

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

(Name of Listed Issuer)

For Half Year Ended 31 December 2016

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

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

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

[PLEASE REFER TO ATTACHED NOTES WHEN COMPLETING THIS FORM]

		*Consolidated Statement Financial Performance		
		Current half Year \$NZ'000	*Up/Down %	Previous half year \$NZ'000
1	CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE			
1.1	OPERATING REVENUE			
	(a) Trading Revenue	10,146	31.1%	7,742
	(b) Other Revenue	41	127.8%	18
	(c) Total Operating Revenue	10,187	31.3%	7,760
1.2	OPERATING *SURPLUS (DEFICIT) BEFORE TAXATION	937	16.5%	804
	(a) Less taxation on operating result	(233)		(217)
1.3	OPERATING *SURPLUS (DEFICIT) AFTER TAX	704	19.9%	587
	(a) Extraordinary Items after Tax [detail in Item 3]	7	n/a	8
	(b) Unrealised net change in value of investment properties	-	-	-
1.4	NET *SURPLUS (DEFICIT) FOR THE PERIOD	711	19.5%	595
	(a) Net *Surplus (Deficit) attributable to minority interests	-		-
1.5	NET SURPLUS (DEFICIT) ATTRIBUTABLE TO MEMBERS OF THE LISTED ISSUER	711	19.5%	595

		*Consolidated Statement of Financial Performance	
		Current half year \$NZ'000	Previous half year \$NZ'000
2	DETAILS OF SPECIFIC RECEIPTS/OUTLAYS, REVENUES/EXPENSES FOR REPORTING PERIOD		
2.1	INCLUDED IN CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE		
	(a) Interest revenue included in Item 1.1(b)		
	(b) # Unusual items for separate disclosure (gain/loss) (detail - Item 3)		
	(c) Equity earnings (gain/loss) (detail - Item 16)		
	(d) Interest expense included in Item 1.2 (include all forms of interest, etc)	2	(6)
	(e) Leasing and renting expenses	341	448
	(f) Depreciation	107	128
	(g) Diminution in the value of assets (other than depreciation)	-	-
	(h) Amortisation of goodwill		
	(i) Amortisation of other intangible assets	32	5
	(j) Impairment of goodwill	-	-
	(k) Impairment of other intangible assets	-	-
2.2	SUPPLEMENTARY ITEMS		
	(a) # Interest costs excluded from Item 2.1(d) and capitalised	-	-
	(b) # Outlays (other than those arising from the acquisition of an existing business) capitalised in intangibles	-	-
	(c) Unrecognised differences between the carrying value and market value of publicly traded investments	-	-

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

3 DISCONTINUED, UNUSUAL (INCLUDING NON RECURRING), AND EXTRAORDINARY ITEMS OF THE GROUP
**Group - Current
half Year**
DETAILS AND COMMENTS

Discontinued Activities:

(Disclose Operating Revenue and Operating Surplus)

TOTAL DISCONTINUED ACTIVITIES

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

Description:

Exchange adjustment on international subsidiary

TOTAL MATERIAL NON RECURRING ITEMS

Extraordinary Items (Ref. Item 1.3(a))

Description:

TOTAL EXTRAORDINARY ITEMS

	Operating Revenue \$NZ'000	Operating Surplus \$NZ'000
	-	-
	-	-
	-	-
	7	8
	-	-
	-	-
	7	8

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

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

4.2 OTHER RECOGNISED REVENUE AND EXPENSES

(a) *Increases (decreases) in revaluation reserves

(b) Current Translation Differences

(c) Minority interest in other recognised revenue and expenses

4.3 TOTAL RECOGNISED REVENUES AND EXPENSES
4.4 OTHER MOVEMENTS

(a) Contributions by Owners

(b) Distributions to Owners

(c) Other (Employee Share Plan / Currency Translation Reserve)

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

	Current half year \$NZ'000	Previous half year \$NZ'000
	711	595
	-	-
	-	-
	-	-
	-	-
	711	595
	(316)	(211)
	18	18
	2,980	2,529
	3,393	2,931

Earnings Per Security
5 EARNINGS PER SECURITY

Calculation of basic and fully diluted, EPS in accordance with IAS33: Earnings Per Share

(a) Basic EPS

(b) Diluted EPS

	Current half year \$NZ'000	Previous half year \$NZ'000
\$	0.050	0.042
\$	0.048	0.040

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

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

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

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

8 REPORTS FOR INDUSTRY AND GEOGRAPHICAL SEGMENTS

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

SEGMENTS

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

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

Dejar, an Online digital archival and retrieval system sold stand-alone under licence agreements and also as a hosted service in New Zealand and Internationally.

Bremy, Digital asset management, workflow and multichannel publishing software sold as a licenced product and also as a hosted service in New Zealand, Australia and the UK.

DejarMail, a secure web based application that takes small quantities of documents, normally uneconomic for mail-house processing, then prepares and consolidates them for bulk postal delivery or email and subsequent archiving. This improves governance and brand management and reduces costs.

Composer, "On-Demand" Content creation software.

In addition to owning the intellectual property for the above products, Solution Dynamics provides programming, consulting and design services that help clients to distribute marketing and essential communications by mail and electronically. The provision of these services is covered under this category.

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

Outsourced Services, not all components of Solution Dynamics' solutions are produced internally. External elements such as post, freight, paper and envelopes are sourced from external suppliers and included in this service stream. Solution Dynamics has long term arrangements with a number of key suppliers such as NZ Post for the provision of these services.

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

Industry

* Software & Technology

* Digital printing & Document Handling

* Outsourced Services

Total revenue [consolidated total equal to Item 1.1(c) above]

- Less cost of sales

Gross margin

- Selling General & Administrations Overheads

Earnings before interest, tax, depreciation & amortisation

Less:

- Restructuring

- Depreciation

- Amortisation

- Interest

- Tax

Operating surplus (Deficit) after tax (Item 1.3)

Geographical Information

* New Zealand

* Australia

* UK & Europe

- Total revenue [consolidated total equal to Item 1.1(c) above]

6-mths Dec '16		6-mths Dec '15	
\$NZ'000	%	\$NZ'000	%
2,424	24%	2,038	26%
3,398	33%	3,088	40%
4,365	43%	2,634	34%
10,187	100%	7,760	100%
6,348	62%	4,411	57%
3,839	38%	3,349	43%
2,761	27%	2,418	31%
1,078	11%	931	12%
	0%		0%
107	1%	128	2%
32	0%	5	0%
2	0%	(6)	0%
233	2%	217	3%
704	7%	587	8%
Revenue		Non-current Assets	
6-mths Dec '16	6-mths Dec '15	6-mths Dec '16	6-mths Dec '15
\$NZ'000	\$NZ'000	\$NZ'000	\$NZ'000
8,747	7,300	2,105	1,993
183	254		
1,257	206		
10,187	7,760	2,105	1,993

(Note (VIII) attached has particular relevance for the preparation)		Consolidated Statement of Financial Position		
		At end of current half Year \$NZ'000	As shown in last Annual Report \$NZ'000	If half yearly as shown in last half yearly report \$NZ'000
9	CURRENT ASSETS:			
	(a) Trade receivables & other current assets	1,841	1,422	1,483
	(b) Cash	1,858	2,071	1,370
	(c) Inventories	149	109	124
	(d) Prepayments	120	76	101
	TOTAL CURRENT ASSETS	3,968	3,678	3,078
9.1	NON-CURRENT ASSETS			
	(a) Trade receivables	-	-	-
	(b) Investments	-	-	-
	(c) Inventories	-	-	-
	(d) Property, plant and equipment	833	764	727
	(e) Goodwill	938	938	938
	(f) Deferred Taxation Assets	76	85	68
	(g) Other Intangible Assets	258	278	260
	(h) Other assets, non current	-	-	-
9.2	TOTAL NON-CURRENT ASSETS	2,105	2,065	1,993
9.3	TOTAL ASSETS	6,073	5,743	5,071
9.4	CURRENT LIABILITIES			
	(a) Finance facility			
	(b) Trade Creditors	1,398	1,081	924
	(c) Income in advance	115	333	113
	(d) Borrowings		10	20
	(e) Other non-financial liabilities	312	357	277
	(f) Employee benefit liabilities	431	384	341
	(g) Other liabilities, current	424	598	465
	TOTAL CURRENT LIABILITIES	2,680	2,763	2,140
9.5	NON-CURRENT LIABILITIES			
	(a) Accounts payable, non-current			
	(b) Secured loans	-	-	-
	(c) Unsecured loans	-	-	-
	(d) Provisions, non-current	-	-	-
	(e) Deferred Taxation Liability, non-current	-	-	-
	(f) Other liabilities, non-current	-	-	-
9.6	TOTAL NON-CURRENT LIABILITIES	-	-	-
9.7	TOTAL LIABILITIES	2,680	2,763	2,140
9.8	NET ASSETS	3,393	2,980	2,931
9.9	SHAREHOLDERS' EQUITY			
	(a) Share capital (optional)	5,169	5,169	5,169
	(b) Reserves (optional)			
	(i) Currency translation reserve	7		(22)
	(ii) Other reserves (Employee Share Plan)	95	77	57
	(c) Retained Surplus (accumulated Deficit) (optional)	(1,878)	(2,266)	(2,273)
9.10	SHAREHOLDERS' EQUITY ATTRIBUTABLE TO MEMBERS OF THE LISTED ISSUER	3,393	2,980	2,931
	(a) Minority equity interests in subsidiaries	-	-	-
9.11	TOTAL SHAREHOLDERS' EQUITY	3,393	2,980	2,931
	(a) Returns on Assets (%) (EBIT divided by Total Assets)	15.46%	24.88%	15.74%
	(b) Return on Equity (%) (Net Income divided by Shareholders' Equity)	22.31%	36.89%	21.79%
	(c) Debt to Equity Ratio (%) (Total Liabilities divided by Shareholders' Equity)	78.99%	92.72%	73.01%
n/a	TANGIBLE ASSETS	4,877	4,527	3,873

		Consolidated Statement of cashflows for half year	
		Current half year \$NZ'000	Previous half year \$NZ'000
10 CASH FLOWS RELATING TO OPERATING ACTIVITIES			
(See Note (IX) attached)			
(a)	Receipts from customers	11,526	8,893
(b)	Interest received		
(c)	Dividends received	-	-
(d)	Payments to suppliers and employees	(10,495)	(8,099)
(e)	Interest paid		
(f)	Income taxes paid	(118)	(118)
(g)	Other cash flows relating to operating activities	41	18
	NET OPERATING FLOWS	954	694
11 CASH FLOWS RELATING TO INVESTING ACTIVITIES			
(See Note (IX) attached)			
(a)	Cash proceeds from sale of property, plant and equipment	-	-
(b)	Cash proceeds from sale of equity investments	-	-
(c)	Loans repaid by other entities	-	-
(d)	Cash paid for purchases of property, plant and equipment & software	(190)	(482)
(e)	Interest paid - capitalised	-	-
(f)	Cash paid for purchases of equity investments - Bremy NZ & UK	-	-
(g)	Loans to other entities	-	-
(h)	Other cash flows relating to operating activities	-	-
	NET INVESTING CASH FLOWS	(190)	(482)
12 CASH FLOWS RELATED TO FINANCING ACTIVITIES			
(See Note (IX) attached)			
(a)	Cash proceeds from issue of shares, options, etc & interest income	-	9
(b)	Borrowings	-	-
(c)	Repayment of borrowings	(10)	(10)
(d)	Dividends paid	(316)	(211)
(e)	Other cash flows relating to financing activities - interest on financing	(2)	(3)
	NET FINANCING CASH FLOWS	(328)	(215)
13 NET INCREASE (DECREASE IN CASH HELD)			
(See Note (IX) attached)			
(a)	Cash at beginning of full year	1,422	1,373
(b)	Exchange rate adjustments to Item 12.3(a) above	-	-
(c)	CASH AT END OF PERIOD	1,858	1,370
14 NON-CASH FINANCING AND INVESTING ACTIVITIES			
Provide details of financing and investing transactions which have had a material effect on group assets and liabilities but did not involve cash flows:			
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15 RECONCILIATION OF CASH			
For the purposes of the above Statement of cash flows, cash includes:		Current half Year NZ\$'000	Previous half Year NZ\$'000
Bank, Petty Cash and NZAX Deposit			
Cash at the end of the full year as shown in the statement of cash flows is reconciled to the related items in the financial statements as follows:			
Cash on hand and at bank		1,858	1,370
Deposits at call		-	-
Bank overdraft (ANZ)			
Other - NZAX Deposit		-	-
Total = Cash at End of Period (Item 13(c) above)		1,858	1,370

16 EQUITY ACCOUNTED INVESTMENTS IN ASSOCIATES

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

16.1 GROUP SHARE OF RESULTS OF ASSOCIATES

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

Equity Earnings	
Current half year \$NZ'000	Previous half year \$NZ'000
n/a	n/a

16.2 MATERIAL INTERESTS IN CORPORATIONS NOT BEING SUBSIDIARIES

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

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

- (b) Investments in Associates

Carrying value of investments in associates beginning of full year

Share of changes in associates' post acquisition surpluses/and reserves:

- Retained surplus
- Reserves

Net goodwill amortisation and impairment adjustments in the period

Less Dividends received in the period

Equity carrying value of investments at the end of full year

Amount of goodwill included in carrying value at end of that full year

Current half Year \$NZ'000	Previous half Year \$NZ'000
n/a	n/a

17 ISSUED AND QUOTED SECURITIES AT END OF REPORTING PERIOD

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

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

18 COMMENTS BY DIRECTORS

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

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

Refer NZX release date 16 February 2017

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

Refer NZX release date 16 February 2017

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

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

- Estimated Impairment of Goodwill and Intangible Assets

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

- Useful lives of Property, Plant & Equipment

As described at 2.1 above, the Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. In assessing the useful lives of property, plant & equipment the Company makes reference to tax rates and these are used where they approximate estimates of useful lives. The carrying amount as at 31 December 2016 was \$833,000.

- Contingent Consideration in Respect to Business Combinations

Not applicable

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

Refer NZX release date 16 February 2017

(f) Other comments

Refer NZX release date 16 February 2017

19 DIVIDEND

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

2.21%

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

2.21%

20 ANNUAL MEETING (if full year report)

(a) n/a

(b) n/a

Time

n/a

(c) **Approximate date of availability of Annual Report**

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



(signed by) Authorised Officer of Listed Issuer

16-Feb-17

(date)

*Delete as required