SLI Systems Limited

and its Subsidiaries

Financial Statements

For the year ended 30 June 2014

SLI Systems Limited and its Subsidiaries

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Director's Responsibility Statement

The directors are responsible for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which give a true and fair view of the financial position of the Group as at 30 June 2014 and the results of the Group's operations and cash flows for the year ended on that date.

The financial statements presented cover a period of 12 months from 1 July 2013 to 30 June 2014.

Shareholders will be interested in the performance of the Group compared to the Prospective Financial Information ("PFI") included in the Group's Investment Statement dated 6 May 2013. Comparisons to the PFI are set out in these financial statements at note 3.

The directors believe that proper accounting records have been kept which enable with reasonable accuracy, the determination of the financial position of the Group and facilitate compliance with the Financial Reporting Act 1993.

The directors consider that they have taken adequate steps to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

The Board of Directors of the Group authorised the financial statements presented for issue on 25 August 2014.

For and on behalf of the Board,

Greg Cross

Chairman of Board

Sarah Smith

Chair of Audit and Risk Committee

Independent Auditors' Report

to the shareholders of SLI Systems Limited

Report on the Financial Statements

We have audited the financial statements of SLI Systems Limited ("the Company") on pages 6 to 36, which comprise the balance sheets as at 30 June 2014, the statements of comprehensive income and statements of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 30 June 2014 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

The Directors are responsible for the preparation of these financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate and for such internal controls as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand) and International Standards on Auditing. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company and the Group's preparation of financial statements that give a true and fair view of the matters to which they relate, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company and the Group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have no relationship with, or interests in, SLI Systems Limited or any of its subsidiaries other than in our capacities as auditors and the provider of tax and other assurance services. These services have not impaired our independence as auditors of the Company and the Group.

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Independent Auditors' Report
SLI Systems Limited

Opinion

In our opinion, the financial statements on pages 6 to 36:

(i) comply with generally accepted accounting practice in New Zealand; and

(ii) comply with International Financial Reporting Standards; and

(iii) give a true and fair view of the financial position of the Company and the Group as at 30 June 2014, and their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

We also report in accordance with Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993. In relation to our audit of the financial statements for the year ended 30 June 2014:

(i) we have obtained all the information and explanations that we have required; and

(ii) in our opinion, proper accounting records have been kept by the Company as far as appears from an examination of those records.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' 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 opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants — Christchurch

25 August 2014

SLI Systems Limited and its Subsidiaries
Statement of Comprehensive Income
For the Year Ended 30 June 2014

	Note	Group 2014 $'000	Group one month ended June 2013 $'000	Parent 2014 $'000	Parent one month ended June 2013 $'000
Operating revenue	4	22,117	1,583	-	-
Other income	4	279	25	-	-
Total revenue & other income		**22,396**	**1,608**	**-**	**-**
Operating expenses	5	(12,296)	(916)	(1)	-
Listing costs		-	(1,129)	-	-
Employee entitlements	6	(16,485)	(1,454)	(271)	(168)
Operating (loss) / profit before finance costs		**(6,385)**	**(1,891)**	**(272)**	**(168)**
Finance income	7	472	50	-	-
Net financing income / (cost)		**472**	**50**	**-**	**-**
(Loss) / profit before tax		(5,913)	(1,841)	(272)	(168)
Income tax credit	8	191	24	-	-
(Loss) / profit for the period		**(5,722)**	**(1,817)**	**(272)**	**(168)**
Other comprehensive income recycled through profit and loss					
Currency translation movement		(12)	46	-	-
Total comprehensive (loss) / income for the period attributable to the shareholders of the company		**(5,734)**	**(1,771)**	**(272)**	**(168)**
(Loss) / earnings per share					
Basic (loss) / earnings per share	26	(0.096)	(0.077)		
Diluted (loss) / earnings per share	26	(0.096)	(0.077)		

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

SLI Systems Limited and its Subsidiaries
Statements of Changes in Equity
For the Year Ended 30 June 2014

Group	Share Capital $'000	Share Option Reserve $'000	Translation Reserve $'000	Accumulated Losses $'000	Total Equity $'000
Opening balance at 1 July 2013	16,531	995	46	(1,817)	15,755
(Loss) / profit for the year	-	-	-	(5,722)	(5,722)
Currency translation movement	-	-	(12)	-	(12)
Total comprehensive income for the year	-	-	(12)	(5,722)	(5,734)
Transactions with owners					
Share Options					
- Share options exercised during year	1,143	(241)	-	-	902
- Share option expense for the year	-	525	-	-	525
- Share option expired for the year		(63)		63	-
Balance at 30 June 2014	**17,674**	**1,216**	**34**	**(7,476)**	**11,448**

Group one month ended June 2013	Share Capital $'000	Share Option Reserve $'000	Translation Reserve $'000	Accumulated Losses $'000	Total Equity $'000
Opening balance at 17 April 2013	-	-	-	-	-
(Loss) / profit for the period	-	-	-	(1,817)	(1,817)
Currency translation movement	-	-	46	-	46
Total comprehensive income for the period	-	-	46	(1,817)	(1,771)
Transactions with owners					
Share Options					
- Share options exercised during period	30	(5)	-	-	25
- Share option expense for the period	-	189	-	-	189
Issue of ordinary shares					
- On 31 May 2013 on acquisition of subsidiaries	2,292	811	-	-	3,103
- For cash at IPO	15,000	-	-	-	15,000
- IPO share issue cost	(791)	-	-	-	(791)
Balance at 30 June 2013	**16,531**	**995**	**46**	**(1,817)**	**15,755**

The accompanying notes form part of, and should be read in conjunction with, these financial statements.

SLI Systems Limited and its Subsidiaries
Statements of Changes in Equity
For the Year Ended 30 June 2014

Parent	Share Capital $'000	Share Option Reserve $'000	Accumulated Losses $'000	Total Equity $'000
Opening balance at 1 July 2013	17,322	995	(168)	18,149
(Loss) / profit for the year	-	-	(272)	(272)
Total comprehensive income for the year	-	-	(272)	(272)
Transactions with owners				
Share Options				
- Share options exercised during the year	1,143	(241)	-	902
- Share option expense for the year	-	271	-	271
- Share options pre share transfer for the year	-	254	-	254
- Share option expired for the year	-	(63)	63	-
Balance at 30 June 2014	**18,465**	**1,216**	**(377)**	**19,304**

Parent one month ended June 2013	Share Capital $'000	Share Option Reserve $'000	Accumulated Losses $'000	Total Equity $'000
Opening balance at 17 April 2013	-	-	-	-
(Loss) / profit for the period	-	-	(168)	(168)
Total comprehensive income for the period	-	-	(168)	(168)
Transactions with owners				
Share Options				
- Share options exercised during the period	30	(5)	-	25
- Share option expense for the period	-	168	-	168
- Share options pre share transfer for the period	-	21	-	21
Issue of ordinary shares				
- On 31 May 2013 on acquisition of subsidiary	2,292	811	-	3,103
- For cash at IPO	15,000	-	-	15,000
Balance at 30 June 2013	**17,322**	**995**	**(168)**	**18,149**

SLI Systems Limited and its Subsidiaries
Balance Sheets
As at 30 June 2014

	Note	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
ASSETS					
Current assets					
Cash and cash equivalents	12	11,389	15,382	-	-
Trade and other receivables	13	4,972	4,185	-	-
Taxation receivable	8	30	-	-	-
Receivable from subsidiaries	22	-	-	15,926	15,025
Total current assets		**16,391**	**19,567**	**15,926**	**15,025**
Non-current assets					
Deferred tax assets	9	358	167	-	-
Property, plant and equipment	10	1,589	1,290	-	-
Intangible assets	11	115	162	-	-
Investment in subsidiaries	22	-	-	3,378	3,124
Total non-current assets		**2,062**	**1,619**	**3,378**	**3,124**
Total assets		**18,453**	**21,186**	**19,304**	**18,149**
LIABILITIES					
Current liabilities					
Taxation payable	8	-	76	-	-
Trade and other payables	16	4,967	3,739	-	-
Employee benefits	17	1,966	1,573	-	-
Total current liabilities		**6,933**	**5,388**	**-**	**-**
Non-current liabilities					
Employee benefits	18	57	43	-	-
Deferred tax liabilities	9	15	-	-	-
Total non-current liabilities		**72**	**43**	**-**	**-**
Total liabilities		**7,005**	**5,431**	**-**	**-**
Net assets		**11,448**	**15,755**	**19,304**	**18,149**
EQUITY					
Share capital	15	17,674	16,531	18,465	17,322
Reserves		1,250	1,041	1,216	995
Accumulated losses		(7,476)	(1,817)	(377)	(168)
Total equity		**11,448**	**15,755**	**19,304**	**18,149**
Net tangible asset backing per ordinary security		$0.19	$0.27		

SLI Systems Limited and its Subsidiaries
Statement of Cash Flows
For the Year Ended 30 June 2014

	Note	Group 2014 $'000	Group one month ended June 2013 $'000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		22,109	1,247
Interest received		445	50
Net GST received		87	36
Government grants		271	-
Insurance proceeds		13	-
Cash was applied to:			
Payments made to suppliers and employees		(27,030)	(2,358)
Income tax paid	8	(91)	-
Net cash (outflow) / inflow from operating activities	27	**(4,196)**	**(1,025)**
Cash flows from investing activities			
Cash was provided from / (applied to):			
Purchase of property, plant & equipment	10	(689)	(56)
Purchase of intangibles	11	(10)	-
Cash acquired with subsidiary		-	2,229
Net cash inflow from investing activities		**(699)**	**2,173**
Cash flows from financing activities			
Cash was provided from / (applied to):			
Net proceeds from issue of shares		-	15,000
Cash received from share options exercised		902	25
IPO share issue costs charged to equity		-	(791)
Net cash inflow from financing activities		**902**	**14,234**
Net (decrease) / increase in cash and cash equivalents		**(3,993)**	**15,382**
Cash and cash equivalents at the beginning of the period		15,382	-
Cash and cash equivalents at the end of the period	12	**11,389**	**15,382**

The Parent has no bank account, therefore there are no cash transactions for the Parent.

SLI Systems Limited and its Subsidiaries
Notes to the Financial Statements

1. General information

SLI Systems Limited (the Company, SLI) and its subsidiaries S.L.I. Systems, Inc., SLI Systems (UK) Limited and SLI Systems (Japan) K.K (together the Group) provide site search and navigation technologies to connect site visitors with products on e-commerce websites. The Group has operations in New Zealand, the United States, Australia, the United Kingdom and Japan.

The consolidated financial statements for the Group for the period ended 30 June 2014 were authorised for issue in accordance with a resolution of the Directors on 25 August 2014.

Note 3 sets out the comparison of actual results to the Prospective Financial Information (PFI).

2. Summary of significant accounting policies

The financial statements have been prepared in accordance with New Zealand generally accepted accounting practice ("NZGAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS"), and other applicable Financial Reporting Standards, as appropriate for profit-oriented entities. The financial statements comply with International Financial Reporting Standards ("IFRS").

(a) Basis of preparation

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to the period presented, unless otherwise stated.

The group has adopted External Reporting Board Standard A1 Accounting Standards Framework (For-profit Entities Update) (XRB A1). XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The group is a Tier 1 entity. There was no impact on the current or prior year financial statements.

Entities reporting

The financial statements for the "Parent" are for SLI Systems Limited as a separate legal entity. The consolidated financial statements for the "Group" are for the economic entity comprising SLI Systems Limited and its Subsidiaries.

The Company and Group are designated as profit-oriented entities for financial reporting purposes.

Statutory base

SLI is a limited company, incorporated in New Zealand and registered under the New Zealand Companies Act 1993. The registered office of the Company is 78-106 Manchester Street, Christchurch, New Zealand. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 1993 and the Companies Act 1993.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Critical accounting estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The areas involving a higher degree of judgement or complexity are in the determination of: 1. Research related costs from which Grant income is determined; 2. Share option expense whereby a level of judgement is required to determine the parameters of the Black-Scholes pricing model; 3. The provision for doubtful debts in determining the level of receivables to provide; 4. The determination of the functional currency for S.L.I. Systems, Inc.

Determination of functional currency: NZ IAS 21. The Effects of Changes in Foreign Exchange Rates defines the functional currency as the currency of the primary economic environment in which an entity primarily generates and expends cash. Although a majority of the Group's sales are denominated in US dollars, as the services provided are web based the selling prices are influenced by a series of global factors. The New Zealand economic environment influences a significant proportion of the expenses incurred. In addition funding for the Company is sourced in New Zealand dollars. Therefore the Directors have concluded that the New Zealand dollar is the functional currency of the Company.

(b) Principles of consolidation

Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of SLI Systems Limited as at 30 June 2014 and the results of the subsidiaries for the period then ended. SLI Systems Limited and its subsidiaries together are referred to in these financial statements as the Group or the consolidated entity.

Subsidiaries are entities over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated.

(c) Foreign currency translation

(i) ***Functional and presentation currency***

Items included in the financial statements of each subsidiary are measured using the currency of the primary economic environment in which it operates. The consolidated financial statements are presented in New Zealand dollars, which is the Company's functional currency and the Group's presentation currency.

(ii) ***Transactions and balances***

Foreign currency transactions are translated into the functional currency using a monthly exchange rate set at the start of each month as an estimate of the exchange rate prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

(iii) ***Foreign operations***

The results and balance sheets of all foreign operations that have a currency different from New Zealand dollars are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each profit and loss component of the income statements are translated at average exchange rates; and
- all resulting exchange differences are recognised as other comprehensive income.

(d) Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the provision of services, excluding Goods and Services Tax, Value Added Tax, rebates and discounts. Revenue is recognised as follows:

(i) ***Provision of services***

The provision of services is recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Revenue in advance represents amounts billed to customers in advance of the provision of services and are accounted for as a liability.

Un-invoiced revenue represents the opposite of revenue in advance where services have been provided to customers but have not been invoiced at year end. These amounts have met the revenue recognition criteria of the Group and are shown as a receivable.

(ii) ***Government grants***

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grant income is recognised in the month the relevant expense is incurred.

(e) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the income statement. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related benefits will be realised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income tax levied by the same taxation authority on either the same taxable entity or different entities where there is an intention to settle the balance on a net basis.

(f) Goods and Services Tax (GST)

The financial statements have been prepared so that all components are stated exclusive of GST with the exception of receivables and payables, which are shown inclusive of GST.

(g) Leases

(i) ***The Group is the lessee - Operating leases***

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value.

(i) Trade receivables

Trade receivables are amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised at fair value, less provision for doubtful debts.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within ‘operating expenses’. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against ‘operating expenses’ in the income statement.

(j) Financial assets

Loans and receivables are classified as financial assets. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its assets at initial recognition and re-evaluates this designation at every reporting date.

Classification

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the end of the reporting period which are classified as non-current assets. The Group’s loans and receivables comprise of ‘trade and other receivables’ and cash and cash equivalents in the balance sheet.

Loans and receivables are subsequently carried at cost.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(k) Property, plant and equipment

All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are charged to the income statement during the financial period in which they are incurred.

Depreciation of property, plant and equipment is calculated using diminishing value method so as to expense the cost of the assets over their useful lives. The rates are as follows:

- Computer Equipment 30% - 60%
- Furniture, Equipment & Other 4% - 80%

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

(l) Intangible assets

(i) Research costs are expensed as incurred.

Costs associated with maintaining computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets where the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the capitalised software development costs include the software development employee costs. Other development expenditures that do not meet these criteria are recognised as expenses as incurred. Development costs previously recognised as expenses are not recognised as assets in a subsequent period. Computer software development costs recognised as assets are amortised over their estimated useful lives.

(ii) Other intangible assets acquired are initially measured at cost. Internally generated assets, excluding capitalised development costs, are not capitalised and expenditure is recognised in the income statement in the year in which the expenditure is incurred.

(iii) The useful lives of the Group's intangible assets are assessed to be finite. Assets with finite lives are amortised over their useful lives and tested for impairment whenever there are indications that the assets may be impaired. Amortisation is recognised in the income statement on a straight–line basis over the estimated useful life of the intangible asset, from the date it is available for use.

The estimated useful lives are:

Trademarks / patents	12 -17 years
Software	3 - 5 years

(m) Investments in subsidiaries

The investment in the subsidiaries in the Parent financial statements is stated at cost less impairment.

(n) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year. If not, they are presented as non-current liabilities.

Trade payables are recognised initially at fair value and subsequently measured at cost.

(o) Contributed capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

(p) Provisions

The Group has no provisions for legal claims, service warranties or rental obligations.

(q) Employee benefits

Liabilities for wages and salaries, including non-monetary benefits, long service leave and annual leave are recognised in employee benefits in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Cost for non-accumulating sick leave is recognised when the leave is taken and measured at the rates paid or payable.

(r) Equity settled share option plan

The Employee Share Option Plan allows Group employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense in the Group income statement with a corresponding increase in the share option reserve. In the Parent financial statements the charge relating to the fair value of options that were issued prior to 31 May 2013 is recognised as an increase in investment in subsidiaries. Any charges relating to the fair value of options that are issued on or after 31 May 2013 are recognised as an expense in the Parent. The fair value is measured at grant date and spread over the vesting periods. The fair value of the options granted is measured using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options are granted.

When options are exercised the amount in the share option reserve relating to those options, together with the exercise price paid by the employee, is transferred to share capital.

When any vested options lapse, upon employee termination or unexercised options reaching maturity, the amount in the share option reserve relating to those options is transferred to retained earnings.

(s) Segment reporting

An operating segment is a component of an entity that engages in business activities from which it may earn revenue and incur expenses, whose operating results are regularly reviewed by the entity's Chief Operating Decision Maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available. The Chief Operating Decision-Maker, who is responsible for allocating resources and assessing performance of the Group, has been identified as the CEO.

The Group currently operates in one operating segment providing website search services in New Zealand, United States, Australia, the United Kingdom, Brazil and Japan. Discrete financial information is not produced on a geographical basis and the operating results are reviewed on a group basis.

(t) Changes in accounting policy and disclosures

New and amended standards adopted by the group.

The following standards have been adopted by the group for the first time for the financial year beginning on or after 1 January 2013 and have an immaterial impact on the group:

Amendment to IAS 1, 'Financial statement presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

IAS 19, 'Employee benefits' was revised in June 2011. The changes on the group's accounting policies has been as follows: to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset).

Amendment to IFRS 7, 'Financial instruments: Disclosures', on asset and liability offsetting. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

IFRS 10, 'Consolidated financial statements' builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 11, ‘Joint arrangements’ focuses on the rights and obligations of the parties to the arrangement rather than its legal form. There are two types of joint arrangements: joint operations and joint ventures. Joint operations arise where the investors have rights to the assets and obligations for the liabilities of an arrangement. A joint operator accounts for its share of the assets, liabilities, revenue and expenses. Joint ventures arise where the investors have rights to the net assets of the arrangement; joint ventures are accounted for under the equity method. Proportional consolidation of joint arrangements is no longer permitted.

IFRS 12, ‘Disclosures of interests in other entities’ includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

IFRS 13, ‘Fair value measurement’, aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

Amendments to IAS 36, ‘Impairment of assets’, on the recoverable amount disclosures for non-financial assets. This amendment removed certain disclosures of the recoverable amount of CGUs which had been included in IAS 36 by the issue of IFRS 13. The amendment is not mandatory for the Group until 1 January 2014, however the Group has decided to early adopt the amendment as of 1 January 2013.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing these consolidated financial statement. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

IFRS 9, ‘Financial instruments’, addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments The group is yet to assess IFRS 9’s full impact. The Group will also consider the impact of the remaining phases of IFRS 9 when completed by the Board.

IFRIC 21, ‘Levies’, sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation addresses what the obligating event is that gives rise to pay a levy and when should a liability be recognised. The Group is not currently subjected to significant levies so the impact on the Group is not material.

NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction contracts and is applicable to all entities with revenue. It sets out a 5 step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Company has yet to determine the changes and impact on the Company’s financial statements. The Company will apply this standard from 1 July 2017. The above standard is deemed to not have a material impact on the consolidated financial statements.

3. Comparison to Prospective Financial Information (PFI)

Income Statements
For the year ended 30 June 2014

	Group Actual Year ended 30 June 2014 $'000	Group PFI Year ended 30 June 2014 $'000	Variance $'000
Operating revenue	22,117	22,200	(83)
Other income	279	270	9
Operating expenses	(12,296)	(12,278)	(18)
Employee entitlements	(16,485)	(17,504)	1,019
Operating (loss) / profit before finance costs	**(6,385)**	**(7,312)**	**927**
Net financing income / (costs)	472	230	242
(Loss) / profit before Income tax	**(5,913)**	**(7,082)**	**1,169**
Income tax credit / (expense)	191	(100)	291
(Loss) / profit for the year	**(5,722)**	**(7,182)**	**1,460**
(Loss) / profit attributable to the			-
Shareholders of the Company	**(5,722)**	**(7,182)**	**1,460**
Operating (loss) / profit before financing costs	(6,385)	(7,312)	927
Add back: Depreciation and Amortisation	449	438	11
Earnings before interest, tax, depreciation and amortisation	**(5,936)**	**(6,874)**	**938**

Explanation of variance – Income Statement

Revenue and expense items are materially in line with PFI forecast with the exception of employee entitlements. Employee entitlements are favourable to PFI forecast due to delays in our hiring of staff.

Net financing income is favourable to PFI forecast reflecting higher cash balances and higher than forecast interest rates on term deposits for the year.

Statement of Movement in Equity
For the year ended 30 June 2014

	Group Actual Year ended 30 June 2014 $'000	Group PFI Year ended 30 June 2014 $'000	Variance $'000
Opening Balance at 1 July 2013	15,755	15,503	252
Loss for year	(5,722)	(7,182)	1,460
Net change in foreign currency translation reserve	(12)	-	(12)
Directors and employee share schemes	1,427	335	1,092
Balance at 30 June 2014	**11,448**	**8,656**	**2,792**

Explanation of variance – Statement of Movements in Equity

The main drivers behind the closing equity position being favourable to PFI forecast were the favourable loss for the year and receipts of $902,000 from employees exercising share options during the year.

Balance Sheet
As at 30 June 2014

	Group Actual 30 June 2014 $'000	Group PFI 30 June 2014 $'000	Variance $'000
ASSETS			
Current assets			
Cash and cash equivalents	11,389	7,320	4,069
Trade and other receivables	4,972	4,176	796
Total current assets	**16,361**	**11,496**	**4,865**
Non- current assets			
Property, plant and equipment	1,589	1,878	(289)
Intangible assets	115	102	13
Deferred tax assets	343	136	207
Total non- current assets	**2,047**	**2,116**	**(69)**
Total assets	**18,408**	**13,612**	**4,796**
LIABILITIES			
Liabilities			
Trade and other payables	4,967	3,437	1,530
Employee benefits	2,023	1,511	512
Taxation payable	(30)	8	(38)
Total liabilities	**6,960**	**4,956**	**2,004**
EQUITY			
Total equity	11,448	8,656	2,792
Total Equity and liabilities	**18,408**	**13,612**	**4,796**

Explanation of variance – Balance Sheet

Cash on hand is over $4 million favourable to forecast - see cash flow for explanation of variance.
Trade receivables are higher than forecast but this is offset by the higher income in advance balance that is shown in trade and other payables above. Employee benefits are higher than forecast due to the timing of the payroll periods and to the timing of when staff are taking their annual leave.

Statement of Cash Flows
For the year ended 30 June 2014

	Group Actual Year ended 30 June 2014 $'000	Group PFI Year ended 30 June 2014 $'000	Variance $'000
Cash flows from operating activities			
Receipts from customers	22,109	21,155	954
Receipts from other income	371	244	127
Interest received	445	230	215
Payments made to suppliers and employees	(27,030)	(28,333)	1,303
Income tax paid	(91)	(100)	9
Net cash (outflow) / inflow from operating activities	**(4,196)**	**(6,804)**	**2,608**
Cash flows from investing activities			
Purchase of property, plant & equipment and intangibles	(699)	(942)	243
Cash flows from financing activities			
Net proceeds from capital contributed	902	-	902
Net (decrease) / increase in cash and cash equivalents	**(3,993)**	**(7,746)**	**3,753**
Cash and cash equivalents at the beginning of the year	15,382	15,066	316
Cash and cash equivalents at the end of the year	**11,389**	**7,320**	**4,069**

Explanation of variance – Statement of Cash Flows

Receipts from customers are favourable to PFI forecast reflecting earlier than forecast invoicing and collections from customers. Interest income is favourable due to higher bank balances and favourable to forecast interest rates. Payments to supplier and employees are favourable to PFI because of lower headcount. Funds received of $902,000 from the exercise of share options are also favourable to forecast.

4. Revenue and other income

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Revenue from sale of services	22,117	1,583	-	-
Government grants received and receivable	267	25	-	-
Insurance proceeds	12	-	-	-
Total revenue and other income	**22,396**	**1,608**	**-**	**-**

Revenue for the Group by the geographic origination of sales is analysed below.

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
United States	12,974	974	-	-
United Kingdom	4,189	276	-	-
Australia	2,486	194	-	-
Brazil	1,510	61	-	-
New Zealand	669	27	-	-
Rest of the world	289	51	-	-
	22,117	**1,583**	**-**	**-**

5. Operating expenses

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Operating expenses include:				
Amortisation of intangible assets	57	5	-	-
Bad debts written off	290	63	-	-
Movement in provision for doubtful debts	(28)	(30)	-	-
Depreciation on property, plant & equipment	391	22	-	-
Directors' fees	241	18	-	-
Fees paid to auditors (Note 28)	106	168	-	-
Operating leases expenses	622	62	-	-
Loss / (gain) on foreign exchange transactions	444	(43)	-	-

6. Employee entitlements

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Wages and salaries	15,724	1,254	-	-
Share option expense	525	189	271	168
Employer contribution to defined contribution plans	236	11	-	-
Total employee entitlements	**16,485**	**1,454**	**271**	**168**

Employee benefit costs incurred on research activities are included within employee entitlements disclosed above. The cost of employee entitlements associated with research costs is $1,049,000 (2013 $106,000). Total amounts attributable to research costs during the year is $1,336,000 (2013 $125,000). During the year there were no activities which met the definition of development expenditure.

7. Finance Income

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Interest income	472	50	-	-
Finance Income	**472**	**50**	**-**	**-**

8. Taxation

(a) Income tax (credit) / expense can be reconciled to accounting (loss) / profit as follows:	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Accounting (loss) / profit before tax	(5,913)	(1,841)	(272)	(168)
Tax at the Group's effective income tax rate of 28%	(1,656)	(515)	(76)	(47)
Adjustments in respect of current income tax of previous years	(26)	-	-	-
Tax effect of non deductible expenditure	170	339	76	47
Tax effect of deduction for share options exercised in UK	(79)	-	-	-
Unrecognised current year tax losses	1,477	158	-	-
Tax effect of foreign jurisdictions	15	-	-	-
Other	(92)	(6)	-	-
Aggregate income tax (credit) / expense	**(191)**	**(24)**	**-**	**-**
Comprising				
Current tax				
- Current year tax	23	5	-	-
- Prior year adjustment	(38)	-	-	-
Deferred tax	(176)	(29)	-	-
Income tax (credit) / expense	**(191)**	**(24)**	**-**	**-**

(b) Recognised tax (assets) / liabilities	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Opening balance	76	-	-	-
On acquisition of subsidiary	-	71	-	-
Charged to income	23	5	-	-
Tax paid	(91)	-	-	-
Prior year adjustment	(38)	-	-	-
Closing balance	**(30)**	**76**	**-**	**-**

(c) Imputation credit balance	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Opening balance	-	-	-	-
On acquisition of subsidiary	-	25	-	-
Income tax payments, adjustments and transfers during the year	-	-	-	-
Loss of shareholder continuity	-	(25)	-	-
Closing balance	**-**	**-**	**-**	**-**

9. Deferred taxation

Deferred tax asset / (liability):	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Opening Balance	167	-	-	-
On acquisition of subsidiary	-	138	-	-
Credited to income	85	29	-	-
Prior year adjustment	91	-	-	-
Closing balance	**343**	**167**	**-**	**-**

Deferred income tax at 30 June relates to the following:	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Deferred tax assets:				
Employee entitlements and other temporary differences	233	278	-	-
Provisions	74	-	-	-
Doubtful Debts	49	-	-	-
Other	2	-	-	-
Gross recognised deferred tax assets	**358**	**278**	**-**	**-**
Deferred tax liabilities:				
Property, plant and equipment	(15)	(111)	-	-
Gross recognised deferred tax liabilities	**(15)**	**(111)**	**-**	**-**
Net recognised deferred tax asset	**343**	**167**	**-**	**-**

It is not anticipated that deferred tax balances will be recovered within 12 months. Deferred tax assets and liabilities have been offset where the balances are due to / received from the same tax authority. The Company has unrecognised New Zealand tax losses available to carry forward of $5,173,000 (2013 $692,000) subject to shareholder continuity being maintained as required by New Zealand tax legislation and subject to confirmation from the relevant tax authorities.

10. Property, plant and equipment

	Computer Equipment $'000	Furniture, Equipment & Other $'000	Total $'000
Year ended 30 June 2014			
Group			
Cost			
Balance at 1 July 2013	802	1,116	1,918
Currency translation movement	-	-	-
Additions	262	427	689
Disposals	-	-	-
Balance at 30 June 2014	**1,064**	**1,543**	**2,607**
Depreciation			
Balance at 1 July 2013	(494)	(134)	(628)
Currency translation movement	1	-	1
Depreciation expense	(202)	(189)	(391)
Balance at 30 June 2014	**(695)**	**(323)**	**(1,018)**
Net carrying amount	**369**	**1,220**	**1,589**

	Computer Equipment $'000	Furniture, Equipment & Other $'000	Total $'000
Period ended 30 June 2013			
Group			
Cost			
Balance at 17 April 2013	-	-	-
On acquisition of subsidiary	776	1,079	1,855
Currency translation movement	6	1	7
Additions	20	36	56
Balance at 30 June 2013	**802**	**1,116**	**1,918**
Depreciation			
Balance at 17 April 2013	-	-	-
On acquisition of subsidiary	(482)	(121)	(603)
Currency translation movement	(2)	(1)	(3)
Depreciation expense	(10)	(12)	(22)
Balance at 30 June 2013	**(494)**	**(134)**	**(628)**
Net carrying amount	**308**	**982**	**1,290**

There are no fixed assets in the Parent company.

The net carrying value of property, plant and equipment held in New Zealand is $996,000, within the United States $407,000, within United Kingdom $161,000, within Australia $23,000 and within Japan $2,000.

11. Intangible assets

	Patents & Trademarks $'000	Software $'000	Total $'000
Year ended 30 June 2014			
Group			
Cost			
Balance at 1 July 2013	486	107	593
Additions	-	10	10
Balance at 30 June 2014	**486**	**117**	**603**
Amortisation			
Balance at 1 July 2013	(367)	(64)	(431)
Amortisation	(35)	(22)	(57)
Balance at 30 June 2014	**(402)**	**(86)**	**(488)**
Net carrying value	**84**	**31**	**115**

	Patents & Trademarks $'000	Software $'000	Total $'000
Period ended 30 June 2013			
Group			
Cost			
Balance at 17 April 2013	-	-	-
On acquisition of subsidiary	486	107	593
Balance at 30 June 2013	**486**	**107**	**593**
Amortisation			
Balance at 17 April 2013	-	-	-
On acquisition of subsidiary	(364)	(62)	(426)
Amortisation	(3)	(2)	(5)
Balance at 30 June 2013	(367)	(64)	(431)
Net carrying value	**119**	**43**	**162**

There are no intangible assets in the Parent company.

Management assesses the costs incurred in developing software against clause (l) (i) of the Accounting Policies (which is in accordance with the recognition criteria set out in NZ IAS 38 Intangible Assets) and on the basis that certain aspects of the criteria have not been met no development costs have been capitalised in the above numbers.

All intangible assets have been purchased from third parties.

SLI Systems Limited and its Subsidiaries
Notes to the Financial Statements

12. Cash and cash equivalents

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Cash at bank and on hand	3,602	2,537	-	-
Short-term bank deposits	7,787	12,845	-	-
	11,389	**15,382**	**-**	**-**

As at balance date the amounts held in foreign currencies were as follows, all values shown in NZD:

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
US dollars	1,253	554	-	-
Great British pounds	769	465	-	-
Australian dollars	724	271	-	-
Japanese yen	21	-	-	-

13. Trade and other receivables

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Gross trade receivables	3,522	2,842	-	-
Provision for impairment of receivables	(240)	(268)	-	-
Net trade receivables	3,282	2,574	-	-
Un-invoiced revenue	1,109	1,051	-	-
Prepayments and other receivables	581	560	-	-
Total trade and other receivables	**4,972**	**4,185**	**-**	**-**

14. Trade receivables provisioning

(a) Impaired receivables

As at 30 June 2014 trade receivables with a nominal value of $240,000 (30 June 2013 $268,000) were impaired in respect of the Group. For the Parent the amount was nil (30 June 2013 nil). The ageing analysis of these trade receivables is as follows:

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
1-60 days overdue	18	-	-	-
61-90 days overdue	52	16	-	-
91+ days overdue	170	252	-	-
Impairment provision	240	268	-	-

(b) Past due but not impaired

As at 30 June 2014 trade receivables of the Group of $328,000 (30 June 2013 $93,000) were past due but not impaired. The past due but not impaired for the Parent was nil (30 June 2013 nil). These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
1-30 days overdue	57	32	-	-
Greater than 31 days overdue	271	61	-	-
	328	93	-	-

(c) Provision for impairment of receivables

Movements in the provision for impairment of receivables are as follows:

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Opening balance at 17 April 2013	268	-	-	-
On acquisition of subsidiary	-	298	-	-
Unused amounts written back	(28)	(30)	-	-
Closing balance	240	268	-	-

(d) As at balance date the amounts receivable in foreign currency were as follows, all values shown in NZD**:**

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
US dollars	2,984	2,518	-	-
Great British pounds	1,028	679	-	-
Australian dollars	436	416	-	-
Japanese yen	17	-	-	-

15. Contributed equity

Current Period	2014 Shares	Group 2014 $'000	Parent 2014 $'000
(a) Ordinary share capital			
Ordinary shares	60,498,018	17,674	18,465
Issued and fully paid (no par value)			

The total number of ordinary shares on issue as at 30 June 2014 is 60,498,018 shares. All shares are fully paid.

	Number of Ordinary shares	Group 2014 $'000	Parent 2014 $'000
Balance at 1 July 2013	58,137,106	16,531	17,322
Share options exercised	2,360,912	1,143	1,143
Balance at 30 June 2014	**60,498,018**	**17,674**	**18,465**

Prior Period	2013 Shares	Group 2013 $'000	Parent 2013 $'000
(a) Ordinary share capital			
Ordinary shares	58,137,106	16,531	17,322
Issued and fully paid (no par value)			

The total number of ordinary shares on issue as at 30 June 2013 is 58,137,106 shares. All shares are fully paid.

	Number of Ordinary shares	Group 2013 $'000	Parent 2013 $'000
Issued on Incorporation	1	-	-
Shares issued from share exchange	48,068,531	2,292	2,292
Shares issued at IPO	10,000,000	15,000	15,000
Share options exercised	68,574	30	30
IPO share costs	-	(791)	-
Balance at 30 June 2013	**58,137,106**	**16,531**	**17,322**

All share issue costs were incurred by the subsidiaries.

In consideration for the net assets acquired, existing shareholders of S.L.I. Systems, Inc. exchanged all shares to acquire shares in SLI Systems Limited.

(b) Redeemable shares

On 31 May 2013, the Company issued 399,999 unlisted redeemable shares, with an issue price of $1.50, which were allotted to independent directors, as contemplated in the Prospectus dated 6 May 2013.

On 20 December 2013, the Company issued 107,527 unlisted redeemable shares, with an issue price of $1.86, to Andrew Lark, an independent director, as approved by Board resolution on the 19 December 2013. The issue of these unlisted redeemable shares is dependent on the approval of shareholders at the next annual general meeting.

The redeemable shares have the same rights and terms, and rank uniformly in all respects with the ordinary shares in the Company.

In satisfaction of the issue price of the redeemable shares, the Company provided loans to the redeemable shareholders of $800,000 in aggregate (30 June 2013 $600,000). The loans provided are interest free, have recourse only against the redeemable shares and are repayable in full on 31 May 2016 ($600,000) and 20 December 2016 ($200,000), or some other date under certain conditions. The substance of these transactions is similar in nature to the issuing of share options and as such are valued in accordance with Note 24 using the Black-Scholes pricing model. As at 30 June 2014, no cash has been exchanged in relation to these transactions and the loans are not recognised in the financial statements.

The redeemable shares vest immediately. Upon repayment of the loan, the redeemable shares automatically reclassify into ordinary shares in the Company.

The unlisted redeemable shares as at 30 June 2014 are as follows:

	Unlisted redeemable shares	**Loan $'000**
Greg Cross	133,333	200,000
Sarah Smith	133,333	200,000
Sam Knowles	133,333	200,000
Andrew Lark	107,527	200,000
	507,526	800,000

16. Trade and other payables

	Group 2014 $'000	**Group 2013 $'000**	**Parent 2014 $'000**	**Parent 2013 $'000**
Trade payables	797	481	-	-
Revenue in advance	3,441	2,683	-	-
Other payables and accrued expenses	729	575	-	-
	4,967	**3,739**	-	-

17. Current employee benefits

	Group 2014 $'000	**Group 2013 $'000**	**Parent 2014 $'000**	**Parent 2013 $'000**
Liability for annual and long service leave	807	685	-	-
Other employee payables	1,159	888	-	-
	1,966	**1,573**	-	-

As at balance date the amounts payable (including revenue in advance and employee entitlements) in foreign currency were as follows:

	Group 2014 $'000	**Group 2013 $'000**	**Parent 2014 $'000**	**Parent 2013 $'000**
US dollars	3,936	3,025	-	-
Great British pounds	1,203	894	-	-
Australian dollars	571	471	-	-
Japanese yen	1	-	-	-

18. Non-current employee benefits

	Group 2014 $'000	**Group 2013 $'000**	**Parent 2014 $'000**	**Parent 2013 $'000**
Liability for long service leave	57	43	-	-
	57	**43**	-	-

19. Operating lease commitment

Non-cancellable operating lease rentals are payable as follows:	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Less than one year	1,129	683	-	-
Between one and five years	2,758	2,154	-	-
More than five years	-	-	-	-
	3,887	**2,837**	**-**	**-**

The Group leases properties. Operating leases held over certain properties give the Group the right to renew the lease subject to a redetermination of the lease rental by the lessor, however potential commitments beyond the renewal dates have not been included in the above commitments.

20. Capital commitments

The Parent and Group have no material contractual obligations to purchase plant and equipment at 30 June 2014 (30 June 2013 nil).

21. Contingencies

There are no contingencies at 30 June 2014 (30 June 2013 nil).

22. Subsidiaries

Name	Country of Incorporation	Ownership 2014	Ownership 2013
S.L.I Systems, Inc.	United States	100%	100%
SLI Systems (UK) Limited (owned 100% by S.L.I Systems, Inc)	United Kingdom	100%	100%
SLI Systems (Japan) K.K.	Japan	100%	-

On 18 October 2013, SLI Systems (Japan) K.K was incorporated.

Investment in subsidiary

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Shares in subsidiary as at 1 July 2013	-	-	3,124	3,103
Share options pre share transfer	-	-	254	21
Shares in subsidiary as at 30 Jun 2014	-	-	**3,378**	**3,124**

Receivable from subsidiary

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Receivable from subsidiary as at 1 July 2013	-	-	15,025	15,000
Funds received from share options exercised	-	-	902	25
Other	-	-	(1)	-
Receivable from subsidiary as at 30 Jun 2014	-	-	**15,926**	**15,025**

23. Related parties

Parent and ultimate controlling party

The immediate parent and ultimate controlling party of the Group is SLI Systems Limited.

Related party transactions and balances

Directors' holdings of options, preference shares and associated loans are disclosed in Notes 15 and 24.

Marder Media Group. Inc. (of which Steven Marder is a director) is a shareholder of Delivery Agent which is a customer of S.L.I Systems, Inc. Revenue recognised in the year $162,000 (2013 $14,000).

Group Lark Pty Ltd (of which Andrew Lark is a director) provided consulting services to S.L.I Systems, Inc. Consultancy fees charged to the Group for the period in which Mr Lark was a director were $29,000 (2013 nil).

Key management personnel remuneration

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, and include the Chief Executive, his direct reports and Directors. The following table summarises remuneration paid to key management personnel.

	Group 2014 $'000	Group 2013 $'000
Directors Fees	239	18
Directors' redeemable preference shares expense	58	166
Employee Entitlements	2,042	184
Share options (under Employee Share Options Scheme)	54	1

24. Share options

Options to subscribe for shares have been issued to certain directors, employees and some advisors of the Company. The purpose of the plan is to provide an incentive to attract, retain and reward individuals performing services for the Company and to motivate such individuals to contribute to the growth and profitability of the Company.

The options shall be exercisable to the extent of 1/4 of the options as of the one year anniversary after the grant date, then an additional 1/36th of the remaining balance on a monthly basis, so that the options are fully exercisable on the fourth anniversary of the grant date. The options are no longer exercisable on the first to occur of i) the 10th anniversary of the grant date, ii) the last date for exercising the option following termination of the Optionee's Service or iii) its termination in connection with a change in control in the Company.

The functional and presentation currency of the financial statements is in New Zealand dollars however a significant majority of the options have an exercise price denominated in US dollars so the tables below are presented in USD where appropriate.

Current Year *Reconciliation of outstanding options*	No of options 2014	Weighted average exercise price US$ 2014
Balance at 1 July 2013	8,663,574	0.46
Expired during the year	(772,985)	0.81
Exercised during the year	(2,360,912)	0.31
Issued during the year	1,257,282	1.66
Balance at 30 June 2014	**6,786,960**	**0.71**
Exercisable at 30 June 2014	4,487,595	0.50

Prior Period *Reconciliation of outstanding options*	**No of options 2013**	**Weighted average exercise price US$ 2013**
Balance at 17 April 2013	-	-
On acquisition of subsidiary	8,263,152	0.41
Exercised during the period	(68,574)	0.29
Issued during the period	468,996	1.29
Balance at 30 June 2013	**8,663,574**	**0.46**
Exercisable at 30 June 2013	5,216,737	0.32

The weighted average of the total options at the end of the year is USD 71 cents which equates to NZD 81 cents at year end exchange rates.

Share options outstanding at the end of the period have the following characteristics:

Number of options	**Range of exercise price per share**	**Weighted average contractual life at balance date 2014 (years)**
566,800	US $0.29 - $0.33	2.7
3,469,193	US $0.33	6.2
270,375	US $0.68	7.9
576,414	US $0.75	8.2
278,100	US $0.78	8.7
483,996	NZ $1.50	8.9
810,882	NZ $1.51 - $1.94	9.4
27,600	NZ $1.95 - $1.99	9.6
82,800	NZ $2.00 - $2.06	9.3
13,800	NZ $2.06 - $2.19	9.6
55,200	NZ $2.20 - $2.39	9.8
151,800	NZ $2.40 - $2.60	9.7

Measurement of fair value

The fair value of the options granted was measured based on the Black-Scholes pricing model. Expected volatility is estimated by considering historic average share price volatility and internal valuation volatility.

The inputs used in the measurement of the fair values at grant date of the share based payment plans were as follows for USD$ options:

USD$ options	**2014**	**2013**
Fair value at grant date (weighted average USD$)	0.10	0.10
Share price at grant date (weighted average USD$)	0.42	0.40
Exercise price (weighted average USD$)	0.42	0.39
Expected volatility (weighted average)	20% to 30%	20% to 30%
Expected life (weighted average)	4	4
Risk-free interest rate (weighted average)	3.0%	3.0%

The inputs used in the measurement of the fair values at grant date of the share based payment plans were as follows for NZD$ options:

NZD$ options	**2014**	**2013**
Fair value at grant date (weighted average NZD$)	0.54	0.43
Share price at grant date (weighted average NZD$)	1.86	1.55
Exercise price (weighted average NZD$)	1.86	1.55
Expected volatility (weighted average)	30%	30%
Expected life (weighted average)	4	4
Risk-free interest rate (weighted average)	3.4%	2.6%

Directors

The following directors hold the following number of options as at balance date:

	Exercise price	
Shaun Ryan	US$0.33	49,260
Greg Cross	US$0.33	120,000

25. Financial risk management

(i) Financial instrument classification

	Group		Group	
	Loans and receivables 2014 $'000	Other at amortised cost 2014 $'000	Loans and receivables 2013 $'000	Other at amortised cost 2013 $'000
Assets				
Cash and cash equivalents	11,389	-	15,382	-
Trade and other receivables	4,972	-	4,185	-
Total current assets	**16,361**	**-**	**19,567**	**-**
Total financial assets	**16,361**	**-**	**19,567**	**-**
Liabilities				
Trade and other payables	-	6,933	-	5,388
Total current liabilities	**-**	**6,933**	**-**	**5,388**
Other payables	-	57	-	43
Total non-current liabilities	-	**57**	-	**43**
Total financial liabilities	-	**6,990**	-	**5,431**

	Parent		Parent	
	Loans and receivables 2014 $'000	Other at amortised cost 2014 $'000	Loans and receivables 2013 $'000	Other at amortised cost 2013 $'000
Assets				
Cash and cash equivalents	-	-	-	-
Trade and other receivables	15,926	-	15,025	-
Total current assets	**15,926**	**-**	**15,025**	**-**
Total financial assets	**15,926**	**-**	**15,025**	**-**
Liabilities				
Trade and other payables	-	-	-	-
Total current liabilities	**-**	**-**	**-**	**-**
Other payables	-	-	-	-
Total non-current liabilities	**-**	**-**	**-**	**-**
Total financial liabilities	**-**	**-**	**-**	**-**

(ii) Financial risk factors

The Group's activities expose it to a variety of financial risks, market risks (including interest rate risk and currency risk), liquidity risk and credit risk.

Interest rate risk

The Group's interest rate risk arises from its cash balances. These are placed on deposit at variable rates that expose the Group to cash flow interest rate risk. The Group does not enter into forward rate agreements or any interest rate hedges.

The Company's management regularly reviews its banking arrangements to ensure that it achieves the best returns on its funds while maintaining access to necessary cash levels to service the Group's day-to-day activities.

Liquidity risk

Liquidity risk is the risk that the Company or Group cannot pay contractual liabilities as they fall due. The Group has no debt and therefore management remains focused on growing sufficient revenue from sales to cover the on-going costs of operation and continuously monitoring forecasts and actual cash flows.

Generally trade payables are settled with 30 days and the employee benefits (accrued wages and salaries, holiday pay and long service leave) will be settled within 12 months with the exception of $57,000 for long service leave that will be settled after more than 12 months.

Credit risk

Where the Group has a receivable from another party, there is a credit risk in the event of non-performance by that other party. Financial instruments that potentially subject the Group to credit risk principally consist of bank balances and receivables. The Group manages its exposure to credit risk by monitoring the credit quality of the financial institutions that hold its cash balances. The credit risk associated with trade receivables is small because of the inherently low individual transaction value and the spread over many customers.

Maximum exposure to credit risk at balance date:

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
Cash and cash equivalents	11,389	15,382	-	-
Trade and other receivables	4,972	4,185	-	-
Total	**16,361**	**19,567**	**-**	**-**

Foreign currency risk

The Group faces the risk of movements in foreign currency exchange rates against the New Zealand dollar. The Group operates in three main currencies, being US dollars, UK pounds, and Australian dollars. As a result the Group's income statement and balance sheet can be affected by movements in exchange rates.

There is a partial natural hedge in respect of the costs being incurred in each foreign jurisdiction. The Group does not use derivatives to hedge its foreign currency risk.

The Group holds financial assets and liabilities denominated in foreign currency and the Group has subsidiaries whose reporting currency is not New Zealand dollars. The potential impact on the Group's results for the year ended 30 June 2014 if the New Zealand dollar had changed to a closing rate of 10% higher / lower than other operating currencies, with all other variables remaining constant, is set out below;

	Group 2014 $'000	Parent 2014 $'000	Group 2013 $'000	Parent 2013 $'000
Appreciation of NZD against foreign currency (10%)				
(Decrease) / increase in profit / (loss) before tax	(152)	-	(51)	-
(Decrease) / increase in equity after tax	(208)	-	(134)	-
Depreciation of NZD against foreign currency (10%)				
(Decrease) / increase in profit / (loss) before tax	152	-	51	-
(Decrease) / increase in equity after tax	208	-	134	-

Capital risk management

The Group's capital includes contributed equity, reserves and accumulated losses. The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure.

Fair value

The carrying value for cash and cash equivalents, trade receivables, trade payables, and accruals are assumed to approximate their fair values due to the short term maturity of these assets and liabilities.

26. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares on issue during the period.

Diluted earnings per share is calculated by adjusting the weighted average number of shares outstanding to assume conversion of all dilutive potential ordinary shares. The Group's dilutive potential ordinary shares are in the form of share options / performance rights. As the Group has made a loss during the current year, there are no dilutive potential ordinary shares and therefore basic and diluted earnings per share are the same.

	Group 2014	**Group 2013**
Net (loss) / profit after tax	($5,722,000)	($1,817,000)
Ordinary shares on issue	60,498,018	58,137,106
Weighted average number of shares on issue	59,770,724	23,563,534
Basic (loss) / earnings per share	(0.096)	(0.077)
Diluted (loss) / earnings per share	(0.096)	(0.077)

27. Reconciliation from the net (loss) / profit after tax to the net cash from operating activities

	Group 2014 $'000	**Group 2013 $'000**
Net (loss) / profit after tax	(5,722)	(1,817)
Adjustments		
Depreciation	391	22
Amortisation	57	5
(Gain) / loss on foreign exchange transactions	(13)	42
Share option expense	525	189
Changes in working capital items		
(Increase) / decrease in trade receivables & prepayments	(29)	(229)
(Decrease) / increase in trade payables & accruals	831	776
(Increase) / decrease in GST	46	11
(Increase) / decrease in tax	(282)	(24)
Net cash outflow from operating activities	**(4,196)**	**(1,025)**

28. Remuneration of auditors

During the period the following fees were paid or payable for services provided by the auditor of the Group

	Group 2014 $'000	**Group 2013 $'000**	**Parent 2014 $'000**	**Parent 2013 $'000**
Audit of financial statements				
Audit and review of financial statements (1)	79	26	-	-
Other services				
Assurance services – due diligence on IPO	-	142	-	-
Tax services (2)	15	-	-	-
Other services (3)	12	-	-	-
Total remuneration for audit services	**106**	**168**	**-**	**-**

1. The audit fee includes the fees for both annual audit of the Group and SLI Systems (UK) Limited financial statements and the review of the Group interim financial statements.

2. Tax services relate to review of the current group structure.

3. Other services include an agreed upon procedures engagement and assisting in developing the remuneration charter.

29. Subsequent events

There have been no material subsequent events after 30 June 2014.