ANNUAL REPORT **2024**

Transforming
Global Customer
Communications

Annual Shareholders Meeting

The Annual Meeting of shareholders will be held at 10:30 am on Thursday, 24th October 2024, 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.

2024 Financial key points

- Second highest ever net profit after tax, down 17.7% to $2.82 million
- Earnings per share of 19.2 cents (prior year 23.3 cents)
- Dividends per share of 9.5 cents (prior year 11.5 cents)
- Revenue down 4.6% to $38.7 million
- EBITDA down 15.4% to $4.8 million
- Net cash (including short-term cash deposits) on hand $7.95 million (54 cents per share), up $1.3 million

Table of Contents

Directors’ and Management Commentary

FY2024 Result Overview

Solution Dynamics Limited (“SDL” or “Company”) recorded a net profit after tax of $2.82 million for FY2024, a 17.7% decline on the profit of $3.42 million the prior financial year, but still the second highest net profit the Company has ever produced. FY2024 earnings per share was 19.2 cents, down 17.6% from 23.3 cents the prior year.

Three factors account for the majority of the decline in earnings:

- costs related to several areas of staff restructuring;
- one-off higher customer non-recoverable costs; and
- timing of a sizeable order around year end that moved into FY2025 (this is an annual order that was included in the FY2023 result).

The Company’s revenue declined slightly to $38.7 million (down 4.6% from $40.6 million). SDL’s New Zealand operations made significant progress, gaining share in a declining local print and mail market and continuing to pick up new work from local councils.

International operations generated only modest new business, with SDL placing significant focus on key existing client retention. Ongoing weakness in the US mortgage market driven by high interest rates continued to negatively impact results, along with the timing of a large order, and somewhat lower customer volumes from the weakening global economy, resulted in a 12.0% reduction in SDL’s Software & Technology revenue to $25.1 million.

Earnings before interest, tax, depreciation and amortisation (“EBITDA”) dropped 15.4% to $4.84 million (FY2023 $5.71 million). Gross Profit declined 8.1%, with the benefit of higher pricing at the start of FY2024 more than offsetting the effects of lower revenue and higher non-recoverable costs to ensure customer satisfaction and deliver new value. Selling, General and Administration expenses were effectively controlled, declining 4.1% due to SDL’s improved operational efficiency. This cost saving is despite one-off costs relating to staff changes and the impact of inflation-driven wage increases.

16.6m
APAC REVENUE

FINAL DIVIDEND
2.5c
PER SHARE

CASH & SHORT-TERM DEPOSITS
$7.95m
AT 30 JUNE 2024

Cash flow from operations was $3.35 million (FY2023 $4.84 million) and the net cash and short-term deposit position at year end was $7.95 million (FY2023 $6.63 million) which equates to 54 cents per share.

The directors have declared a final dividend of 2.5 cents per share (FY2023 1.5 cents), bringing total cash dividends for FY2024 of 9.5 cents per share (FY2023 11.5 cents). All dividends are fully imputed. SDL continues to receive a co-funding International Growth Fund development grant from NZ Trade & Enterprise ("NZTE") up to a maximum amount of $0.6 million over the grant period. One of NZTE's conditions is that SDL's dividend payout ratio is capped at 50% for the duration of the grant and the final dividend of 2.5 cents brings the FY2024 payout ratio to 49.6%.

Major Customer Request for Proposal ("RFP")

In mid-2023, SDL's largest customer announced it would issue an RFP that covered the communications services currently provided by SDL. The RFP is part of the customer's regular review and tendering of its major contracts.

The RFP process covers a SaaS software platform to create highly personalized sponsor communications at scale, technically complex data management, digital document management, and global distributed print requirements. Responding to the formal RFP and subsequent data requests involved significant staff time and effort over FY2024. SDL is pleased with our progress to date, having driven substantial and ongoing cost savings for the client, through a global distributed print model. These improvements impacted our FY2024 results, from higher support costs and somewhat lower revenue as we passed postage savings on to the client. We continue to be awarded new work by the client on key programs.

Nevertheless, uncertainty will remain until the customer concludes its process; SDL reiterates this customer provides a very material contribution to the Company's financial outcomes.

FY2024 Business Performance

The New Zealand operations' refreshed focus on new business activity following staff changes and restructuring the sales team in late FY2022, delivered market share gains in FY2023 which continued over FY2024. Overall volumes of physical mail in New Zealand continue to decline. NZ Post's interim result in early 2024 noted a 16% mail volume deduction, making SDL's 3% decline in mail lodgements a solid result. New Zealand revenues also benefited from growth in digital volumes, which is a key area of focus.

International operations saw minimal new business growth beyond a major business process outsourcing vendor. A major UK customer re-tendered its customer communications requirements and SDL successfully retained the business. Margins will be slightly lower, but the scope of work and volumes will expand and should more than offset this.

The Company again achieved broad-based price increases in New Zealand during the year, although at a much lower level than in FY2023. This price increase mainly offset ongoing inflationary pressures. Staff cost pressures have abated, with the labour market noticeably softening as macroeconomic conditions deteriorated.

Several areas of New Zealand operations saw restructuring, aimed at improving efficiency and effectiveness and to generate cost savings. Onboarding new team members presents its own set of challenges and requires time for them to become fully integrated and effective. SDL's primary focus has been on ensuring the Company is well-prepared for operational scaling and growth.

FY2024 saw an increase in marketing investments and enhancing the SDL brand through a brand refresh with support from NZTE.

Given difficult macroeconomic conditions, ongoing erosion in New Zealand mail volumes, internal efforts required to support the major customer RFP, various cost restructuring activities, and sales underperformance in international markets, the Company considers the FY2024 result was a solid outcome in a highly uncertain environment.

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, increasingly supporting global organisations with customer communications needs. The Company's products and services are represented by two revenue streams:

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

Services reflects the New Zealand business where SDL owns and operates mail house activities. Within Services, Digital Printing & Document Services revenues are generated from digital printing and mail house processing for two categories of mail items: transactional mail, such as invoices and statements; and 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 primary focus for most clients is digital transformation of customer communications, while improving the efficiency and effectiveness of printed communications remains vital. The majority of SDL's revenue in FY2024 remains from printed communications, a declining sector, and our growth, sales focus and differentiation globally are increasingly around our 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 65% in FY2024 (FY2023 around 70%).

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.

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.

FY2024 saw SDL largely conclude the implementation of several updated IT systems to improve efficiency and productivity across various parts of the business. These include an end-to-end estimating, ordering, invoicing and production management information system that is approximately 90% operational and provides improved flexibility and control of the Company's print operations. A more modern ERP/accounting package is fully installed, and a new sales CRM (customer relationship management) system now in place. A data securities services firm was recently contracted to provide software and services to reduce risk of cyber-attacks.

In a declining overall mail market and despite market share gains, SDL's mail volumes fell by around 3% on the prior year (FY2023 mail volumes rose 2%). The Company increased market share in New Zealand, including further wins amongst Councils and several new commercial customers. The headwinds to physical transactional mail are exacerbating as rapidly increasing postage rates accelerate customers' switch to digital. From 1 July 2024, NZ Post increased its standard medium-sized letter retail pricing by $0.30 to $2.30 a rise of 15.0%. This is on top of a rise of $0.30 the prior year, meaning a standard letter price has increased $0.60 or 35.3% in two years. 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 19% (on top of a 5% increase in FY2023) largely as a result of the switch from physical to electronic communications. Email volumes are now approaching the level of physical mail volumes for SDL, however, the revenue and gross margin for an electronic communication is significantly lower than for physical print and mail.

SDL Services Revenue Breakdown (all figures $000)	FY2024	FY2023	Percentage Change
Digital Printing and Document Services	4,449	4,431	0.4%
Outsourced Services and Other Income	8,726	7,528	15.9%
Total Services Revenue	**13,175**	**11,959**	**10.2%**

FY2024 was solid with revenue up 10.2% and the pipeline for FY2025 is robust. While the overall domestic postal market decline provides an ongoing headwind that makes sustained growth difficult to achieve, the full year benefit from FY2024 gains, a further round of price increases, plus pipeline opportunities, should underpin further growth in FY2025.

SDL Software & Technology

Software & Technology generated revenue of $25.1 million in FY2024, a decline of 12.0% on the prior year's revenue of $28.5 million.

SDL saw double digit growth in the UK market as post-COVID recovery in volumes continued. The Company's largest customer, based in North America, saw a decrease in revenue of around 8% (partly timing of orders around end of FY2024 financial year and lower volumes) versus an FY2023 increase of around 7%. Revenue was also down in North America due to continued weakness in the US mortgage market and fewer large one-time orders post COVID.

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 generally lower margin.

SDL has "productised" its global customer communications platform, DMC, and made it easier 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 "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 our customers have with their customers.

SDL excels at enabling organisations to drive down 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: www.solutiondynamics.com/customer-solutions

The International Growth Fund ("IGF") co-funding grant from NZ Trade and Enterprise ("NZTE") to support a range of market development activities in North America operated over all of FY2024 (part year in FY2023). 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 from November 2022. A condition of the co-funding is that SDL cannot make distributions that exceed 50% of net profit after tax for the duration of the co-funding agreement.

Financial Performance

SDL's decline in FY2024 earnings was primarily the effect of lower Software & Technology/International revenue. A price increase in the local market helped offset inflationary cost pressures.

Gross Profit declined 8.1% from some pressure on Cost of Goods Sold, including some non-recoverable production costs for a large client. While SG&A costs saw ongoing inflationary pressures across the business, a focus on productivity gains saw staff numbers tightly managed, although this incurred some one-off restructuring costs.

EBITDA reduced 15.4% to $4.84 million (FY2023 $5.72 million).

Summary Financial Performance (all figures $000)	FY2024	FY2023	Percentage Change
Total Revenue and Income	38,668	40,553	-4.6%
Less: Cost of Goods Sold	23,824	24,399	-2.4%
Gross Profit	**14,844**	**16,154**	**-8.1%**
Gross Margin (%)	38.4%	39.6%	
Less: Selling, General & Admin (SG&A)	10,009	10,442	-4.1%
EBITDA	**4,835**	**5,712**	**-15.4%**
EBITDA margin (%)	12.5%	14.1%	
Depreciation	851	965	-11.8%
Amortisation	54	85	-36.5%
EBIT	**3,930**	**4,662**	**-15.7%**
Net Interest Received / (paid)	-125	18	n.m.
Income Tax	1,236	1,219	1.4%
Net Profit after Tax	**2,819**	**3,425**	**-17.7%**
Tax rate	30.5%	26.2%	

SDL's earnings in FY2024 benefited from NZTE's market development co-funding assistance, which totaled $0.2 million pre-tax ($0.1 million in FY2023).

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 FY2025 (the order is an annual job and was included in the FY2023 result).

SDL Half Financial Years (all figures $000)	2H FY2024	2H FY2023	Percent Change	1H FY2024	1H FY2023	Percent Change
Total Revenue and Income	15,902	17,209	-7.6%	22,766	23,344	-2.5%
EBITDA	**834**	**1,601**	**-47.9%**	**4,001**	**4,111**	**-2.7%**
EBITDA margin	5.2%	9.3%		17.6%	17.6%	
Net Profit after Tax	**346**	**968**	**-64.3%**	**2,473**	**2,457**	**0.7%**

Balance Sheet, Liquidity and Debt

SDL closed the year with net cash (i.e. cash plus short-term cash deposits less interest-bearing debt) on hand of $7.95 million (FY2023 $6.63 million) or around 54 cents per share. This net cash figure excludes debt liabilities relating to Right to Use Liabilities arising from the Lease Accounting standard; these liabilities are approximately offset by Right to Use Assets.

The directors intend to maintain a prudent approach to balance sheet management and are conscious that a period of more difficult economic times may provide acquisition opportunities. A number of opportunities have been reviewed but none progressed to date.

A condition of the NZTE IGF grant constrains distributions to 50% of earnings for the term of the grant, with distributions defined to include both dividends and capital return initiatives such as share buybacks.

The Company maintains an overdraft arrangement from ANZ Bank with a $200,000 limit. This was unused during FY2024.

Selected Balance Sheet and Cashflow Figures (all figures $000)	FY2024	FY2023	Change
Net Cash and Short-term Deposits/(Debt & Borrowings)	7,950	6,628	1,322
Non-Current Assets	1,745	1,850	-105
Right of Use Assets	1,795	2,188	-393
Net Other Assets/(Liabilities)	-673	-1,065	392
Right of Use Liabilities	-1,815	-2,250	435
Net Assets	**9,002**	**7,351**	**1,651**
Cashflow from Trading	3,429	4,740	-1,311
Movement in Working Capital	-74	103	-177
Cash Inflow from Operations	**3,355**	**4,843**	**-1,488**

Capital expenditures for the year totalled around $0.1 million (FY2023 $0.3 million), largely relating to laptops and IT hardware. The Company does not capitalise any 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, although international expansion and larger “lumpier” contracts means month-to-month and intra-month cash flow movements fluctuate significantly.

Taxation and Dividends

SDL pays full New Zealand tax on locally generated earnings. The higher tax rate is FY2024 is partly the result of US tax payments (including state taxes).

SDL intends to pay 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. NZTE's IGF co-funding 50% distribution cap limited the FY2024 final dividend to 2.5 cents per share.

Earnings and Dividends per Share	FY2024	FY2023	Percentage Change
Closing Shares on Issue ('000)	14,720	14,720	0.0%
Reported Earnings per Share (cents)	**19.2**	**23.3**	**-17.6%**
Dividend per Share (cents)	**9.5**	**11.5**	**-17.4%**
Dividend Proportion Imputed	100.0%	100.0%	
Dividend Payout Ratio	**49.6%**	**49.4%**	

The final dividend of 2.5 cents per share will be fully imputed and paid on 27 September 2024.

The number of shares on issue was unchanged year-on-year. At financial year end, the Company had outstanding ESOP rights to four key staff members in the plan (including the CEO) who collectively hold rights to 0.6 million shares.

Risk Factors

Physical mail volumes in New Zealand and worldwide are continuing to show structural decline, especially for transactional mail. As previously noted, NZ Post standard-mail retail postage rates have increased 15.0% for FY2024 (on top of a 17.6% increase for FY2023). 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 signs of capacity rationalisation underway. The Company will not participate unless there is clear value enhancement for shareholders.

SDL's largest five customers accounted for 60% of revenue. Loss of one or more of those, particularly the Company's largest customer (currently running an ongoing RFP for its communications services work provided by SDL), would cause financial results to change very 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 quality control, along with well-trained staff for software delivery and support. Cyber and data security is a known high-risk area. The Company regularly reviews its IT and data security arrangements including the use of 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 aims to ensure its software meets 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 leadership position in global postage management and distributed print, capturing significant savings as the first step in the digital transformation journey. Leading brands rely on SDL's digital document management platform and the Company's sales and marketing efforts are to 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.

FY2025 Outlook

Domestically, SDL is continuing to win new business, although the overall decline in the print and mail house market continues unabated, exacerbated by continued increases by postal operators globally, including NZ Post, in postage rates. This is inevitably hastening the move from physical to digital communications. SDL is continuing to lead with a "digital first" approach, to help our clients create more effective communications tailored by channel. The annualised effect of wins in FY2024, along with a strong pipeline of opportunities, should see SDL's New Zealand operations continue to expand.

Internationally, gaining new business has been difficult, driven by economic weakness, rising prices, and customer focus on cost cutting in the face of rapidly rising postal rates. SDL is in the process of enhancing its digital solutions by integrating artificial intelligence (AI) into its customer communications platform. The company's customers have language translation needs that SDL is targeting as an initial AI application. A software-based approach to language translation leveraging AI can significantly improve the speed and lower the cost compared to third party translation services. We also see opportunities in the government sector for AI assisted language translation to better serve citizens and comply with regulations. We are investing in sales and marketing local to the US to increase market awareness. Regaining International sales momentum is a key and critical priority for success in FY2025 and beyond.

SDL noted in mid-2023 that its largest customer would review its communications contracts by issuing a Request for Proposal ("RFP") tender for the work the Company has undertaken for around five years. The customer has stated it is very satisfied with SDL's service quality and operational flexibility and that the RFP is part of the customer's periodic review of its large contracts. The RFP was issued in mid-2023 and has been responded to, along with subsequent data requests. The RFP covers complex data and global distributed print and logistics, and the timing of the outcome remains uncertain. SDL continues to win new projects with this client, reaffirming our value. This customer is very material to SDL and every effort will be undertaken to ensure the business is retained, although an RFP process inevitably carries significant risk for the Company.

The ongoing delays to the RFP, and its outcome, make providing guidance for the financial year ahead difficult. The directors have decided to defer providing FY2025 earnings guidance until the result of the RFP is known and the commercial implications can be assessed. At this stage, the first half result for FY2025 is likely to be largely unaffected.

In addition to the large-customer-specific 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.

Patrick Brand
Chief Executive Officer

John McMahon
Director (Chairman)

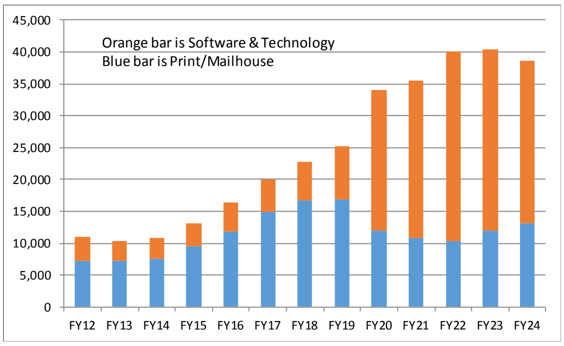
Key Financial Trend Metrics

Revenue and Income ($ 000)

Revenue CAGR (10 yr) 13.5%

Software CAGR (8 yr) 24.1%

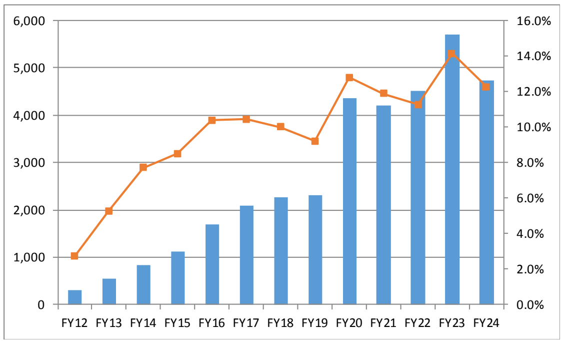
Print/Mail CAGR (8 yr) 1.7%



EBITDA ($ 000)

CAGR (10 year) 19.1%

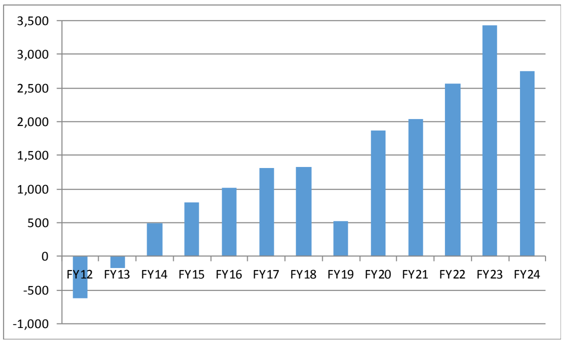
EBITDA is as reported in financial statements, noting this is affected by the change of accounting standard to NZ IFRS 16 (accounting for leases) in FY2020 (increases reported EBITDA) so FY2020 onwards is not comparable with prior years.



Net Profit ($ 000)

CAGR (10 year) 18.9%

Reported net profit. Note that SDL paid no tax from FY2012 to FY2014.

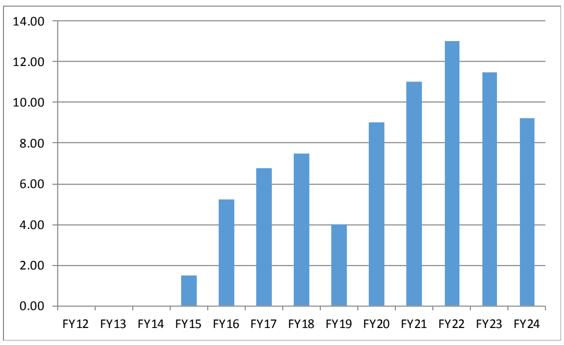


Dividends

CAGR (from FY15 dividend) 22.8%

Cents per share (excludes imputation credits).

All dividends are fully imputed.



Independent Auditor's Report

Grant Thornton New Zealand Audit Limited
L4, Grant Thornton House
152 Fanshawe Street
PO Box 1961
Auckland 1140

T +64 9 308 2570
www.grantthornton.co.nz

To the Shareholders of Solution Dynamics Limited

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Solution Dynamics Limited (the "Company") and its subsidiaries (the "Group") on pages 16 to 43 which comprise the consolidated statement of financial position as at 30 June 2024, 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 financial statements, including a summary of material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 30 June 2024 and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") issued by the New Zealand Accounting Standards Board and International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)") issued by the New Zealand Auditing and Assurance Standards Board. 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.

Our firm carries out other assignments for the Group in the area of taxation compliance services. The firm has no other interest in the Group.

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 period. 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 matters	*Our procedures to address the key audit matter*
Carrying Value of Goodwill The Group has significant goodwill of $1.06 million arising from historical acquisitions of businesses (refer to note 4.5). Goodwill is allocated across the Group's software cash generating units. The inherent uncertainty involved in forecasting and discounting future cash flows is one of the key judgement areas that our audit concentrated on. The uncertainty is affected by several factors including general market trends, current environment and economic factors, the number of new customers and future demand for the software solutions. All of which form the basis for assessment of the carrying value of the goodwill balance.	For this key audit matter our audit procedures included assessment of the Group's forecast and budgeting procedures used to form the basis for value in use calculations. We also compared the Group's historical budget to actual performance and compared its future projections to prior year actual results, testing the reasonableness of forecasting assumptions. In addition, we performed our own assessments in relation to key inputs such as projected revenue growth, cost and overhead inflation expectations and discount rates used and engaged an internal expert for peer review on the impairment assessment. We further evaluated the reasonableness where changes to inputs, methodology or assumptions from the prior year have occurred. We assessed the Group's disclosures around the sensitivity in key assumptions fairly reflected the risks inherent in the carrying value of the goodwill balance.
Accuracy of revenue The Group recognised revenue of $38.25 million for the year ended 30 June 2024 (2023: $40.44 million) comprising sale of goods and rendering of services under contract (refer to note 3.1). Due to the significance of revenue to the financial statements, it has been included as a key audit matter. There are several factors that could impact the revenue recognition including: • Delivery may not have occurred before year end resulting in recorded sales being recognised in the incorrect accounting period. • Revenue recognised from the sale of products and services may be at a point in time or over time with reference to the various performance obligations existing with customers. • Revenue may include estimates and judgements that impact the amount of revenue recognised.	For the key audit matter our audit procedures included evaluating the Group's recognition of revenue by assessing the procedures and controls in place and ensuring appropriate revenue recognition policies have been applied. In relation to sales not being recorded in the correct period, we tested a sample of sales transactions recognised or adjusted either side of year end to substantiate the appropriate terms of the relevant contracts had been satisfied and the transaction had been recognised in the correct period in line with contract performance obligations. For contracts recognised at a point in time we inspected a sample of transactions, invoices raised and cash receipts. For contracts recognised over time we reperformed the calculation, based on sampling, of revenue to be recognised during the year and agreed the assumptions used in determining the various performance obligations to supporting documentation.

Grant Thornton

Other Information

The Directors are responsible for all other information included in the Group's Annual Report. The other information comprises the 2024 Financial key points, Directors' and Management Commentary, Statutory Information and Statement of Corporate Governance included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Directors' Responsibilities 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 for such internal control as the Directors determine is necessary to enable the preparation of 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 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 financial statements is located on the External Reporting Board's website at: https://xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/

Restriction on use of our report

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state to the Company's shareholders, as a body those matters which 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 Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinion we have formed.

Grant Thornton New Zealand Audit Limited

Grant Thornton

R Campbell
Auckland

22 August 2024

CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June 2024

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2024

Note		2024 $000	2023 $000
Revenue from contracts with customers	3.1	38,252	40,443
Other income	3.1	416	110
Total Revenue and Income		**38,668**	**40,553**
Cost of sales	3.2	23,824	24,399
Selling, general & Administration	3.2	10,009	10,442
Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA)	**3.6**	**4,835**	**5,712**
Depreciation	4.4, 4.7	851	965
Amortisation	4.5	54	85
Finance costs	5.4	(125)	18
Profit before Income Tax		**4,055**	**4,644**
Income tax	3.3	1,236	1,219
Net Profit after Income Tax		**2,819**	**3,425**
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss:			
Exchange gain/(loss) on translation of foreign operations		60	(5)
Other Comprehensive Gain / (Loss) Net of Tax		**60**	**(5)**
Total Comprehensive Income for the Year		**2,879**	**3,420**

Earnings per Share – Net Profit after Tax		Cents	Cents
Basic earnings per share	3.4	19.2	23.3
Diluted earnings per share	3.4	19.2	22.9

The accompanying notes on pages 20 – 43 form part of the Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

For the year ended 30 June 2024

	Share Capital $000	Employee Share Option Plan $000	Foreign Currency Translation Reserve $000	Accumulated Profit $000	Total Equity $000
Balance 30 June 2022	**5,574**	**65**	**(34)**	**309**	**5,914**
Issue of share options to employees	-	77	-	-	77
Dividends paid	-	-	-	(2,060)	(2,060)
Transactions with Owners	**-**	**77**	**-**	**(2,060)**	**(1,983)**
Profit for the year after tax	-	-	-	3,425	3,425
Other comprehensive income	-	-	(5)	-	(5)
Total Comprehensive Income	**-**	**-**	**(5)**	**3,425**	**3,420**
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**

Consolidated Statement of Financial Position

As at 30 June 2024

	Note	2024 $000	2023 $000
Current Assets			
Cash and cash equivalents	4.1	4,950	6,628
Short-term cash deposits	4.1	3,000	-
Trade & other receivables	4.2	3,861	4,565
Inventories	4.8	271	179
Prepayments		470	311
Total Current Assets		**12,552**	**11,683**
Current Liabilities			
Trade and other payables	4.3	3,923	4,434
Provision for taxation		281	478
Deferred contract revenue		216	336
Lease liability	5.2	735	676
Employee benefit liabilities	4.6	855	872
Total Current Liabilities		**6,010**	**6,796**
Working Capital		**6,542**	**4,887**
Non-Current Assets			
Property, plant & equipment	4.7	278	602
Right of use assets	4.4	1,795	2,188
Goodwill & intangible assets	4.5	1,241	1,061
Deferred tax benefit	3.3	226	187
Total Non-Current Assets		**3,540**	**4,038**
Non-Current Liabilities			
Lease liability	5.2	1,080	1,574
Total Non-Current Liabilities		**1,080**	**1,574**
Net Assets		**9,002**	**7,351**
Equity			
Share capital	5.1	5,574	5,574
Employee share option plan		166	142
Foreign currency translation reserve		21	(39)
Accumulated profit		3,241	1,674
Total Equity		**9,002**	**7,351**

For and on behalf of the Board who approved these financial statements for issue on 22 August 2024.

John McMahon.

John McMahon – Director
(Chairman)

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

The accompanying notes on pages 20–43 form part of the Consolidated Financial Statements.

Consolidated Statement of Cash Flows

	Note	2024 $000	2023 $000
Cash Flows from Operating Activities			
Cash was provided from:			
Receipts from customers		41,565	42,315
Other income		416	110
		41,981	**42,425**
Cash was applied to:			
Payments to suppliers		26,210	25,067
Payments to employees		10,957	10,909
Income tax paid		1,236	1,219
GST and VAT paid		223	387
		38,626	**37,582**
Net Cash Inflows from Operating Activities	**3.5**	**3,355**	**4,843**
Cash Flow from Investing Activities			
Cash was applied to:			
Transfer to short-term cash deposits		3,000	-
Purchase of property, plant and equipment & capital works in progress		64	275
Purchase of software & intangible assets		17	-
		3,081	**275**
Net Cash Outflows from Investing Activities		**(3,081)**	**(275)**
Cash Flows from Financing Activities			
Cash was applied to:			
Payment of dividends		1,252	2,060
Interest paid		125	136
Interest received		(250)	(118)
Lease liability payments		825	871
		1,952	**2,949**
Net Cash Outflows from Financing Activities		**(1,952)**	**(2,949)**
Net Change in Cash and Cash Equivalents		**(1,678)**	**1,619**
Add cash and cash equivalents held at beginning of year		6,628	5,009
Cash and Cash Equivalents at End of Year	**4.1**	**4,950**	**6,628**

The accompanying notes on pages 20 – 43 form part of the Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

For the year ended 30 June 2024

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

1. Corporate Information

The consolidated financial statements include the accounts of Solution Dynamics Limited (SDL or Company) and its subsidiaries, collectively the Group for the year ended 30 June 2024 were authorised for issue in accordance with a resolution of directors on 22 August 2024.

Solution Dynamics Limited 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:

		Proportion of Ownership Interests (%)	
Entity name	**Country of Incorporation and Primary Place of Business**	**2024**	**2023**
Solution Dynamics International Limited	United Kingdom	100%	100%
Solution Dynamics Incorporated	Unites States of America	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 profitoriented 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.

- Preparation of the consolidated financial statements
- comply with International Financial Reporting Standards (NZ IFRS)
- have been prepared in accordance with Generally Accepted Practice in New Zealand (NZ GAAP)
- and other authoritative pronouncements issued by the New Zealand Accounting Standards Board (NZ ASB).

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-presentations

To improve disclosure effectiveness, the Group has made a number of reclassifications 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 re-presented for consistency. These re-presentations 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 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) Group entities

All subsidiaries have a 30 June 2024 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.

(iv) 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).

2.3 Changes in Accounting Policies

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

2.4 Standards issued not yet effective

At the date of authorisation of these financial statements, several new, but not yet effective interpretations to existing standards had been published by the International Accounting Standards Board (IASB) and External Reporting Board (XRB). NZ IFRS 18 was released in April 2024 and will be effective for the annual reporting period starting on or after 1 January 2027. The Group has not implemented any of these amendments to existing Standards earlier than the planned release. The impact of NZ IFRS 18 has not yet been evaluated in the current fiscal year.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Group's 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 (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.

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.

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

3.1 Revenue from contracts with customers

2023	Digital Printing & Document Services	Outsourced Services Revenue	Digital Software & Technology Revenue	Total
Revenue recognised over time	4,431	6,509	27,092	38,032
Revenue recognised at a point in time	-	1,019	1,392	2,411
Total	**4,431**	**7,528**	**28,484**	**40,443**

2024	Digital Printing & Document Services	Outsourced Services Revenue	Digital Software & Technology Revenue	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

	2024 $000	2023 $000
Government grant income	199	80
Other income	217	30
Other Income	**416**	**110**

3.1(a) Segment Consolidated Statement of Profit or Loss

	Note	2024 $000	%	2023 $000	%
Software & Technology		25,077	65%	28,484	70%
Digital Printing & Document Handling Services		4,449	11%	4,431	11%
Outsourced services		8,726	23%	7,528	19%
Other Income		416	1%	110	0%
Total Revenue and Income		**38,668**	**100%**	**40,553**	**100%**
Less cost of sales		23,824	62%	24,399	60%
Gross Margin		**14,844**	**38%**	**16,154**	**40%**
Selling, general & administration		10,009	26%	10,442	25%
Earnings before Interest, Tax, Depreciation & Amortisation	**3.6**	**4,835**	**12%**	**5,712**	**14%**
Less:					
Depreciation		851	2%	965	2%
Amortisation		54	0%	85	0%
Interest		(125)	(0%)	18	0%
Tax		1,236	3%	1,219	3%
Operating Profit		**2,819**	**7%**	**3,425**	**8%**

(ii) Segment Assets

Assets are not segmented between service streams.

(iii) Information about Top Five Customers

Included in revenues for the Group of $38.25 million (2023: $40.39 million) are revenues of $23.09 million (2023: $23.70 million) which arose from sales to the top five customers in the Group.

3.1(b) Geographical Information

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

	Revenue from External Customers		Non-Current Assets	
	2024 $000	2023 $000	2024 $000	2023 $000
New Zealand	15,288	14,726	3,529	4,032
Australia	1,333	536	-	-
United States of America	18,360	22,214	-	1
Europe	3,271	2,967	11	5
Total	**38,252**	**40,443**	**3,540**	**4,038**

3.2 Expenses

Note	2024 $000	2023 $000
Auditor’s Remuneration		
Audit fees – statutory audit	109	75
Tax compliance and advisory services	-	15
Total Auditors’ Remuneration	**109**	**90**
Employee benefit Expenses		
Directors’ remuneration - directors fees	288	268
Short-term employee benefits	10,110	10,173
Defined contribution plans	588	559
Share-based payment expense	24	77
Freight, print & postage	18,376	19,079
Other expenses	4,338	4,428
FX loss	-	167
Total Operating Expenses	**33,833**	**34,841**

3.3 Income and deferred tax

3.3(a) Current Tax

	2024 $000	2023 $000
Income tax expense comprises:		
Current tax expense	1,275	1,201
Deferred tax movement relating to the origination and reversal of temporary differences	(39)	18
Total Tax Expense	**1,236**	**1,219**
The total charge for the reporting period can be reconciled to the accounting profit as follows:		
Net profit before income tax	4,055	4,644
Income tax at company tax rate (1)	1,135	1,300
Permanent differences	11	89
Under / (over) provision in prior years	31	(105)
Other	59	(65)
Income Tax Expense	**1,236**	**1,219**

(1) The Group tax rate of 28% (2023: 28%) has been used. This is the tax rate applicable to the territory where Solution Dynamics Limited, the primary tax paying entity, is domiciled.

At 30 June 2024 there are imputation credits available of $597,176 (2023: $522,848) for use in subsequent reporting periods.

3.3(b) Deferred Tax Asset

	2024 $000	2023 $000
Temporary Differences		
Depreciable and amortisable assets	(6)	(7)
Accruals and provisions	232	194
Deferred Tax Asset on Temporary Differences Recognised	**226**	**187**

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.

	2024 $000	2023 $000
Deferred Tax Asset Movement		
Balance at beginning of period	187	207
Current year movement through profit or loss	39	(20)
Balance at End of Year	**226**	**187**

3.4 Earnings Per Share (EPS)

	2024	2023
Net Profit for the Year Attributable to Ordinary Shareholders ($000)	2,819	3,425
Basic		
Weighted Average Number of Ordinary Shares (000'S)	**14,720**	**14,720**
	Cents	**Cents**
Basic Earnings Per Share	**19.2**	**23.3**

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.

	2024	2023
Diluted		
Weighted average number of ordinary shares (000's)	14,720	14,720
Adjustment for share options (000's)	-	**220**
Weighted Average	**14,720**	**14,940**
	Cents	**Cents**
Diluted Earnings per Share	**19.2**	**22.9**

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

	2024 $000	2023 $000
Net profit after income tax	2,819	3,425
Adjustments:		
Depreciation and amortisation of assets	905	1,050
Loss / (gain) on foreign exchange	(217)	168
Bad and doubtful debts	-	(15)
Net Interest expense	(125)	18
Other non-cash items	47	94
Cash Flow from Trading	**3,429**	**4,740**
Add movements in working capital:		
Increase / (decrease) in trade & other receivables	659	(504)
Decrease / (increase) in inventories and work in progress	(92)	54
Decrease / (increase) in prepayments	(176)	105
Decrease / (increase) in trade creditors & other current liabilities	(666)	457
Increase/ (decrease) in other non-financial liabilities	177	(85)
Increase / (decrease) in employee benefit liabilities	24	76
Net Movement in Working Capital	**(74)**	**103**
Net Cash Flows from Operating Activities	**3,355**	**4,843**

3.6 Non-GAAP performance measure

The Group uses a non-GAAP performance measure, Earnings before Interest, Tax, Depreciation, Amorisation (EBITDA), that is not prepared in accordance with NZ IFRS. 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 and income, 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	2024 $000	2023 $000
Net profit before income tax	4,055	4,644
Less: Interest income	(250)	(118)
Add back: Finance expense	125	136
Add Back: Depreciation and amortisation expenses	905	1,050
Earnings before Other Income and Expense, Income Tax, Depreciation and Amortisation (EBITDA)	**4,835**	**5,712**

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 long-term assets utilised in business operations to generate returns to shareholders, including:

4.1 Cash and cash equivalents
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
4.9 Other liabilities
4.10 Other assets

4.1 Cash & Cash Equivalents

	2024 $000	2023 $000
Cash at bank	4,950	6,628
Total Cash and Cash Equivalents	**4,950**	**6,628**

Interest rates on cash and cash equivalents:
Cash at bank 3.65% - 4.80% (2023: 3.50% - 3.65%)

Solution Dynamics has a $200,000 overdraft facility in place with the ANZ Bank at an interest rate of 15.70% p.a. (2023: 12.05%). This facility, which was unused as at 30 June 2024, 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.

	2024 $000	2023 $000
Short-term cash deposits (less than 6 months maturity)	3,000	-
Total Short-Term Cash Deposits	**3,000**	**-**

Funds in short-term cash deposits are accessible following a 30-day notice period.

Interest rates on short-term cash deposits:
Short-term cash deposits 5.50% – 6.19%

As at 30 June 2024 the ANZ Bank has imposed no financial covenants to secure the existing facilities.

The Group holds a net cash position with no bank debt (2023: $Nil).

As at 30 June 2024 SDL provided commercial guarantees totaling $64,500 (2023: $74,500) to the Group's suppliers.

4.2 Trade & Other Receivables

	2024 $000	2023 $000
Trade receivables	3,892	4,439
Credit loss allowance	(79)	(79)
Total Trade Receivables	**3,813**	**4,360**
Sundry debtors	48	205
Total Trade and Other Receivables	**3,861**	**4,565**

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 $530,000 (2023: $204,000) for which an allowance of $79,000 (2023: $79,000) was made. With average receivables at 13.62% of total receivables (2023: 6.31%) 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.

	2024 $000	2023 $000
30 – 60 days	371	168
60 – 90 days	74	36
90 – 120 days	85	-
Total Overdue Trade Receivables	**530**	**204**

Movement in allowance for credit losses

	2024 $000	2023 $000
Balance at the beginning of the reporting period	79	94
Accounts written off as uncollectable or (recovered)	-	(15)
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 18.6% (2023: 37.1%) of the gross trade receivable balance, as at 30 June 2024 92% of the outstanding balance was less than 60 days old (2023: 98.0%). 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	2024 $000	2023 $000
Trade and other payables	6.3	3,923	4,434
Total Trade and Other Payables		**3,923**	**4,434**

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% (2023: 4.5%) for property and 14.65% (2023: 8.5%) 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	Right of Use Assets. Plant $000	Total $000
Cost			
Balance 1 July 2022	**4,789**	**732**	**5,521**
Disposals	(55)	-	(55)
Adjustment	6	-	6
Balance 30 June 2023	**4,740**	**732**	**5,472**
Additions	-	335	335
Terminations	-	(732)	(732)
Balance 30 June 2024	**4,740**	**335**	**5,075**
Accumulated Depreciation			
Balance 1 July 2022	**2,127**	**377**	**2,504**
Depreciation expense	608	227	835
Disposal	(55)	-	(55)
Balance 30 June 2023	**2,680**	**604**	**3,284**
Depreciation expense	492	231	723
Terminations	-	(732)	(732)
Adjustment	5	-	5
Balance 30 June 2024	**3,177**	**103**	**3,280**
Carrying Amount			
Balance 1 July 2022	2,662	355	3,017
Balance 1 July 2023	2,060	128	2,188
Balance 30 June 2024	**1,563**	**232**	**1,795**

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 from the on the acquisition of 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 1%.

At June 30, 2024:

- The carrying amount of SDL Software CGU's was $1,061,000 (2023: $1,061,000).
- The recoverable amount of the SDL Software CGU was $8,652,000 (2023: $10,656,000)

Key assumptions and estimates used in determining recoverable value were:

Key Assumptions and Estimates	2024	2023
Sales growth rate (beyond budget period) [1]	1.00%	2.50%
Discount rate post-tax	13.00%	12.80%
Pre-tax	18.05%	16.47%
Long-term growth rate	1.00%	2.50%

[1] The assumptions are subject to fundamental 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 (2023: $nil).

(i) Sensitivity to Changes in Assumptions

At 30 June 2024, the date of the Group's annual impairment test, the estimated recoverable amount of the SDL Software CGU exceeded its carrying amount by $8,652,000 (2023: $10,656,000).

If any one of the following changes were made to the above key assumptions, the *carrying amount and recoverable amount* of the SDL Software CGU would be equal.

Key Assumptions and Estimates	**2024**	**2023**
Sales growth rate (beyond budget period)	From 2.50%,	From 2.50%
Reduction from, to	To 1.00%	To 2.50%
Discount rate post tax pre-tax	From 12.80%	From 12.10%
Increase from, to	To 13.00%	To 12.80%
	From 16.47%	From 15.40%
	To 18.05%	To 16.47%
Long-term growth rate	From 2.5%	From 2.50%
Reduction from, to	To 1.00%	To 2.50%

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 2022	**2,090**	**110**	**1,738**	**441**	**4,379**
Balance 30 June 2023	2,090	110	1,738	441	4,379
Additions	-	-	234	-	234
Balance 30 June 2024	**2,090**	**110**	**1,972**	**441**	**4,613**
Accumulated Amortisation					
Balance 1 July 2022	**2,090**	**110**	**1,653**	**441**	**4,294**
Amortisation expense	-	-	85	-	85
Balance 30 June 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**
Carrying Amount					
Balance 1 July 2022	-	-	85	-	85
Balance 30 June 2023	-	-	-	-	-
Balance 30 June 2024	**-**	**-**	**180**	**-**	**180**

4.6 Employee Benefit Liabilities

Critical Accounting Judgements and Key Sources of Estimation Uncertainty

Provisions for sick and long service leave are based on the Group's estimate of the present value of future costs assuming payroll inflation rate of 3.00% (2023:4.00%).

	2024 $000	2023 $000
Short-term employee benefit liabilities	689	722
Current Long-term employee benefit liabilities	166	150
Total Employee Benefit Liabilities	**855**	**872**

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 2022	**2,811**	**160**	**679**	**3,650**
Additions	71	28	175	274
Disposals	(3)	-	-	(3)
Assets removed from use*	(444)	(62)	(80)	(586)
Balance 30 June 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**
Accumulated Depreciation				
Balance 1 July 2022	**2,660**	**155**	**646**	**3,461**
Depreciation expense	85	4	34	123
Assets removed from use*	(446)	(62)	(80)	(588)
Balance 30 June 2023	**2,299**	**97**	**600**	**2,996**
Depreciation expense	89	-	39	128
Balance 30 June 2024	**2,388**	**97**	**639**	**3,124**
Carrying Amount				
Balance 1 July 2022	151	5	33	189
Balance 30 June 2023	136	29	174	339
Balance 30 June 2024	**112**	**25**	**139**	**276**

** 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.

	2024 $000	2023 $000
Work in Progress	108	117
Finished goods	163	62
Total Inventories	**271**	**179**

The amount of inventories recognised as an expense through profit or loss during the year was $472,993 (2023: $437,442) and is presented within Property, plant & equipment on the balance sheet.

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

	2024		2023	
	$000	**No. (000's)**	**$000**	**No. (000's)**
Ordinary Shares				
Balance at beginning of year	5,574	14,720	5,574	14,720
Exercise of employee share options	-	-	-	-
Share Capital at End of Year	**5,574**	**14,720**	**5,574**	**14,720**

The Company had 14,719,810 (2023: 14,719,810) ordinary shares on issue at 30 June 2024. 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 (ROU) assets	No of ROU assets leased	Range of remaining term	Average remaining term
Property	1	3 years	3 years
Plant & equipment	1	1-2 years	1.5 years

The lease liabilities are secured by the related underlying assets.

(ii) Future lease payments

Future minimum lease payments at 30 June 2024 were as follows:

Reconciliation of Lease Liabilities	Within 1-year $000	1 – 2 years $000	2 – 5 years $000	After 5 years $000	Total $000
30 June 2024					
Lease payments	735	622	620	-	1,977
Finance charges	93	48	21	-	162
Net Present Values	**642**	**574**	**599**	**-**	**1,815**
30 June 2023					
Lease payments	655	562	1,220	108	2,545
Finance charges	114	92	89	-	295
Net present values	**541**	**470**	**1,131**	**108**	**2,250**

(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 :

	2024 $000	2023 $000
Variable lease payment	214	171
	214	**171**

(iiii) Reconciliation of lease liability

Reconciliation of Lease liabilities	2024 $000	2023 $000
Year Ended 30 June 2023		
Opening Balance	2,250	3,051
Additions	335	-
Interest expense	111	78
Repayments	(881)	(879)
Balance 30 June 2024	**1,815**	**2.250**

iiii) Reconciliation of lease liability *(continued…)*

Leases	2024 $000	2023 $000
Current	735	676
Non-current	1,080	1,574
	1,815	**2,250**

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.

Share options were approved for 220,000 shares for three key members in October 2022 (with an exercise price of $2.25), all three remain as employees at 30 June 2024 bringing the total of share options to 592,796.

	2024 Number of Shares $000	2023 Number of Shares $000
Unvested shares at 1 July	593	373
Granted	-	220
Unvested shares at 30 June	**593**	**593**
Percentage of total ordinary shares	3.90%	3.90%

The net fair value of the options granted during the reporting period was $44,553 (2023: $68,066). This cost is recognised over the vesting period.

Grant Date	Options Issued	Share Price at Grant Date	Exercise Price	Options Expire	Option Value $
March 2021	200,000	$2.60	$2.60	September 2025	$114,625
February 2022	172,796	$2.90	$2.90	August 2026	$29,994
October 2022	220,000	$2.25	$2.25	October 2027	$68,066

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 4.52%.

5.4 Net finance cost

	2024 $000	2023 $000
Interest expense – Lease liabilities on financing of right of use assets	111	78
Interest expense – Financial liabilities at amortised cost	14	58
Finance Costs	**125**	**136**
Finance Income: Interest income – financial assets at amortised cost	**(250)**	**(118)**
Net Finance (Income) / Cost	**(125)**	**18**

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 risk

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 $7,950 million (2023: $6.63 million) and cash inflow from operations of $3.35 million (2023 $4.84 million). There was an operating profit of $2.82 million in the current year (2023: $3.42 million). The Group has no externally imposed covenants to manage, the only debt on the balance sheet relates to right of use assets.

	2024 $000	2023 $000
Borrowings – Liability right of use assets	1,815	2,250
Cash & short-term deposits (Note 4.10)	7,950	6,628
Net cash (debt)	6,135	4,378
Equity (all capital and reserves)	9,002	7,351
Net (cash) debt to equity ratio	68%	60%

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 trade, cash & 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. This customer is not viewed as a credit risk due to trading and payment history. 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 and 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 held in foreign currencies at the end of the reporting period. Adjusted for offsetting payables balances of a movement in the exchange rate of 10% would give rise to an exchange fluctuation. A movement in exchange rate of 10% would impact net profit before tax on foreign entities of $389,000, and would impact on equity on foreign entities of $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 the net assets for SDIL and SD Inc., comprising largely working capital, was a credit balance of NZ $4,533,112 (2023: NZ$3,368,494) with cash and receivable balances as noted above.

Foreign Currency Receivables	**2024**	**2023**
As at 30 June 2024	**NZD $000**	**NZD$000**
European Receivables	482	207
USA Receivables	1,217	2,539
AUD Receivables	153	137
Total Foreign Currency Receivable	**1,852**	**2,883**
NZD	2,040	1,562
Total Trade Receivables	**3,892**	**4,445**
Cash Held in Foreign Currency	**2,649**	**1,374**
Total Trade Receivables in Foreign Currency	**4,501**	**4,257**
Accounts payable	608	2,324
Net FX Asset	**3,893**	**1,933**
Fluctuation of 10%	389	193
Net Assets for SDIL & SDINC	**4,533**	**3,368**

6.2(c) Market risk: Interest Rate Risk

At 30 June 2024 the interest rate on the overdraft facility was 15.70% (2023: 12.05%). With a net cash position of $7.95 million (2023: $6.63 million) at the end of the reporting period a material change in the interest expense is not expected.

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.

6.3 Financial Instruments by category

	2024 $000 Financial Assets & liabilities at Amortised Cost	2023 $000 Financial Assets & liabilities at Amortised Cost
Financial Assets		
Cash & cash equivalents (Note 4.1)	7,950	6,628
Trade & other receivables (Note 4.2)	3,861	4,565
Total Financial Assets	**11,811**	**11,193**
Financial Liabilities		
Trade and other payables (Note 4.3)	3,923	4,434
Total Financial Liabilities	**3,923**	**4,434**

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 $2,875,829 (as employees of Solution Dynamics Limited or its subsidiaries and including the calculated benefit of the employee share option plan) during the reporting period (2023: $2,338,947) and were owed $206,467, including annual leave at 30 June 2024 (2023: $172,876).

	2024 $000	**2023 $000**
Short-term employee benefit liabilities	2,752	2,181
Defined contribution plan liabilities (Kiwisaver)	100	82
Share-based payment expense	24	76
Total Remuneration: Key management personnel	**2,876**	**2,339**

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

	2024 $000	**2023 $000**
John McMahon (Chairman)	80	73
Julian Beavis	50	47
Elmar Toime	50	47
Lee Eglinton	50	47
Andy Preece (Chairman Audit & Risk Management Committee)	58	54
Total Directors' Remuneration	**288**	**268**

7.1(b) Transactions with related parties

At 30 June 2024, payables to other related entities amounted to $29,214 (2023: 28,561).

7.2 Capital Commitments

The Group had no capital commitments at the reporting date for the Group (2023 $Nil).

7.3 Contingent Liabilities

There were no contingent liabilities at the reporting date for the Group (2023: $Nil).

7.4 Events after the reporting date

On 22 August 2024 the directors approved the payment of a fully imputed dividend of 2.5 cents per share amounting to $367,995 to be paid on 27 September 2024.

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:

	2024 $000	2023 $000
$100,000 to $109,999	3	7
$110,000 to $119,999	5	4
$120,000 to $129,999	6	1
$130,000 to $139,999	1	4
$140,000 to $149,999	4	1
$150,000 to $159,999	1	1
$160,000 to $169,999	1	1
$170,000 to $179,999	2	-
$180,000 to 189,999	1	-
$200,000 to $209,999	-	1
$210,000 to $219,999	-	3
$220,000 to $229,999	-	-
$230,000 to $239,999	-	3
$240,000 to 249,999	1	-
$250,000 to $259,999	4	-
$260,000 to $269,999	-	-
$270,000 to $279,999	-	-
$300,000 to $309,999	1	1
$320,000 to 329,999	1	-
$340,000 to $349,999	-	-
$350,000 to $359,999	1	-
$360,000 to $369,999	-	1
$450,000 - $459,999	1	-
$540,000 to $549,999	-	-
$670,000 to $679,999	-	-
$760,000 to $769,999	-	1
$1,020,000 - 1,020,999	1	-
Total Staff with Remuneration Exceeding $100,000	**34**	**29**

(II) Shareholders and Substantial Security Holders

(a) The 20 largest shareholders as at 30 June 2024 were:

	% of total	Shares
ASB Nominees Limited <574233 A/C>	10.87%	1,600,658
Philip Hadfield Hardie Boys <P & K Hardie Boys Family A/C>	7.13%	1,050,000
Indrajit Nelson Sivasubramaniam + Tracey Lee Sivasubramaniam + Comac Trustees Limited	6.05%	890,000
Custodial Services Limited <A/C 4>	5.64%	830,506
Accident Compensation Corporation - NZCSD <Acci40>	4.74%	698,234
JBWere (NZ) Nominees Limited <NZ Resident A/C>	4.27%	628,266
Public Trust - NZCSD <The Aspiring Fund>	4.18%	615,334
Forsyth Barr Custodians Limited Custody	3.83%	563,978
Michael Charles Hare	3.80%	558,938
Colin Glenn Giffney	3.53%	520,000
Kirsten Roberts	3.16%	465,000
Deirdre Elizabeth Tallot	2.99%	440,000
Stephen Christopher Montgomery	2.82%	415,000
Jillian Bernadette Winstanley	2.23%	328,500
Roger Dixon Armstrong	2.05%	301,665
FNZ Custodians Limited <DRP NZ A/C>	2.03%	298,215
FNZ Custodians Limited	1.96%	288,233
New Zealand Depository Nominee Limited <A/C 1 Cash Account>	1.67%	246,233
Forsyth Barr Custodian Limited (Account)	1.62%	238,200
Don Nominees Limited	1.60%	234,944
Grand Total	**76.17%**	**11,212,204**

A total of 14,719,810 shares were on issue (2023: 14,719,810).

(b) Size of Shareholding as at 30 June 2024

Holdings	Shareholders	Shares Held	% of total
1-999	118	30,362	0.21%
1,000-4,999	100	214,216	1.46%
5,000-9,999	36	227,753	1.55%
10,000-49,999	45	878,212	5.97%
50,000-99,999	14	946,753	6.43%
100,000 and over	30	12,422,514	84.39%
Total	**343**	**14,719,810**	**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 2024:

Shareholder	% of total	Shares
Meta Capital Limited (John McMahon)	10.87%	1,600,658
Philip Hadfield Hardie Boys (P & K Hardie Boys Family A/C)	7.13%	1,050,000
Indrajit Nelson Sivasubramaniam + Tracey Lee Sivasubramaniam + Comac Trustees Limited	6.05%	890,000

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 issued on May 2017. The information in this report is current as at 22 August 2024 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 1 April 2023.

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 to account for adherence to these standards throughout the organisation.

The Board recognises that high ethical standards and behaviours are central to good corporate governance, and it is committed to the observance of a Code of Business Conduct and Ethics throughout the Group.

The Code of Business Conduct and Ethics, which was approved by the Board as part of the process of migrating to the NZX Main Board, provides a framework of standards by which the directors, employees and contractors to SDL and its related companies are expected to conduct themselves. It is intended to facilitate actions and decision-making sure that is consistent with SDL's values, business goals and legal obligations and, thereby, enhance performance outcomes.

Employees are expected to report any breaches of the Code in line with the processes outlined in the Code of Business Conduct and Ethics.

A copy of the Code of Business Conduct and Ethics is made available to all employees and is given to all new employees when they join the Group. Any future changes to the Code of Business Conduct and Ethics will be communicated to staff.

SDL has a Share Trading Policy to mitigate the risk of insider trading in SDL's securities by employees and directors. A copy of this Policy can also be found with the other policies on the Company's website. Share trading restrictions apply to Restricted Persons including directors and certain employees.

Directors' Share Dealings and Shareholding

Directors disclose the following relevant interests in shares in the Group at 30 June 2024 and transactions in relevant interests in shares during the financial year ended 30 June 2024.

Shareholder	Balance 30 June 2023	Additions	Disposals	Balance 30 June 2024
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 interests and related party transactions disclosures in Note 7.1 to the Financial Statements and the director remuneration disclosed under Principle 5 below, the following interests were disclosed to the Board and noted in the interests register during the financial year ended 30 June 2024:

- Indemnification of Officers and Directors: The Company indemnifies directors and executive officers of the Group against all liabilities which arise out of the performance of their normal duties as director or executive officer.
- Directors' & Officers' insurance: In parallel with the indemnity coverage, the Group has Directors & Officers' liability insurance. The total cost of this insurance expensed during the year ended 30 June 2024 was $34,500 (2023: $35,196).

Conflicts of Interest and Related Parties

All directors must 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 2024 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 primary responsibilities of the Board include:

- to establish the vision of the Group
- to establish the long-term goals and strategies of the Group
- to approve annual and half-year financial reports
- to approve annual budgets
- to approve corporate policies
- to ensure the Group has good internal controls and keeps adequate records
- to ensure legislative compliance
- to monitor executive management
- to ensure appropriate communication to stakeholders

Board procedures are governed by the Constitution. The Board is responsible for setting the strategic direction of the Company, overseeing the financial and operational controls of the business, putting in place appropriate risk management strategies and policies and enhancing its value for shareholders in accordance with good corporate governance principles.

In addition to the Code of Business Conduct and Ethics, the Board operates under to a written Board Charter. This document outlines the Board's composition, the roles and responsibilities of directors, procedures for director nomination, resignation and removal of directors; and ensures Board meetings and that they are conducted efficiently. It also empowers each director to fulfill their duties effectively and participate fully in Board meetings.

SDL's senior management team, led by the CEO, is responsible for the day-to-day management of the company's business. They operate under a set of delegated authorities and undergo annual reviews.

Directors have access to the essential resources required to fulfill their duties, including access to financial and other management information from SDL as well as professional advice provided by external advisers.

Directors also have the right, with the approval of the chairman 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 chairman and CEO. As of 24 August 2024, 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.

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 (2023: five directors), a non-executive chairman (non- independent, see note above) and four non-executive directors (independent). Each director is elected based on the value they contribute to the Board.

In order for a director to be independent, the Board requires that they are not an executive of SDL and must have no 'Disqualifying Relationships'. The Board adheres to the requirements of the NZX Listing Rules (and NZX guidance on the application of those requirements). Detailed information on each director can be found at www.solutiondynamics.com/about/our-leadership-team. Director's interests are disclosed on Note 7.1 to the Financial Statements.

The Company encourages all directors to undergo appropriate training and education to enhance their performance of duties. This includes attending presentations on changes in governance, legal and regulatory updates; as well as participating in technical and professional development courses. Additionally, directors can receive updates on relevant industry and Company issues and participate in briefings from key executives.

The Board aims to regularly consider individual and collective performance, assess skillsets, priorities training and development and plan to effectively govern the Group's business.

Diversity

SDL is committed to a culture that actively supports diversity and inclusiveness and prevents or eliminates discrimination in any form. As such, SDL firmly believes that diversity and inclusiveness enables SDL to better respond to the ever-changing environment in which we operate and better serve the diverse customer and stakeholder base to which we are accountable to.

The concept of diversity includes (but is not limited to) concepts of gender, race, ethnicity and cultural background as well as physical capability, age, sexual orientation, and religious or political beliefs.

SDL does not have a formal diversity policy or publish diversity targets. Instead, SDL's Code of Business Conduct and Ethics notes that SDL values diversity and has a workforce consisting of many individuals with diverse skills, values, backgrounds, ethnicity and experience. We attract and retain a diverse workforce and this diversity brings a range of ideals, skills and innovations to SDL, which assists in achieving our objectives. At the date of this report, 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 2024, the gender balance of SDL's directors and people was as follows:

	30 June 2024	30 June 2023
Directors		
Females	1	1
Males	4	4
Management Team		
Females	1	1
Males	6	6
All Employees		
Females	34	36
Males	47	50

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 2023 to 30 June 2024 attendance at Board and Committee meetings was:

	Board Meetings [1]		Audit & Risk Committee [2]	
	Held	**Attended**	**Held**	**Attended**
John McMahon (Chairman) (1)	11	11	2	2
Julian Beavis	11	10	n/a	n/a
Elmar Toime	11	11	n/a	n/a
Andy Preece (2)	11	10	2	2
Lee Eglinton	11	10	2	1

[1] ***John McMahon is the board chairman.***

[2] ***Andy Preece is the chairman 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 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 fulfill 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 3.11 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 role of the Audit and Risk Committee is to support the Board in fulfilling its duties under the Companies Act 1993 and the Financial Reporting Act 2013 regarding accountancy practices, policies and controls related to the Company's financial position. The Committee also conducts thorough enquiries into the audits of the Company's financial statements. This responsibility extends to providing the Board with added assurance regarding the accuracy and dependability of the financial information issued publicly by the Company. All required matters within the Committee's purview were addressed by the committee during the 2024 financial year.

A written charter outlines the Audit and Risk Committee's delegated authority, duties, responsibilities and relationship with the Board. The Charter is available on the Company's website.

The Committee must consist solely of directors of SDL, with a minimum of three members, a majority of independent directors and at least one director with an accounting or financial background. The current composition of the adheres to these guidelines. Importantly the chair of the Committee cannot be Chair of the Board.

Members at 30 June 2024 were Andy Preece (Chairman), 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. Additionally, the Committee regularly holds sessions with external auditors in the absence of management.

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
– Reporting & Disclosure

The Board should demand integrity in financial and non-financial reporting, ensuring that corporate disclosures are timely, balanced, and accurate.

The Board is committed to informing shareholders and the market about all material information about the Company's performance, while adhering to legislative requirements and those set by the NZX Listing Rules.

The release of material information follows guidelines outlined in the NZX Listing Rules (and the Listing Rules guidance provided by NZX).

In addition, fulfilling legal obligations, SDL aims to provide stakeholders and investors with comprehensive and meaningful information, encompassing both financial and non-financial information.

Financial Statements

It is the directors' responsibility to ensure preparation of financial statements that give 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 2024, 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

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 management 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 Company.

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 2024 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.

Directors are paid on a per director rate as follows:

Position	Approved Remuneration
Chairman	$73,333
Non-executive Director	$46,675
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.

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.

Executives' remuneration exceeding $100,000 annually, received in their role as employees during the year, is disclosed on page 44 of this annual report.

Details of the SDL Share Option Plan are detailed in Note 5.3 of the 2024 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 2024 can be summarised as follows:

Description	(USD000's)
Base salary	$283
Maximum incentive (1)	$185
Total on Target Earnings	**$468**

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

Principle 6 – Risk Management

Directors are expected to possess a thorough understanding of the significant risks faced by the issuer and the methods to mitigate them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks.

SDL is dedicated to proactive risk management. While the entire Board holds responsibility for risk management, and the Group's internal control system, the Audit and Risk Committee supports the Board by providing additional oversight of the risk management framework and majority compliance with it.

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

The Board ensures that recommendations made are assessed and appropriate action is taken where necessary to ensure risks are managed appropriately.

The Board's approach to risk management is incorporated into the Audit and Risk Committee Charter, which can be found under Board Governance on the Company's website.

The Board entrusts the day-to-day management of risk to the CEO. SDL's management team is responsible for consistently identifying the risks impacting SDL's operations and establishing structures, practices and processes to manage and monitor these risks.

The directors are responsible for ensuring that adequate accounting records are maintained. Additionally, they oversee the Group's system of internal and financial controls.

Internal financial controls have been implemented to reduce the risk of material misstatement. Internal financial controls are implemented to offer reasonable assurance rather than absolute assurance against the occurrence of material misstatements or loss.

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

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

SDL also maintains insurance policies deemed sufficient to cover its insurable risks. Key financial and non- financial risks are detailed in Note 6 to the Financial Statements.

Health and Safety

The Board recognises that effective management of health and safety is essential for the operation of a successful business, and its goal 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 fit for purpose, being effectively implemented, regularly reviewed and continuously improved.

SDL has a Health and Safety Charter which is monitored by the management team. Health and Safety reports, including incident reports, for SDL's business are included in the compliance section of the 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.

For the financial year ended 30 June 2024, Grant Thornton continued in their appointment as the external auditor for SDL. Grant Thornton has occupied that role since 2009. The audit partner has been rotated in 2024 (the prior rotation was in 2021).

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

Grant Thornton has provided the Board with written confirmation that, in their view, they were able to operate independently during the financial year. Additionally, Grant Thornton attends the Annual Meeting, and the lead audit partner is available to answer questions from shareholders at that meeting. In this capacity, Grant Thornton will attend the 2024 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 dialogue and to facilitating engagement with shareholders. SDL has a 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, copies of all major announcements 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. 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.

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 Chairman

Elmar Toime – Independent

Julian Beavis - Independent

Andy Preece – Independent

Lee Eglinton - Independent

Company Executives

Patrick Brand – CEO

Suzanne Watts – CFO & Company Secretary

Auditors

Grant Thornton New Zealand Audit Limited

152 Fanshawe Street, AUCKLAND

Bankers

ANZ National Bank Limited

9-11 Corinthian Drive, Albany, AUCKLAND

Legal Representative

Stephen Layburn

Commercial Barrister

Level 3, 175 Queen Street, AUCKLAND

Share Registry

Computershare Investor Services Level 2, 159
Hurstmere Rd, Takapuna

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

Solution Dynamics (International) Limited

Lancaster Court, 8 Barnes Wallis Road,
Fareham, PO15 5TU
Hampshire
UNITED KINGDOM

Tel +44 1489 668219

Solution Dynamics Incorporated

260 Madison Avenue, 8th floor
New York, New York 10016
UNITED STATES OF AMERICA

Tel: +1 (917) 319 5625

Déjar International Limited (non-trading)

18 Canaveral Drive, Albany
AUCKLAND

PO Box 301248, Albany
AUCKLAND 0752

Tel +64 9 970 7700