SOLUTION DYNAMICS

Transforming Global Customer
Communications leveraging AI

INTERIM REPORT

For the six months ended
31 December 2025

TOITŪ ENVIRO MARK GOLD

Toitū Enviromark Gold certification

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

FY2026 1H Highlights

For the six months ended 31 December 2025

- Net profit after tax declined 91% to $0.21 million and EPS of 1.5 cents
- Revenue declined 34.5%
- EBITDA declined 81% to $0.69 million
- Cash flow from operations -$0.77 million and net cash at 31 December 2025 was $8.36 million (about 57 cents per share)
- Interim dividend of 2.0 cents per share (fully imputed)
- Successful development and launch of nGAGE for UK dental market
- FY2026 earnings guidance maintained at $0.1 to $0.6 million

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Directors’ & Chief Executive Officer’s Report

Result Overview

Solution Dynamics Limited (“SDL” or “Company”) produced an unaudited net profit after tax of $0.21 million for the FY2026 half year (1H FY2025 $2.34 million), down 90.9%. This represents undiluted earnings per share of 1.46 cents. The key factor is a 34.5% drop in revenue, the result of minimal business this year from what was the Company’s largest customer last year. Other factors affecting first half earnings included some one-off revenue and one-off customer remediation costs although these broadly netted out.

As usual, the first half of the financial year reflects a seasonal higher activity of customer jobs in the New Zealand operations. First half earnings were also affected by the costs associated with SDL’s development of its new nGAGE product for the UK and ultimately the global dental communications market (all nGAGE costs are expensed, there is no capitalisation).

In the NZ print and mail house market, SDL’s print volume grew 1% although mail lodgements declined 5%. This continues to be a reasonable result given the NZ market remains in structural decline. The cumulative effect from several years of significant postage cost increase by NZ Post is clearly affecting some of SDL’s customer behaviour. During the half year, several customers noted they were looking to become more efficient with their communications programmes and improve their usage of digital channels.

Cash flow from operations was -$0.77 million (1H FY2025 $5.19 million) with cash flow from trading declining to $0.65 million. The closing net cash position at 31 December was $8.36 million (1H FY2025 $12.41 million) with the decline resulting from working capital changes and payment for a new mail inserter (circa $1.5 million) late in the half. Favourable working capital timing in the prior period overstated the FY2025 underlying cash position – the FY2025 Annual Report released in August 2025 noted the then underlying cash position was around $9-10 million.

The key activity in the first half was the successful development of nGAGE, with the MVP (minimum viable product) built in approximately four months and showcased at a UK dental conference in November 2025.

The Directors have declared an interim FY2026 dividend of 2.0 cents per share (1H FY2025 nil).

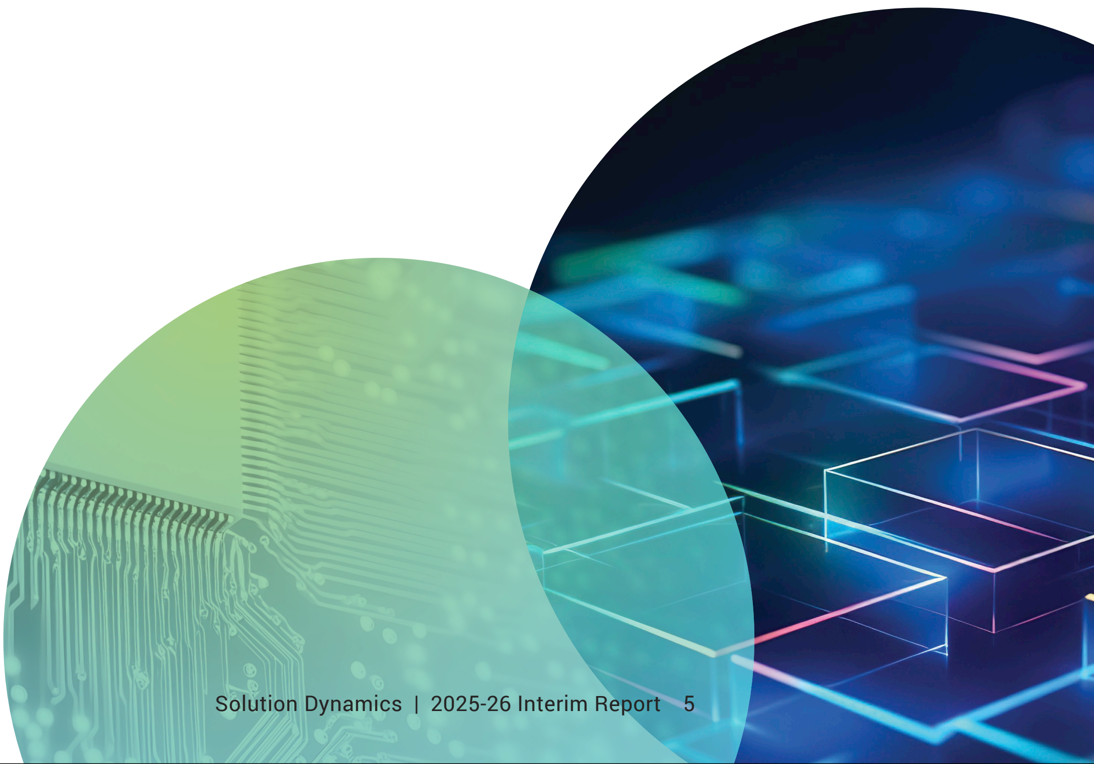
Operational Commentary

Operating revenue declined 34.5% to $17.09 million. The fall was entirely from international revenue; growth in New Zealand revenue was around 20%. While part of the New Zealand growth was from increased pricing, the majority was from the pass through of higher NZ Post postage rates (Outsourced Services revenue rose 36.9% to $8.18 million), which are very low margin and have minimal effect on earnings.

SDL has maintained its leading market share for Council communications in NZ. The split out of water infrastructure from Councils is creating sales opportunities; the Company already has New Zealand's largest Council-owned water utility as a customer. NZ sales efforts continue to focus on "digital first" communications as part of a complete multi-channel communications approach. Email volumes in New Zealand were 2.5% ahead of the prior year, reinforcing the migration to digital.

Internationally, we are seeing strong growth from Pitney Bowes (click-based SaaS revenue) and gains from a legacy dental communications product (will be replaced by nGAGE).

SG&A (Selling, General and Administration) costs declined 26.6% year-on-year, following the significant restructuring in late-2024/early-2025, partly offset by inflation-related rises in general costs, plus modest increases in wage and salary costs.



Financial Performance

Earnings before interest, tax, depreciation, and amortisation (EBITDA) declined 81.4% to $0.69 million (1H HY2025 $3.72 million) on sales revenue that fell 34.5%.

Summary Financial Performance (all figures $000)	1H FY26	1H FY25	Yr-on-Yr $ Change	Yr-on-Yr % Change
Total Revenue	**17,092**	**26,091**	**-8,999**	**-34.5%**
Cost of Goods Sold	12,506	17,065	-4,559	-26.7%
Gross Profit	4,586	9,026	-4,440	-49.2%
Gross Margin (%)	26.8%	34.6%		
Selling, General & Admin Costs	3,896	5,311	-1,415	-26.6%
EBITDA	**690**	**3,715**	**-3,025**	**-81.4%**
EBITDA Margin (%)	4.0%	14.2%		
Depreciation	456	424	32	7.5%
Amortisation	30	27	3	11.1%
EBIT	**204**	**3,264**	**-3,060**	**-93.8%**
Net Interest Paid/(Rec'd)	-63	-62	-1	1.6%
Net Profit before Tax	267	3,326	-3,059	-92.0%
Taxation	53	983	-930	-94.6%
Net Profit after Tax	**214**	**2,343**	**-2,129**	**-90.9%**

The EBITDA margin declined from 14.2% to 4.0% with the lower Gross Margin (26.8% from 34.6% the prior year), the result of operating leverage on lower revenue as well as the increase in low margin postage revenue in New Zealand.

SDL's taxation rate in 1H FY2026 was 19.9% versus 29.6% in the prior period, with the lower rate the result of R&D tax credits.

Revenue Analysis (all figures $000)	1H FY26	1H FY25	Yr-on-Yr $ Change	Yr-on-Yr % Change
Software & Technology	6,768	17,671	-10,903	-61.7%
Digital Print & Document Handling	2,143	2,442	-299	-12.2%
Outsourced Services	8,181	5,978	2,203	36.9%
Total Revenue	**17,092**	**26,091**	**-8,999**	**-34.5%**

Total revenue was down 34.5% on the prior year. Software and Technology revenue, which is mostly in International, fell 61.7% to $6.77 million, the result of receiving only minimal revenue from the prior year largest customer. Digital Print and Document Handling revenue, which is all in New Zealand, declined 12.2% to $2.14 million reflecting flattish print volumes but lower mail lodgements and a negative change in customer mix (more lower margin customer volumes). Outsourced Services revenue, which is all in New Zealand, grew 36.9% to $8.18 million largely reflecting the increase in postage rates by NZ Post.

Balance Sheet, Liquidity and Debt

SDL closed the half year with net cash on hand of $8.36 million, versus $12.41 million in 1H FY2025. A bank overdraft facility of $0.2 million remains in place but is unused. Note the prior year cash position unduly benefitted from working capital timing of receivables and payables.

Capital expenditure for the half year was around $1.5 million (negligible capex in 1H in the prior financial year). SDL needed to upgrade mail inserter equipment (one new machine, one refurbishment) after the supplier EOL'd (end of life) the current equipment (this was an industry-wide issue). The cost of the new inserter equipment and the refurbishment accounted for almost all of the capex for the half year.

Selected Balance Sheet and Cashflow Figures (all figures $000)	**1H FY26**	**1H FY25**	**Yr-on-Yr $ Change**	**Yr-on-Yr % Change**
Net Cash on Hand (net of debt)	8,355	12,405	-4,050	-32.6%
Non-current Assets (excl Right of Use)	2,855	1,675	1,180	70.4%
Right of Use Assets	1,396	1,431	-35	-2.4%
Net Other Liabilities (excl Lease Liabilities)	-62	-2,803	2,741	-97.8%
Lease Liabilities	-1,417	-1,456	39	-2.7%
Net Assets	**11,127**	**11,252**	**-125**	**-1.1%**
Cashflow from Trading	650	2,982	-2,332	-78.2%
Movement in Working Capital	-1,416	2,206	-3,622	n.m.%
Cash Inflow from Operations	**-766**	**5,188**	**-5,954**	**n.m.%**

Book value (net assets) decreased 1.1% to $11.13 million.

Dividend and Capital Management

Earnings per share was 90.8% lower at 1.5 cents.

The Directors have declared an interim dividend of 2.0 cents per share (fully imputed). Following the requirement to upgrade inserter equipment, there are minimal near-term capital expenditure requirements. SDL's payout ratio (covering dividends and buybacks) is no longer constrained by the co-funding from New Zealand Trade and Enterprise's (NZTE) International Growth Fund (IGF). As a result, the Directors intend to fully pay out earnings as dividends and, subject to no acquisition activity, continue to utilise excess cash in buying back stock. SDL is sensitive to the price it pays in buying back stock to ensure any stock re-purchases are value accretive to the Company.

During the half, SDL bought back 38.3k shares. For much of the period, the Company was holding potentially material inside information and was unable to undertake any on-market share buyback activity.

Earnings and Dividend per Share	**1H FY26**	**1H FY25**	**Yr-on-Yr Change**	**Yr-on-Yr % Change**
Shares on Issue (000)	14,681.5	14,719.8	-38.3	-0.3%
Earnings per share (cents)	1.46	15.92	-14.46	-90.8%
Dividend per share (cents)	2.0	0.0	2.0	n.a.
Dividend proportion Imputed	100.0%	n.a.	n.a.	n.a.
Payout ratio (on NPAT)	137.2%	n.a.	n.a.	n.a.

While SDL has a strong net cash position, the Directors continue to maintain a preference for financial flexibility. The Company continues to review possible acquisition opportunities and emphasises that any transaction must add shareholder value.

Governance and Management

SDL's CEO, Pat Brand, stepped down from the CEO role at end December 2025 due to ongoing family medical issues.

Pat made a significant contribution in steering the Company through COVID, and continuing Nelson Siva's legacy of transitioning SDL from a print/mail house towards an increasingly software-oriented organisation. Pat played an instrumental role in re-aligning the cost structure post the major customer RFP process in late 2024, plus leading the development of the nGAGE product.

Pat has key customer relationships and market knowledge in the US. From 1 January 2026 he joined SDL's Board of Directors with a particular emphasis on providing strategic input and support to international product and customer initiatives internationally that are critical to the Company's growth prospects.

SDL's CFO, Susie Watts, assumed the role of Acting CEO from 1 January 2026 with executive support continuing from Board Chair John McMahon and other directors as needed.

nGAGE

nGAGE is SDL's AI driven growth platform for dental groups. It connects natively to Dentally, a dental practice management software package, to automate targeted patient communications that aims to improve dental chair utilisation, reactivate lapsed patients, reduce no shows, and cross sell treatments – while providing analytics about the return on each marketing campaign.

Development commenced in early August 2025, with the MVP delivered in time for successful demonstration at the November UK dental conference that generated strong interest. Following this, one prospect committed to serving as the pilot customer, enabling nGAGE to be trialled across several of its practice sites from mid December. The pilot progressed successfully, with the customer going live in February 2026, and nGAGE is now set for a phased rollout across all 18 of the customer's dental sites.

nGAGE leverages rich dental patient data to drive measurable practice growth and strengthen ongoing patient engagement and retention. As a material upgrade on SDL's prior dental solution, nGAGE delivers essential marketing capabilities that core practice management systems do not provide. It is tightly integrated with Dentally patient information, enabling precise, targeted campaigns powered by built in AI. The AI engine supports campaign creation, patient analysis, cross sell identification, operational queries, and continuous performance feedback.

AI supports nGAGE across multiple dimensions, including analysing patient data to recommend targeted campaigns for specific treatments and lapsed patients, resolving operational and support queries, providing campaign performance insights, identifying cross sell opportunities, and monitoring key practice metrics.

For further product details, refer to **https://solutiondynamics.com/ngage-ai**

The data architecture underlying nGAGE means it can be utilised in vertical markets aside from dental, although the UK dental market is where SDL's initial sales focus will be applied over 2026.

Importantly, this is the first software solution SDL has provided that is not enterprise focused. It is an "out of the box" solution with the ability to scale beyond a single customer.

Strategy

SDL's strategy remains a "Digital First" approach to customer communications software and services, along with seeking further efficiency gains in New Zealand operations to maintain commercial viability in a declining market.

The near-term focus for FY2026 and into FY2027 is:

1. Improving operational efficiency, building on the earlier restructuring, and increasing internal work flow automation.
2. Sales efforts locally aimed at building on SDL's strong position in the Councils' sector by targeting the water spin-off entities from Councils, along with sales efforts into Australian Councils in conjunction with an Australian print partner.
3. nGAGE is SDL's first product with AI designed and built in from day one. It leverages AI to improve our customers' ability to deliver targeted and effective marketing campaigns. The crucial near-term international sales efforts are with nGAGE in the UK, to prove out the extent of customer demand and sales pipeline conversion rates. nGAGE has broader application beyond the UK dental market; in addition to dental markets in other countries, its architecture allows it to deliver communications solutions to a range of verticals.

FY 2026 Outlook

Trading conditions are mixed. International performance remains robust, with strong activity from existing customers in the US and UK.

The New Zealand market, however, is facing growing pressure as significant increases in postage rates continue to be implemented by NZ Post – standard retail mail postage price rose 26% at the end of FY2025, on top of a 15% increase the prior year. These increases are driving customers toward digital channels at an accelerated pace. This faster than expected transition is compressing gross margins, as digital communications generate lower margins than traditional print. Everything that can digitise, will digitise, especially transactional mail. The effect on marketing-related communications seems less pronounced given the "digital overload" into mobile phones and email inboxes. This trend may result in SDL continuing to gain market share, especially in traditional print-heavy customers who require an omni-channel solution but want to progressively move towards digital. However, this will also mean ongoing pressure on earnings from New Zealand operations.

Opportunities with Australian councils, in New Zealand from the externalisation of Council water infrastructure and billing, along with the UK launch of nGAGE are expected to support future growth although these are unlikely to be meaningful contributors to FY2026 results.

nGAGE is likely to have a short term earnings drag through 2026 as customer uptake builds, reflecting continued investment in scaling the platform.

nGAGE has already secured its first corporate dental group customer and this converted from trial phase to full onboarding as a customer in early 2H. A second corporate group with more than 40 practice sites has also now signed up for phased rollout across its network. As previously noted, the opportunity pipeline for nGAGE is substantial, although the conversion rate and time from pipeline to customer is variable at this early stage. While nGAGE will incur additional (unbudgeted) costs over the second half of FY2026, the Company views it as a meaningful long term value driver, with strong revenue and earnings potential. To accelerate this opportunity, the Company is investing in continued product development, market launch and commercial scale up – beginning in the UK and likely to progress into the US and Australia/NZ.

While SDL's second half of the financial year is typically seasonally weaker than the first, a modest profit is expected in 2H FY2026. SDL is maintaining its guidance range for an FY2026 profit in the range of $0.1 million to $0.6 million.

The usual risk factors apply to second half expectations and include other contract renewals, the extent of new business success, along with global macroeconomic concerns and continued foreign exchange volatility given SDL's operations in the US and UK.

Consolidated Interim Financial Statements

Consolidated Statement of Profit or Loss and Other Comprehensive Income (unaudited)

For the six months ended 31 December 2025

	6 Months Ended 31 Dec 2025 $000	6 Months Ended 31 Dec 2024 $000	Year Ended 30 Jun 2025 Audited $000
Revenue from contracts with customers	17,018	25,945	40,919
Other income	74	146	405
Total Revenue and Income	**17,092**	**26,091**	**41,324**
Changes in inventories of finished goods and work in progress	4,008	14,021	20,766
Raw materials and consumables used	8,481	3,047	6,272
Employee benefit expenses	2,138	3,581	6,935
Other expenses	1,775	1,727	2,905
Earnings before Interest, Tax, Depreciation & Amortisation (EBITDA)	**690**	**3,715**	**4,446**
Depreciation	456	424	861
Amortisation	30	27	60
Finance Costs	45	52	94
Finance Income	(108)	(114)	(217)
Net Finance costs/(income)	**(63)**	**(62)**	**(123)**
Profit before Income Tax	**267**	**3,326**	**3,648**
Income Tax	53	983	1,029
Net Profit after Income Tax	**214**	**2,343**	**2,619**
Other Comprehensive Income			
Items that may be reclassified subsequently to profit and loss:			
Exchange gain/(loss) on translation of foreign operations	55	239	86
Other Comprehensive Gain/(Loss) Net of Tax	**55**	**239**	**86**
Total Comprehensive Income for the Year	**269**	**2,582**	**2,705**
Earnings per Share – Net Profit after Tax	**Cents**	**Cents**	**Cents**
Basic earnings per share	1.5	15.9	17.8
Diluted earnings per share	1.4	15.3	17.8

The accompanying notes form an integral part of these consolidated interim financial statements.

Consolidated Statement of Changes In Equity (unaudited)

For the six months ended 31 December 2025

	Share Capital $000	Employee Share Option Plan $000	Foreign Currency Translation Reserve $000	Accumulated Profit $000	Total Equity $000
Balance 1 July 2024	**5,574**	**166**	**21**	**3,241**	**9,002**
Issue of share options to employees	-	36	-	-	36
Dividends paid	-	-	-	(368)	(368)
Transactions with Owners	**-**	**36**	**-**	**(368)**	**(332)**
Profit for the period after tax	-	-	-	2,343	2,343
Other comprehensive loss	-	-	239	-	239
Total Comprehensive Income	**-**	**-**	**239**	**2,343**	**2,582**
Balance 31 December 2024	**5,574**	**202**	**260**	**5,216**	**11,252**
Balance 1 July 2024	**5,574**	**166**	**21**	**3,241**	**9,002**
Lapse of share options to employees	-	(14)	-	-	(14)
Share Buybacks	(9)	-	-	-	(9)
Dividends paid	-	-	-	(368)	(368)
Transactions with Owners	**(9)**	**(14)**	**-**	**(368)**	**(391)**
Profit for the period after tax	-	-	-	2,619	2,619
Other comprehensive income	-	-	86	-	86
Total Comprehensive Income	**-**	**-**	**86**	**2,619**	**2,705**
Balance 30 June 2025 (audited)	**5,565**	**152**	**107**	**5,492**	**11,316**
Share Buybacks	(17)	-	-	-	(17)
Dividends paid	-	-	-	(441)	(441)
Transactions with Owners	**(17)**	**-**	**-**	**(441)**	**(458)**
Profit for the period after tax	-	-	-	214	214
Other comprehensive income	-	-	55	-	55
Total Comprehensive Income	**-**	**-**	**55**	**214**	**269**
Balance 31 December 2025 (unaudited)	**5,548**	**152**	**162**	**5,265**	**11,127**

The accompanying notes form an integral part of these consolidated interim financial statements.

Consolidated Statement of Financial Position (unaudited)

As at 31 December 2025

	As at 31 Dec 2025 $000	As at 31 Dec 2024 $000	As at 30 Jun 2025 Audited $000
Current Assets			
Cash and cash equivalents	5,355	9,405	6,693
Short-term cash deposits	3,000	3,000	4,500
Trade & other receivables	3,275	2,659	3,754
Inventories	499	506	329
Prepayments	357	294	578
Total Current Assets	**12,486**	**15,864**	**15,854**
Current Liabilities			
Trade and other payables	2,831	4,347	4,101
Provision for taxation	63	798	682
Deferred contract revenue	338	186	407
Lease liability	735	735	735
Employee benefit liabilities	705	734	693
Total Current Liabilities	**4,672**	**6,800**	**6,618**
Working Capital	**7,814**	**9,064**	**9,236**
Non-Current Assets			
Property, plant & equipment	1,459	220	220
Right of use assets	1,396	1,431	1,354
Goodwill & intangible assets	1,151	1,229	1,181
Deferred tax benefit	245	226	245
Total Non-Current Assets	**4,251**	**3,106**	**3,000**

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The accompanying notes form an integral part of these consolidated interim financial statements.

Consolidated Statement of Financial Position (unaudited)

As at 31 December 2025

	As at 31 Dec 2025 $000	As at 31 Dec 2024 $000	As at 30 Jun 2025 Audited $000
Non-Current Liabilities			
Lease liability	682	721	652
Long-term Employee benefit liabilities	256	197	268
Total Non-Current Liabilities	**938**	**918**	**920**
Net Assets	**11,127**	**11,252**	**11,316**
Equity			
Share Capital	5,548	5,574	5,565
Employee share option plan	152	202	152
Foreign currency translation reserve	162	260	107
Accumulated profit	5,265	5,216	5,492
Total Equity	**11,127**	**11,252**	**11,316**

For and on behalf of the Board who approved these financial statements for issue on 26 February 2026.

For and on behalf of the Board

John McMahon – Director (Chair)

Date: 26 February 2026

Andy Preece – Director
(Chair of Audit & Risk)

The accompanying notes form an integral part of these consolidated interim financial statements.

Consolidated Statement of Cash Flow (unaudited)

For the six months ended 31 December 2025

	6 Months to 31 Dec 2025 $000	6 Months to 31 Dec 2024 $000	Year to 30 Jun 2025 Audited $000
Cash Flow from Operating Activities			
Cash was provided from:			
Receipts from customers	19,826	29,043	44,911
Other income	74	146	405
	19,900	**29,189**	**45,316**
Cash was applied to:			
Payments to suppliers	19,134	22,695	39,989
Income tax paid	672	983	628
GST and VAT paid/(received)	860	323	406
	20,666	**24,001**	**41,023**
Net Cash Inflow/(Outflow) from Operating Activities	**(766)**	**5,188**	**4,293**
Cash Flow from Investing Activities			
Cash was applied to:			
Transfer to short-term cash deposits	3,000	3,000	4,500
Purchase of property, plant & equipment & capital works in progress	1,309	18	65
	4,309	**3,018**	**4,565**
Cash was provided from:			
Interest received	108	114	217
Transfer from short-term cash deposits	4,500	3,000	3,000
	4,608	**3,114**	**3,217**
Net Cash Inflow/(Outflow) from Investing Activities	**299**	**96**	**(1,348)**

Continued on the next page ...

The accompanying notes form an integral part of these consolidated interim financial statements.

Consolidated Statement of Cash Flow (unaudited)

For the six months ended 31 December 2025

	6 Months to 31 Dec 2025 $000	6 Months to 31 Dec 2024 $000	Year to 30 Jun 2025 Audited $000
Cash Flow from Financing Activities			
Cash was applied to:			
Payment of dividends	441	368	368
Share buy backs	17	-	9
Interest Paid	45	52	94
Lease liability payments	368	409	731
	871	**829**	**1202**
Net Cash Outflow from Financing Activities	**(871)**	**(829)**	**(1,202)**
Net Change in Cash and Cash Equivalents	(1,338)	4,455	1,743
Add cash & cash equivalents held at beginning of year	6,693	4,950	4,950
Cash and Cash Equivalents at End of Year	**5,355**	**9,405**	**6,693**

Reconciliation of net surplus after income tax for the year with net cash inflow from operating activities			
Net surplus after income tax	214	2,343	2,619
Interest expense (reclassified as financing activities)	45	52	94
Interest (income) (reclassified as financing activities)	(108)	(114)	(217)
Add non-cash items:			
Depreciation & Amortisation of assets	486	451	921
Gain/(loss) on foreign exchange	15	(25)	(191)
Other non-cash items	(2)	275	275
Cash Flow from Trading	**650**	**2,982**	**3,501**
Add movements in Working Capital	(1,416)	2,206	792
Net Cash Inflow from Operating Activities	**(766)**	**5,188**	**4,293**

The accompanying notes form an integral part of these consolidated interim financial statements.

Notes to the Financial Statement (unaudited)

For the six months ended 31 December 2025

1. Corporate Information

Basis of Preparation

The condensed unaudited interim financial statements include the accounts of Solution Dynamics Limited (SDL or Company) and its subsidiaries. The condensed unaudited interim financial statements for the six months ended 31 December 2025 were authorised for issue in accordance with a resolution of directors on 26 February 2026.

These unaudited interim financial statements are for the six months ended 31 December 2025 and are presented in rounded thousands NZ$, which is the functional currency of the parent company. They have been prepared in accordance with New Zealand's generally accepted accounting practices and comply with New Zealand Equivalent to International Accounting Standard 34 (NZ IAS 34) and IAS 34 "Interim Financial Reporting" (IAS 34). They do not include all of the information required in annual financial statements in accordance with International Financial Reporting Standards (IFRS) and should be read in conjunction with the consolidated financial statements for the year ended 30 June 2025. The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements for the year ended 30 June 2025.

Solution Dynamics Limited is a public company incorporated and domiciled in New Zealand and is listed on the 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**	**2025**	**2024**
Solution Dynamics International Limited	United Kingdom	100%	100%
Solution Dynamics Incorporated	United States of America	100%	100%
Déjar International Limited	New Zealand	100%	100%
Solution Dynamics Australia Pty Ltd	Australia	100%	n.a

Nature of Operations

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

Accounting Framework

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

The interim financial statements 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. Significant Accounting Policies

Re-presentations

To Improve disclosure effectiveness and to align with the annual financial statements, the Group has made a number of reclassifications to the interim Financial Statements in the current period.

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

3. Estimates

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

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the year ended 30 June 2025.

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

3.1 Revenue, Income, and Segment Reporting

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.

Revenue from contracts with customers

2025 1H	Digital Printing & Document Services	Outsourced Services	Digital Software & Technology	Total
Revenue recognised over time	2,143	7,694	6,293	16,130
Revenue recognised at a point in time	-	487	401	888
Total	**2,143**	**8,181**	**6,694**	**17,018**

2024 1H	Digital Printing & Document Services	Outsourced Services	Digital Software & Technology	Total
Revenue recognised over time	2,442	5,538	17,009	24,989
Revenue recognised at a point in time	-	440	516	956
Total	**2,442**	**5,978**	**17,525**	**25,945**

Other income

	6 Months Ended 31 Dec 2025	6 Months Ended 31 Dec 2024	Year Ended 30 Jun 2025 Audited
Government grant income	67	121	214
Other Income	7	25	191
Total Other Income	**74**	**146**	**405**

3.2 Other Estimates

Seasonality

Communications volumes are typically seasonally stronger in the July to December period meaning that SDL's interim result is typically stronger than its second half financial performance.

4. Segment Information

Segment Assets

Assets are not segmented between service streams.

Information about major customers

Included in revenue from customer contracts of $17.02 million (2024: $25.95 million) are service revenues of $3.29 million (2024: $12.03 million) which arose from sales to the Company's largest customer.

Included in revenue from customer contracts of $17.02 million (2024: $25.95 million) are service revenues of $7.92 million (2024: $16.83 million) which arose from sales of the top five customers in the group.

Geographical information

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

	Revenue from external customers			Non-current assets		
	6 Months to 31 Dec 2025	**6 Months to 31 Dec 2024**	**Year to 30 June 2025**	**As at 31 Dec 2025**	**As at 31 Dec 2024**	**As at 30 June 2025**
New Zealand	11,692	9,754	19,777	4,244	3,096	2,994
Australia	571	551	1,155	-	-	-
United States of America	2,097	13,556	15,467	2	2	2
Europe	2,658	2,084	4,520	5	8	4
Total	**17,018**	**25,945**	**40,919**	**4,251**	**3,106**	**3,000**

5. Cash & Cash Equivalents

	As at 31 Dec 2025	As at 31 Dec 2024	As at 30 June 2025 Audited
Cash at bank	5,355	9,405	6,693
Total Cash and Cash Equivalents	**5,355**	**9,405**	**6,693**

Interest rates on cash and cash equivalents:
Cash at bank 0.90% - 1.60% (2024: 2.50% - 4.80%)

Solution Dynamics has a $200,000 overdraft facility in place with the ANZ Bank at an interest rate of 7.85% p.a. (2024: 14.35%). This facility, which was unused as at 31 December 2025, is to support the operational requirements of the Group. The facility is interest only and is secured by first ranking debenture over the assets of the Group.

6. Short-term Deposits

	As at 31 Dec 2025	As at 31 Dec 2024	As at 30 June 2025 Audited
Short-term deposits (less than 6 months maturity)	3,000	3,000	4,500
Total Short-Term Deposits	**3,000**	**3,000**	**4,500**

Funds in short-term deposits are accessible following a 30-day notice period, subject to approval by the counterparty.

Interest rates on short-term deposits:
Short-term deposits 3.31% – 4.18% (2024: 4.04% - 5.91%).

As at 31 December 2025 the ANZ Bank has imposed no financial covenants to secure the existing facilities. The Group holds a net cash position with no bank debt (2024: $Nil).

As at 31 December 2025 SDL provided commercial guarantees totaling $64,500 (2024: $64,500) to the Group's suppliers.

7. Share Capital & Share-based Payments

The Company had 14,681,492 (2024: 14,719,810) ordinary shares on issue at 31 December 2025. All ordinary shares ranked equally with one vote attached to each fully paid ordinary share and share equally in dividends and surplus on winding up.

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.

Number of Shares	**As at 31 Dec 2025**	**As at 31 Dec 2024**	**As at 30 Jun 2025**
Shares Issued and Fully Paid:			
• Balance at the beginning of the period	14,706	14,720	14,720
• Share Buyback	(25)	-	(14)
Total Shares Authorised at the end of the Period	**14,681**	**14,720**	**14,706**

	31 Dec 2025 Number of Options	**31 Dec 2024 Number of Options**
Outstanding options at the beginning of the period	333	593
Granted	-	-
Outstanding options at the end of the period	**333**	**593**
Percentage of total ordinary shares	2.27%	3.90%

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

Options granted during the period were nil (2024: nil). Share options were approved for 160,000 shares for two key members in 2022 (with an exercise price of $2.25), both remain as employees at 31 December 2025 bringing the total of share options to 332,796.

8. Related Parties

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

Related party transactions from 1 July 2025 to 31 December 2025 were as follows:

Key management were paid $1,289,273 (as employees of Solution Dynamics Limited) during the period (2024: $1,243,648) and were owed $276,311 including annual leave, (2024: $185,714).

9. Events after the Balance Date

The directors approved the payment of a fully imputed interim dividend of 2.0 cents per share, amounting to $293,630 (2024: There were no significant events after balance date).

Company Directory

Nature of Business

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

Directors

John McMahon – Non-independent Chair
Julian Beavis – Independent
Elmar Toime – Independent
Andy Preece – Independent
Lee Eglinton – Independent
Patrick Brand – Appointed 1st January 2026

Company Officers

Patrick Brand
CEO (Stepped down 31 December 2025)

Suzanne Watts
CFO & Company Secretary
Acting CEO (Appointed 1 January 2026)

Auditors

Baker Tilly Staples Rodway Auckland
Level 12, 23-29 Albert Street, Auckland

Bankers

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

Legal Representative

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

Share Registry

Computershare Investor Services Level 2,
159 Hurstmere Rd Takapuna, Auckland

Private Bag 92119 Auckland Mail Centre
Auckland 1142

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