

FY | ANNUAL 2024/2025 | REPORT

Transforming Global Customer
Communications leveraging AI



Toitū Enviromark Gold certification

A mark of our strong dedication to safeguarding the environment, empowering our people, and fostering a sustainable future for generations ahead.

Annual Shareholders Meeting

The Annual Meeting of shareholders will be held at 10:30 am on Thursday, 20th November 2025, as an in-person meeting in the Jupiter Meeting Room, Solution Dynamics Limited, 18 Canaveral Drive, Albany, Auckland, and as an online meeting with details to be provided when the Company provides the Notice of Meeting to shareholders.

2025 Key Financials

- Net profit after tax of \$2.62 million, down 7.1%
- Revenue up 6.9% to \$41.3 million
- EBITDA down 8.0% to \$4.45 million
- Earnings per share of 17.8 cents (prior year 19.2 cents)
- Dividends per share of 3.0 cents (prior year 9.5 cents)
- Net cash on hand \$11.2 million (76 cents per share)
- Directors signalling share buybacks to resume

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Management Discussion and Analysis

FY2025 Result Overview

Solution Dynamics Limited (“SDL” or “Company”) recorded a net profit after tax of \$2.62 million for FY2025. This was 7.1% lower than the profit of \$2.82 million the prior financial year. FY2025 earnings per share was 17.8 cents, down 7.0% from 19.2 cents in FY2024.

The Company’s revenue rose to \$41.3 million (up 6.9% from \$38.7 million). Some of the increase was the result of a pass through of (very low margin) higher postage charges while the Company’s largest customer saw little business in 2H and its revenue contribution was down 15% overall for the year. The revenue highlight was that the other nine of of SDL’s top ten customers saw strong growth of 21% for the year.

SDL’s New Zealand operations again gained market share in a (still) falling local print and mail market, marked by a continuation of the FY2024 trend of securing ongoing new work from local councils in particular. Some of this is from council customers new to SDL, some is the increasing trend amongst larger councils to outsource print work previously undertaken in-house.

SDL’s International operations generated new business from new accounts following the successful onboarding of a marketing services company in North America. There was also success with new products in the dental market from an existing customer who has embedded SDL’s software in its software solutions. However, this growth was overshadowed by the decline in our largest customer revenue contribution. This resulted in a 3.8% overall reduction of SDL’s total Software & Technology revenue to \$24.1 million.

Following the reduction in our largest customer’s revenue the Company swiftly enacted a significant cost restructuring. This started in late 1H and continued through 3Q with the benefits fully seen in the final quarter of FY2025 and it will annualise across FY2026.

Earnings before interest, tax, depreciation and amortisation (“EBITDA”) declined 8.0% to \$4.45 million

(FY2024 \$4.84 million). Gross Profit was 3.8% lower, helped by a general price increase at the start of FY2025. Selling, General and Administration (“SG&A”) expenses were effectively controlled, declining 1.7% over the full year. SG&A was noticeably split over FY2025, rising 6.8% year-on-year in 1H, but then aggressively declining 10.0% year-on-year in 2H following SDL’s restructuring that commenced in late 1H.

Cash flow from operations improved to \$4.30 million (FY2024 \$3.36 million) and the net cash and short-term deposit position at year end was \$11.19 million (FY2024 \$7.95 million). Normalising this for year-end accruals plus adjusting for around \$1.3 million of capital expenditure (print inserter equipment) in early FY2026, the current cash position is around \$9 – 10 million (about 61 – 68 cents per share).

The directors have declared a final dividend of 3.0 cents per share (FY2024 2.5 cents), bringing total cash dividends for FY2025 of 3.0 cents per share (FY2024 9.5 cents) with all dividends fully imputed. The total FY2025 dividend of 3.0 cents brings the FY2025 payout ratio to 16.8%.

The directors are conscious of the current share price and note it is presently less than the current cash backing per share. The Company is unable to undertake share buybacks when it is in possession of potentially material, non-public information or during the “black out” period between year end (30 June) and reporting the annual result. Should the share price remain around or near current levels and there is no material, non-public information, share buybacks will be undertaken.

Major Customer Update

The most significant factor in FY2025 was SDL’s largest customer advising it would transition from a single supplier (SDL) model to a multi-vendor (SDL and one other) model, with the full profitability impact to only be fully felt in FY2026. SDL was advised it will remain a supplier to the customer and that the customer now expects to tender its communications programme services (software/professional services and print/logistics) on a project by project basis.

Subsequently, that customer has seen its funding reduced as a result of both American (closure of US Aid) and British government policy changes. Whether this affects the customer's future communications activity levels remains unclear; SDL is forecasting only minor future revenue.

The Company appropriately moved forward with a comprehensive restructure, affecting both New Zealand and international operations. This resulted in a material level of cost reduction and a focus on reducing costs wherever possible will remain. Additionally, from 1 January 2025 the Directors reduced Board fees to the level prior to the last fee increase in 2022 with the Chair no longer receiving fees entirely.

FY2025 Business Performance

FY2025 was a challenging year for the SDL team, who demonstrated resilience while navigating the impact of the major customer RFP and resulting business restructure. Despite what was a highly disrupted period of operations, revenue growth was achieved in all regions, a commendable achievement. The Company considers the FY2025 result was a solid outcome given those circumstances, but remains cognisant of the challenges ahead.

The New Zealand operation's ongoing focus on new business activity – needed to offset overall mail market declines – has continued to deliver wins primarily in the Councils market, with growth in digital transactions, cross selling of SDL Postage, and market share gains. Overall volumes of physical mail in New Zealand continue their multi-year decline – NZ Post's FY2024 annual report noted a 15% mail volume reduction, indicating SDL's 7% decline in mail lodgements was a reasonable result. New Zealand revenues also benefited from 12% growth in digital volumes, which is a key area of focus.

A continued focus on operational efficiency has led to notable improvements in internal systems with successful implementation of a new ERP system, a print job management system and increased emphasis on workflow automation, reducing operational costs and enabling further headcount reductions, although much remains to be done.

International operations made good progress over the year, despite the effect of SDL's major customer RFP.

The North American market is back to profitable growth for SDL, with revenue up 4% for the year, 27% in 2H, partly driven by the addition of the GRI marketing services business we acquired late in 1H resulting in gross profit for that market growing 34% in the second half. GRI brings valuable new marketing services capability to SDL that complements the Company's software, as well as a range of clients including The Hartford Insurance Group.

Europe/UK grew 33% largely due to one customer in the dental software sector, following an RFP that saw SDL successfully retain and grow the Company's share of their business. SDL continued to benefit with our software supporting the growth of our major North American partner, Pitney Bowes, across the US, UK, France, and Japan.

As noted earlier, SDL implemented broad-based price increases across the customer base during the year, although at lower levels than in FY2024 and focused on mitigating ongoing supply chain and inflation pressures in both NZ and internationally.

Renewal of ISO 27001:2022 certification



This internationally recognised standard verifies our robust Information Security Management System (ISMS), which safeguards both company and client data through comprehensive security protocols. Our risk management framework encompasses all aspects of our operations— from organisational policies and business processes to IT infrastructure.

At the heart of our ISMS is a commitment to continuous improvement. This enables us to adapt to our evolving business needs, counter emerging cybersecurity threats and strengthen previously identified vulnerabilities.

The renewal of this certification reinforces our dedication to maintaining the highest standards of information security for us and our customers.

The labour market remains noticeably soft and staff cost pressures have somewhat abated compared to recent years.

With the restructure completed, the business is now appropriately resourced and well-aligned to execute its strategic objectives. We remain committed to refining and improving processes while ensuring that exceptional delivery for our customers is our highest priority.

Business Description

SDL operates in the global Customer Communications market, providing a comprehensive suite of software technology, professional services, and managed services to facilitate the digital transformation of global customer communications. SDL operates primarily in New Zealand, North America and the UK. The Company's products and services are represented by two revenue streams:

- Services (split into Digital Print & Document Handling, and Outsourced Services); and,
- Software & Technology.

Services reflects the New Zealand business where SDL owns and operates mail house activities. Within Services, Digital Print & Document Handling revenues are generated from digital printing and mail house processing for two categories of mail items: transactional mail, such as invoices and statements, direct marketing and promotional mail. Outsourced Services such as envelope printing and postage are typically bundled as part of the total solution albeit generally at much lower margins.

Software & Technology, reflecting the International business principally in North America and the UK, provides a comprehensive suite of global customer communications cloud solutions. This cloud service provides a complete global solution while the DMC (Digital Mail Centre) leverages and extends the capabilities of the SDL cloud to the desktop through

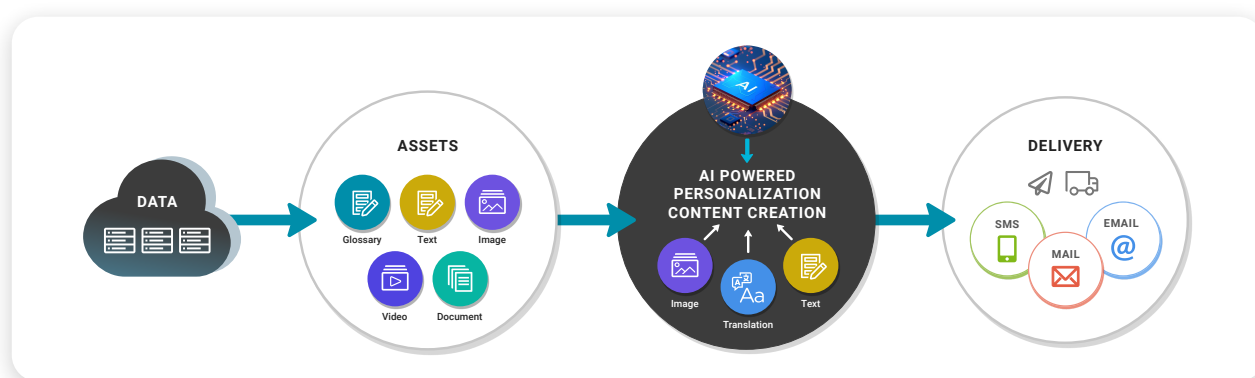
a simple yet powerful user experience. Primary components of the SDL technology stack include:

- complex digital document management, workflow and integration;
- complete digital and print multi-channel distribution;
- global distributed print integration in over 50 countries;
- digital asset management;
- digital and print campaign optimisation and management;
- document scanning, workflow and archiving;
- artificial intelligence applied to document enhancement;
- document composition and hyper-personalisation;
- desktop digital mail centre User Interface (UI);
- data quality and enhancement; and,
- dashboards and analytics.

SDL has several different business models for international clients. For some, the Company provides only software and related consulting services, but for others it also integrates with third party printing and logistics providers, on which it will typically earn a modest margin.

For these latter clients, the software charge and print/logistics margins are typically aggregated into an overall charge to the customer. This means Software & Technology revenues are a mix of pure software and software consulting revenues for some clients, while others also include third party printing and logistics revenues that are generated from SDL's software. The third-party printing and logistics revenues are the larger proportion of total Software & Technology revenue.

The following diagram is a simplified workflow depiction. Data and assets that feed into content creation can emanate from multiple sources and often require manipulation or validation before use. Content can be personalised as customers require, and omni-channel output can then be delivered across physical and digital channels.



The often complex nature of the data and assets involved in content creation means SDL's solutions are typically highly modified for enterprise customers and difficult to "shrink wrap" into a one-size-fits-all software package.

The ongoing primary focus for most clients is digital transformation of customer communications, while improving the efficiency and effectiveness of printed communications. The majority of SDL's revenue in FY2025 remains from printed communications, a declining sector; growth, revenue generation and differentiation globally are increasingly focused around software and digital communications transformation.

Total Software & Technology revenue (some of which is revenue billed from New Zealand) as a proportion of total revenue was around 58% in FY2025 (FY2024 65%).

Description and Review of Revenue Streams

Services

Services is the Company's New Zealand operation that provides mail house solutions to high-volume postal mail users in the business-to-consumer sector. Services operates leased, high-speed digital colour and monochrome printers. In addition to digital printing, Services also provides the ancillary document handling operations such as automated envelope inserting and flow-wrap.

Services now bases its sales approach around digital transformation; some of the largest SDL clients in New Zealand rely on SDL for digital services from data quality and enhancement, to digital channel distribution and closed loop reporting.

Particularly in the Council market, SDL has seen high success in helping Councils move their ratepayers move from print to digital. SDL provides both physical and digital communications from a single integrated platform that has a high level of self-service capability.

Services revenue also includes Outsourced Services, which encompasses a variety of outsourced functions or components such as postage, third party offset printing, freight, paper and envelopes, and digital channel delivery. The Company has an access agreement with NZ Post and an alternative carrier which provides wholesale rates and bulk mail discounts off retail rates. The gross profit margins on many of these outsourced components, especially postage, are low but an important component of the total solution.

In a declining overall mail market and despite market share gains, SDL's mail volumes fell around 7% on the prior year (FY2024 mail volumes fell 3%). The Company increased market share in New Zealand, including ongoing wins in the Council vertical.

SDL has a large and long-standing New Zealand water utility customer. The Company is actively engaged with a broad range of Councils that will require water billing communications as sector reforms (Local Water Done Well) require the establishment of numerous council-controlled organisations as separate entities. Assuming the reforms continue as currently planned, SDL sees this as an area of growth in the next several years.

The headwinds to physical transactional mail are exacerbating as increasing postage rates accelerate customers' switch to digital. From 1 July 2025, NZ Post increased its standard medium-sized letter retail pricing by \$0.60 to \$2.90 a rise of 26% (on top of a 15% increase the prior year). NZ Post has stated that bulk mail prices will also change although the level of increase is not yet known. SDL holds a competitive cost position in the domestic mail house market and has recently implemented a further broad-based price increase.

On the digital communications side, SDL's New Zealand volume of customer emails rose about 12% (following a 19% increase in FY2024) largely as a result of the continued switch from physical to electronic communications. Email volumes are now approaching the level of physical mail volumes for SDL and on a run-rate basis had surpassed print volumes at FY2025 year end. However, the revenue and gross profit per item for an electronic communication is significantly lower than for the same physical print and mail item.

SDL Services Revenue Breakdown (all figures \$000)	FY2025	FY2024	Percentage Change
Digital Printing and Document Handling	4,512	4,449	1.4%
Outsourced Services & Other	12,686	9,142	38.8%
Total Services Revenue	17,198	13,591	26.5%

Revenue growth of 26.5% in FY2025 was pleasing. While much of that related to low-margin pass through of higher postage prices to customers, achieving growth in Digital Printing & Document Handling of 1.4% was a good result in the context of the physical market continuing to decline. The postal market decline will be an ongoing headwind that makes growth difficult to achieve, however, the annualised benefit from FY2025 gains and further price increases in July 2025, combined with sales pipeline opportunities, suggests growth is possible in FY2026.

SDL Software & Technology

Software & Technology generated revenue of \$24.1 million in FY2025, a decline of 3.8% on the prior year's revenue of \$25.1 million.

SDL saw double digit growth in the UK market. The Company's largest customer, based in North America, saw a decrease in revenue of around 15% (due to outcome of RFP). Revenue in North America, excluding the Company's largest customer, saw an overall revenue growth of 4% primarily due to the successful onboarding of a marketing services company in North America.

Software & Technology revenue is partly platform based, typically under SaaS (Software as a Service) arrangements, which can be priced as a monthly subscription tiered base on volume or on a per document basis. It also includes revenue where SDL manages the total communications solution including document printing and distribution for the customer. The printing and distribution component forms the larger part of Software & Technology's revenue and is lower margin.

SDL continues to streamline its global customer communications platform, DMC, to improve the ability for customers to access and self-serve. DMC simplifies onboarding of customers and sending and tracking of documents through physical and digital channels. DMC integrates with other SDL products including the document composition platform, Composer, and the automation tool, Autoprod, to enable creation of highly personalised communications at scale. DMC integrates with SDL's print partner network through the Company's distributed print platform, Jupiter, to manage and provide real time status updates on job completion and mailing. SDL's expertise in global postage management delivers significant cost savings by

leveraging DMC to optimise production and delivery logistics. The Company's objective is to grow SaaS platform revenue at a faster rate than print services by focusing on digital transformation.

Communication channels are no longer a "one size fits all"; customers now receive increasingly personalised messaging through multi-media channels. SDL's software platforms enable one to one personalisation of each form of communication – whether a customer email, an invoice or account statement, or a piece of marketing collateral – as a means to enrich and deepen the relationships that SDL's customers have with their customers.

SDL excels at enabling organisations to drive down the cost of customer communications while improving client engagement. Leading global brands rely on the Company's software to simplify sending of complex global customer communications through print and digital channels. SDL's global network of mail service providers delivers significant savings in print and postage costs. As the secular decline in mail continues, SDL's software platforms provide an omni-channel bridge to digital transformation.

For a more detailed view of SDL's software solutions, refer to the Company's website at: <https://solutiondynamics.com/customer-solutions/>

The International Growth Fund ("IGF") co-funding grant from NZ Trade and Enterprise ("NZTE") that supports a range of market development activities in North America was in place for all of FY2025. The IGF provides 50:50 co-funding for eligible project costs up to a maximum of \$0.6 million from NZTE over a three-year period and expires in November 2025.

Financial Performance

SDL's decline in FY2025 earnings was primarily the effect of lower Software & Technology/International revenue from SDL's major customer in 2H. A broadly-based price increase helped offset inflationary cost pressures (although there are now fewer staff cost pressures).

Gross Profit declined 3.8% from pressure on Cost of Goods Sold. While SG&A costs saw a 6.8% increase in 1H, the second half was down 10.0% from restructuring gains (after some one-off restructuring costs).

EBITDA reduced 8.0% to \$4.45 million (FY2024 \$4.84 million).

Summary Financial Performance (all figures \$000)	FY2025	FY2024	Percentage Change
Total Revenue	41,324	38,668	6.9%
Less: Cost of Goods Sold	27,038	23,824	13.5%
Gross Profit	14,286	14,844	-3.8%
Gross Margin (%)	34.6%	38.4%	
Less: Selling, General & Admin (SG&A)	9,840	10,009	-1.7%
EBITDA	4,446	4,835	-8.0%
EBITDA margin (%)	10.8%	12.5%	
Depreciation	861	851	1.2%
Amortisation	60	54	11.1%
EBIT	3,525	3,930	-10.3%
Net Interest	-123	-125	-1.6%
Income Tax	1,029	1,236	-16.7%
Net Profit after Tax	2,619	2,819	-7.1%
Tax rate	28.2%	30.5%	

SDL's earnings in FY2025 benefitted from NZTE's market development co-funding assistance, which totalled \$0.2 million pre-tax (\$0.2 million in FY2024).

The following table highlights first and second half performance for the last two financial years. The timing of a small number of particularly large customer jobs during the year can materially alter the split of first and second half earnings, with one order slipping from late FY2024 into early FY2025 but that order not repeating in late FY2025.

SDL Half Financial Years (all figures \$000)	2H FY2025	2H FY2024	Percent Change	1H FY2025	1H FY2024	Percent Change
Total Revenue	15,233	15,902	-4.2%	26,091	22,766	14.6%
EBITDA	731	834	-12.4%	3,715	4,001	-7.1%
EBITDA margin	4.8%	5.2%		14.2%	17.6%	
Net Profit after Tax	276	346	-20.2%	2,343	2,473	-5.3%

Balance Sheet, Liquidity and Debt

SDL closed the year with net cash (i.e. cash plus short-term deposits less interest-bearing debt) on hand of \$11.19 million (FY2024 \$7.95 million) or around 76 cents per share. This net cash figure excludes debt liabilities relating to Lease Liabilities arising from the Lease Accounting standard; these liabilities are approximately offset by Right to Use Lease Liabilities.

The Directors intend to maintain a prudent approach to balance sheet management but have nevertheless continued to review acquisition opportunities, including one particular opportunity late in 2H, although none have progressed to date.

The Company maintains an overdraft arrangement from ANZ Bank with a \$200,000 limit. This was unused during FY2025.

Selected Balance Sheet and Cashflow Figures (all figures \$000)	FY2025	FY2024	Change
Net Cash/(Debt & Borrowings)	11,193	7,950	3,243
Non-Current Assets	1,646	1,745	-99
Right of Use Assets	1,354	1,795	-441
Net Other Assets/(Liabilities)	-1,490	-673	-817
Right of Use Liabilities	-1,387	-1,815	428
Net Assets	11,316	9,002	2,314
Cashflow from Trading	3,501	3,429	72
Movement in Working Capital	792	-74	866
Cash Inflow from Operations	4,293	3,355	938

Capital expenditures for the year totalled around \$0.1 million (FY2024 \$0.2 million), largely relating to laptops and IT hardware. The Company does not capitalise software development.

Net assets include intangible assets of around \$1.1 million, which is all goodwill and subject to an annual impairment test.

SDL operates with a largely neutral working capital balance, meaning growth typically does not require additional investment of capital.

Taxation and Dividends

SDL pays full New Zealand tax on locally generated earnings and the Company's overall tax rate in FY2025 was 28.2% (NZ statutory tax rate is 28%).

SDL pays dividends only to the extent that it can fully impute them and also subject to the Company not experiencing any one-off requirements for abnormal capital expenditure or any significant acquisition or investment activity. The Company did not pay an interim dividend following the result of its largest customer's RFP and consequent restructuring. SDL will be paying a FY2025 final dividend of 3.0 cents per share.

Earnings and Dividends per Share	FY2025	FY2024	Percentage Change
Closing Shares on Issue ('000)	14,706	14,720	-0.1%
Reported Earnings per Share (cents)	17.8	19.2	-7.0%
Dividend per Share (cents)	3.0	9.5	-68.4%
Dividend Proportion Imputed	100.0%	100.0%	
Dividend Payout ratio	16.8%	49.6%	

The final dividend of 3.0 cents per share will be fully imputed and paid on 26 September 2025.

The number of shares on issue was slightly down year-on-year as SDL commenced a share buyback during FY2025, although this paused prior to year-end as the Company was holding material, non-public information. At financial year end, the Company had outstanding ESOP rights to key staff members in the plan who collectively hold rights to 0.59 million shares.

Risk Factors

Mail volume in New Zealand, in line with global trends, continues to decline, particularly for transactional mail. NZ Post standard-mail retail postage rates increased 26% at end FY2025 (on top of a 15% increase at end FY2024). The Company has several key domestic contracts that, if lost, could place material pressure on local profitability although much of this is under medium-term contract. SDL reiterates its expectation that consolidation in the New Zealand print market is inevitable, with some current capacity rationalisation underway as one sizeable digital printer has indicated it is ceasing operations. The Company emphasises it will not participate unless there is clear value enhancement for shareholders.

SDL's largest five customers accounted for 55% of revenue (FY2024: 60%). This revenue concentration includes the Company's largest customer, which, following its RFP during FY2025, appears likely to contribute minimal revenue in FY2026. Loss of one or more of the residual top five customers would cause financial results to change materially.

The Company's software provides critical document management, distributed print, and storage functions for its clients. SDL needs to ensure it continues to maintain appropriate levels of software development and quality control, along with well-trained staff for software delivery and support. Cyber and data security remains a known high-risk area which, while difficult to mitigate, sees SDL retaining ISO270001 certification and currently in the process of obtaining SOC2 certification. The Company regularly reviews its IT and data security arrangements including using external consultants.

The Company operates a single site facility for its New Zealand print and mail house production, with an offsite for data and server backup. The Directors are conscious of the operational risk a single site implies for digital imaging and mail house operations. SDL has a reciprocal disaster recovery ("DR") plan with another printer, as well as a degree of backup capability with a division of its major print equipment supplier.

The Company mainly relies on distribution channel partners to market its software products into the UK, Europe and the US. This means SDL has little or no contact with many of the end user customers of its products. While these channel partner arrangements are currently stable there is no guarantee these arrangements will continue. SDL does continue to drive value for its channel partners and aims to ensure its software meets ongoing channel partner requirements.

While the risks noted represent ongoing challenges and headwinds, the market opportunities to help organisations with their global customer communications digital transformation can be significant. SDL holds a strong position in global postage management and distributed print, capturing significant savings as the first step in the digital transformation journey.

Leading customers and channel partners rely on SDL's digital document management platform and the Company's sales and marketing efforts enable growth in key vertical global markets and offer longer term paybacks. Nevertheless, the shorter-term headwinds in the global environment, especially relating to macroeconomic conditions, are producing significant uncertainty and this could materially affect the Company's results.

FY2026 Outlook

SDL is continuing to grow market share in New Zealand, although the overall decline in the print and mail house market continues unabated, exacerbated by further increases from postal operators globally, including NZ Post, in postage rates. This is inevitably hastening the migration from physical to digital communications. As local councils roll out their “water” initiatives, SDL will gain new business from both new and existing customers. There is recent evidence of market consolidation with the withdrawal of a large mail production provider in New Zealand. SDL continues to be committed to an integrated digital plus print solution for its customers and is making the necessary investments in hardware and software required to support an integrated omni-channel solution. The annualised effect of wins in FY2025, along with a strong pipeline of opportunities, should see SDL’s New Zealand operations continue to deliver solid results.

International growth (outside the RFP by SDL’s major customer) improved in FY2025. A key prospect market, global charities, was historically a major source of revenue and profit growth for SDL but has been severely impacted by the loss of government funding in both the US and UK. The earnings outlook assumes that these challenges to global charities funding will continue in FY2026.

Beyond global charities, there is, however, growing momentum in revenue growth in North America and the UK, albeit with pressure from customers to reduce costs. The Company’s challenge, like many smaller organisations, is to profitably scale the international business and that remains the focus.

Key growth initiatives in FY2026 include:

1. Leverage SDL’s Campaign+ software with AI enabled features to become global market leader in dental sector Practice Marketing Software, expanding reach within our largest UK customer, and integrating into other dental practice platforms. An executive with deep dental sector domain expertise has been hired in the UK to drive this growth initiative.
2. Build our brand as experts in digital deliverability with “best in class” technology and know-how, focused on improving client outcomes.

3. Expand penetration within SDL’s top 10 clients, emphasising the Company’s domain and digital deliverability expertise, AI value, high customer service capability and ease of doing business.
4. Continue to evaluate synergistic bolt-on acquisitions that would enable SDL to scale quickly in digital-plus-print customer communications.

SDL continues to invest in software development, adding AI-enabled features that focus on improving client outcomes. The rapidly developing and changing AI (large language models – LLMs) field is both a threat and opportunity in the customer communications market. SDL has been enhancing its digital offering by integrating AI into the customer communications platform. Market trials are underway with one of SDL’s larger UK customers and we expect to fully launch AI enhancements in FY2026.

In addition to the large customer risk, the Company cautions that significant volatility in results is possible and a number of factors, especially macroeconomic headwinds, are outside the Company’s control.

SDL is forecasting a net profit for FY2026, currently in the range of \$0.1 million to \$0.6 million. The predominant cause of the earnings change from FY2025 is the effect of SDL’s largest customer moving to a multi-vendor purchasing model in mid-FY2025, partially offset by the subsequent significant restructuring to lower the Company’s cost base.

Global economic environment and political instability remains elevated, which, along with domestic New Zealand economic headwinds, makes forecasting difficult.

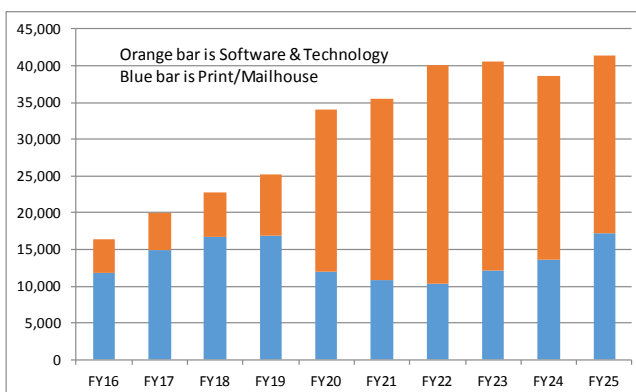
Key Financial Trend Metrics

Revenue (\$ 000)

Revenue CAGR (10 year) 12.2%

Software CAGR (9 year) 21.3%

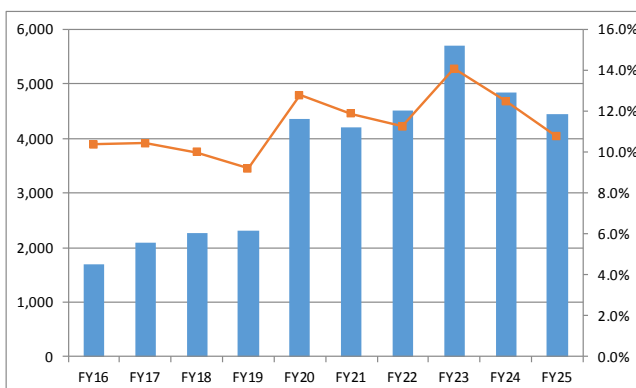
Print/Mail CAGR (9 year) 6.0%



EBITDA (\$ 000)

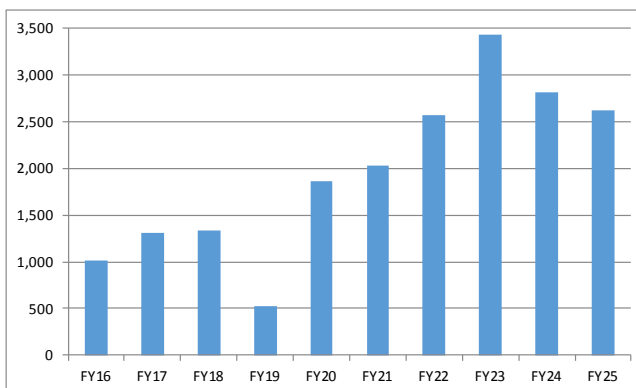
CAGR (10 year) 14.8%

EBITDA is as reported in financial statements, noting this is affected by the change of accounting standard to NZ IFRS 16 (accounting for leases) in FY2020 (increases reported EBITDA) so FY2020 onwards is not comparable with prior years.



Net Profit (\$ 000)

CAGR (10 year) 12.5%



Dividends (cents per share)

CAGR (10 year) 7.2%

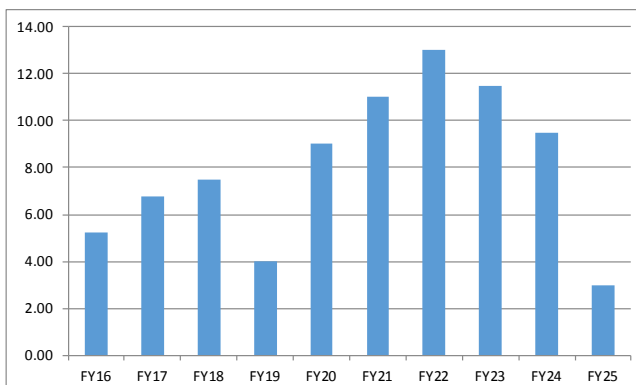
Chart excludes imputation credits.

All dividends are fully imputed.

Total dividends last 10 years:

- 82 cents per share (cash)

113.9 cents per share (incl imputation)



INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Solution Dynamics Limited

Opinion

We have audited the consolidated financial statements of Solution Dynamics Limited and its subsidiaries ('the Group') on pages 20 to 46, which comprise the consolidated statement of financial position as at 30 June 2025, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at 30 June 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ('NZ IFRS') and International Financial Reporting Standards ('IFRS').

Our report is made solely to the Shareholders of the Group. Our audit work has been undertaken so that we might state to the Shareholders of the Group those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Shareholders of the Group as a body, for our audit work, for our report or for the opinions we have formed.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ('ISAs (NZ)'). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, Solution Dynamics Limited or any of its subsidiaries.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the key audit matter
<p>Revenue recognition</p> <p>For the year ended 30 June 2025, the Group recognised revenue of \$40.92 million (2024: \$38.25 million), comprising the rendering of services and sale of goods under contracts (refer Note 3.1(a) to the consolidated financial statements). The Group's revenue is derived from three key streams: digital printing and document services, sourced services, and digital software and technology services.</p> <p>Revenue is recognised either:</p> <ul style="list-style-type: none"> • Over time, using the output method, as services are delivered to customers; or • At a point in time, when control of goods transfers to the customer, typically upon delivery. <p>Revenue recognition was considered a key audit matter due to:</p> <ul style="list-style-type: none"> • The volume and complexity of the Group's customer contracts across multiple service lines. • The significance of revenue to the Group's financial performance and position. • The degree of judgement and estimation involved in identifying performance obligations, determining the timing of revenue recognition (over time vs point in time), and assessing whether service delivery had occurred at year-end. <p>Errors or misjudgements in revenue recognition—whether premature or deferred—could result in material misstatements in the financial statements.</p>	<p>Our procedures, which addressed the risk of material misstatement due to inappropriate revenue recognition, included among others:</p> <ul style="list-style-type: none"> • Understanding and evaluating the design and implementation effectiveness of the Group's controls over revenue recognition across each business stream. • Understanding and evaluating the appropriateness of the Group's revenue recognition policies for each business stream against the requirements of NZ IFRS 15 <i>Revenue from Contracts with Customers</i> and evaluating whether the policies were applied consistently. • Carrying out substantive testing and analytical review procedures over Group's revenue streams to assess whether the accounting treatment is in line with the Group's revenue recognition processes and accounting policies. <ul style="list-style-type: none"> ○ For revenue recognised at a point in time, we examined a sample of invoices, delivery documents, and cash receipts to verify the occurrence and timing of revenue recognition. ○ For revenue recognised over time, we assessed progress toward satisfaction of performance obligations using the output method. We tested key inputs (such as units dispatched) to supporting documentation. ○ We performed cut-off testing on revenue transactions recorded near year-end to determine whether revenue was recognised in the correct reporting period. ○ We performed analytical procedures, including cash proofing by reconciling recorded revenue to cash receipts per the general ledger and bank statements, to test existence, completeness and accuracy of revenue. • Evaluating the related disclosures (including the material accounting policy information and accounting estimates) in the Group's consolidated financial statements.

Key Audit Matter	How our audit addressed the key audit matter
<p>Impairment assessment of goodwill and other indefinite life intangible assets.</p> <p>As disclosed in Note 4.5 of the Group's consolidated financial statements the Group has goodwill of \$1.06m allocated to its Electronic Content Management cash-generating unit ('CGU').</p> <p>Goodwill and brand assets were significant to our audit due to the size of the assets and the subjectivity, complexity and uncertainty inherent in the measurement of the recoverable amount of the CGU for the purpose of the required annual impairment test. The measurement of the CGU's recoverable amount includes the assessment and calculation of its 'value in-use'.</p> <p>Management has completed the annual impairment test of the CGU as at 30 June 2025.</p> <p>This annual impairment test involves complex and subjective estimation and judgement by Management on the future performance of the CGU, discount rates applied to the future cash flow forecasts, the terminal growth rates, and future market and economic conditions.</p>	<p>Our audit procedures among others included:</p> <ul style="list-style-type: none"> • Understanding and evaluating the Group's internal controls relevant to the accounting estimates used to determine the recoverable amount of the Group's CGU. • Evaluating Management's determination of the Group's CGU based on our understanding of the nature of the Group's business and the economic environment in which the segments operate. We also analysed the internal reporting of the Group to assess how operations are monitored and reported. • Challenging Management's assumptions and estimates used to determine the recoverable amount of the CGU, including those relating to forecast free cash flows, growth rates and discount rates. <p>Procedures included:</p> <ul style="list-style-type: none"> ○ Evaluating the logic of the value-in-use calculation supporting Management's annual impairment test and testing the mathematical accuracy of the calculation; ○ Evaluating Management's process regarding the preparation and review of forecasts; ○ Comparing forecasts to Board approved forecasts; ○ Evaluating the historical accuracy of the Group's forecasting to actual historical performance; ○ Challenging and evaluating the forecast growth assumptions; ○ Evaluating the inputs to the calculation of the discount rates applied; ○ Engaging our own internal valuation expert to evaluate the logic of the value-in-use calculation and the inputs to the calculation of the discount rates applied; ○ Evaluating the forecasts, inputs and any underlying assumptions with a view to identifying Management bias; ○ Evaluating Management's sensitivity analysis for reasonably possible changes in key assumptions; and ○ Performing our own sensitivity analyses for reasonably possible changes in key assumptions, the two main assumptions being: the discount rate and forecast growth assumptions. <ul style="list-style-type: none"> • Evaluating the related disclosures (including the material accounting policy information and accounting estimates) in the Group's consolidated financial statements.

Other Matter

The consolidated financial statements of Solution Dynamics Limited for the year ended 30 June 2024 were audited by another auditor who expressed an unmodified opinion on those statements on 22 August 2024.

Responsibilities of the Directors for the Consolidated Financial Statements

The Directors are responsible on behalf of the Group for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of the auditor's responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards/assurance-standards/auditors-responsibilities/audit-report-1-1/>

The engagement partner on the audit resulting in this independent auditor's report is J A Daubney.

**BAKER TILLY STAPLES RODWAY AUCKLAND****Auckland, New Zealand**

28 August 2025



The cover features a central blue rectangular area with a white gradient background. The text "Consolidated Financial Statements" is centered in white. The background is composed of several overlapping panels: a top-left panel with a blurred blue and white geometric pattern; a bottom-left panel with a blurred orange and white geometric pattern; and a central panel with a blue background and a white circuit board pattern. The bottom-right and top-right corners are white.

Consolidated Financial Statements

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2025

	Note	2025 \$000	2024 \$000
Revenue from contracts with customers	3.1 (a)	40,919	38,252
Other income	3.1 (a)	405	416
Total Revenue and Income		41,324	38,668
Changes in inventories of finished goods and work in progress	3.1 (b)	20,766	18,954
Raw materials and consumables used	3.1 (b)	6,272	4,873
Employee benefit expenses	3.2 (a)	6,935	7,486
Other expenses		2,905	2,520
Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA)	3.6	4,446	4,835
Depreciation	4.4, 4.7	861	851
Amortisation	4.5 (b)	60	54
Finance costs	5.4	94	125
Finance income	5.4	(217)	(250)
Net Finance costs/(income)		(123)	(125)
Profit before Income Tax		3,648	4,055
Income tax	3.3 (a)	1,029	1,236
Net Profit after Income Tax		2,619	2,819
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss:			
Exchange (loss)/gain on translation of foreign operations		86	60
Other Comprehensive (Loss)/Gain Net of Tax		86	60
Total Comprehensive Income for the Year		2,705	2,879
Earnings per Share – Net Profit after Tax		Cents	Cents
Basic earnings per share	3.4	17.8	19.2
Diluted earnings per share	3.4	17.8	19.2

The accompanying notes on pages 24–46 form part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2025

	Share Capital \$000	Employee Share Option Plan \$000	Foreign Currency Translation Reserve \$000	Accumulated Profit \$00	Total Equity \$000
Balance 30 June 2023	5,574	142	(39)	1,674	7,351
Issue of share options to employees	-	24	-	-	24
Dividends paid	-	-	-	(1,252)	(1,252)
Transactions with Owners	-	24	-	(1,252)	(1,228)
Profit for the year after tax	-	-	-	2,819	2,819
Other comprehensive income	-	-	60	-	60
Total Comprehensive Income	-	-	60	2,819	2,879
Balance 30 June 2024	5,574	166	21	3,241	9,002
Lapse of share options to employees	-	(14)	-	-	(14)
Share Buybacks	(9)	-	-	-	(9)
Dividends paid	-	-	-	(368)	(368)
Transactions with Owners	(9)	(14)	-	(368)	(391)
Profit for the year after tax	-	-	-	2,619	2,619
Other comprehensive income	-	-	86	-	86
Total Comprehensive Income	-	-	86	2,619	2,705
Balance 30 June 2025	5,565	152	107	5,492	11,316

The accompanying notes on pages 24–46 form part of the Consolidated Financial Statements.

Consolidated Statement of Financial Position

As at 30 June 2025

	Note	2025 \$000	2024 \$000
Current Assets			
Cash and cash equivalents	4.1 (a)	6,693	4,950
Short-term cash deposits	4.1 (b)	4,500	3,000
Trade & other receivables	4.2	3,754	3,861
Inventories	4.8	329	271
Prepayments		578	470
Total Current Assets		15,854	12,552
Current Liabilities			
Trade and other payables	4.3	4,101	3,923
Provision for taxation		682	281
Deferred contract revenue		407	216
Lease liability	5.2	735	735
Employee benefit liabilities	4.6	693	689
Total Current Liabilities		6,618	5,844
Working Capital		9,236	6,708
Non-Current Assets			
Property, plant & equipment	4.7	220	278
Right of use assets	4.4	1,354	1,795
Goodwill & intangible assets	4.5	1,181	1,241
Deferred tax benefit	3.3 (b)	245	226
Total Non-Current Assets		3,000	3,540
Non-Current Liabilities			
Lease liability	5.2	652	1,080
Long-term employee benefit liabilities	4.6	268	166
Total Non-Current Liabilities		920	1,246
Net Assets		11,316	9,002
Equity			
Share capital	5.1	5,565	5,574
Employee share option reserve		152	166
Foreign currency translation reserve		107	21
Accumulated profit		5,492	3,241
Total Equity		11,316	9,002

For and on behalf of the Board who approved these financial statements for issue on 28 August 2025.



John McMahon – Director
(Chair)



Andy Preece – Director
(Chair Audit & Risk Management Committee)

The accompanying notes on pages 24–46 form part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

For the year ended 30 June 2025

	Note	2025 \$000	2024 \$000
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from customers		44,911	41,565
Other income		405	416
		45,316	41,981
Cash was applied to:			
Payments to suppliers and employees		39,989	37,167
Income tax paid		628	1,236
GST and VAT paid		406	223
		41,023	38,626
Net Cash Inflows from Operating Activities	3.5	4,293	3,355
Cash Flows from Investing Activities			
Cash was applied to:			
Transfer to short-term cash deposits		4,500	3,000
Purchase of property, plant and equipment & capital works in progress		65	64
Purchase of software & intangible assets		-	17
		4,565	3,081
Cash was provided from:			
Interest received		217	250
Transfer in from Term Deposits		3,000	-
		3,217	250
Net Cash Outflows from Investing Activities		(1,348)	(2,831)
Cash Flows from Financing Activities			
Cash was applied to:			
Payment of dividends		368	1,252
Share buy backs		9	-
Interest paid		94	125
Lease liability payments		731	825
		1,202	2,202
Net Cash Outflows from Financing Activities		(1,202)	(2,202)
Net Change in Cash and Cash Equivalents		1,743	(1,678)
Add cash and cash equivalents held at beginning of year		4,950	6,628
Cash and Cash Equivalents at End of Year	4.1(a)	6,693	4,950

The accompanying notes on pages 24–46 form part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2025

The notes to the consolidated financial statements are presented as follows:

- 1. Corporate Information**
- 2. Basis of preparation**
 - 2.1 Statement of compliance
 - 2.2 Basis of measurement and consolidation
 - 2.3 Changes to accounting policies
 - 2.4 New Standards, Interpretations and Amendments
- 3. Group performance**
 - 3.1 Revenue, Income, and Segment Reporting
 - 3.2 Expenses
 - 3.3 Income and deferred tax
 - 3.4 Earnings per share
 - 3.5 Reconciliation (operating cash flows)
 - 3.6 Non-GAAP performance measures
- 4. Assets and liabilities**
 - 4.1 Cash and cash equivalents and short-term deposits
 - 4.2 Trade & other receivables
 - 4.3 Trade & other payables
 - 4.4 Right of use assets
 - 4.5 Goodwill and intangible assets
 - 4.6 Employee benefit liabilities
 - 4.7 Property, Plant and Equipment
 - 4.8 Inventories
- 5. Debt and Equity**
 - 5.1 Share capital
 - 5.2 Lease liabilities
 - 5.3 Employee share option plan
 - 5.4 Net finance (income)/cost
- 6. Capital and financial risk management**
 - 6.1 Capital management
 - 6.2 Financial risk management
 - 6.2 (a) Credit risk
 - 6.2 (b) Market risk: Foreign currency risk
 - 6.2 (c) Market risk: Interest rate risk
 - 6.2 (d) Liquidity risk
 - 6.3 Financial instruments by category
- 7. Other information**
 - 7.1 Related party transactions
 - 7.2 Capital Commitments
 - 7.3 Contingent liabilities
 - 7.4 Events after the reporting date

1. Corporate Information

The consolidated financial statements including the Financial Statements of Solution Dynamics Limited (SDL or Company) and its subsidiaries, collectively the Group for the year ended 30 June 2025 were authorised for issue in accordance with a resolution of directors on 28 August 2025.

Solution Dynamics Limited 2025 is a public company incorporated and domiciled in New Zealand and is listed on the New Zealand Stock Exchange (NZX). The registered office is located at 18 Canaveral Drive, Albany in Auckland.

Details on subsidiaries is provided below:

Entity name	Country of Incorporation and Primary Place of Business	Proportion of Ownership Interests(%)	
		2025	2024
Solution Dynamics International	United Kingdom	100%	100%
Solution Dynamics Incorporated	United States of America	100%	100%
Solution Dynamics Australia Pty Ltd	Australia	100%	100%
Déjar International Limited	New Zealand	100%	100%

Nature of Operations

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

Accounting Framework

The parent company, Solution Dynamics Limited, is a profit-oriented entity, domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. Solution Dynamics Limited is an FMC Reporting Entity under the Financial Markets Conducts Act 2013 and the Financial Reporting Act 2013.

2. Basis of preparation

2.1 Statement of Compliance

The consolidated financial statements of the Group comply with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS®) as appropriate for a profit orientated entity.

Re- presentation

To improve disclosure effectiveness, the Group has made a number of representations to the Financial Statements in the current year.

The previously separate Income Statement and Statement of Comprehensive Income have been combined into the Statement of Profit or Loss and Other Comprehensive Income.

The simplifications have also resulted in a number of segregation and amendments where line items are not material and affected comparatives have been restated for consistency. These restatements have not had an impact on the Profit after tax or Total Comprehensive Income in the Statement of Profit or Loss and Other Comprehensive Income, Net Assets in the Statement of Financial Position, or the Net increase/ (decrease) in cash presented in the Statement of Cash Flows.

2.2 Basis of measurement and consolidation

(i) Rounding and presentation

Items included in the consolidated financial statements are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in New Zealand dollars, which is the Company's functional currency and the Group's presentation currency and expressed in \$000's.

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

(ii) Measurement

The consolidated financial statements have been prepared on the historical cost basis but modified, where applicable, by the measurement and/or disclosure of fair value of selected financial assets and financial liabilities (refer note 6.3).

(iii) Translation of the Financial Statements into NZD

Transactions in foreign currencies are initially recorded by the Group entities at the respective functional currency using the monthly closing rate at the date the transaction. The assets and liabilities are translated at the closing rate at the reporting year end. The revenue and expenses are translated at exchange rates at the date of the transactions or where appropriate with average monthly rates. All resulting exchange differences arising on this translation are recognised in the foreign currency translation reserve.

(iv) Group entities

All subsidiaries have a 30 June 2025 reporting date and consistent accounting policies are applied.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

(v) Material Accounting Policies and Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The Group's material accounting policy information is provided in the relevant notes to the financial statements.

In the application of the Group's accounting policies, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities

that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Information regarding the Group's Critical Accounting Judgements and Key Sources of Estimation Uncertainty is provided in the relevant notes to the financial statements, including:

- Annual goodwill impairment testing (Note 4.5).
- Right-of-use assets (Note 4.4).
- Revenue from contracts with customers (3.1)

2.3 Changes to Accounting Policies

The accounting policies and disclosures are consistent with those of the previous year.

2.4 New Standards, Interpretations and Amendments

(i) New standards mandatorily effective during the period

No new or amended standards and interpretations that became effective for the year ended 30 June 2025 have had a material impact to the Group.

(ii) Issued, but not yet effective

NZ IFRS 18 Presentation and Disclosure in Financial Statements is effective for the year ended 31 July 2028 and will impact the presentation of the Statement of Profit or Loss and Other comprehensive Income, with an allocation of income and expenses between operating, investing and financing categories, and new sub-totals such as Operating profit. Financial performance measures used to explain the Group financial performance in public communications outside the financial statements will also be required to be disclosed, and there is enhanced guidance on the aggregation and disaggregation of information. The Group is assessing the effect of applying NZ IFRS 18.

Apart from the standards mentioned above, the Group does not anticipate that any other newly issued or amended IFRS standards, which are

not yet effective, will have a material impact on the recognition or measurement of assets, liabilities, income, or expenses in the Group's consolidated financial statements.

3. Group performance

This section of the notes to the consolidated financial statements provides information on the Group's financial performance and the returns provided to equity holders, including:

- 3.1 Revenue, Income, and Segment Reporting
- 3.2 Expenses
- 3.3 Income and deferred tax
- 3.4 Earnings per share
- 3.5 Reconciliation (operating cash flows)
- 3.6 Non-GAAP performance measures

3.1 Revenue, Income, and Segment Reporting

Accounting policy

Revenue is recognised when control of a product or service, or a distinct performance obligation is transferred to the customer. Where multiple products or services are sold in a single arrangement, revenue is recognised for each distinct good or service. There is no financing component/significant payment terms.

Digital Printing & Document Services revenue

Service revenue is earned from providing mail house operations, high-volume postal business and ancillary document handling operations such as automated envelope inserting and flow-wrap. The lodgement and distribution of these documents is managed using a variety of machines and processes.

Alongside our services, we offer Digital Mail Centre (DMC) enabling customers/users to generate print, email, or SMS communications from pre-configured templates. Customer/users manage and create their own templates using template builders within the system.

Revenue is recognised over time using the output method as the relevant services are completed and delivered to the customer.

Outsourced Services revenue

Outsourced services revenue is earned on combined functions or components such as postage, third party offset printing, freight,

paper and envelopes. These are integrated into the above service offerings. Long-term arrangements have been established with key suppliers such as NZ Post, for the provision of these services.

For performance obligations involving the delivery of goods (e.g., paper, envelopes), revenue is recognised at the point in time when control is transferred to the customer, usually upon receipt of the goods.

For services where the customer benefits from the service as it is performed, revenue is recognised over time via the output method. The measure of progress toward satisfying these performance obligations is determined based on the extent of services delivered or consumed by the customer during the period.

Digital Software & Technology revenue

Software platforms are leveraged to onboard customers, facilitate the sending and tracking of documentation through physical and digital channels and manage archiving and retrieval processes using a SaaS model (software as a service arrangement). Revenue earned from the platform can be structured as a monthly subscription or charged on a per-document basis.

Revenue earned is recognised over-time via the output method as customers simultaneously and continuously derive the benefit from their subscription rights or at a point in time on a per-document basis as the performance obligation is met instantly with a customer self-generated digital print.

Segment Reporting

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, Digital Printing & Document Handling Services and Outsourced revenue.

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

This note does not contain reconciling items, as the same accounting standards and policies have been consistently applied in the preparation of both and note as those used to prepare the financial statements.

3.1(a) Revenue from contracts with customers

2025 \$000	Digital Printing & Document Services	Outsourced Services	Digital Software & Technology	Total
Revenue recognised over time	4,512	11,483	23,085	39,080
Revenue recognised at a point in time	-	798	1,041	1,839
Total	4,512	12,281	24,126	40,919

2024 \$000	Digital Printing & Document Services	Outsourced Services	Digital Software & Technology	Total
Revenue recognised over time	4,449	7,700	23,803	35,952
Revenue recognised at a point in time	-	1,026	1,274	2,300
Total	4,449	8,726	25,077	38,252

Other income

	2025 \$000	2024 \$000
Government grant income	214	199
Other income	191	217
Other Income	405	416

3.1(b) Segment Consolidated Statement of Profit or Loss

	Note	2025 \$000	%	2024 \$000	%
Software & Technology		24,126	58%	25,077	65%
Digital Printing & Document Handling Services		4,512	11%	4,449	11%
Outsourced services		12,281	30%	8,726	23%
Other Income		405	1%	416	1%
Total Revenue and Income		41,324	100%	38,668	100%
Less: Changes in inventories of finished goods and work in progress		20,766	50%	18,954	50%
Raw materials and consumables used		6,272	15%	4,873	12%
Other expenses		9,840	24%	10,006	26%
Earnings before Interest, Tax, Depreciation & Amortisation	3.6	4,446	11%	4,835	12%

Continued on next page ...

3.1(b) Segment Consolidated Statement of Profit or Loss

	Note	2025 \$000	%	2024 \$000	%
Less:					
Depreciation		861	3%	851	2%
Amortisation		60	1%	54	0%
Finance income		(217)	-1%	(250)	-2%
Finance cost		94	1%	125	0%
Tax		1,029	3%	1,236	3%
Net Profit after Income tax		2,619	7%	2,819	7%

(ii) Segment Assets

Assets are not segmented between service streams.

(iii) Information about Top Five Customers

Included in revenues for the Group of \$40.92 million (2024: \$38.25 million) are revenues of \$22.33 million (2024: \$23.09 million) which arose from sales to the top five customers in the Group.

3.1(c) Geographical Information

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

	Revenue from External Customers				Non-Current Assets			
	2025 \$000	%	2024 \$000	%	2025 \$000	%	2024 \$000	%
New Zealand	19,777	48.0%	15,288	40.0%	2,994	99.8%	3,529	99.7%
Australia	1,155	3.0%	1,333	3.0%	-	0.0%	-	0.0%
United States of America	15,467	38.0%	18,360	48.0%	2	0.1%	-	0.0%
Europe	4,520	11.0%	3,271	9.0%	4	0.1%	11	0.3%
Total	40,919	100%	38,252	194%	3,000	100%	3,540	100%

3.2 Expenses

3.2 (a) Employee benefit expenses

	2025 \$000	2024 \$000
Directors' remuneration - directors fees	228	288
Short-term employee benefits	6,306	6,687
Defined contribution plans	414	487
Share-based payment expense	(13)	24
Total Employee benefit expenses	6,935	7,486

3.2 (b) Expenses

	2025 \$000	2024 \$000
Freight, Print & Postage	21,433	18,376
Other Expenses	7,515	7,208
Research & development	873	654
Total	29,821	26,238
Auditor's Remuneration		
Audit fees – Audit of the Consolidated Financial Statements, Grant Thornton	-	109
Audit fees – Audit of the Consolidated Financial Statements, Baker Tilly Staples Rodway	122	-
Total Auditors' Remuneration	122	109
Total Expenses	29,943	26,347
Total Operating Expenses	36,878	33,833

3.3 Income and deferred tax

3.3(a) Current Tax

	2025 \$000	2024 \$000
Income tax expense comprises:		
Current tax expense	1,048	1,275
Deferred tax movement relating to the origination and reversal of temporary differences	(19)	(39)
Total Tax Expense	1,029	1,236
The total charge for the reporting period can be reconciled to the accounting profit as follows:		
Net profit before income tax	3,648	4,055
Income tax at company tax rate (1)	1,019	1,135
Permanent differences	10	11
Under / (over) provision in prior years	(102)	31
Other	102	59
Income Tax Expense	1,029	1,236

(1) The Group tax rate of 28% (2024: 28%) has been used. This is the tax rate applicable to the country where Solution Dynamics Limited, the primary tax paying entity, is domiciled.

At 30 June 2025 there are imputation credits available of \$1,362,696 (2024: \$597,176) for use in subsequent reporting periods.

3.3(b) Deferred Tax Asset

	2025 \$000	2024 \$000
Temporary Differences		
Property, plant and equipment	(9)	(6)
Right-of-use assets	(379)	(503)
Lease liabilities	388	508
Employee benefit liabilities	232	221
Accruals and provisions	13	6
Deferred Tax Asset on Temporary Differences Recognised	245	226

Deferred tax assets arising from deductible temporary differences are only recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised.

	2025 \$000	2024 \$000
Deferred Tax Asset Movement		
Balance at beginning of period	226	187
Current year movement through profit or loss	19	39
Balance at End of Year	245	226

3.3(c) Imputation Credit Balance

	2025 \$000	2024 \$000
Balance at beginning of year	597	523
New Zealand Tax Payments, net of refunds*	909	561
Imputation credits attached to dividends paid	(143)	(487)
Balance at End of Year	1,363	597

* This includes the estimated tax payable for 2025 for the NZ entity.

3.4 Earnings Per Share (EPS)

	2025	2024
Net Profit for the Year Attributable to Ordinary Shareholders (\$000)	2,619	2,819
Basic		
Weighted Average Number of Ordinary Shares (000's)	14,706	14,720
Basic Earnings Per Share (Cents)	17.8	19.2

Basic earnings per share is calculated by dividing the net profit after tax attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for bonus elements in ordinary shares issued during the reporting period.

	2025	2024
Diluted		
Weighted average number of ordinary shares (000's)	14,706	14,720
Adjustment for share options (000's)	-	-
Weighted Average	14,706	14,720
Diluted Earnings per Share (Cents)	17.8	19.2

Diluted earnings per share are calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all potentially dilutive ordinary shares. Options are convertible into the Company's shares and are therefore considered dilutive securities for diluted earnings per share.

3.5 Reconciliation of net profit after income tax for year with net cash inflow from operating activities

	2025 \$000	2024 \$000
Net profit after income tax	2,619	2,819
Adjustments:		
Depreciation and amortisation of assets	921	905
Loss / (gain) on foreign exchange	(191)	(217)
Bad and doubtful debts	-	-
Net Interest expense	(123)	(125)
Other non-cash items	275	47
Cash Flow from Trading	3,501	3,429
Add movements in working capital:		
Increase / (decrease) in trade & other receivables	107	659
Decrease / (increase) in inventories	(58)	(92)
Decrease / (increase) in prepayments	(114)	(176)
Decrease / (increase) in trade creditors & other current liabilities	770	(666)
Increase/ (decrease) in other non-financial liabilities	(19)	177
Increase / (decrease) in employee benefit liabilities	106	24
Net Movement in Working Capital	792	(74)
Net Cash Flows from Operating Activities	4,293	3,355

3.6 Non-GAAP performance measures

The Group uses a non-GAAP performance measure, Earnings before Interest, Tax, Depreciation, Amortisation (EBITDA), that does not have one standardised meaning prescribed by NZ GAAP. EBITDA is included in the financial statements of the Group to provide useful information to readers in order to assist in the understanding of the Group's financial performance. EBITDA should not be viewed in isolation nor be used as a substitute for measures reported in accordance with NZ GAAP.

The Group calculates EBITDA by adding back depreciation and amortisation, finance expense, tax expense and subtracting finance income. A reconciliation of the Group's EBITDA is provided below and based on amounts taken from, and consistent with, those presented in these financial statements.

Reconciliation of Net Profit before Tax to EBITDA		
	2025	2024
	\$000	\$000
Net profit before income tax	3,648	4,055
Less: Interest income	(217)	(250)
Add back: Finance expense	94	125
Add back: Depreciation and amortisation expenses	921	905
Earnings before Other Income and Expense, Income Tax, Depreciation and Amortisation (EBITDA)	4,446	4,835

4. Assets and Liabilities

This section of the notes to the consolidated financial statements provides information on the Group's short-term assets and liabilities that impact the Group's net operating cash flows, as well as long-term assets utilised in business operations to generate returns to shareholders, including:

- 4.1 Cash and cash equivalents and short-term deposits
- 4.2 Trade & other receivables
- 4.3 Trade & other payables
- 4.4 Right of use assets
- 4.5 Goodwill and intangible assets
- 4.6 Employee benefit liabilities
- 4.7 Property, Plant and Equipment
- 4.8 Inventories

4.1 Cash & Cash Equivalents and Short-term deposits

4.1(a) Cash & Cash Equivalents

	2025	2024
	\$000	\$000
Cash at bank	6,693	4,950
Total Cash and Cash Equivalents	6,693	4,950

Interest rates on cash and cash equivalents:

Cash at bank 3.75% -1.60% (2024: 3.65% - 4.80%)

Solution Dynamics has a \$200,000 overdraft facility in place with the ANZ Bank at an interest rate of 8.65% p.a. (2024: 15.70%). This facility, which was unused as at 30 June 2025, is to support the operational requirements of the Group. It is interest only and is secured by first ranking debenture over the assets of the Group.

4.1(b) Short-term deposits

	2025 \$000	2024 \$000
Short-term deposits (6 months maturity)	4,500	3,000
Total Short-Term Deposits	4,500	3,000

Interest rates on short-term deposits:

Short-term deposits 4.05% – 4.18% (2024: 5.50% - 6.19%)

As at 30 June 2025 the ANZ Bank has imposed no financial covenants to secure the existing facilities. The Group holds a net cash position with no bank debt (2024: \$Nil).

As at 30 June 2025 SDL provided commercial guarantees totaling \$115,500 (2024: \$64,500) to the Group's suppliers.

4.2 Trade & Other Receivables

	2025 \$000	2024 \$000
Trade receivables	3,758	3,892
Credit loss allowance	(79)	(79)
Total Trade Receivables	3,679	3,813
Sundry debtors	75	48
Total Trade and Other Receivables	3,754	3,861

Trading terms & aging of past due trade receivables

The Group's trading terms require settlement by the 20th of the month following the date of invoice. At the reporting date the Group had past due debtors of \$218,000 (2024: \$530,000) for which an allowance of \$79,000 (2024: \$79,000) was made. With average receivables past due at 5.81% of total receivables (2024: 13.62%) there has not been a significant change in credit quality, therefore the amounts are considered recoverable. The Group does not hold any collateral over these balances.

	2025 \$000	2024 \$000
30 – 60 days	84	371
60 – 90 days	52	74
90 – 120 days	1	6
120 days plus	81	79
Total Overdue Trade Receivables	218	530

Movement in allowance for credit losses

	2025 \$000	2024 \$000
Balance at the beginning of the reporting period	79	79
Accounts written off as uncollectable or (recovered)	-	-
Total Allowance for Credit Losses	79	79

In assessing the recoverability of trade receivables, the Group considers any change in the quality of the trade receivables from the date that the credit was initially granted up to the reporting date. The concentration of credit risk is limited with the largest customer comprising 1.74% (2024: 18.6%) of the gross trade receivable balance, as at 30 June 2025, 96.0% of the outstanding balance was less than 60 days old (2024: 92.0%). Accordingly, the directors believe that no further adjustments are required in excess of the allowance for credit losses.

The directors do not consider there to be any expected credit loss in addition to the credit losses recorded above.

4.3 Trade and other payables

	Note	2025 \$000	2024 \$000
Trade and other payables	6.3	4,101	3,923
Total Trade and Other Payables		4,101	3,923

Trade payables are unsecured and are usually paid within 60 days of recognition.

4.4 Right-of-use Asset

Accounting policy

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term. The Group currently has no short-term or low value leases.

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

At inception of a contract, SDL uses judgement in assessing whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, SDL assesses whether:

- The contract involves the use of an identified asset
- SDL has the right to obtain substantially all the economic benefits from use of the asset throughout the period of use
- SDL has the right to direct the use of the asset

At inception or on reassessment of a contract that contains a lease component, SDL allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices. SDL recognises a right-of-use asset at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. SDL determines the lease term as a non-cancellable lease term including renewals that are reasonably assured.

In assessing the lease liability an incremental borrowing rate is applied to lease liabilities recognised under NZ IFRS 16. This is 4.5% (2024: 4.5%) for property and 14.65% (2024: 14.65%) on plant & equipment. The incremental borrowing rate is the estimated rate that SDL would have to pay to borrow the same amount over a similar term, and with similar security to obtain an asset of equivalent value. The lease term is the non-cancellable period of a lease, together with periods covered by an option (available to the lessee only) to extend or terminate the lease if the lessee is reasonably certain to exercise/not to exercise that option. The property lease is currently a five (5) year term lease and further rights of renewal options are currently available, but not yet taken up. Rent increases are calculated on a fixed percentage basis, on renewal date.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically assessed for impairment losses and adjusted for certain remeasurements of the lease liability.

Right-of-use Assets

	Property \$000	Plant \$000	Total \$000
Cost			
Balance 1 July 2023	4,740	732	5,472
Additions	-	335	335
Terminations	-	(732)	-732
Balance 30 June 2024	4,740	335	5,075
Additions	303		303
Balance 30 June 2025	5,043	335	5,378
Accumulated Depreciation			
Balance 1 July 2023	2,680	604	3,284
Depreciation expense	492	231	723
Terminations	-	(732)	(732)
Adjustments	5	-	5
Balance 30 June 2024	3,177	103	3,280
Depreciation expense	576	168	744
Adjustment	5	(5)	-
Balance 30 June 2025	3,758	266	4,024
Carrying Amount			
Balance 1 July 2023	2,060	128	2,188
Balance 30 June 2024	1,563	232	1,795
Balance 30 June 2025	1,285	69	1,354

Refer to note 5.2 for further details on the Group's leasing activity.

4.5 Goodwill and intangible assets

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

For impairment testing purposes, goodwill is allocated to a single cash generating unit ("CGU"), SDL Software (referred to as the Electronic Content Management CGU).

The Goodwill recognised by the Group has arisen previous businesses combinations from the acquisitions of business from Déjar Holdings.

Previous Business Combinations

	Scantech \$000	DTP \$000	Déjar \$000	Bremy \$000	Total \$000
Goodwill recognised	66	57	215	723	1,061

Determining whether goodwill is impaired requires the carrying amount of the SDL Software CGU, including allocated goodwill, to be compared against its recoverable amount.

Recoverable amount is determined by calculating the SDL Software CGU's value-in-use, via discounted cash flow methodology, requiring the directors to estimate the future cash flows expected to arise based on approved budgets and five-year forecasted cash flows (based on assessments of the current market opportunities through existing distribution channels net of forecast costs), and a suitable discount rate in order to calculate present value.

Cash flows beyond the five-year forecast period have been taken into account by the calculation of a terminal value, by discounting the year-5 cashflows at a long-term growth rate of 1.0%.

At June 30, 2025:

- The carrying amount of SDL Software CGU's was \$1,410,752 (2024: \$1,061,000).
- The recoverable amount of the SDL Software CGU was \$9,804,337 (2024: \$8,652,559)

Key assumptions and estimates used in determining recoverable value were:

Key Assumptions and Estimates	2025	2024
Sales growth rate (beyond budget period) ¹	1.00%	1.00%
Discount rate post-tax	13.00%	13.00%
Pre-tax	18.05%	18.05%
Long-term growth rate	1.00%	1.00%

1 The assumptions are subject to inherent uncertainties, particularly those surrounding future license sales which comprise a substantial portion of projected revenues and hence only inflationary growth rates have been applied. Gross margin is forecast to be consistent through the budget and forecast period.

4.5(a) Goodwill (impairment)

No accumulated impairment losses have been recognised against goodwill (2024: \$nil).

(i) Sensitivity to Changes in Assumptions

At 30 June 2025, the date of the Group's annual impairment test, the estimated recoverable amount of the SDL Software CGU exceeded its carrying amount by \$8,393,000 (2024: \$8,652,000).

No reasonably possible change in a key assumptions would cause the CGU's carrying amount to exceed its recoverable amount.

4.5(b) Intangible assets

Accounting policy

Intangible assets with a finite life are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Classes of intangible assets are amortised at the following rates:

Software: 3-5 years straight-line					
	Software - Déjar \$000	Software - Bremy \$000	Software \$000	Customer Contracts \$000	Total \$000
Cost					
Balance 1 July 2023	2,090	110	1,738	441	4,379
Additions	-	-	234	-	234
Balance 30 June 2024	2,090	110	1,972	441	4,613
Balance 30 June 2025	2,090	110	1,972	441	4,613
Accumulated Amortisation					
Balance 1 July 2023	2,090	110	1,738	441	4,379
Amortisation expense	-	-	54	-	54
Balance 30 June 2024	2,090	110	1,792	441	4,433
Amortisation expense	-	-	60	-	60
Balance 30 June 2025	2,090	110	1,852	441	4,493
Carrying Amount					
Balance 1 July 2023	-	-	-	-	-
Balance 30 June 2024	-	-	180	-	180
Balance 30 June 2025	-	-	120	-	120

4.6 Employee Benefit Liabilities

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Provisions for other long term employee benefits are based on the Group's estimate of the present value of future costs assuming payroll inflation rate of 2.00% (2024: 3.00%).

	2025 \$000	2024 \$000
Short-term employee benefit liabilities	693	689
Total Employee Benefit Liabilities (Current)	693	689
Other long term employee benefits	268	166
Total Employee Benefit Liabilities (Non-Current)	268	166

4.7 Property, Plant and Equipment

Accounting policy

Property, Plant and Equipment are subsequently measured at cost less accumulated depreciation and accumulated impairment losses.

Classes of Property, Plant and Equipment are depreciated at the following rates:

- Plant and machinery: 7.0% – 30.0% diminishing value
- Furniture and fittings: 8.5% – 39.6% diminishing value
- Leasehold improvements: 7.8% – 25.0% diminishing value

	Plant & Machinery \$000	Furniture & Fittings \$000	Leasehold Improvements \$000	Total \$000
Cost				
Balance 1 July 2023	2,435	126	774	3,335
Additions	69	-	4	73
Disposals	(4)	(4)	-	(8)
Balance 30 June 2024	2,500	122	778	3,400
Additions	62	-	-	62
Disposals	(17)	-	-	(17)
Assets removed from use*	(519)	-	-	(519)
Balance 30 June 2025	2,026	122	778	2,926
Accumulated Depreciation				
Balance 1 July 2023	2,299	97	600	2,996
Depreciation expense	89	-	39	128
Balance 30 June 2024	2,388	97	639	3,124
Depreciation expense	79	-	38	117
Disposals	(16)	-	-	(16)
Assets removed from use*	(519)	-	-	(519)
Balance 30 June 2025	1,932	97	677	2,706
Carrying Amount				
Balance 1 July 2023	136	29	174	339
Balance 30 June 2024	112	25	139	276
Balance 30 June 2025	94	25	101	220

* Assets removed from use represents the removal of assets from registry fully depreciated and with nil book value.

4.8 Inventories

Accounting policy

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

	2025 \$000	2024 \$000
Work in Progress	227	108
Finished goods	102	163
Total Inventories	329	271

5. Debt and Equity

This section of the notes to the Consolidated Financial Statements provides information on the Group's capital structure and related costs, how funds are raised and how the Group manages capital, including

5.1 Share capital

5.2 Lease liabilities

5.3 Employee share option plan

5.4 Net finance cost

5.1 Share Capital

	\$000	2025 No. (000's)	\$000	2024 No. (000's)
Ordinary Shares				
Balance at beginning of year	5,574	14,720	5,574	14,720
Exercise of employee share options	-	-	-	-
Share Buyback	(9)	(14)	-	-
Share Capital at End of Year	5,565	14,706	5,574	14,720

The Company had 14,706,443 (2024: 14,719,810) ordinary shares on issue at 30 June 2025. All ordinary shares ranked equally with one vote attached to each fully paid ordinary share and share equally in dividends and surplus on winding up.

5.2 Lease liabilities

Accounting policy

The Company uses its incremental borrowing rate at lease commencement to calculate the present value of lease payments when the rate implicit in a lease is not known.

(i) Leasing activity

The Group has property leases for its Canaveral Drive office and production facility and leases of production equipment.

The table below describes the nature of the Groups leasing activities by right of use asset type recognised on the statement of financial position (refer note 4.4).

Right of use assets (ROU)	No of ROU assets leased	Range of remaining term	Average remaining term
Property	1	2 years	2 years
Plant & equipment	1	1 years	1 years

(ii) Future lease payments

Maturity analysis

Refer to note 6.2(d) for a presentation of the gross, undiscounted future lease payments of the Group's leases as lessee.

Lease payments not included in the measurement of lease liabilities

The Group's leases typically include renewal options. The Group must assess whether it reasonably expects (or not) to exercise these when determining the lease term.

There are 1 leases where the Group has assessed it does not reasonably expect to exercise all available renewal options, resulting in potential future lease payments not currently being included in the lease liability recognised for these leases of:

- Period: 1 – 3 years.
- Annual payments: \$731,000 (based on current lease payments amount)

As standard industry practice, the Groups property leases are subject every two years to market rent review in accordance with the lease terms . A 3% increase in these payments would result in an additional \$26,000 (2024: 25,000) cash outflow compared to the current periods cash outflow.

(iii) Lease payments recognised in profit or loss

The expense relating to payments not included in the measurement of the lease liability is as follows:

	2025 \$000	2024 \$000
Variable lease payment	204	214
	204	214

(iv) Reconciliation of lease liability

Reconciliation of Lease liabilities	2025 \$000	2024 \$000
Year Ended 30 June 2024		
Opening Balance	1,815	2,250
Additions	302	335
Interest expense	94	111
Repayments	(824)	(881)
Balance 30 June 2025	1,387	1,815

Leases	2025 \$000	2024 \$000
Current	735	735
Non-current	652	1,080
	1,387	1,815

5.3 Employee share option plan

Accounting policy

Equity-settled share-based payments to employees are measured at the fair value of the equity instruments at the grant date.

The fair value determined at the grant date of the equity settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. On each reporting date, the Group revises its estimate of the number of equity instruments expected to vest.

The impact of the revision of the original estimates, if any, is recognised in the consolidated statement of profit or loss over the remaining period, with a corresponding adjustment to the equity-settled employee benefits reserve.

Solution Dynamics Limited offers an equity settled employee share option plan. The general principles of the scheme are:

- The maximum aggregate number of share options to be granted pursuant to the plan is 5% of the total number of shares on issue at any one time.
- Options of no more than 1% of the total number of SDL's shares on issue can be granted to an individual staff member (the directors made an exception to this limit for the US-based CEO Patrick Brand)
- The exercise price will be determined by the Board based on the market price at the time of issue.
- The options may be exercised by the participant (in whole or part) after three years from the date that they are granted. The key employees have 18 months from the date of eligibility and must be employed by SDL at the date the option is exercised.

	2025	2025	2024	2024
	Weighted average Exercise price (\$ cents)	Number of Shares	Weighted average Exercise price (\$ cents)	Number of Shares
	000's			000's
Outstanding at 1 July 2025	2.56	593	2.74	373
Granted share options during the year	-	-	2.25	220
Share options lapsed shares	2.52	(260)	-	-
Unvested share options as at 30 June 2025	2.59	333	2.56	593
Percentage of total ordinary shares		2.26%		3.90%

Grant Date	Options Issued	Share Price at Grant Date	Exercise Price	Options Expire	Option Value \$
February 2022	172,796	\$2.90	\$2.90	August 2026	\$29,994
October 2022	160,000	\$2.25	\$2.25	October 2027	\$49,502

The fair value was determined using a Black-Scholes option pricing model that considers the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying share, the dividend yield and the risk-free interest rate for the term of the option.

In addition to the factors as noted in the table above further inputs for the model included:

- Standard deviation of stock returns 26.5%. This is based on an analysis of share price movements over the 12 months prior to the issue of the options.
- Average dividend yield of 4.66%.
- Average annual risk-free rate of 4.63%.

5.4 Net finance (income)/cost

	2025 \$000	2024 \$000
Interest expense – Lease liabilities on financing of right of use assets	94	111
Interest expense – Financial liabilities at amortised cost	-	14
Finance Costs	94	125
Finance Income: Interest income – financial assets at amortised cost	(217)	(250)
Net Finance Cost/(Income)	(123)	(125)

6. Capital and financial risk management

This section of the notes to the consolidated financial statements provides information on the Group's exposure to and management of capital and financial risks, including:

6.1 Capital management

6.2 Financial risk management

6.2 (a) Credit risk

6.2 (b) Market risk: Foreign currency

6.2 (c) Market risk: Interest rate risk

6.2 (d) Liquidity risk

6.3 Financial instruments by category

6.1 Capital Management

The Group manages its capital to ensure that the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balances.

The Group is in a net cash position of \$11.19 million (2024: \$7.95 million) and cash inflow from operations of \$4.30 million (2024: \$3.35 million). There was an operating profit of \$2.62 million in the current year (2024: \$2.82 million). The Group has no externally imposed covenants to manage, the only debt on the balance sheet relates to right of use assets.

	2025 \$000	2024 \$000
Borrowings – Lease Liabilities (note 5.2)	1,387	1,815
Cash & short-term deposits (Note 4.1)	11,193	7,950
Net cash (debt)	9,806	6,135
Equity (all capital and reserves)	11,316	9,002
Net (cash) debt to equity ratio	87%	68%

During the year the finance facility was subject to certain conditions which are disclosed in Note 4.1.

6.2 Financial Risk Management

6.2(a) Credit Risk

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash, short term deposits and trade and other receivables. The maximum credit risk is the carrying value of these financial instruments; however, the Group does not consider the risk of non-recovery of these accounts to be material.

In the normal course of its business the Group incurs credit risk from trade receivables and transactions with financial institutions. The Group has a credit policy, which is used to manage this exposure to credit risk. As part of this policy, credit evaluations are performed on all customers requiring credit. The Group does not have any significant concentrations of credit risk. The Group does not require any collateral or security to support financial instruments as it only deposits with, or loans to banks and other financial institutions with credit ratings of no less than AA-. It does not expect the non-performance of any obligations that are not provided for at reporting date.

Accounting policy: Impairment of trade & other receivables

The Group provides an allowance for impairment on trade and other receivables by applying the simplified method, that utilises a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Accounting policy: Impairment of cash & cash equivalents

The Group determines that there has been no significant increase in credit risk where the credit rating of the counterparty holding the Group's cash and cash equivalent balances is considered to be "investment grade".

6.2(b) Market risk: Foreign Currency Risk

Hosting and license sales linked to SDL Software operations are denominated in foreign currency and sold under standard terms and conditions. Any variation in the exchange rate between the date of sale and the date cash is received is accounted for as a foreign exchange gain/loss in the period in which it occurs.

In addition to the trade receivables denominated in foreign currencies at the reporting period, the impact of foreign exchange movements has been assessed after offsetting related payables. A 10% movement in exchange rates would affect net profit before tax for foreign entities by \$314,000 (2024: \$389,000) and would impact on equity of foreign entities of \$226,000 (2024: \$280,000).

Trading operations for the UK and Europe are largely undertaken through SDL's UK subsidiary Solution Dynamics International Limited (SDIL). For North America, operations are undertaken through Solution Dynamics Incorporated. At period end of the net assets for SDIL and SD Inc., comprising largely working capital, was a credit balance of NZ \$5,511,572 (2024: NZ \$4,533,112) with cash and receivable balances as noted above.

The Group has an Audit & Risk Management Committee that monitors foreign exchange risk as part of its wider duties.

Foreign Currency Receivables	2025	2024
As at 30 June 2025	NZD \$000	NZD\$000
European Receivables	645	482
USA Receivables	490	1,217
AUD Receivables	232	153
Total Foreign Currency Receivables	1,367	1,852
NZD Receivables	2,367	2,040
Total Trade Receivables	3,734	3,892
Cash Held in Foreign Currency	2,288	2,649
Total Trade Receivables in Foreign Currency	3,655	4,501
Accounts payable	516	608
Net FX Asset	3,139	3,893
Fluctuation of 10%	314	389
Net Assets for SDIL & SDINC	5,511	4,533

6.2(c) Market risk: Interest Rate Risk

At 30 June 2025 the interest rate on the overdraft facility was 8.65% (2024: 15.70%). With a net cash position of \$11.19 million (2024: \$7.95 million) at the end of the reporting period a material change in the interest expense is not expected.

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents and short term deposits as a result of changes in interest rates. A 100 basis point increase would benefit profit before tax by \$41,205 (2024 \$43,082), while a 100 basis point decrease would reduce profit before tax by \$41,205 (2024 \$43,082).

6.2(d) Liquidity Risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. With positive cash inflows the Group's liquidity risk is considered by the directors to be low.

The following table sets out the contractual maturities (representing undiscounted contractual cash-flows) of financial liabilities.

	Within 1-year \$000	1 – 2 years \$000	2 – 5 years \$000	After 5 years \$000	Total \$000
30 June 2025					
Trade and other payables	4,101	-	-	-	4101
Lease liabilities	662	613	112		1387
Net Present Values	4,763	622	620	-	6,005
30 June 2024					
Trade and other payables	3,923	-	-	-	3,923
Lease liabilities	642	574	599	-	1,815
Net present values	4,565	622	620	-	5,807

6.3 Financial Instruments by category

	2025 \$000	2024 \$000
	Financial Assets & liabilities at Amortised Cost	Financial Assets & liabilities at Amortised Cost
Financial Assets		
Cash & cash equivalents (Note 4.1(a))	6,693	4,950
Short-term Deposits (Note 4.1(b))	4,500	3,000
Trade & other receivables (Note 4.2)	3,754	3,861
Total Financial Assets	14,947	11,811
Financial Liabilities		
Trade and other payables (Note 4.3)	4,101	3,923
Total Financial Liabilities	4,101	3,923

The carrying values of the financial instruments above are equivalent to their fair values.

7. Other information

This section of the notes to the Consolidated financial Statements provides other material information related to the operations of the Group, including:

7.1 Related party transactions

7.2 Capital Commitments

7.3 Contingent liabilities

7.4 Events after reporting date

7.1 Related party transactions

7.1(a) Remuneration paid to key management personnel

Key management were paid \$2,871,111 (as employees of Solution Dynamics Limited or its subsidiaries and including the calculated benefit of the employee share option plan) during the reporting period (2024: \$2,875,829) and were owed \$257,569 including annual leave at 30 June 2025 (2024: \$206,467).

	2025 \$000	2024 \$000
Short-term employee benefit liabilities	2,731	2,752
Defined contribution plan liabilities (Kiwisaver)	119	100
Share-based payment expense	21	24
Total Remuneration: Key management personnel	2,871	2,876

The following fees and salaries were paid to directors during the reporting period:

	2025 \$000	2024 \$000
John McMahon (Chair)	40	80
Julian Beavis	45	50
Elmar Toime	45	50
Lee Eglinton	45	50
Andy Preece (Chair Audit & Risk Management Committee)	53	58
Total Directors' Remuneration	228	288

7.1(b) Transactions with related parties

At 30 June 2025, payables to other related entities amounted to \$17,312 (2024: \$29,214).

7.2 Capital Commitments

The Group had no capital commitments at the reporting date for the Group (2024 \$Nil).

7.3 Contingent Liabilities

There were no contingent liabilities at the reporting date for the Group (2024: \$Nil).

7.4 Events after the reporting date

Subsequent to balance date, the group committed to the purchase of a new inserter machine estimated cost of \$1.3 million. The machine is expected to be operational in November 2025. On 28 August 2025, the directors approved the payment of a fully imputed dividend of 3.0 cents per share (2024: 2.5 cents per share) amounting to \$441,185 to be paid on 26 September 2025.



Statutory Information

Statutory Information

(I) Employee Remuneration

Remuneration includes salaries, bonuses and other benefits including non-cash benefits. The number of employees with total remuneration exceeding \$100,000 in each of the following bands was:

	2025 \$000	2024 \$000
100,000 - 109,999	6	3
110,000 - 119,999	5	5
120,000 - 129,999	3	6
130,000 - 139,999	5	1
140,000 - 149,999	2	4
150,000 - 159,999	0	1
160,000 - 169,999	3	1
170,000 - 179,999	0	2
180,000 - 189,999	1	1
190,000 - 199,999	0	0
200,000 - 209,999	0	0
210,000 - 219,999	0	0
220,000 - 229,999	0	0
230,000 - 239,999	1	1
240,000 - 249,999	1	4
250,000 - 259,999	0	0
260,000 - 269,999	0	0
270,000 - 279,999	0	0
280,000 - 289,999	1	0
290,000 - 299,999	2	0
300,000 - 309,999	1	1
310,000 - 319,999	0	0
320,000 - 329,999	1	1
350,000 - 359,999	0	1
400,000 - 409,999	1	0
450,000 - 459,999	0	1
870,000 - 879,999	1	0
1,020,000 - 1,020,999	0	1
	34	34

(II) Shareholders and Substantial Security Holders

(a) The 20 largest shareholders as at 30 June 2025 were:

	% of total	Shares
ASB NOMINEES LIMITED <574233 A/C>	10.88%	1,600,658
PHILIP HADFIELD HARDIE BOYS & KIRSTY MERRAN HARDIE BOYS & SZIGETVARY TRUSTEE SERVICES LIMITED <P & K HARDIE BOYS FAMILY A/C>	7.14%	1,050,000
INDRAJIT NELSON SIVASUBRAMANIAM & TRACEY LEE SIVASUBRAMANIAM & COMAC TRUSTEES LIMITED	6.05%	890,000
JBWERE (NZ) NOMINEES LIMITED <NZ RESIDENT A/C>	4.98%	732,074
ACCIDENT COMPENSATION CORPORATION - NZCSD <ACCI40>	4.75%	698,234
CUSTODIAL SERVICES LIMITED <A/C 4>	4.33%	637,126
MICHAEL CHARLES HARE	3.94%	580,000
NEW ZEALAND DEPOSITORY NOMINEE LIMITED <A/C 1 CASH ACCOUNT>	3.77%	554,955
FORSYTH BARR CUSTODIANS LIMITED <1-CUSTODY>	3.76%	552,478
COLIN GLENN GIFFNEY	3.54%	520,000
JIMMY JINHUA DENG & SOPHIE SHUFEN LI	3.33%	489,782
KIRSTEN ROBERTS	3.17%	466,136
DEIRDRE ELIZABETH TALLOTT	2.99%	440,000
STEPHEN CHRISTOPHER MONTGOMERY	2.89%	425,000
JILLIAN BERNADETTE WINSTANLEY	2.23%	328,500
ROGER DIXON ARMSTRONG	2.22%	326,665
DON NOMINEES LIMITED	1.60%	234,944
PUBLIC TRUST - NZCSD <THE ASPIRING FUND>	1.50%	220,000
FNZ CUSTODIANS LIMITED <DRP NZ A/C>	1.22%	180,000
ANNA LAKE	1.09%	160,000
Grand Total	75.38%	11,086,552

A total of 14,706,443 shares were on issue (2024: 14,719,810).

(b) Size of Shareholding as at 30 June 2025

Holdings	Shareholders	Shares Held	% of total
1-999	114	29,721	0.20%
1,000-4,999	95	207,118	1.41%
5,000-9,999	39	247,323	1.68%
10,000-49,999	60	1,156,146	7.86%
50,000-99,999	14	956,740	6.51%
100,000 and over	29	12,109,395	82.34%
Total	351	14,706,443	100%

(c) Substantial Security Holders

According to notices given under the Financial Markets Conduct Act 2013, the following persons were substantial shareholders in Solution Dynamics Limited at 30 June 2025:

Shareholder	Shares Held	% of total
Meta Capital Limited (John McMahon)	1,600,658	10.88%
Philip Hadfield Hardie Boys (P & K Hardie Boys Family A/C)	1,050,000	7.14%
Indrajit Nelson Sivasubramaniam + Tracey Lee Sivasubramaniam + Comac Trustees Limited	890,000	6.05%



Statement of Corporate Governance

Statement of Corporate Governance

The corporate governance processes set out in this statement do not materially differ from the principles set out in the New Zealand Stock Exchange Corporate Governance Best Practice Code dated 31 January 2025.

The information in this report is current as at 28 August 2025 and has been approved by the Board.

SDL is listed on the NZX and is subject to regulatory control and monitoring by both the NZX and the Financial Markets Authority (FMA).

For the purposes of this Corporate Governance Statement, SDL has continued to report against the NZX Code published as at 31 January 2025.

An index setting out where each NZX Code Principle and Recommendation is addressed is set out on page 3.

The Board Charters and key policies are available on the Company's website: www.solutiondynamics.com/investor-centre

Principle 1 – Code of Ethical Behaviour

Directors should set high standards of ethical behaviour, model this behaviour and hold management accountable for these standards being followed throughout the organisation.

Recognising that ethical behaviour is fundamental to sound corporate governance, the Board endorses the Group-wide implementation of the Code of Business Conduct and Ethics. This Code, formally adopted during the transition to the NZX Main

Board, outlines the principles and expectations that guide the conduct of directors, employees, and contractors of SDL and its related entities. The Code of conduct is designed to support decision-making that aligns with SDL's values, strategic objectives, and legal obligations, thereby contributing to improved performance outcomes. All employees are encouraged to report any breaches of the Code of Conduct through the established reporting channels. The Code is provided to all new employees upon joining the Group and is accessible to all staff. Any future amendments to the Code will be communicated accordingly.

In addition, SDL has implemented a Share Trading Policy to mitigate the risk of insider trading in SDL securities. This Policy applies to Restricted Persons, including directors and designated employees, and is available alongside other governance policies on the Company's website.

Employees are expected to report any breaches of the Code of Business Conduct and Ethics in accordance with the procedures outlined within the Code.

The Code of Business Conduct and Ethics is provided to all new employees upon joining the Group. Any future amendments will be communicated promptly to ensure continued awareness and compliance.

To mitigate the risk of insider trading, SDL has established a Share Trading Policy applicable to directors and designates employees classified as Restricted Persons. This policy outlines trading restrictions and is available alongside other governance policies on the Company's website.

Directors' Share Dealings and Shareholding

Directors disclose the following relevant interests in shares in the Group at 30 June 2025 and transactions in relevant interests in shares during the financial year ended 30 June 2025.

Shareholder	Balance 30 June 2024	Additions	Disposals	Balance 30 June 2025
John McMahon	1,600,658	-	-	1,600,658
Andy Preece	53,000	-	-	53,000
Lee Eglinton	18,000	-	-	18,000

Entries in the Interests Register

In addition to the disclosure relating to interests and related party transactions presented in Note 7.1 to the Financial Statements and the director remuneration outlined under Principle 5, the following interests were formally recorded in the interests register for the financial year ended 30 June 2025:

- Indemnification of Officers and Directors: The Company indemnifies directors and executive officers of the Group against liabilities incurred in the course of performing their official duties.
- Directors' & Officers' insurance: In conjunction with the indemnity provision, the Group maintains Directors & Officers' liability insurance. The total premium expensed for this coverage during the year ended 30 June 2025 was \$30,000 (2024:\$34,500).

Conflicts of Interest and Related Parties

All directors are required to disclose any general and specific interests that could be in conflict with their obligations to the Group. Transactions with related parties and balances outstanding relating to the year ended 30 June 2025 are disclosed in Note 7.1 to the Financial Statements.

Principle 2 – Board Composition & Performance

To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives.

The Board's primary responsibilities include:

- Establishing the Group's vision and long-term strategic objectives
- Approving annual and half-year financial reports
- Endorsing annual budgets and corporate policies
- Ensuring the adequacy of internal controls and record keeping
- Overseeing compliance with applicable legislation
- Monitoring the performance of executive management
- Facilitating transparent communication with stakeholders

Board procedures are governed by the Company's Constitution. The Board is responsible for setting the strategic direction of the Group, overseeing financial and operational controls, implementing appropriate risk management frameworks, and enhancing shareholder value in accordance with sound corporate governance principles.

In addition to the Code of Business Conduct and Ethics, the Board operates under a formal Board Charter. This Charter defines the Board's composition, the roles and responsibilities of directors, and sets procedures for director nomination, resignation and removal. It also ensures Board meetings are conducted efficiently and that each director is empowered to discharge their duties effectively and participate fully in Board deliberations.

The day-to-day management of the Group is delegated to SDL's senior management team, led by the CEO. Management operates under a defined set of delegated authorities and is subject to annual performance reviews.

Directors are provided with access to the essential resources to fulfil their responsibilities, including access to financial and operational information, as well as professional advice provided by external advisers.

Directors also have the right, with the approval of the Chair or by resolution of the Board, to seek independent legal or financial advice at the Company's expense for the proper performance of their duties.

Board Composition and Appointment

The Company's constitution specifies the number of elected directors and outlines the procedure for their retirement and re-election at Annual Shareholder Meetings.

SDL believes that the nomination process for new director appointments is the responsibility of the entire Board and thus does not have a separate Nomination Committee.

The Board takes into consideration tenure, capability, diversity and skills when reviewing Board composition and new appointments.

At each Annual Meeting, at least every three years as required by NZX Listing Rules, current directors retire by rotation and are eligible for re-election.

Additionally, any directors appointed since the previous Annual Meeting must also retire and are eligible for election.

When a new director is appointed, SDL will enter into a written appointment letter setting out the terms of their appointment. The Board supports the separation of the roles of Chair and CEO. As of 28 August 2025, the chair of SDL is non-executive director, John McMahon, who has (through a related party) a 10.87% shareholding in SDL and is therefore not considered independent under the NZX Listing Rules.

Director independence is an important consideration and is determined in accordance with the NZX Listing Rules and the NZX Corporate Governance Code.

The Board views John's shareholding as aligning his interests closely with those of Solution Dynamics' shareholders. The directors believe that John's extensive analytical and commercial expertise, including his directorship in other NZX-listed companies, coupled with his deep understanding of the Company's products, markets and strategy, make him the ideal candidate to lead the Board.

The Board currently consists of five directors (2024: five directors), a non-executive Chair (non-independent, see note above) and four non-executive directors (independent). Each director is elected based on the value they contribute to the Board.

To maintain the integrity of governance, the Board requires that directors are independent and are not an executive of SDL and do not hold any 'Disqualifying Relationships'. The Board adheres to the NZX Listing Rules (and NZX guidance on the application of those requirements). Further details on each director are available at <https://www.solutiondynamics.com/about/our-leadership-team>, and disclosure of directors' interest are provided in Note 7.1 to the Financial Statements.

SDL encourages all directors to undertake ongoing training and professional development to support the effective discharge of duties. This includes attending presentations on governance presentation, legal and regulatory updates, technical briefings, and industry-specific education. Directors also receive regular updates on relevant Company and sector developments and engage in briefings with key executives.

The Board is committed to evaluating both individual and collective performance on a regular basis. These assessments inform the prioritisation of training and

development initiatives and support the Board's ability to govern the Group's business effectively and strategically.

Diversity

SDL is committed to fostering a workplace culture that actively supports diversity and inclusiveness and that seeks to prevent and eliminate discrimination in all its forms. SDL recognises that embracing diversity enables SDL to respond more effectively to the dynamic environment in which it operates and to better serve its diverse customer and stakeholder base.

Diversity at SDL encompasses, but is not limited to gender, race, ethnicity, cultural background, physical capability, age, sexual orientation, and religious or political beliefs.

While SDL does not have a formal diversity policy or publish diversity targets, its commitment is embedded in the Code of Business Conduct and Ethics. The Code affirms SDL's values for the varied skills, values, backgrounds, ethnicity and experience of its workforce, and acknowledges that such diversity contributes meaningfully to innovation and the achievement of organisational objectives. SDL's employment practices are governed by an Equal Opportunity Policy, which ensures that all staff- regardless of personal characteristics, have access to equitable employment opportunities. This policy applies across recruitment, training, performance, and workplace conditions, and is complemented by initiatives aimed at cultivating a positive and inclusive workplace.

As at 30 June 2025, the Board is yet to consider whether it requires management to provide regular reporting and monitoring on diversity within SDL's workforce.

As at 30 June 2025, the gender balance of SDL's directors and people was as follows:

	30 June 2025	30 June 2024
Directors		
Females	1	1
Males	4	4
Management Team		
Females	1	1
Males	5	6
All Employees		
Females	23	34
Males	39	47

The Management team is defined as being the CEO and senior leaders with reporting lines direct to the CEO.

Board Meetings and Attendance

The Board has 11 scheduled meetings a year.

During the period 1 July 2024 to 30 June 2025 attendance at Board and Committee meetings was:

	Board Meetings		Audit & Risk Committee	
	Held	Attended	Held	Attended
John McMahon (Chair) ¹	12	12	2	2
Julian Beavis	12	10	n/a	n/a
Elmar Toime	12	12	n/a	n/a
Andy Preece ²	12	7	2	2
Lee Eglinton	12	11	2	2

¹ John McMahon is the Board Chair.

² Andy Preece is the Chair of the Audit & Risk Management committee.

Principle 3 – Committees

The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility.

The Board has constituted one standing Committee, the Audit and Risk Committee. Given the Board's size, matters typically handled by remuneration and nominations committees are dealt with by the entire Board.

Committees enable issues that require in-depth consideration to be addressed separately by the Board members possessing specialist knowledge and experience, thereby improving the efficiency and effectiveness of the Board. However, the Board maintains ultimate responsibility for the functions of its committees and defines their responsibilities.

The Audit and Risk Committee convenes as necessary and operates under specific terms of reference outlined in its Charter. A copy of the Audit and Risk Committee Charter is available on the Company's website within the Board Governance section.

Minutes of each Committee meeting are distributed to all members of the Board. The Audit and Risk Committee is authorised to request any information necessary from employees to fulfil its responsibilities and may obtain independent legal or other professional advice as needed.

The membership and performance of the Committee is reviewed annually.

From time to time, special purpose committees may be established to oversee specific projects in collaboration with senior management.

As the Board believes that matters of remuneration and nominations are the responsibility of the entire Board, SDL does not deem it necessary to comply with recommendations 3.3 and 3.4 of the NZX Corporate Governance Code. Therefore, SDL does not maintain separate remuneration or nomination committee.

The Board will continue to monitor governance best practice and update SDL's policies to uphold the highest standards as appropriate.

Audit and Risk Committee

The Audit and Risk Committee plays a critical role in supporting the Board's responsibilities under the Companies Act 1993 and the Financial Reporting Act 2013. Its mandate includes oversight of the Company's accounting practices, financial policies and internal controls. The Committee also undertakes comprehensive reviews of the audit of the Company's financial statements, providing the Board with additional assurance regarding the accuracy and reliability of publicly disclosed financial information. All matters within the Committee's scope were appropriately addressed during the 2025 financial year.

The Committee operates under a written charter that defines its delegated authority, duties, responsibilities and relationship with the Board. The Charter is publicly available on the Company's website.

In accordance with the Charter, the Committee comprises only directors of SDL, with a minimum of three members. A majority must be independent directors and at least one director with an accounting or financial expertise. The current composition meets these requirements. Importantly the chair of the Committee cannot be Chair of the Board.

Members at 30 June 2025 were Andy Preece (Chair), Lee Eglinton and John McMahon. The Audit and Risk Committee met twice during the financial year.

Attendance at Committee meetings by management and employees is by invitation only. The Committee also regularly meets with external auditors in the absence of management to ensure independent oversight.

Takeovers

The Board has not yet established protocols or procedures for a takeover scenario. However, the Board acknowledges that any such protocol would likely involve SDL forming an independent takeover committee. This committee would be responsible for overseeing disclosure and response strategies and would engage expert legal and financial advisors to provide guidance on procedural matters related to any potential takeover.

Principle 4 – Disclosure and Financial Reporting

The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures.

The Board is committed to upholding the highest standards of integrity in both financial and non-financial reporting. It ensures that all corporate disclosures are timely, balanced, and accurate and in accordance with the Companies Act 1993, and the Financial Reporting Act 2013, and the NZX Listing Rules.

Material information is released in line with the NZX Listing Rules and associated guidance. In addition to meeting its legal obligations, SDL aims to provide stakeholders and investors with comprehensive and meaningful disclosures, encompassing both financial and non-financial information.

Financial Statements

The directors are responsible for ensuring that the financial statements present a true and fair view of the financial position of the Group as at the end of the financial year as well as the results of operations and cash flows for the year. The external auditors are responsible for providing an independent opinion on the financial statements.

The consolidated financial statements set out in this report have been prepared by management in accordance with generally accepted accounting practice in New Zealand. They are based on appropriate accounting policies which have been consistently applied and which are supported by reasonable judgements and estimates.

For the financial year ended 30 June 2025, the directors believe that proper accounting records have been kept which enable, with reasonable accuracy, the determination of the financial position of SDL and the Group and facilitate compliance of the financial statements with the Companies Act 1993 and the Financial Reporting Act 2013.

After reviewing internal management financial reports and budgets the directors are confident that the Group will remain a going concern in the foreseeable future. Therefore, they continue to adopt the going concern basis in preparing the financial statements.

The CEO and CFO have provided written confirmation to the Board that SDL's external financial reports accurately present a true and fair view in all material aspects.

SDL's full and half year financial statements are available on the Company's website at: www.solutiondynamics.com/investor-centre/.

Non-financial information

SDL is not a climate reporting entity under Part 7A of the Financial Markets Conduct Act 2013 and is therefore not required to prepare a climate-related disclosure statement.

The Board recognises the importance of non-financial disclosure. Given SDL's size the Board has elected not to comply with recommendation 4.3 of the NZX Corporate Governance Code and has not adopted a formal environmental, social and governance (ESG) framework.

SDL discusses its strategic objectives and its progress against these in the Management Discussion and Analysis section of this annual report and at the Annual Meeting.

SDL is dedicated to using its resources and collaborates closely with its supply chain partners to identify opportunities for minimizing any adverse environmental risks or impacts from its business operations, products and services.

The Board encourages diversity and commits to ensuring that SDL does not knowingly engage in business activities that could involve SDL in complicity with human rights abuses or violations of labour standards.

Principle 5 – Remuneration

The remuneration of directors and executives should be transparent, fair and reasonable.

The Board emphasises aligning the interests of the directors, the CEO and management with the long-term interests of shareholders. Remuneration policies and structures undergo regular review to ensure that remuneration for management and directors remains fair and competitive within the market, reflecting the skills, knowledge and experience essential for the Group.

The Board recognises that it is desirable that management (including that for any executive director) remuneration should include an element dependent upon the performance of both the Group and the individual and should be clearly differentiated from non-executive director remuneration.

Details of directors and management remuneration and entitlements for the 2025 financial year are set out in Note 7.1 to the Financial Statements.

SDL does not have a Remuneration Committee and matters relating to remuneration are dealt with by the full Board.

Directors' Remuneration

The total remuneration pool available for directors is established by shareholders and remains fixed. The Board determines the level of remuneration paid to directors from the approved collective pool. Directors also receive reimbursement

for reasonable travelling, accommodation and other expenses incurred during the course of performing their duties.

Executive Remuneration

Executive remuneration at SDL comprises a fixed base salary, incentives and participation in a Share Option Plan. The incentives are awarded based on targets agreed upon with the management team at the beginning of the year, focusing on achieving specified earnings and sales targets. ESOP share options totaling 172,796 expire in August 2026. (Note 5.3).

Executives' remuneration exceeding \$100,000 annually, received in their role as employees during the year, is disclosed on page 46 of this annual report.

Details of the SDL Share Option Plan are detailed in Note 5.3 of the 2025 Financial Statements.

Chief Executive Officer Remuneration

The review and approval of the CEO's remuneration is the responsibility of the Board. The CEO's remuneration comprises a fixed base salary and an annual bonus that is structured based on meeting various tiers of EBITDA.

The CEO's remuneration for FY 2025 can be summarised as follows:

Description	(USD000's)
Base salary	\$312
Maximum incentive ¹	\$202
Total on Target Earnings	\$514

¹This includes an assessed share option cost (refer note 5.3) and a performance incentive based on Company earnings paid annually in arrears.

As at 30 June 2025, Directors are paid on a per Director rate as follows:

Chair (Currently nil)	\$60,000
Non-executive Director	\$40,000
Audit & Risk Committee Chair	\$7,500
Hourly rates for abnormal/particularly time intensive projects or transactions outside the scope of typical board work	\$250/Hour

Directors' remuneration during the year is disclosed in Note 7.1 to the Financial Statements.

Principle 6 – Risk Management

Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

SDL remains committed to proactive and effective risk management. While the entire Board remains ultimate responsibility for overseeing risk and the Group's internal control system, the Audit and Risk Committee provides additional oversight and supports the Board in monitoring the risk management framework and ensuring majority compliance with it.

The Board monitors the operational and financial performance of the Group and considers recommendations from external auditors and advisors regarding the risks that the Group faces.

The Board is committed to ensuring that all recommendations made are assessed and appropriate action is taken to effectively manage risk.

The Board's approach to risk management is embedded within the Audit and Risk Committee Charter, which is publicly accessible under the Board Governance on the Company's website.

Responsibility of the day-to-day management of risk is delegated to the CEO. SDL's management team is accountable for the ongoing identification of risks impacting SDL's operations and for implementing appropriate structures, practices and processes to monitor and mitigate these risks.

The directors are responsible for ensuring that adequate accounting records are maintained and for overseeing the Group's internal controls and financial reporting systems.

Internal financial controls have been implemented to reduce the risk of material misstatement.

SDL has implemented internal financial controls to reduce the risk of material misstatements. These controls are intended to provide reasonable, though not absolute, assurance against the occurrence of material misstatements or financial loss.

No major breakdowns of internal controls were identified during the year.

The Board is satisfied that SDL has established a robust and effective risk management framework to identify, manage and monitor SDL's principal risks effectively.

In addition, SDL maintains insurance policies considered adequate to cover its insurable exposure. An overview of key financial and non-financial risks is detailed in Note 6 to the Financial Statements.

Health and Safety

The Board recognises that effective management of health and safety is a fundamental to the success of the business. Its objective is to prevent harm and enhance the wellbeing of SDL's employees and contractors. The Board is responsible for ensuring that the systems used to identify and manage health and safety risks are appropriate, effectively implemented, regularly reviewed and continuously improved.

SDL operates under a Health and Safety Charter which is actively monitored by the management team. Health and Safety reports, including incident summaries, are presented to the Board as part of the compliance section in regular Board papers.

Principle 7 – Auditors

The Board should ensure the quality and independence of the external audit process.

The Board's method for appointing and overseeing the external auditor is outlined in SDL's Audit and Risk Committee Charter, available on the Company's website. The Charter is designed to uphold audit independence is maintained, both in fact and appearance, ensuring SDL's external financial reporting is viewed as being highly reliable and credible.

The Audit and Risk Committee provides additional oversight of the external auditor, reviews the quality and cost of the audit conducted by external auditors and serves as a formal communication between the Board, the management team and the

external auditors. The Committee also assesses the auditor's independence on an annual basis. These requirements are detailed in the Audit and Risk Committee Charter.

During the year, Solution Dynamics changed its auditor from Grant Thornton to Baker Tilly Staples Rodway (“BTSR”). The change was made solely for governance reasons as Grant Thornton had served as SDL’s auditor for well beyond the recommended 10 year maximum tenure. For the financial year ended 30 June 2025 the Group’s Financial Statements have been audited by BTSR, which issued an unqualified audit opinion. The company remains committed to maintaining the highest standards of corporate governance and transparency.

All audit activities at SDL are completely segregated from any non-audit services, to uphold proper independence. The fees paid to BTSR for audit are disclosed in Note 3.2 of the Financial Statements.

All audit activities at SDL are completely segregated from any non-audit services, to uphold proper independence. The fees paid to BTSR for audit are disclosed in Note 3.2 of the Financial Statements.

BTSR has provided the Board with written confirmation that, in their view, they were able to operate independently during the financial year.

Additionally, BTSR will attend the Annual Meeting, and the lead audit partner will be available to answer questions from shareholders at that meeting. In this capacity, BTSR will attend the 2025 annual meeting.

SDL’s Audit and Risk Committee oversees various internal controls including those for computerised information systems, security, business continuity management, insurance, health and safety, conflicts of interest, and fraud prevention and detection. SDL does not have a dedicated Group internal auditor role.

Principle 8 – Shareholder Rights & Relations

The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer.

The Board is committed to open and transparent communications with shareholders through a structure calendar of communications for shareholders, including but not limited to:

- Annual and Half-Yearly Reports
- Market announcements
- Annual Meeting
- Access to information through the SDL website www.solutiondynamics.com

SDL maintains a comprehensive website which provides access to key corporate governance documents, and Company reports.

Shareholders are encouraged to attend the Annual Meeting and may raise matters for discussion at the meeting. In accordance with NZX Corporate Governance Code, the Board should ensure that the notice of the Annual Meeting is posted to SDL’s website as soon as possible and at least 20 working days prior to the meeting.

Shareholders are encouraged to attend the Annual Meeting and may raise matters for discussion at the meeting. In accordance with NZX Corporate Governance Code, the Board should ensure that the notice of the Annual Meeting is posted to SDL’s website as soon as possible and at least 20 working days prior to the meeting. None the less, the Board acknowledges that, due to an administrative oversight, it was late in doing so in 2023.

Shareholders have the ultimate control in corporate governance by voting directors on or off the Board. Voting is by poll, upholding the ‘one share, one vote’ philosophy.

In accordance with the Companies Act 1993, SDL’s constitution and the NZX Listing Rules, SDL refers major decisions which may change the nature of SDL’s business to shareholders for approval.

All shareholders are given the option to elect to receive electronic communications from SDL. In addition to shareholders, SDL has a wide range of stakeholders and maintains open channels of communication for all audiences, including shareholders, brokers and the investing community, as well as our staff, suppliers and customers.

Leadership Team



Patrick Brand

Chief Executive Officer

Pat was appointed Chief Executive Officer of Solution Dynamics in November 2021. He was previously President of Solution Dynamics US and International businesses since joining the company in September 2019, driving record growth in revenue and profitability.



Suzanne (Susie) Watts

Chief Financial Officer, Company Secretary & Chief Operating Officer NZ

Suzanne is a proven software executive who helped grow a start-up into a global company. She has led transformative growth across NZ, Australia, the UK, UAE, Oman, the US, and Japan, and successfully consolidated multiple finance functions into a global center of excellence.



Nick Williams

Chief Product Officer

Nick began his 30-year career at a global printing company, progressing through Developer, IT Manager, and Solutions Manager roles across Asia Pacific. He then served as CIO at Ford, PMP, and Geon Group, leading Australasian IT from Sydney. In 2006, he became GM NZ at Bremy, playing a key role in its acquisition by Solution Dynamics.



Jeff Knight

Vice President – Global Sales & Digital First Solutions

Jeff's 25-year career spans business development and operations across Financial Services, Digital Auto Retail, BPO, and IT. He led Pitney Bowes NZ, joined Datamail, and later transformed Dataprint, driving rapid digital growth before its successful acquisition by NZX-listed Freightways.



Brian Snider

Chief Marketing Officer and Enterprise Sales Director N.A.

Brian's career spans more than 38 years of sales and marketing leadership roles within Fortune 500 and startup firms. He has successfully built long-term relationships and provided services that increase revenue in both B2B and B2C markets.



Hash Valabh

Vice President – Global Product Development

Hash is a software developer with 25+ years' experience across multinationals and start-ups, including launching a network management system in Europe. His deep business and operations insight enables him to deliver innovative, client-focused technical solutions.

Company Directory

Nature of Business

Data management, electronic digital printing, document distribution, web presentment and archiving, fulfilment, print services, scanning, data entry and document management.

Directors

John McMahon – Non-independent Chair
Elmar Toime – Independent
Julian Beavis - Independent
Andy Preece – Independent
Lee Eglinton - Independent

Company Executives

Patrick Brand – CEO
Suzanne Watts – CFO & Company Secretary

Auditors

Baker Tilly Staples Rodway Auckland
Level 9/45 Queen 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

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 9 970 7700

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Toitū Enviromark Certification Programme

Solution Dynamics Limited

Gold

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