other expenses	11,888	8,103	15,954
Total Expenses	20,097	15,677	31,231
Earnings before interest, tax, depreciation & amortisation (EBITDA)	3,621	2,845	4,214
Depreciation	476	612	1,156
Amortisation of intangible assets (software)	97	150	283
Net Interest (income)	60	27	70
Profit before income tax	2,988	2,056	2,705
Income tax	956	607	671
Net profit after income tax	2,032	1,449	2,034
	Cents	Cents	Cents
Basic earnings per share	13.9	9.9	13.9
Diluted earnings per share	13.6	9.7	13.6

The accompanying notes on page 18–24 form part of the consolidated financial statements.

Consolidated Statement of Comprehensive Income (unaudited)
 For the six months ended 31 December 2021

(NZ\$ in thousands)	6 months ended 31 Dec 2021	6 months ended 31 Dec 2020	Year ended 30 Jun 2021 AUDITED
Net operating profit after income tax	2,032	1,449	2,034
Exchange differences on translation of foreign operations	25	(103)	(91)
Total comprehensive income for the year	2,057	1,346	1,943

Consolidated Statement of Changes in Equity (unaudited)

For the six months ended 31 December 2021

(NZ\$ in thousands)	Share Capital	Employee Share Plan	Currency Translation Reserve	Accumulated Losses	Total Equity
Balance 1 July 2020 (audited)	5,413	29	(68)	(481)	4,893
Issue of shares to employees	-	9	-	-	9
Exercise of employee options	-	-	-	-	-
Transactions with owners	-	9	-	-	9
Dividend	-	-	-	(879)	(879)
Profit for the period after tax	-	-	(103)	1,449	1,346
Total comprehensive income	-	-	(103)	570	467
Balance 31 December 2020	5,413	38	(171)	89	5,369
Issue of shares to employees	-	-	-	-	-
Lapsed (on resignation of member)	-	(7)	-	-	(7)
Exercise of employee options	-	-	-	-	-
Transactions with owners	-	(7)	-	-	(7)
Dividend	-	-	-	(1,024)	(1,024)
Profit for the year after tax	-	-	-	585	585
Other comprehensive (loss) income	-	-	12	-	12
Total comprehensive income	-	-	12	(439)	(427)
Balance 30 June 2021 (Audited)	5,413	31	(159)	(350)	4,935
Issue of shares to employees	-	44	-	-	44
Exercise of employee options	-	-	-	-	-
Transactions with owners	-	44	-	-	44
Dividend	-	-	-	(586)	(586)
Profit for the period after tax	-	-	-	2,032	2,032
Other comprehensive (loss) income	-	-	25	-	25
Total comprehensive income	-	-	25	1,446	1,471
Balance 31 December 2021	5,413	75	(134)	1,096	6,450

Consolidated Statement of Financial Position (unaudited)

As at 31 December 2021

(NZ\$ in thousands)	As at 31 Dec 2021	As at 31 Dec 2020	As at 30 Jun 2021 AUDITED
Current Assets			
Cash and cash equivalents	6,998	6,063	4,713
Trade & other receivables	2,532	2,600	5,574
Inventories and work in progress	219	139	164
Prepayments	795	161	853
Total Current Assets	10,544	8,963	11,304
Current Liabilities			
Trade creditors	1,005	1,439	3,183
Other current liabilities	3,951	3,074	4,138
Other non-financial liabilities	(5)	228	81
Employee benefit liabilities	846	758	808
Lease liability – current	748	784	863
Deferred tax liability	(186)	7	(161)
Total Current Liabilities	6,359	6,290	8,912
Working Capital	4,185	2,673	2,392

(NZ\$ in thousands)	As at 31 Dec 2021	As at 31 Dec 2020	As at 30 Jun 2021 AUDITED
Non-Current Assets			
Capital works in progress	201	188	195
Property, plant & equipment	247	413	307
Right of use assets	826	900	1,210
Intangible assets	156	386	253
Goodwill	1,061	1,061	1,061
Total Non-Current Assets	2,491	2,948	3,026
Non-Current Liabilities			
Lease liability	226	252	483
Total Non-Current Liabilities	226	252	483
Net Assets	6,450	5,369	4,935
Equity			
Share capital	5,413	5,413	5,413
Employee share option plan	75	38	31
Foreign currency translation reserve	(134)	(171)	(159)
Accumulated losses	1,096	89	(350)
Total Equity	6,450	5,369	4,935

For and on behalf of the Board



John McMahon – Director (Chairman)

Date: 24 February 2022



Andy Preece – Director

Consolidated Statement of Cash Flows (unaudited)

For the six months ended 31 December 2021

(NZ\$ in thousands)	6 months to 31 Dec 2021	6 months to 31 Dec 2020	Year to 30 Jun 2021 AUDITED
Cash Flow from Operating Activities			
<i>Cash was provided from:</i>			
Receipts from sales	27,774	20,677	35,389
Other revenue	21	825	1,143
	27,795	21,502	36,532
<i>Cash was applied to:</i>			
Payments to suppliers	18,573	13,366	22,696
Payments to employees	5,961	5,533	10,594
GST paid to Inland Revenue	(80)	65	634
	24,454	18,964	33,924
Net Cash Inflow from Operating Activities	3,341	2,538	2,608
Cash Flow from Investing Activities			
<i>Cash was applied to:</i>			
Purchase of property, plant & equipment & capital works in progress	38	53	749
Purchase of software & intangible assets	-	-	-
	38	53	749
Net Cash (Outflow) from Investing Activities	(38)	(53)	(749)
Cash Flow from Financing Activities			
<i>Cash was provided from:</i>			
Finance lease additions	-	-	600
	-	-	600

(NZ\$ in thousands)	6 months to 31 Dec 2021	6 months to 31 Dec 2020	Year to 30 Jun 2021 AUDITED
<i>Cash was applied to:</i>			
Payment of dividends	586	879	1,903
Interest paid	60	227	70
Finance lease liabilities	372	528	785
	1,018	1,434	2,758
Net Cash (Outflow) from Financing Activities	(1,018)	(1,434)	(2,158)
Net change in cash and cash equivalents	2,285	1,051	(299)
Add cash & cash equivalents held at beginning of year	4,713	5,012	5,012
Finance Facility and Cash Balance at End of Year	6,998	6,063	4,713
<i>Reconciliation of net deficit after income tax for the year with net cash inflow/ (outflow) from operating activities</i>			
Net surplus after income tax	2,032	1,449	2,034
Interest expense (reclassified as financing activity)	60	27	70
Add non-cash items:	-	-	-
Depreciation & amortisation of assets	573	762	1,439
(Gain) on foreign exchange	(21)	(530)	(657)
Bad and doubtful debts	17	(35)	(35)
Other non-cash items	44	332	(479)
Cash Flow from Trading	2,705	2,005	2,372
Add movements in Working Capital	636	533	236
Net Cash Inflow from Operating Activities	3,341	2,538	2,608

Notes to the Consolidated Financial Statements (unaudited)

For the six months ended 31 December 2021

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 2021 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 (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 2021.

Solution Dynamics Limited is the Group's ultimate parent company. It is a limited liability public company incorporated and domiciled in New Zealand and is listed with the New Zealand Stock Exchange on the NZX. 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), Solution Dynamics Incorporated (based in the United States of America) and Déjar International Limited (non-trading).

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

The interim financial statements for the six months ended 31 December 2021 and the related comparative interim period, are unaudited. Due to seasonal variability financial information from the audited financial statements for the immediately preceding financial year ending 30 June 2021 have also been included.

The unaudited interim financial statements for the Group for the six months ended 31 December 2021 were authorised for issue on 24 February 2022 in accordance with a resolution of the directors of the Company.

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 2021.

Certain comparative information has been reclassified to conform with the current period's classification.

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 2021.

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 Imaging & Output Services. Specific elements of these streams are as follows:

- **Software & Technology**, Solution Dynamics owns the intellectual property in five 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 browser-based desktop mail management solution which allows customers to route mail correspondence to SDL or any other service provider for printing and delivery.
- > **Jupiter** is a hybrid mail application that was acquired through the purchase of the DigitalToPrint business. The application routes data received from clients for international distribution of communications to the destination country for print production and lodgement as local mail.

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.

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

(NZ\$ in thousands)	6 months to December 2021		6 months to December 2020		Year to June 2021	
Software & Technology	18,645	79%	13,099	71%	24,635	70%
Digital Printing & Document Handling Services	2,140	9%	2,065	11%	4,161	12%
Outsourced services	2,933	12%	3,358	18%	6,649	18%
Total income	23,718	100%	18,522	100%	35,445	100%
Less cost of sales	14,700	62%	11,214	61%	21,954	62%
Gross margin	9,018	38%	7,308	39%	13,491	38%
Selling, general & administration	5,397	23%	4,463	24%	9,277	26%
Earnings before interest, tax, depreciation & amortisation	3,621	15%	2,845	15%	4,214	12%
Depreciation	476	2%	612	3%	1,156	3%
Amortisation	97	0%	150	1%	283	1%
Interest	60	0%	27	0%	70	0%
Income tax	956	4%	607	3%	671	2%
Operating Profit after income tax	2,032	9%	1,449	8%	2,034	6%

Segment Assets

Assets are not segmented between service streams.

Information about Major Customers

Included in revenues for Solution Dynamics of \$23.718 million (2020: \$18.522 million) are service revenues of \$10.839 million (2020: \$6.399 million) which arose from sales to the Company's largest customer.

Geographical Information

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

(NZ\$ in thousands)	Revenue from external customers			Non-current assets		
	6 months to 31 Dec 2021	6 months to 31 Dec 2020	Year to 30 Jun 2021	As at 31 Dec 2021	As at 31 Dec 2021	As at 30 Jun 2021
New Zealand	6,548	7,633	14,667	2,480	2,905	2,999
Australia	195	199	426	-	-	-
United States of America	15,649	9,718	18,291	-	29	15
Europe	1,326	972	2,061	11	14	12
Total	23,718	18,522	35,445	2,491	2,948	3,026

5. Cash & Cash Equivalents

(NZ\$ in thousands)	As at 31 Dec 2021		
	As at 31 Dec 2020	As at 30 Jun 2021	
Cash and cash equivalents	6,998	6,063	4,713
Total Finance Facility and Cash	6,998	6,063	4,713

Solution Dynamics has an overdraft facility in place with the ANZ Bank at an interest rate of 7.2% p.a. (2020: 6.95%). 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 (2020: \$200,000). The Group now holds a net cash position with no bank debt (2020: \$Nil).

At the end of the reporting period the Bank provided commercial guarantees totalling \$65,000 (2020: \$65,000) to the Group's suppliers.

6. Share Capital & Share-based Payments

Solution Dynamics Limited has 14,639,810 ordinary shares (2020: 14,639,810 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 000s	As at 31 Dec 2021	As at 31 Dec 2020	As at 30 Jun 2021
Shares Issued and Fully Paid:			
- Beginning of the Period	14,640	14,640	14,640
- Share Issue (exercise of options)	-	-	-
Shares Issued and Fully Paid	14,640	14,640	14,640
Employee Share Option Plan:			
- Beginning of the Period	360	160	160
- Granted	-	80	360
- Vested	-	-	-
- Lapsed (on resignation of staff member)	(80)	-	(160)
Shares Authorised for Share-based Payments	280	240	360
Total Shares Authorised at the end of the Period	14,920	14,880	15,000

The 280,000 options outstanding (2020: 240,000) were at a weighted average exercise price of \$2.35 (2020: \$1.98). 80,000 options are eligible to be exercised from January 2022 with 200,000 options eligible to be exercised from March 2024.

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 2021 to 31 December 2021 were as follows:

- Key management were paid \$1,036,791 (as employees of Solution Dynamics Limited) during the period (2020: \$1,153,350) and were owed \$129,637, including annual leave, (2020: \$201,700).
- 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 24 February 2022, the directors resolved to pay a fully imputed interim dividend of 9.0 cents per share, amounting to \$1,317,583 (2020: the directors approved the payment of a fully imputed interim dividend of 7.0 cents per share, amounting to \$1,024,787).

There were no other significant events after balance date.

Directory

Directors

John McMahon – Non-independent
Chairman
Julian Beavis - Independent
Elmar Toime – Independent
Andy Preece – Independent
Lee Eglington - Independent
Indrajit Nelson Sivasubramaniam (Nelson Siva) – Chief Executive Officer (Retired Nov '21)

Auditors

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

Bankers

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

Legal Representative

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

Share Registry

Computershare Investor Services
Level 2, 159 Hurstmere Rd, Takapuna
AUCKLAND
Private Bag 92119, Auckland Mail Centre
AUCKLAND 1142

Registered Office and address for service

18 Canaveral Drive, Albany
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PO Box 301248, Albany
AUCKLAND 0752
Tel +64 9 970 7700

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