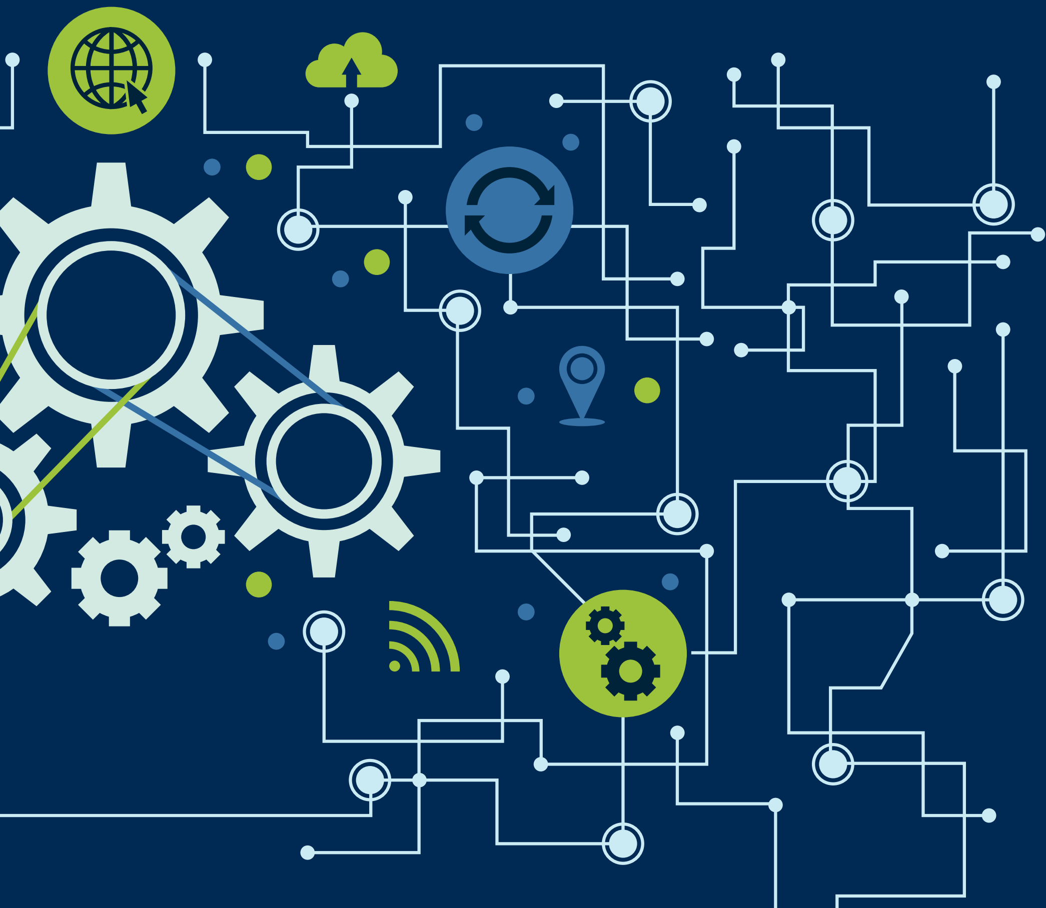
Simplifying Business



Solution Dynamics

Interim Report

For the six months ended 31 December 2016

Solution Dynamics

HIGHLIGHTS FOR SIX MONTHS TO 31 DECEMBER 2016

- Net profit after tax lifts 20% to $0.704 million
- Software & technology revenues grew 19% to $2.4 million
- EBITDA increased 16% to $1.08 million
- Cash flow from operations increased by $0.260 million to $0.954 million
- Interim dividend of 3.5 cents per share (up 0.5 cents)
- Growth in DéjarMail continues to accelerate
- FY2017 net profit growth of around 25% expected

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CHAIRMAN'S & CHIEF EXECUTIVE OFFICER'S REPORT

Result Overview

Solution Dynamics Limited ("SDL" or "Company") produced an unaudited net profit after tax of $0.704 million for the half year. This represents 19.9% year-on-year growth on an after-tax basis and was modestly ahead of the Company's budget for the period. The underlying growth was mainly generated from Software & Technology gains and contained no unusual items or material one-off software licensing revenue. Digital Print and Document Handling revenues also showed pleasing growth. The Directors have declared an interim dividend of 3.5 cents per share, fully imputed, representing a payout ratio of 70%.

Operational Commentary

Operating revenue grew 31.3% to $10.19 million, however, much of this was from gains in low margin postage revenue and subcontracted printing in the UK where SDL earns low margins. The consequence of this changing revenue mix was a decline in the Company's gross margin percentage (although dollar gross margin continued to grow, increasing 14.6% to $3.839 million).

Software & Technology revenues increased 18.9% to $2.42 million as the Company's UK revenues continue to build, although the overall growth rate was moderately constrained by a small decline in development revenues versus the prior year and a reduced requirement for Déjar archival services by one major customer which now stores its own PDF documents (a trend we expect to see more broadly going forward).

Revenue rose 10% year-on-year to $3.40 million in the traditional digital print and document handling services market, a market which otherwise remains in overall decline. Growth is coming from a range of industry sectors including financial services, debt collection, retail, freight and distribution, and charities. SDL's web based, hybrid mail software offering (DéjarMail) has been instrumental in the capture of most of the new opportunities within our existing customers and securing a broadening range of new customers. Achieiving overall digital print revenue growth was a positive result given the company saw a major customer (the same one referred to above with reduced Déjar requirements) also reducing the number of pages in its mailings (the number of mailings remained the same but each mailing contained fewer pages). Growth for SDL is expected to continue to come from both new business wins and incremental business from existing clients, offset by the ongoing industry trend of migrating volumes to electronic distribution. However the electronic delivery of documents revenues grew in excess of 50% year on year and incoming mail processing (i.e. scanning services) revenues grew in excess of 70% year on year.

High asset utilisation of SDL's print imaging and document handling equipment coupled with ongoing cost efficiency gains saw modest improvement in imaging gross margin. The first customer under the Fuji Xerox DMS agreement commenced trial printing late in the first half and is expected to progressively move to full production volumes from early in the second half of FY2017.

The Company is seeing increasing interest in its software technology in the UK, particularly DéjarMail. In addition to the reseller that is bundling it into its own software for dental practices in the UK, mail resellers are also attracted to DéjarMail as a means of capturing desktop mail volumes. The company has now signed up two large mail resellers and is in discussions with other mail service providers in the UK and Europe. The dental software provider is also working with SDL to bundle Bremy (marketing communications solution) into its offering as a tool to allow dental practices to more easily automate their marketing and run promotional campaigns.

Financial Performance

Earnings before interest, tax, depreciation and amortisation (EBITDA) improved by $147,000 (+15. 8%) to $1.08 million on sales volumes that rose 31.3%.

Summary Financial Performance (all figures $000)	1H FY17	1H FY16	Yr-on-Yr $ Change	Yr-on-Yr % Change
Total Revenue	**10,187**	**7,760**	**2,427**	**31.3%**
Cost of Goods Sold	6,348	4,411	1,937	43.9%
Gross Margin	**3,839**	**3,349**	**490**	**14.6%**
Gross Margin (%)	37.7%	43.2%		
Selling, General & Admin Costs	2,761	2,418	343	14.2%
EBITDA	**1,078**	**931**	**147**	**15.8%**
EBITDA Margin (%)	**10.6%**	**12.0%**		
Depreciation	107	128	-21	-16.4%
Amortisation	32	5	27	540.0%
EBIT	**939**	**798**	**141**	**17.7%**
Net Interest	2	-6	8	-133.3%
Net Profit before Tax	**937**	**804**	**133**	**16.5%**
Taxation	233	217	16	7.4%
Net Profit after Tax	**704**	**587**	**117**	**19.9%**

The EBITDA result gain is partly the benefit of higher gross margin in both Digital Print and Software & Technology. Underlying Selling, General & Admin (SG&A) costs remain well managed; the SG&A increase is partly accruing for higher staff incentive payments as a result of improved operating results, partly from higher costs in relation to new business initiatives and partly from increasing resources dedicated to support and revenue growth in the UK market. The UK market has significant opportunity for SDL and the Company has invested in supporting channels and new customers as well as adding additional direct sales resource.

SDL's tax rate in 1H FY2017 was 24.8% versus 27.0% in the prior period. This lower tax rate partly represents an adjustment for FY2016 taxation but is mainly the effect of the Company working through the balance of its UK tax losses.

Revenue Analysis (all figures $000)	1H FY17	1H FY16	Yr-on-Yr $ Change	Yr-on-Yr % Change
Software & Technology	2,424	2,038	386	18.9%
Digital Print & Document Handling	3,398	3,088	310	10.0%
Outsourced Services	4,365	2,634	1,731	65.7%
Total Revenue	**10,187**	**7,760**	**2,427**	**31.3%**

The 18.9% growth rate for Software & Technology revenue streams in the first half was on target and our ongoing sales efforts in the UK market are likely to ensure Software & Technology has a number of years of solid revenue growth ahead. Several significant new opportunities have been identified, mainly for the DéjarMail solution in the UK, Poland, Sweden and Ireland. However, the Company is overly reliant on direct sales efforts and a small number of key customers in the UK; SDL's small size and geographic distance from what is presently our most important growth market presents ongoing difficulties. The Board is presently addressing this by increasing staff numbers in the UK and would also particularly like to commend SDL's New Zealand-based staff for their additional efforts in servicing an increasing number of out-of-time-zone clients.

SDL is seeing strong market share gains in terms of volume of lodged mail with NZ Post and we expect this trend to continue. New digital print business wins should begin to generate modest revenue growth during the second half although this is partly dependent on the timing of when the print work handover occurs.

Balance Sheet, Liquidity and Debt

SDL closed the half year with net cash on hand of $1.858 million. A bank overdraft facility of $0.2 million remains in placed but is presently unused. The Company's balance sheet remains very strong with half year net cash on hand (i.e.cash less interest bearing debt) of $1.858 million. Moderate capital expenditure was incurred in the half on upgrading some of SDL's internal IT systems, but in general, capital expenditure requirements appear modest in the near term.

Selected Balance Sheet and Cashflow Figures (all figures $000)	1H FY17	1H FY16	Yr-on-Yr $ Change	Yr-on-Yr % Change
Net Cash on Hand (net of debt)	1,858	1,350	508	37.6%
Non-current Assets	2,105	1,993	112	5.6%
Net Other Liabilities	-570	-412	-158	38.3%
Net Assets	**3,393**	**2,931**	**462**	**15.8%**
Cashflow from Trading	893	743	150	20.2%
Movement in Working Capital	61	-49	110	-224.5%
Cash Inflow from Operations	**954**	**694**	**260**	**37.5%**

Book value (net assets) has increased by 15.8% to $3.393 million. Working capital continues to be well managed. SDL made capital expenditure additions during the half of $190,000, the majority of which, as noted above, was for IT system upgrades.

In reviewing the above cash flow and working capital figures, a degree of seasonality should be noted. Historically, sales and earnings are higher in 1H compared to 2H and accordingly the movement in working capital is negative in 1H, and positive in 2H. With SDL's software revenues increasing, the extent of this seasonality is beginning to reduce.

We reiterate the Company's cautious approach to acquisitions and strong preference for organic growth. The directors are conscious of the risks involved in acquisitions. In addition to being careful not to overpay, acquisitions would typically either need to be "bolt ons" where removal of duplicated costs means the effective acquisition multiple is very low, or product extensions where the acquisition fills a gap in SDL's software portfolio plus SDL has the opportunity to sell its software into the acquired company's customer base.

In early 2014 SDL commenced an Employee Share Option Plan ("ESOP"). That ESOP has issued options over 580,000 shares and 500,000 of these options mature in March 2017 (the remaining 80,000 mature in March 2018). The holders of the 500,000 options then have 18 months to exercise and convert them into shares should they elect to do so.

Dividend

SDL is declaring an interim dividend of 3.5 cents per share, an increase of 0.5 cents per share or 16.7% on the prior year.

Earnings and Dividend per Share	1H FY17	1H FY16	Yr-on-Yr Change	Yr-on-Yr % Change
Earnings per share (cents)	5.01	4.18	0.83	19.9%
Dividend per share (cents)	3.5	3.0	0.5	16.7%
Dividend proportion Imputed	100.0%	100.0%	n.a.	n.a.
Payout ratio	69.9%	71.9%	n.a.	n.a.

The dividend is fully imputed and the amount represents a payout ratio of 70% of earnings per share. An arrangement with NZ Trade and Enterprise in relation to helping fund UK market development requires the Company to cap the dividend payout ratio at less than 75% for the duration of the agreement.

FY 2017 Outlook

The interim result was very slightly ahead of budget and in line with SDL's earnings outlook issued on 20 December 2016, which also noted a number of factors affecting growth. The Company reiterates its forecast of around 25% growth in earnings for the full financial year, albeit with some contingency that the timing and ramp up rate of several new customers proceeds as expected during 2H FY2017.

Recent software wins in the UK and a new print client in Australia, coupled with the ongoing rollout of SDL's software technology by existing and recently won UK clients, should ensure that, subject to the usual risk caveats, earnings growth continues in FY2018.

John McMahon.

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Nelson Siva
Director & Chief Executive Officer
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CONSOLIDATED STATEMENT OF INCOME

(UNAUDITED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

(NZ$ in thousands, except per share amounts)	6 MONTHS ENDED 31 DEC 2016	6 MONTHS ENDED 31 DEC 2015	AUDITED YEAR ENDED 30 JUN 2016
Operating revenue	10,110	7,710	16,185
Grant income	41	18	76
Property rental	36	32	61
Total income	**10,187**	**7,760**	**16,322**
Operating expenses:			
Employee costs	2,547	2,275	4,539
Rental and operating lease expenses	341	448	739
Research & development	140	153	330
Directors fees & salaries	303	291	605
Print & other outsource expenses	3,548	2,369	4,112
Other operating expenses	2,230	1,293	4,302
Total Operating Expenses	**9,109**	**6,829**	**14,627**
Earnings before interest, tax, depreciation & amortisation (EBITDA)	**1,078**	**931**	**1,695**
Depreciation	107	128	252
Amortisation of intangible assets (software)	32	5	14
Net Interest (income)/expense	2	(6)	(10)
Operating profit before income tax	**937**	**804**	**1,439**
Income tax	233	217	423
Net operating profit after income tax	**704**	**587**	**1,016**
	Cents	**Cents**	**Cents**
Basic earnings per share	5.0	4.2	7.2
Diluted earnings per share	4.8	4.0	6.9

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

(NZ$ in thousands, except per share amounts)	6 MONTHS ENDED 31 DEC 2016	6 MONTHS ENDED 31 DEC 2015	AUDITED YEAR ENDED 30 JUN 2016
Net operating profit after income tax	704	587	1,016
Exchange differences on translation of foreign operations	7	8	30
Total comprehensive income for the period, net of tax	**7**	**8**	**30**
Total comprehensive income for the year	**711**	**595**	**1,046**

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY (UNAUDITED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

(NZ$ in thousands)	SHARE CAPITAL	EMPLOYEE SHARE PLAN	CURRENCY TRANSLATION RESERVE	ACCUM-ULATED LOSSES	TOTAL EQUITY
Balance 1 July 2015	5,169	39	(30)	(2,649)	2,529
Accrual of shares	-	18	-	-	18
Dividend	-	-	-	(211)	(211)
Transactions with owners	**-**	**18**	**-**	**(211)**	**(193)**
Profit for the period after tax	-	-	-	587	587
Other comprehensive income	-	-	8	-	8
Balance 31 December 2015	**5,169**	**57**	**(22)**	**(2,273)**	**2,931**
Accrual of shares	-	20	-	-	20
Dividend	-	-	-	(422)	(422)
Transactions with owners	**-**	**20**	**-**	**(422)**	**(402)**
Profit for the period after tax	-	-	-	429	429
Other comprehensive income	-	-	22	-	22
Balance 30 June 2016 (Audited)	**5,169**	**77**	**-**	**(2,266)**	**2,980**
Accrual of shares	-	18		-	18
Dividend	-	-	-	(316)	(316)
Transactions with owners	**-**	**18**	**-**	**(316)**	**(298)**
Profit for the period after tax	-	-		704	704
Other comprehensive income	-	-	7	-	7
Balance 31 December 2016	**5,169**	**95**	**7**	**(1,878)**	**3,393**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (UNAUDITED)

AS AT 31 DECEMBER 2016

(NZ$ in thousands)	AS AT 31 DEC 2016	AS AT 31 DEC 2015	AUDITED AS AT 30 JUN 2016
Current Assets			
Cash and bank balances	1,858	1,370	1,422
Trade & other receivables	1,841	1,483	2,071
Inventories and work in progress	149	124	109
Prepayments	120	101	76
Total Current Assets	**3,968**	**3,078**	**3,678**
Current Liabilities			
Trade creditors	1,398	924	1,081
Other current liabilities	539	578	931
Other non-financial liabilities	312	277	357
Employee benefit Liabilities	431	341	384
Borrowings	-	20	10
Total Current Liabilities	**2,680**	**2,140**	**2,763**
Working Capital	**1,288**	**938**	**915**
Non-Current Assets			
Deferred tax asset	76	68	85
Capital works in progress	152	246	62
Property, plant & equipment	681	727	702
Intangible assets	258	14	278
Goodwill	938	938	938
Total Non-Current Assets	**2,105**	**1,993**	**2,065**
Net Assets	**3,393**	**2,931**	**2,980**
Equity			
Share capital	5,169	5,169	5,169
Employee share option plan	95	57	77
Foreign currency translation reserve	7	(22)	-
Retained (deficit) earnings	(1,878)	(2,273)	(2,266)
Total Equity	**3,393**	**2,931**	**2,980**

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

John McMahon.

John McMahon – Director (Chairman)
Date: 16 February 2017

Nelson Siva – Director

CONSOLIDATED CASH FLOW STATEMENT

(UNAUDITED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

(NZ$ in thousands)	6 MONTHS TO 31 DEC 2016	6 MONTHS TO 31 DEC 2015	AUDITED YEAR TO 30 JUN 2016
Cash Flow from Operating Activities			
Cash was provided from:			
Cash receipts from customers	11,526	8,893	18,283
Other income	41	18	76
	11,567	**8,911**	**18,359**
Cash was applied to:			
Payments to suppliers	6,783	5,065	10,444
Payments to employees	3,192	2,706	5,605
GST paid to IRD	638	446	948
	10,613	**8,217**	**16,997**
Net Cash Inflow from Operating Activities	**954**	**694**	**1,362**
Cash Flow from Investing Activities			
Cash was applied to:			
Purchase of property, plant & equipment & software	178	482	390
Purchase of software	12	-	280
	190	**482**	**670**
Net Cash (Outflow) from Investing Activities	**(190)**	**(482)**	**(670)**
Cash Flow from Financing Activities			
Cash was provided from:			
Interest received	-	9	15
	-	**9**	**15**
Cash was applied to:			
Dividend	316	211	633
Interest paid	2	3	5
Repayments for term loan & finance lease liabilities secured on equipment	10	10	20
	328	**224**	**658**
Net Cash (Outflow) from Financing Activities	**(328)**	**(215)**	**(643)**
Net change in cash and cash equivalents	436	(3)	49
Add cash & cash equivalents held at beginning of year	1,422	1,373	1,373
Finance Facility and Cash Balance at End of Year	**1,858**	**1,370**	**1,422**

CONSOLIDATED CASH FLOW STATEMENT CONTINUED (UNAUDITED)

FOR THE SIX MONTHS ENDED 31 DECEMBER 2016

(NZ$ in thousands)	6 MONTHS TO 31 DEC 2016	6 MONTHS TO 31 DEC 2015	AUDITED YEAR TO 30 JUN 2016
Reconciliation of net deficit after income tax for the year with net cash inflow/ (outflow) from operating activities			
Net (deficit)/surplus after income tax	704	587	1,016
Interest expense (reclassified as financing activity)	2	3	5
Interest income (reclassified as financing activity)	-	(9)	(15)
Add non-cash items:			
Depreciation & amortisation of assets	139	133	266
(Gain) / Loss on foreign exchange	14	6	68
Other non-cash items	34	23	54
Cash Flow from Trading	**893**	**743**	**1,394**
Add movements in Working Capital	61	(49)	(32)
Net Cash Inflow from Operating Activities	**954**	**694**	**1,362**

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS

For the six months ended 31 December 2016

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The condensed interim consolidated financial statements (the interim financial statements) are for the six months ended 31 December 2016 and are presented in NZ$, which is the functional currency of the parent company. They have been prepared in accordance with New Zealand generally accepted accounting practice and comply with New Zealand Equivalent to International Accounting Standard 34 (NZIAS34) and IAS 34 “Interim Financial Reporting” (IAS34). They do not include all of the information required in annual financial statements in accordance with IFRS’s, and should be read in conjunction with the consolidated financial statements for the year ended 30 June 2016.

Solution Dynamics Limited is the Group’s ultimate parent company. It is a limited liability public company registered under the Companies Act 1993 and is listed with the New Zealand Stock Exchange on the NZAX. The Company is an FMC Reporting Entity under the Financial Markets Conduct Act 2013. The address of its registered office and principal place of business is 18 Canaveral Drive, Auckland, New Zealand.

The Group comprises Solution Dynamics Limited and its wholly owned subsidiaries Solution Dynamics (International) Limited, based in the United Kingdom and Déjar International Limited. Déjar International Limited is non-trading.

The interim financial statements for the six months ended 31 December 2016 and the related comparative interim period, are unaudited. Due to seasonal variability financial information from the audited financial statements for the immediate preceding financial year ending 30 June 2016 have also been included.

The unaudited interim financial statements for the Group for the six months ended 31 December 2016 were authorised for issue in accordance with a resolution of Directors on 16 February 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

These interim financial statements have been prepared in accordance with the accounting policies adopted in the Group’s most recent annual financial statements for the year ended 30 June 2016.

3. ESTIMATES

When preparing the interim financial statements, management undertakes a number of judgements, estimates and assumptions about recognition and measurement of assets, liabilities, income and expenses. The actual results may differ from the judgements, estimates and assumptions made by management, and will seldom equal the estimated results.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2016. The only exception is the estimate of the provision for income taxes which is determined in the interim financial statements using the estimated average annual effective income tax rate applied to the pre-tax income of the interim period.

4. SEGMENT INFORMATION

The Group supplies customer communication solutions. These include a range of integrated document management products and services separated into three streams; software & technology services, digital printing & document handling services and outsourced services. Specific elements of these streams are as follows:

- **Software & Technology**, Solution Dynamics owns the intellectual property in four products;
  - » Déjar, an online digital archival and retrieval system sold stand-alone under licence agreements and also as a hosted service in New Zealand and Internationally.
  - » Bremy, Digital asset management, workflow and multichannel publishing software sold as a licenced product and also as a hosted service in New Zealand, Australia and the UK.
  - » DéjarMail, 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 substantially 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 followed by the lodgement and distribution of those documents using a variety of machine and other processes.

For the six months ended 31 December 2016

4. SEGMENT INFORMATION (CONTINUED)

- **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.

Selling, general and administration costs are not allocated to the revenue streams in the Group reporting and hence there are no segment profit or loss amounts reported to management.

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

(NZ$ in thousands)	6 months to December 2016		6 months to December 2015		Year to June 2016	
Software & Technology	2,424	24%	2,038	26%	4,448	27%
Digital Printing & Document Handling Services	3,398	33%	3,088	40%	6,120	38%
Outsourced services	4,365	43%	2,634	34%	5,754	35%
Total income	**10,187**	**100%**	**7,760**	**100%**	**16,322**	**100%**
Less cost of sales	6,348	63%	4,411	57%	9,239	57%
Gross margin	**3,839**	**37%**	**3,349**	**43%**	**7,083**	**43%**
Selling, general & administration	2,761	27%	2,418	31%	5,388	33%
Earnings before interest, tax, depreciation & amortisation	**1,078**	**10%**	**931**	**12%**	**1,695**	**10%**
Depreciation	107	1%	128	2%	252	1%
Amortisation	32	0%	5	0%	14	0%
Interest	2	0%	(6)	0%	(10)	0%
Income tax	233	2%	217	3%	423	3%
Operating Profit after income tax	**704**	**7%**	**587**	**7%**	**1,016**	**6%**

Segment Assets

Assets are not segmented between service streams

Information about Major Customers

Included in revenues for Solution Dynamics of $10.187 million (2015: $7.760 million) are services revenues of $0.981 million (2015: $0.884 million) which arose from sales to the Company's largest customer.

Geographical Information

The Group has customers in New Zealand, Australia and Europe.

	Revenue from external customers			Non-current assets		
(NZ$ in thousands)	6 months to 31 Dec 2016	6 months to 31 Dec 2015	Year to 30 June 2016	As at 31 Dec 2016	As at 31 Dec 2015	As at 30 June 2016
New Zealand	8,747	7,300	14,427	2,105	1,993	2,065
Australia	183	254	467	-	-	-
Europe	1,257	206	1,428	-	-	-
Total	**10,187**	**7,760**	**16,322**	**2,105**	**1,993**	**2,065**

5. FINANCE FACILITY

(NZ$ in thousands)	As at 31 Dec 2016	As at 31 Dec 2015	As at 30 Jun 2016
Cash on hand	1,858	1,370	1,422
Total Facility	**1,858**	**1,370**	**1,422**

Solution Dynamics has a finance facility in place with the ANZ Bank. This facility is to support the operational requirements of the Group and includes an overdraft facility of $200,000 that is unused at the reporting date. The Group now holds a net cash position with no bank debt (2015: $Nil). The facilities are secured by a first ranking debenture over the assets of the Group.

The ANZ facility, as is normal banking practice, imposes a number of covenants, including an interest cover covenant (calculated on a rolling 12-month period) and a receivables cover covenant (calculated as a ratio of receivables + stock divided by bank debt). The Company has been in compliance with all financial covenants though the period.

6. SHARE CAPITAL & SHARE-BASED PAYMENTS

Solution Dynamics Limited has 14,059,810 ordinary shares (2015: 14,059,810 ordinary shares) each fully paid.

The Group operates equity-settled, share-based compensation plans, under which employees provide services in exchange for non-transferable options. The value of the employee services rendered for the grant of non-transferable options is recognised as an expense over the vesting period, and the amount is determined by reference to the fair value of the options granted.

Number of Shares (Shares in $000's)	**As at 31 Dec 2016**	**As at 31 Dec 2015**	**As at 30 Jun 2016**
Shares Issued and Fully Paid:			
- Beginning of the Period	14,060	14,060	14,060
- Share Issue	-	-	-
Shares Issued and Fully Paid	**14,060**	**14,060**	**14,060**
Employee Share Option Plan:			
- Beginning of the Period	580	580	580
- Options issued	-	-	-
- Options forfeited	-	-	-
Shares Authorised for Share-based Payments	**580**	**580**	**580**
Total Shares Authorised at the end of the Period	**14,640**	**14,640**	**14,640**

The 580,000 options issued (2015: 580,000) were at a weighted average exercise price of $0.42 (2015: $0.42).

7. RELATED PARTIES

Transactions between related parties include payments to shareholders, directors and their companies and senior executives, also being shareholders.

Related party transactions from 1 July 2016 to 31 December 2016 were as follows:

- Key management were paid $551,975 (as employees of Solution Dynamics Limited) during the period (2015: $498,979) and were owed $113,060, including annual leave, at 31 December 2016 (2015: $47,365).
- Salaries paid to directors are disclosed in the Consolidated Statement of Comprehensive Income.

8. EVENTS AFTER THE BALANCE DATE

At the board meeting of 16 February 2017, the directors resolved to pay an interim dividend of 3.5 cents per share fully imputed (2015: 3.0 cents per share). There were no other significant events after balance date.

9. COMMITMENTS & CONTINGENCIES

At 31 December 2016 there were no commitments and contingencies (2015: $Nil).

COMPANY DIRECTORY

Directors
John McMahon - Chairman
Michael Jean Smith (retired 3 Nov 2016)
Julian Beavis
Elmar Toime
Indrajit Nelson Sivasubramaniam
(Nelson Siva)
– Chief Executive Officer

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Stock Exchange

The Company's shares trade on the New Zealand Stock Exchange Alternative Market (NZAX).

NZAX Trading Code: SDL

SOLUTION DYNAMICS ON THE WEB

www.solutiondynamics.com

www.dejar.com

www.bremy.com

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