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INVESTMENT STATEMENT INFORMATION

IMPORTANT INFORMATION

(The information in this section is required under the Securities Act 1978.)

INVESTMENT DECISIONS ARE VERY IMPORTANT.

- // They often have long-term consequences.
- // Read all documents carefully.
- // Ask questions.
- // Seek advice before committing yourself.

CHOOSING AN INVESTMENT

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

- What sort of investment is this? (page v)
- Who is involved in providing it for me? (page v)
- How much do I pay? (page v)
- What are the charges? (page v)
- What returns will I get? (pages v to vi)
- What are my risks? (pages vi to xi)
- Can the investment be altered? (page xi)
- How do I cash in my investment? (pages xi to xii)
- Who do I contact with inquiries about my investment? (page xii)
- Is there anyone to whom I can complain if I have problems with the investment? (page xii)
- What other information can I obtain about this investment? (page xii)

In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.

THE FINANCIAL MARKETS AUTHORITY REGULATES CONDUCT IN FINANCIAL MARKETS

The Financial Markets Authority regulates conduct in New Zealand’s financial markets. The Financial Markets Authority’s main objective is to promote and facilitate the development of fair, efficient, and transparent financial markets.

For more information about investing, go to <http://www.fma.govt.nz>.

FINANCIAL ADVISERS CAN HELP YOU MAKE INVESTMENT DECISIONS

Using a financial adviser cannot prevent you from losing money, but it should be able to help you make better investment decisions.

Financial advisers are regulated by the Financial Markets Authority to varying levels, depending on the type of adviser and the nature of the services they provide. Some financial advisers are only allowed to provide advice on a limited range of products.

When seeking or receiving financial advice, you should check -

- the type of adviser you are dealing with;
- the services the adviser can provide you with; and
- the products the adviser can advise you on.

A financial adviser who provides you with personalised financial adviser services may be required to give you a disclosure statement covering these and other matters. You should ask your adviser about how he or she is paid and any conflicts of interest he or she may have.

Financial advisers must have a complaints process in place and they, or the financial services provider they work for, must belong to a dispute resolution scheme if they provide services to retail clients. So if there is a dispute over an investment, you can ask someone independent to resolve it.

Most financial advisers, or the financial services provider they work for, must also be registered on the financial service providers register. You can search for information about registered financial service providers at <http://www.fspr.govt.nz>.

You can also complain to the Financial Markets Authority if you have concerns about the behaviour of a financial adviser.

IMPORTANT NOTICE

This Offer Document is for an initial public offer (“Offer”) of Shares in SLI Systems Limited (the “Company”).

It is an investment statement for the purposes of the Securities Act 1978 and the Securities Regulations 2009, and has been prepared as at, and is dated, 6 May 2013.

The purpose of this Offer Document is to provide certain key information that is likely to assist a prudent but non-expert person to decide whether or not to acquire Shares in the Company under the Offer. However, investors should note that other important information about the Offer, the Shares and the Company is available in the registered prospectus in respect of the Offer (“Prospectus”) and in the information available for inspection at the registered office of the Company (described further under the heading “*What other information can I obtain about this investment?*” further below in this “Investment Statement Information” section). You should read all of this Offer Document and the accompanying documentation before deciding whether or not to invest under this Offer.

No person is authorised to give any information or make any representation in connection with this Offer, which is not contained in this Offer Document, the Prospectus or in other communications from the Directors. Any information or representation not so contained may not be relied upon as having been authorised by the Company.

CONSIDERATION PERIOD

Pursuant to section 43D of the Securities Act 1978, the Company is unable to allot any Shares or accept any applications or subscriptions in respect of the Offer during the Financial Markets Authority “Consideration Period”.

The Consideration Period commences on the date of registration of the Prospectus and ends at the close of the day which is five working days after the date of registration.

The Financial Markets Authority may shorten this Consideration Period, or extend it by no more than five additional working days.

NO GUARANTEE

No person guarantees the Shares offered under this Offer Document.

FORWARD LOOKING STATEMENTS

This Offer Document contains certain statements which relate to the future. Such statements are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company and its subsidiaries as at allotment (together “SLI Group”) and which may cause actual results, performance or achievements of SLI Group to differ materially from those expressed or implied by such statements.

RISK AND SUITABILITY OF AN INVESTMENT IN THE COMPANY

This Offer Document does not take into account each investor’s investment objectives, financial situation and particular needs. You should read this Offer Document in full before deciding whether to invest. In particular, you should consider the risk

factors that could affect SLI Group’s performance (including those set out under the heading “*What are my risks?*” further below in this “Investment Statement Information” section, particularly with regard to your personal circumstances. If you are in any doubt as to the action you should take, consult your stockbroker, solicitor, accountant or other financial adviser before deciding to invest.

SOURCES

Information in this Offer Document on the ecommerce market is from independent market research, but none of the sources referred to have been involved in the preparation of this Offer Document.

DEFINITIONS

Capitalised terms used in this Offer Document have the specific meaning given to them in section 11 “Glossary”.

Unless otherwise indicated, \$ or NZ\$ refers to New Zealand Dollars and all references to time are to time in New Zealand.

ANSWERS TO IMPORTANT QUESTIONS



WHAT SORT OF INVESTMENT IS THIS?

The Company is offering 18 million Shares at an Offer Price of \$1.50 per Share to New Zealand resident clients of brokers and to Institutional Investors. There is no public pool under the Offer. In addition, this Offer Document also applies if employees of SLI elect to exercise options. Further details of the Offer are set out in section 6 “Details of the Offer”. Each Share confers on the holder the right to:

- attend and vote at meetings of Shareholders, including the right to cast one vote on a poll on any ordinary or special resolution of Shareholders;
- an equal share in dividends and other distributions made by the Company. However, the Directors do not anticipate the Company will make distributions for the foreseeable future. Further details of the current dividend policy are set out under the heading “*What returns will I get?*” further below in this “Investment Statement Information” section;
- an equal share in the distribution of the surplus assets in a liquidation of the Company;
- be sent certain information, including notices of meetings and company reports, sent to Shareholders generally; and
- exercise all other rights that are conferred on Shareholders by the Companies Act 1993 and the Company’s Constitution.

The Company is also assuming SLI’s obligations under stock options as described in sections 6.4 “Acquisition of SLI” and 8.4 “Share option schemes”.

WHO IS INVOLVED IN PROVIDING IT FOR ME?

The Company is the issuer of the Shares. Its registered office is currently at 1st Floor, Epic Centre, 78 - 106 Manchester Street, Christchurch, 8011. The names of the Directors are set out in section 7 “Board and Management” and in section 14 “Directory”.

S.L.I. Systems, Inc. (“SLI”) is a “promoter” of the Offer for the purposes of the Securities Act 1978. Its address for service in New Zealand is currently at 1st Floor, Epic Centre, 78 - 106 Manchester Street, Christchurch, 8011. The address of the Company, the promoter, and the names of the Company’s Directors, could change after the date of this Offer Document. The current addresses and names at any time can be obtained from the Registrar of Companies website at <http://www.business.govt.nz/companies>.

The Company was incorporated on 17 April 2013 and at the date of this Offer Document has not acquired any asset or commenced business. On completion of this Offer, the Company intends to acquire SLI. The principal activities of SLI include the provision of advanced search technology for ecommerce. SLI has carried on those activities since 2001.

Further information about the business activities of SLI is set out in section 5 “Business Description”.

HOW MUCH DO I PAY?

The Offer Price per Share is \$1.50, which is payable by you to the Company in full on application. The minimum application is for 2,000 Shares (\$3,000) and must be in multiples of 200 Shares (\$300) thereafter.

Employees of SLI may also exercise options for cash at the relevant exercise price described in section 8.4 “Share option schemes”.

WHAT ARE THE CHARGES?

You are not required to pay any charges to the Company, or any associated person of the Company, other than the Offer Price for each Share allotted to you.

Shares purchased and sold by you on the NZX Main Board are likely to attract usual stock market brokerage charges.

The Company will pay all costs associated with the Offer, including the brokerage described in section 6 “Details of the Offer”.

WHAT RETURNS WILL I GET?

The information below should be read in conjunction with the information set out below under the heading “*What are my risks?*”.

Any returns from Shares may consist of dividends or other distributions and increases in the price of the Shares between acquisition and sale (after

deducting brokerage and any other expenses). The market price of the Shares may also decline.

Key factors that determine returns are:

- market prices for Shares and demand for them;
- decisions of the Directors on distributions and reserves/retentions of profits (described in further detail below); and
- applicable taxes or duties. A general summary of applicable taxes is set out in section 10 “Taxation Summary”.

Nothing contained in this Offer Document should be interpreted as any promise of profitability or any level of return. The Company can give no assurance about the future level of dividends, if any. The market price for Shares is dependent on a number of complex and interrelated factors including the likely future performance of the Company and other market factors.

The Directors have adopted a policy that there will not be any dividend payments or other distributions made for the foreseeable future as any surplus funds will be retained in order to capitalise on immediate and future growth opportunities. Until that policy changes, returns on Shares will be limited to the proceeds of sale or other disposition of Shares.

The Company is the only person legally liable to pay any dividends or other distribution declared or made on the Shares. If a Shareholder sells any Shares,

the purchaser of those Shares will be the person legally liable to pay the purchase price of those Shares to the Shareholder.

Neither the Company nor any other person guarantees the Shares or any returns.

As detailed in section 10 “*Taxation Summary*”, investors should assume the Company will be treated as a foreign company for the purposes of New Zealand’s foreign investment fund rules. This means that certain shareholders would be subject to tax on their investment under the fair dividend rate, which would impose tax on 5% of the market value of their Shares. The Company does not believe the treatment as a foreign company is appropriate, and is taking steps to confirm its position. In addition, if the Directors were to change the current no dividend policy, both United States and New Zealand withholding taxes would apply to any dividend paid by the Company.

WHAT ARE MY RISKS?

Although SLI has been trading for 11 years, SLI Group intends to make losses in the short to medium term as it increases sales and marketing costs to invest in growth and expansion initiatives. You should read all the information in this Offer Document and talk to an authorised financial adviser that you trust before deciding whether or not to subscribe for Shares.

One of the main principles of investing money is to have a diversified portfolio of

investments. You should carefully consider the size of your application relative to your other investments.

RISKS RELATING TO SHARES

No investment is risk-free and the Shares are no exception. The principal risk is that you may not be able to recoup your original investment or you may not receive the returns you expect. This could happen for a number of reasons, including:

- the sale price of Shares is less than the price paid for them;
- you are unable to sell your Shares at all - for instance, because the market for them does not develop, becomes illiquid or ceases to exist;
- the operational and financial performance of SLI Group is not as strong as expected; or
- the Company or SLI becomes insolvent and is placed in receivership or liquidation.

The Shares issued under the Offer will be fully paid ordinary shares and Shareholders will have no liability to make any further payment in respect of their Shares.

If SLI Group’s operational and/or financial performance is not as strong as expected, the future market price of the Shares may be less than the price paid for them and returns on the Shares may be less than anticipated. Section 9 “Prospective Financial Statements” sets out the prospective financial performance for SLI Group, including the assumptions adopted by the

Directors in preparing that information.

Investors should be aware that there is no guarantee that they will receive the returns described in “*What returns will I get?*” above.

If the Company is placed in liquidation, the residual value of its assets may not be sufficient for Shareholders to receive the full value of their original investment (or there may be no residual value at all).

Some of the principal risk factors which may affect the ability of investors to recoup their initial investment and the Company’s share price performance are detailed in this section.

These risk factors are not the only ones faced by SLI Group.

There may be additional risk factors that SLI Group is currently unaware of, or that are currently immaterial but which may subsequently become key risk factors for SLI Group. You should consider these risk factors in conjunction with other information in this Offer Document (including the assumptions under the heading “Notes to prospective financial statements” in section 9, “Prospective Financial Information”).

The risk factors described below necessarily include forward-looking statements. Actual events may be materially different to those described below and may therefore affect SLI Group in a different way or to a different extent and the impact could be material.

RISKS SPECIFIC TO SLI GROUP

Competition

SLI faces intense competition in the market for software to ecommerce businesses, including from other dedicated site search providers, ecommerce platforms (which generally include default site search options), in-house software development and open-source (i.e. freely available) search software (see further in section 4.3 “The Site Search and Navigation Market”).

A number of competitive factors could cause SLI to lose potential sales or to sell its products at lower prices or at reduced margins, including:

- SLI’s products often replace the default site search functionality of ecommerce platforms. There is a risk that default ecommerce site search could improve to such an extent that customers are no longer willing to purchase SLI’s products;
- some of SLI’s current and potential competitors have greater financial, marketing and technical resources than SLI, allowing them to leverage a larger installed customer base and distribution network, adopt more aggressive pricing policies, offer more attractive sales terms, adapt more quickly to new technologies and changes in customer requirements, and devote greater resources to the promotion and sale of their products and services;
- current and potential competitors may offer software

that addresses the relevant ecommerce functions at a lower price or with greater depth than SLI’s solutions. This may include open-source site search and navigation software improving to such an extent that SLI Group’s products become less competitive.

Growth company

Although SLI has been trading for 11 years, it is focusing on growth and has experienced a significant increase in revenues over the last five years. SLI is now planning a continued investment in growth and expansion initiatives. During this growth stage, SLI Group expects to make losses in the short to medium term.

There can be no certainty that SLI Group will be able to generate a profit in the long term or that revenue growth will continue to increase at the same rate in the future as in the last five years.

Customer retention

SLI’s customer contracts are generally for a one year initial term, at the end of which the contract automatically continues unless the customer terminates. Most of SLI’s contracts provide for termination on at least 90 days’ notice, which takes effect at the end of the current term. SLI Group’s ability to grow depends in part on continuing high customer retention rates. While SLI has had high historical customer retention rates, there is no certainty that this will continue. A decline in retention rates would adversely affect SLI Group’s performance

(see further in section 9 “Prospective Financial Statements” under the heading “Sensitivity Analysis”).

Management of growth opportunities

SLI is pursuing growth initiatives and intends to further expand its customer base, headcount and scale of operations. If that occurs, the operating complexities SLI faces will increase. If SLI’s operating systems, training processes, personnel and other resources are unable to keep pace with such growth, SLI Group’s business, operating results and financial condition may be adversely affected.

Recruitment and retention

SLI needs to expand its sales, customer service, marketing, software engineering and other technical personnel to achieve its growth plans. A failure to hire, train and retain qualified and effective personnel may adversely affect SLI Group’s performance. There is also a risk that, if SLI does not adjust its training systems satisfactorily to handle the increased headcount, new sales personnel will be unable to achieve expected productivity levels in a reasonable timeframe.

New customer lead time

SLI expects a lead time of around eight months between bringing a new salesperson on stream and achieving increased revenues through that salesperson. If the lead times are longer than expected or if the anticipated

extra sales are not achieved, this will adversely affect SLI Group.

Intellectual property infringement risk

Providers of ecommerce-related products and services are increasingly bringing and becoming subject to intellectual property infringement claims, particularly infringement of patent rights. Often these claims are pursued by third parties (sometimes referred to as “non-practicing entities”) whose primary business is to assert such claims.

There is a possibility that SLI Group could become involved in such an infringement claim. If that occurs, there is a risk that SLI Group could incur substantial costs in connection with the claim and that the claim could divert its management resources.

If SLI Group was ultimately found to have infringed third party intellectual property, it may be required to do one or more of the following:

- redesign those products or services to avoid infringement;
- withdraw the products or services that incorporate the challenged intellectual property;
- make potentially substantial payments for legal fees, settlement payments or other costs or damages;
- obtain a licence, which may not be available on reasonable terms, to sell or use the relevant technology.

Undertaking any or all of these actions could be costly, time-

consuming and distracting to management, and have a material adverse effect on SLI Group.

Intellectual property protection

SLI seeks to protect certain intellectual property in its products under a combination of patent, copyright and trade secrets law. However, there is no assurance that these precautions will be adequate to prevent unauthorised use of SLI’s intellectual property or that SLI’s competitors will not independently develop similar technology without infringing SLI’s intellectual property rights.

Any enforcement of SLI’s intellectual property rights could be costly, time-consuming and distracting to management, and have a material adverse effect on SLI Group’s business, operating results and financial condition.

Open-source software

As is the case for many software businesses, the source code for SLI’s products contains a small proportion of code from ‘open-source’ software (i.e. software for which the source code has been made available to the public for use or modification at no cost). Certain open-source software licences contain reciprocal provisions that can, in certain specified circumstances, require the open-source licence to be ‘carried through’ to solutions incorporating the open-source code so that those solutions and associated source code are made available free of charge.

There is a risk that a third party could claim that SLI has

materially infringed such a licence and that such a claim could negatively impact SLI Group.

New markets risk

SLI Group intends to expand into new markets (primarily Japan) and to strengthen its presence in Brazil in the Prospective Period.

Development of these new markets may involve significant entry costs and may require SLI to deal with new risks and competitors. There is no certainty that SLI will succeed in these markets.

Operating in new international markets also requires significant management attention and financial resources. Any negative impact from SLI's international business efforts could negatively impact its business as a whole.

Evolution of Technology

The ecommerce market features constant technological change, including frequent new product and service introductions and evolving industry standards. There is a risk that new solutions by competitors, the emergence of new industry standards or the development of entirely new technologies to replace existing offerings could render SLI's existing or future products obsolete or less competitive.

Key personnel

SLI relies upon the service and performance of its senior management team and key technical and sales personnel. If these employees were to leave SLI, replacing them could involve significant time and cost, and

may inhibit SLI from achieving its business objectives. The employment agreements for senior management have relatively short notice periods of four to six weeks.

Risk of change of algorithms of search engines

Revenue generated through Site Champion is performance-based, in that SLI typically charges its customers a fee based on the number of referrals provided to the customers' websites by Site Champion pages (see further in section 5.4 "SLI's business model").

There is a risk that a significant change to the algorithms of one or more major search engines (e.g. Google) could reduce (in part or whole) the number of referrals generated by Site Champion pages and negatively impact SLI Group's performance.

Site Champion accounted for approximately 20% of SLI's sales revenue in FY12.

Marketing

The long term success of SLI Group will depend, to some extent, on its ability to identify and react to trends in the market for software to ecommerce businesses, including its ability to develop and pursue appropriate marketing strategies and to demonstrate the value of its products. There is a risk that these strategies prove ineffective or require greater levels of expenditure than anticipated.

Ecommerce and SaaS markets

SLI relies on strong and growing consumer confidence in ecommerce and, more generally, in the internet remaining an efficient, simple and trusted channel. If this confidence was eroded and online activity became less popular or preferences shifted away from ecommerce, this could adversely affect SLI Group's financial performance.

Increasing adoption of SLI's products also depends on confidence in services delivered via a SaaS business model. Many companies continue to rely primarily or exclusively on traditional means of commerce that are not internet-based and may be reluctant to change their patterns of commerce. Even if such companies do adopt ecommerce solutions, it is unclear whether they will desire SaaS based products.

As a result, there is no certainty that SLI's SaaS products will achieve and sustain the level of market acceptance SLI anticipates.

Partner arrangements

SLI derives a proportion of its revenue through partner arrangements (see further at section 5.9 "SLI's Competitive Advantage"). If any of these arrangements was to cease, this would adversely affect SLI Group's business. However, in FY12 SLI's partners only accounted for a small proportion of SLI's total sales revenue.



Software errors

SLI's software applications are complex and there is a risk that defects or errors could arise, particularly where new versions or enhancements are released. This could result in adverse consequences for SLI Group, such as lost revenue, a delay in market acceptance or a customer claim.

Security and privacy breaches

There is a risk that SLI Group could suffer a material security breach, virus or similar disruption causing loss of confidential information, loss of service to customers, reputational damage, early termination of customer contracts, litigation, regulatory investigations or other liabilities.

In addition, if a high profile security breach occurs in respect of another SaaS provider, or internet data transmission generally, SLI's current and potential customers may lose trust in the security of the SaaS business model, which could adversely impact SLI Group.

Hosting network infrastructure capacity

SLI has experienced significant growth in the number of customers and in the volume of transactions and data that its infrastructure supports. While SLI seeks to maintain sufficient excess capacity in its network infrastructure to meet the needs of its customers and to enable expansion to new customers, the provision of new infrastructure can require significant lead time.

If SLI does not accurately predict its capacity requirements, it might experience significant increases in load, and its customers could experience service outages that may adversely impact SLI Group.

Server or data centre

SLI depends on the information technology systems, servers, networks, hardware and software that it has in place. Its systems may be vulnerable to unauthorised access, viruses, human error, natural disasters, flood, fire, power loss, communications failure, sabotage or terrorism. A significant disruption, repeated or on-going failure, loss of data, security breach, or incidence of fraud could dent confidence in SLI's products, and adversely affect SLI Group's financial performance.

While SLI has made provision for sufficient alternative arrangements to be available, there is no certainty that this will continue to be the case. There is also potential for disruption if SLI is unable to renew these agreements on commercially reasonable terms.

Additional funding

SLI Group intends to fund its planned growth and expansion through funds raised under this Offer, from revenues generated and from other sources considered prudent at the time. There is a risk that SLI Group's growth plans may be unsuccessful or require higher levels of expenditure than expected. If SLI Group cannot secure additional

funding when required, it may need to slow its growth investment and to try to move its activities towards generating profits earlier than anticipated.

Law and regulation

Changes to laws and regulations which restrict use of the internet for commerce, or impose increased compliance requirements on SLI Group, could have an adverse effect on SLI Group's financial performance. SLI has a particular exposure to changes in the laws relating to privacy, competition, intellectual property, sales or pricing.

Legislation and regulations which do not apply to SLI's business directly may still expose companies involved in ecommerce to liability and reduce the growth in web usage or the web's acceptability as a medium of commerce.

Taxation or new charges over services provided over the internet or to access the internet could also result in a decline in the use of the internet and the viability of internet-based services, which could harm SLI Group's business and operating results.

Reliance on third party software

SLI uses a number of third party applications for aspects of its products. There is a risk that SLI Group could be affected if the licences for these applications cease to be available on commercially reasonable terms.

Exchange rate

SLI's reporting currency is New Zealand dollars, but the majority of its sales are denominated in other currencies (primarily US dollars).

SLI incurs most of its operating expenses in New Zealand and US dollars, with the balance from other currencies. See further details at section 9 "Prospective Financial Statements" under assumption A6.9 "Exchange Rates". Any fluctuation in the exchange rate of these currencies (and in particular the NZD:USD exchange rate) may negatively impact SLI Group's business, financial condition and operating results.

OTHER RISKS

In addition to these more specific risks, SLI faces the usual risks that arise in the normal course of operating any business, such as:

- adverse changes in economic conditions, including interest rates, inflation, disposable income levels, consumer sentiment and demographics;
- fraud, business continuity planning and data integrity risk;
- the emergence of a widespread health emergency, epidemic or pandemic which could create economic or financial disruption;
- the possibility of future litigation.

CONSEQUENCES OF INSOLVENCY

Shareholders will not be liable to pay any money to any person as a result of the insolvency of the

Company. But all creditors (secured and unsecured) of the Company will rank ahead of Shareholder claims if the Company is liquidated.

After all such creditors have been paid, any remaining assets will be available for distribution between all Shareholders who will rank equally among themselves. There may not be sufficient surplus assets to enable Shareholders to recover all or any of their investment.

CAN THE INVESTMENT BE ALTERED?

The full terms of the Offer are set out in this Offer Document. The Company may alter those terms by amending the Prospectus and filing details of the amendment with the Registrar of Financial Service Providers. However, the terms of the Offer cannot be altered in a manner adverse to investors without investor consent once an Application has been accepted. The rights attaching to the Shares are governed by the Company's Constitution, the Companies Act 1993 and the Listing Rules. The Constitution may only be altered by a special resolution of the Company's Shareholders (subject to the rights of an 'interest group' under the Companies Act 1993), or in certain circumstances by court order. Section 117 of the Companies Act 1993 restricts the Company from taking any action which affects the rights attached to the Shares unless that action has been approved by a special resolution of the Shareholders whose rights are affected by the

action. Under certain circumstances, a Shareholder whose rights are affected by a special resolution may require the Company to purchase their Shares.

HOW DO I CASH IN MY INVESTMENT?

Shares are tradable (that is, they may be sold or transferred), subject to the existence of an active trading market and compliance with the Company's Constitution, and all applicable laws.

No charges are payable to the Company or any associated person of the Company for any sale of Shares, although a Shareholder may be liable to pay charges to other persons, such as brokerage fees.

As at the date of this Offer Document, there is no established market for the Shares. However, in the Company's opinion, a market for the Shares is likely to develop. Application has been made to NZX for permission to quote the Shares on the NZX Main Board and all the requirements of NZX that can be complied with on or before the date of this Offer Document have been complied with. However, NZX accepts no responsibility for any statement in this Offer Document. Initial quotation of the Shares on the NZX Main Board is expected to occur on 31 May 2013 (unless this date is changed by the Company). The NZX Main Board is a registered market operated by NZX, which is a registered exchange under the Securities Markets Act 1988.

Under the Companies Act 1993, Shares could be cancelled by the Company under a reduction of capital, share buy-back or other form of capital reconstruction. Subject to this, neither the Company nor any other person has any right to terminate, cancel, surrender or otherwise make or obtain payment of the returns from the Shares, other than as referred to under the heading “*What returns will I get?*” above.

WHO DO I CONTACT WITH INQUIRIES ABOUT MY INVESTMENT?

Inquiries about the Shares may be made to the Company or the Share Registrar.

Company

The Chief Financial Officer
SLI Systems Limited
1st Floor, Epic Centre
78 - 106 Manchester Street
Christchurch, 8011
Telephone: 0800 754 797
Facsimile: +64 (3) 961 3262
Website: www.sli-systems.com

Share Registrar

Link Market Services Limited
Level 16, Brookfields House
19 Victoria Street West,
Auckland 1010
PO Box 91976,
Victoria Street West,
Auckland 1142
Telephone: +64 (9) 375 5998
Facsimile: +64 (9) 375 5990
Email: enquiries@linkmarketservices.co.nz
Website:
www.linkmarketservices.co.nz

IS THERE ANYONE TO WHOM I CAN COMPLAIN IF I HAVE PROBLEMS WITH THE INVESTMENT?

A complaint about your investment may be made to the Company at the address shown under the heading “*Who do I contact with inquiries about my investment?*” above. There is no ombudsman or approved dispute resolution scheme to whom complaints can be made about this investment.

WHAT OTHER INFORMATION CAN I OBTAIN ABOUT THIS INVESTMENT?

You can find information about the Shares and the Company in the Prospectus.

Copies of the Prospectus and other documents (including the Constitution) are filed on a public register at the Companies Office. They may be inspected without a fee during normal business hours at the registered office of the Company at 1st Floor, Epic Centre, 78 - 106 Manchester Street, Christchurch, 8011 and are also available for inspection on SLI's website at www.sli-systems.com and from the Registrar of Companies website at <http://www.business.govt.nz/companies>.

Shareholders are entitled to receive periodic reports, including an annual report containing annual audited financial statements for the Company for each financial year ending 30 June, and a half yearly report containing unaudited financial

statements for each six month period ending 31 December.

The Company is also required to make half-yearly and annual preliminary announcements of its financial results to NZX, and such other announcements as are required by the Listing Rules from time to time. The Company's announcements will be available from the website <http://www.nzx.com> under the stock code “SLI”.

Shareholders may request from the Company (free of charge) the following documents (together with any other information required to be made available by statute, regulation or the Listing Rules):

- the most recent annual report of the Company (when prepared);
- the Company's most recent financial statements required to be registered under the Financial Reporting Act 1993 (together with all documents that are required to be registered with those financial statements);
- the Prospectus for the Offer; and
- a comparison (when prepared) of actual results of the Company against the Prospective Financial Information in this Offer Document,

by requesting the information in writing from the Company, at its registered office, at 1st Floor, Epic Centre, 78 106 Manchester Street, Christchurch, 8011.

FOUND.

THE
OPPORTUNITY
TO INVEST IN
SLI SYSTEMS

IMPORTANT DATES*

| | | |
|---------------------------|--|---|
| Offer Document registered | Opening Date | Closing Date |
| 6 May, 2013 | 14 May, 2013 | 28 May, 2013 |
| Allotment Date | Quotation and trading of Shares expected to commence on NZX Main Board | Mailing of Security Transaction Statements by |
| 31 May, 2013 | 31 May, 2013 | 6 June, 2013 |

* This timetable is indicative only. Applicants are encouraged to submit their Applications as early as possible. The Company, in consultation with the Joint Lead Managers, reserves the right to vary or extend the dates of the Offer, withdraw the Offer at any time before the Allotment Date and accept late Applications (either generally or in individual cases).

KEY OFFER STATISTICS

| | |
|--|----------------------|
| Issuer | SLI Systems Limited |
| Promoter | S.L.I. Systems, Inc. |
| Offer Price per Share | \$1.50 |
| Number of Shares to be issued to investors under the Offer ¹ | 18,000,000, 31% |
| Shares received by SLI's shareholders for SLI acquisition ² | 40,068,532, 69% |
| Total number of quoted Shares on issue following the Offer ³ | 58,068,532 |
| Implied market capitalisation following the Offer ^{3,4} | \$87,102,798 |
| Total gross proceeds to the Company (excluding proceeds to be paid to SLI's stockholders) ⁵ | \$15 million |
| Total proceeds to be paid to SLI's stockholders | \$12 million |
| Total Offer proceeds | \$27 million |

1 See further details in section 6 "Details of the Offer".

2 Further details of the acquisition are set out in section 6.4 "Acquisition of SLI". SLI shareholders may apply for additional Shares in the Offer.

3 These figures assume no exercise of employee options to subscribe for Shares under the SLI option schemes, described in section 8.4 "Share option schemes" and that the unlisted redeemable shares held by the Independent Directors described in section 8.3 "Directors Interests" have not been reclassified as quoted Shares.

4 Calculated as the total number of Shares on issue following the Offer multiplied by the Offer Price.

5 The use of the gross proceeds is described in section 5.12 "Use of Offer Proceeds".

KEY PERFORMANCE INDICATORS

| | Actual FY08 | Actual FY09 | Actual FY10 | Actual FY11 | Actual FY12 | Pro Forma PFI FY13 | PFI FY14 |
|--|----------------|----------------|----------------|----------------|----------------|-----------------------|-------------|
| Operating Revenue (NZ\$'000) | 6,985 | 10,385 | 10,965 | 12,826 | 15,524 | 18,285 | 22,200 |
| Annualised Recurring Revenue ("ARR") (NZ\$'000) (see detailed description below) | 5,991 | 7,169 | 9,848 | 12,082 | 15,468 | 19,163 | 25,884 |
| EBITDA (NZ\$'000) | (150) | 369 | 379 | 256 | 424 | (1,856) | (6,874) |
| Customer Numbers (year end) | 188 | 219 | 282 | 300 | 338 | 417 | 581 |

Annualised Recurring Revenue ("ARR") is a metric used by SLI which is a point in time estimation of core subscription revenue already secured for the next 12 months. ARR is calculated based on the subscription revenue generated from the existing customer base in the reference month and then annualised. For example, ARR as at 30 June 2012 is calculated with reference to the subscription revenue generated from the existing customer base for the month of June 2012 and multiplying it by 12.

ARR is calculated based on the exchange rates at that time. When ARR is presented for a historical time series all points are calculated on a constant currency basis using the current exchange rates.

This is a non-GAAP financial performance measure used internally by SLI as a basis for its expected forward revenue. ARR does not account for changes in behaviour of customers to that experienced historically (e.g. retention rates, increase/decrease in activity or bad debts).

This implied forward looking nature of ARR means it is typically higher than historical reported revenue at the same point in time where revenue is growing. That is because the ARR at the end of a financial year is the subscription revenue for the month of June multiplied by 12, whereas the reported revenue will comprise all recognised revenue from 1 July of the previous calendar year to 30 June. The constant exchange rate used also smoothes out any foreign exchange fluctuations, providing SLI with a better understanding of the business' underlying performance over time.

ARR only includes revenue from SLI's customers for its Learning Search and related products and its Site Champion product; it does not include revenue from SLI's Related Search product, which it does not actively promote. For the Site Champion component of ARR it is necessary to apply judgement to mitigate the effects of one-off events that impact the base month revenue of the calculation. For example, SLI makes adjustments to revenue at a customer level to account for seasonality, Site Champion revenue growth and customer size.



Dear Investor,

The Board is pleased to provide you with the opportunity to become a shareholder in SLI.

SLI is a Software as a Service (SaaS) based business, providing dedicated site search and navigation products to ecommerce businesses that “Searches, Learns and Improves” from online shopping behaviour. In doing so, SLI improves the experience for visitors to websites that use our products by delivering more relevant search results. Essentially, we help ecommerce websites with two of their most fundamental challenges:

- to **convert** as many website visitors into customers and sales as possible. SLI’s core Learning Search product is used in SLI supported websites to provide more relevant search results, typically leading to better conversion rates and higher sales for the retailer; and
- to **direct more visitors to their sites**. SLI’s Site Champion is a Search Engine Optimisation product designed to drive traffic to our customers’ websites from search engines such as Google and Yahoo!.

With the proliferation of the internet and improvements in technology, consumers are increasingly extending from ‘bricks and mortar’ shops to embrace online shopping. Retailers around the world have recognised this trend, and are investing heavily in their online presence to satisfy consumer expectations of an online shopping experience which is rich, intuitive and, above all, satisfying. SLI products help deliver this to end users by providing customers with a leading solution in site search and navigation.

SLI has already established itself internationally, with a strong presence in the United States, the UK, Australia and New Zealand. Companies we count among our customers include Next and Harrods in the UK, Jelly Belly, Hardrock Café and Teleflora in the US and, more locally, Mitre 10, The Warehouse and Qantas.

Our executive team has decades of experience in site search and software technologies and is led by Dr. Shaun Ryan, an original developer of SLI’s Learning Search technology. The Board also has significant technological and financial expertise, recently strengthened with the appointment of two new Independent Directors, Sarah Smith and Sam Knowles.

SLI’s progress to date has been achieved with minimal external capital but we have substantial future growth aspirations and think that the time is right to pursue them. We also wish to give our existing long-term investors the opportunity to realise their investment.

Accordingly, the Offer will raise gross proceeds of \$27 million, consisting of \$15 million of new capital to the Company and \$12 million to be paid to existing investors in SLI who are realising some of their investment in SLI before the Offer. All key management will continue to hold a substantial majority of their existing investment following the Offer, and all existing shareholders will be subject to escrow restrictions which (subject to certain limited exceptions) prevent them from selling their shares until SLI reports its preliminary results for FY14.

The \$15 million in new capital will be used for initiatives intended to accelerate growth in existing markets, expand into promising new markets, enhance SLI’s product development programme and sustain SLI’s existing operations while we build revenue streams and meet the costs associated with the Offer. We believe that there are significant growth opportunities in our existing markets, particularly the US which is the largest ecommerce market, and remain committed to on-going product innovation to drive more revenues from our customers.

With respect to new markets, Japan is the first we intend to target in the Prospective Period, and we also intend to strengthen our position in Brazil. We consider both of these markets are under-represented by dedicated site search providers. SLI already has large ecommerce customers in Brazil and is aware that Japan has a large ecommerce market.

We had ARR from our existing customer base of NZ\$15.5 million at the end of FY12 and expect that to rise to NZ\$19.2 million at the end of FY13, and to NZ\$25.9 million at the end of FY14, representing growth of 24% and 35% respectively. However, while we fund this accelerated growth phase we anticipate that the business will make losses in the near-term as we build the platform for future growth – strengthening our sales and marketing teams, establishing new regional offices and engaging in continued product research and development.

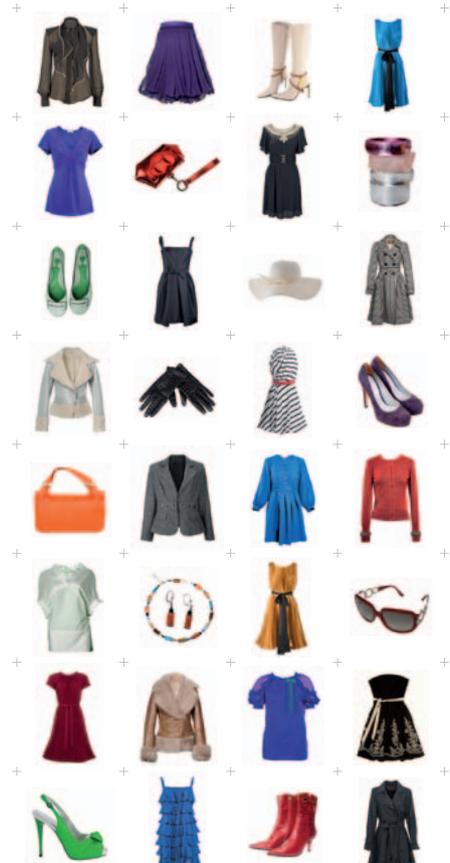
The Board believes further investment into initiatives to generate value enhancing recurring revenue is currently the best path to future growth in value. On behalf of the Board, I commend this investment opportunity to you, and look forward to welcoming you as a shareholder of SLI Systems Limited.


Greg Cross
Chairman

WHAT REALLY NEEDLES ONLINE RETAIL CUSTOMERS?

As retailers increasingly embrace online shopping, the number of sites and the range of products sold within these sites continues to skyrocket. The frustration for time-pressed consumers is being able to quickly and easily find what they're shopping for online. Many site searches are still very generic, producing results that can often be irrelevant and irritating. And when online customers can't find what they're looking for, they quickly lose interest and retailers lose sales. //

Search 





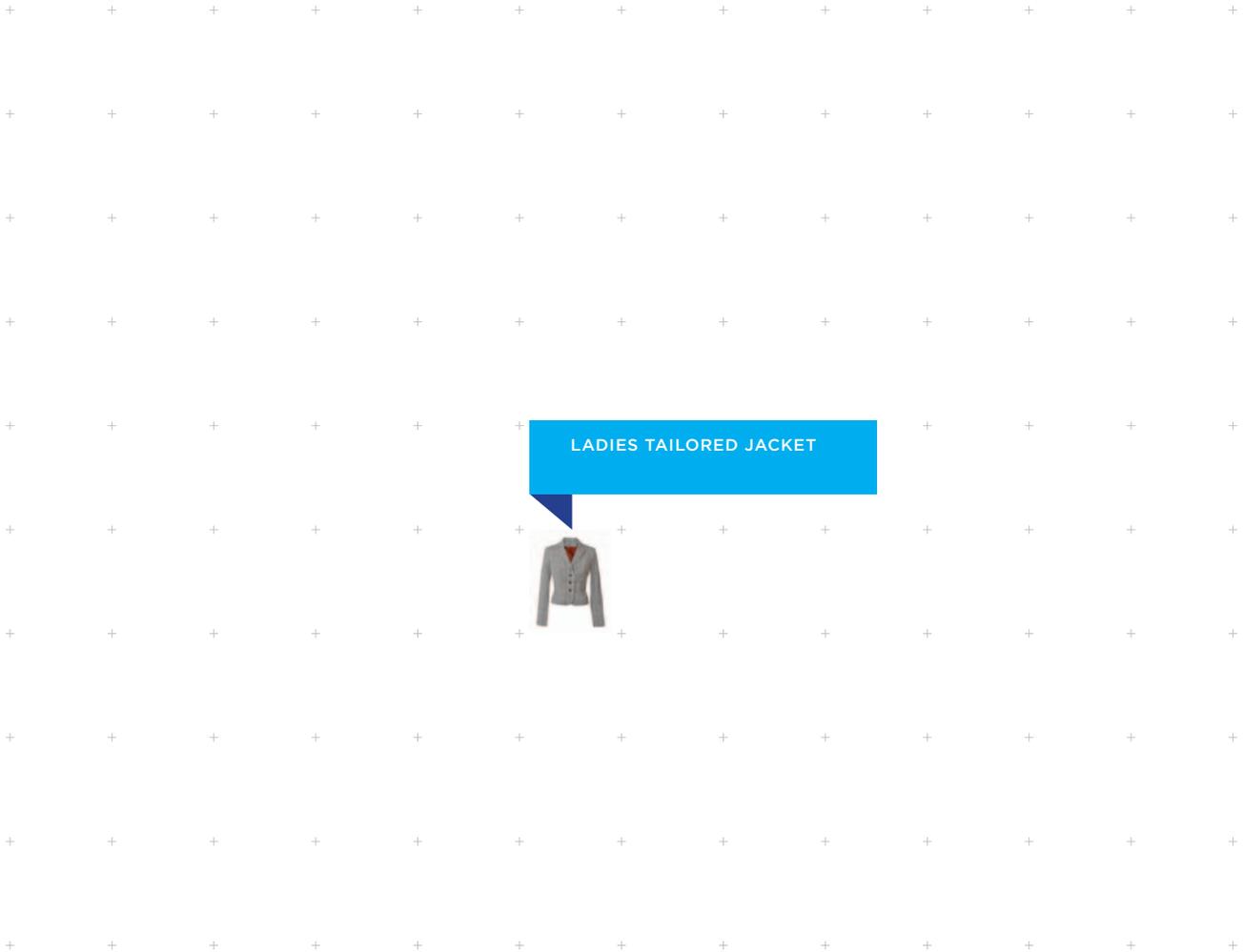
ALL THAT HAS CHANGED WITH SLI...

WE'VE FOUND THE ANSWERS. SEARCH LEARN IMPROVE

SEARCH// SLI provides best of breed site search and navigation technologies to help connect customers with the products they are looking for within online retail sites.

LEARN// SLI's technology has revolutionised site search. By actively learning from previous customer behaviour, the results that are delivered are more accurate and relevant.

IMPROVE// As a result, online retailers achieve a better customer experience, higher customer retention and ultimately higher sales.



LADIES TAILORED JACKET



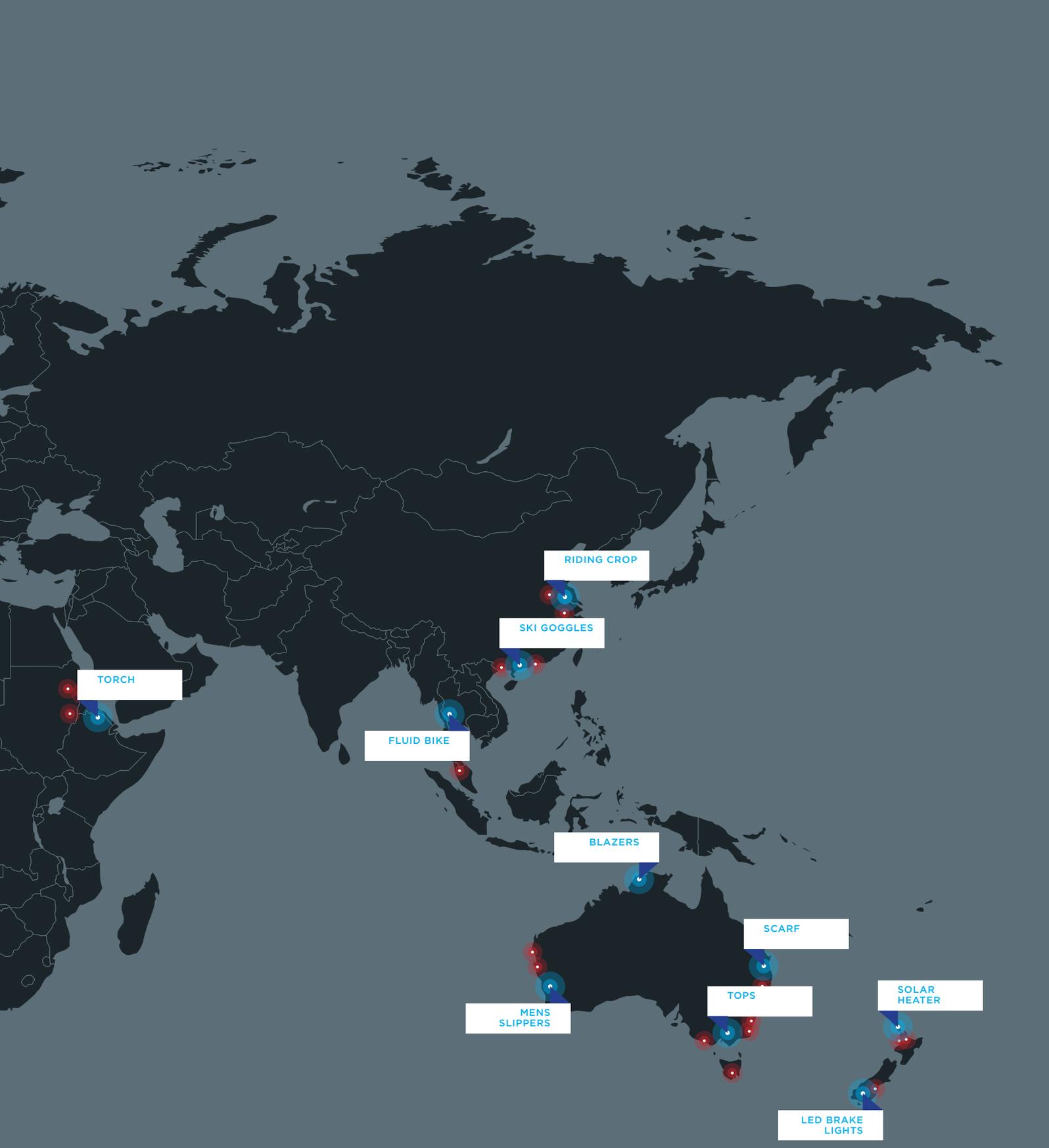
LADIES TAILORED JACKET





IT ALL STACKS UP

If you've been searching for a way to invest in the surge in global online retailing, we're confident you will find what you've been looking for right here.



>375 WORLDWIDE CUSTOMERS POWERING
THE SEARCH ON >600 WEBSITES SERVING
>500M PAGE VIEWS PER MONTH //

INVESTMENT HIGHLIGHTS

SIGNIFICANT INTERNATIONAL MARKET OPPORTUNITY BACKED BY GROWTH IN ECOMMERCE //

.....
PAGE 11

ATTRACTIVE SAAS BASED BUSINESS MODEL THAT GENERATES STRONG RECURRING REVENUES //

.....
PAGE 12

MARKET LEADING TECHNOLOGY WITH TRACK RECORD OF INNOVATION //

.....
PAGE 13

MULTINATIONAL PRESENCE WITH A LEADING CUSTOMER BASE //

.....
PAGE 14

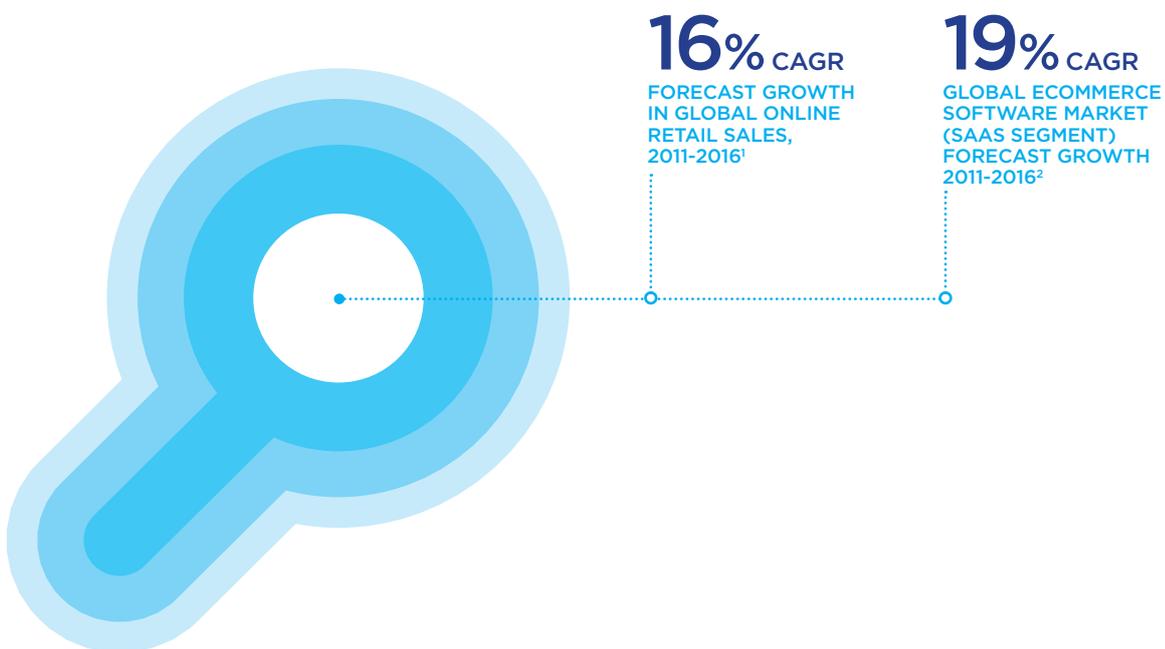
ESTABLISHED BUSINESS WELL POSITIONED FOR FUTURE GROWTH //

.....
PAGE 15

HIGHLY EXPERIENCED MANAGEMENT TEAM AND BOARD //

.....
PAGE 16

SIGNIFICANT INTERNATIONAL MARKET OPPORTUNITY BACKED BY GROWTH IN ECOMMERCE //



// Retailers are increasingly extending their offering to include online shopping, with global online retail sales exceeding US\$500 billion for the first time in 2011 and forecast to grow four times faster than the wider retail market from 2011 to 2016 at a compound annual growth rate (“CAGR”) of 16%¹

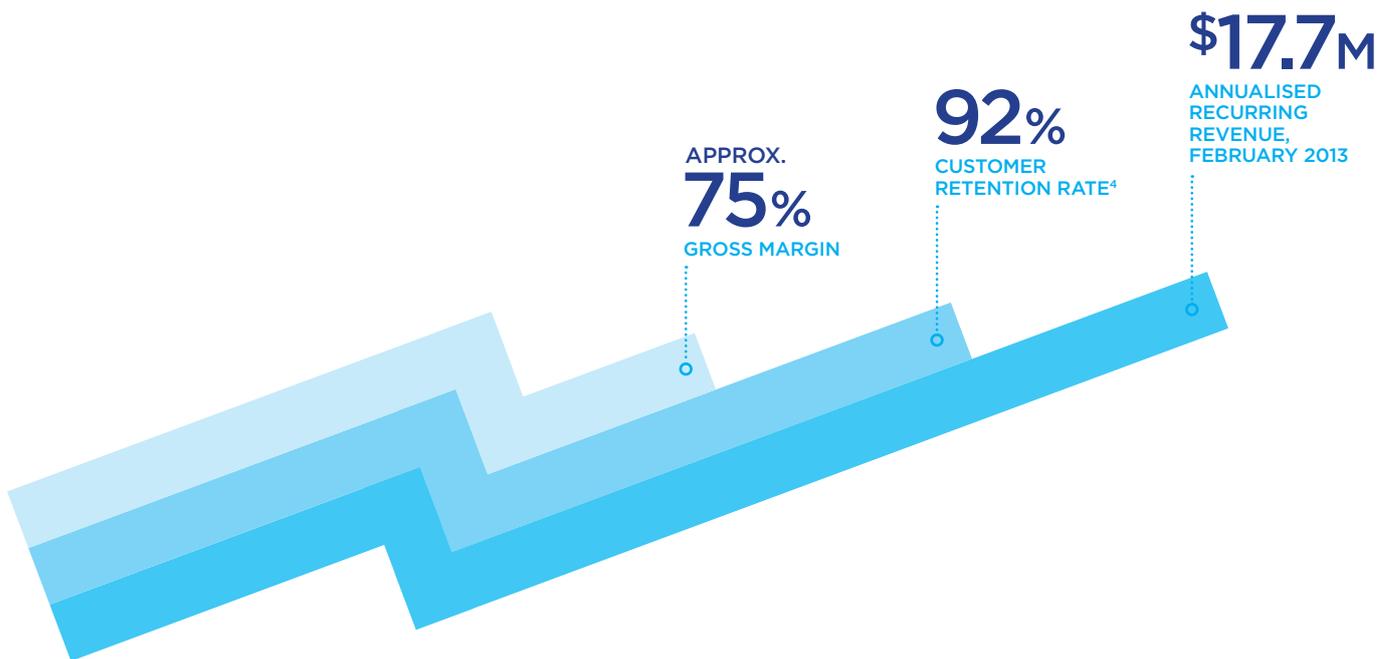
// The international software market servicing ecommerce businesses is also growing through the increasing online activity of customers and their end-users, with an anticipated CAGR of 11% from 2011 to 2016 from an estimated US\$11.3 billion in 2011 while the SaaS segment of this market is anticipated to grow more rapidly at a CAGR of 19% over the same period²

// The market for site search software servicing ecommerce businesses in which SLI operates is broadly expected to grow in line with the ecommerce software market. However, the market is highly fragmented with many using internal or default search products. SLI expects further penetration from specialised providers such as itself as the market continues to grow and evolve and as SaaS is increasingly adopted, providing further growth opportunities

¹ Source: Global Online Retail, Marketline Industry Profile, February 2013 (www.marketresearch.com/MarketLine-v3883/Global-Online-Retail-7077580/).

² Source: Forrester Consulting, Inc. April 2013 (www.forrester.com).

**ATTRACTIVE SAAS BASED
BUSINESS MODEL THAT
GENERATES STRONG
RECURRING REVENUES //**



// Adoption of the SaaS delivery model is growing rapidly within the software market relative to more expensive and less flexible on-premise software. SLI’s SaaS based delivery model positions it well to benefit from this trend

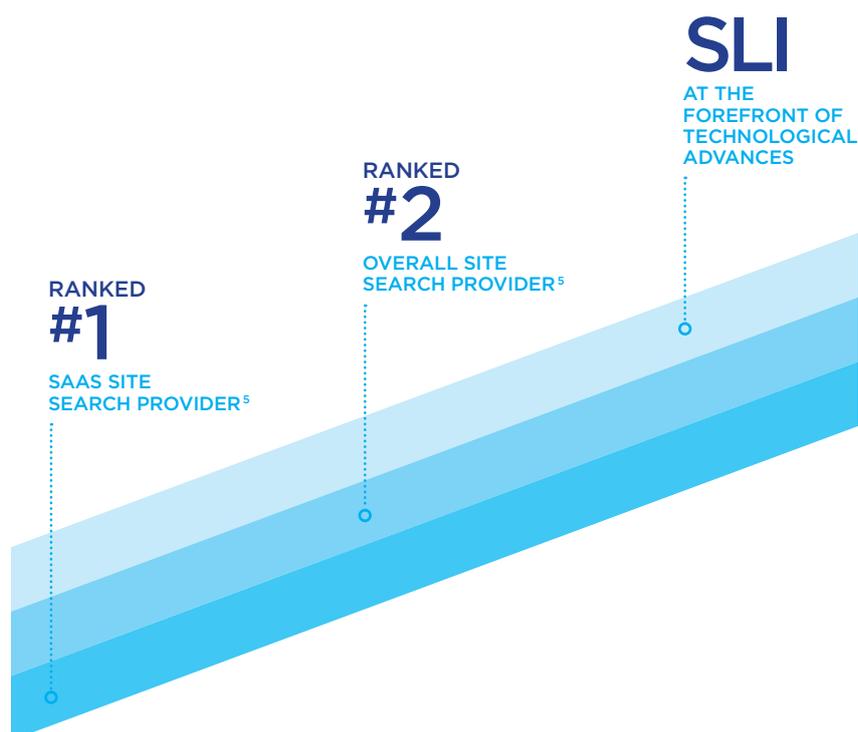
// A key feature of successful SaaS businesses is the high margins achievable after the initial costs of acquiring new customers have been repaid. This has the potential to deliver significant long-term value

// SLI’s subscription-based business model is characterised by high levels of annualised recurring revenue (“ARR”)³ (\$17.7 million at February 2013), high customer retention rates (averaging over 92% for core products in the last financial year to 30 June 2012⁴), strong gross margins of approximately 75% and high forward revenue visibility

³ ARR is further defined in the Glossary

⁴ Calculated excluding Related Search (a very specialised product that SLI does not actively market). See further details on Related Search in section 5.3 “Product Range”.

MARKET LEADING TECHNOLOGY WITH TRACK RECORD OF INNOVATION //



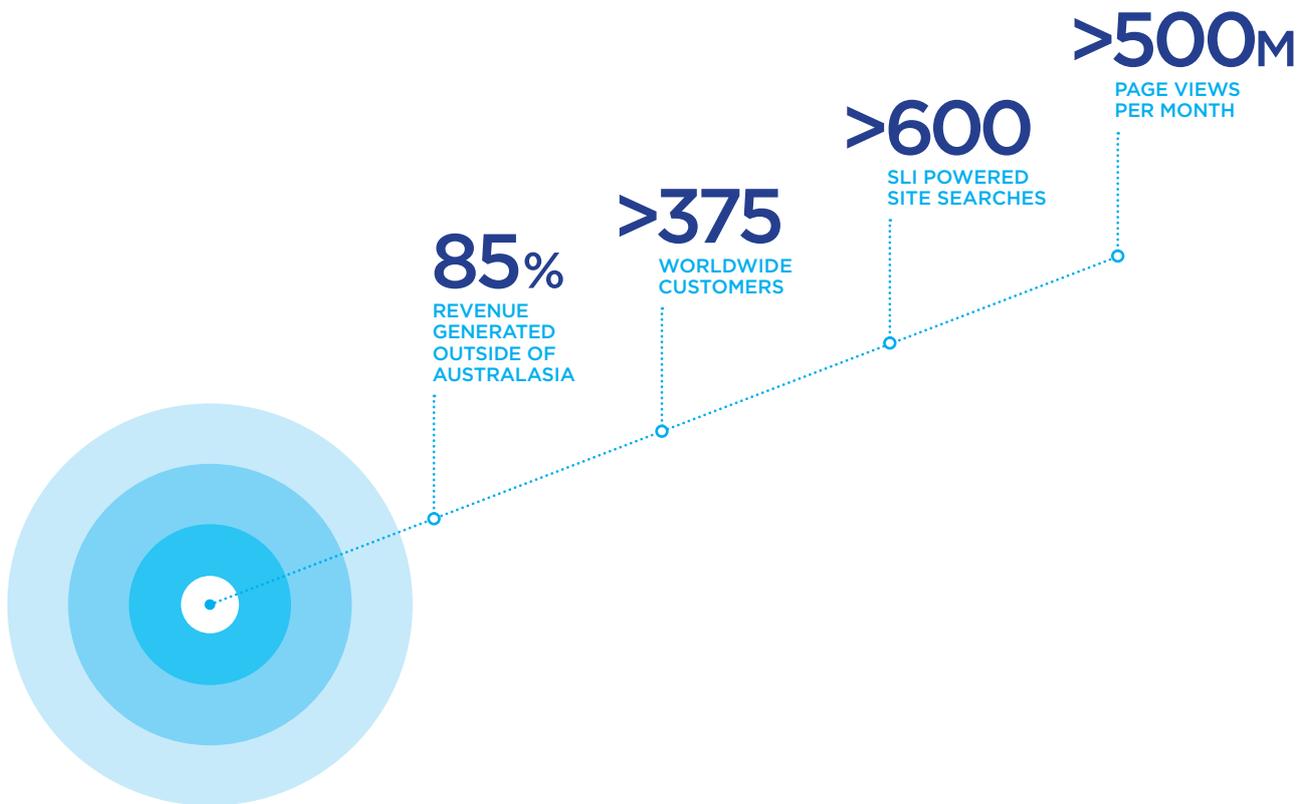
// In 2012, SLI was ranked #1 SaaS site search provider, and #2 overall site search provider, by number of clients held out of the 'Top 1000 Internet Retailers' (having among its customers 60 out of the 1000 largest online retailers in the US, the world's largest market for online retail)⁵

// SLI has a track record of innovation and new product development, which helps ensure that SLI is at the forefront of any technological advance. Recent new applications include Mobile Site Search and Rich Auto Complete

// SLI will continue to develop a number of new products and features, some of which are expected to be brought to market over the next 12 months

⁵ Source: Internet Retailer Top 500 Guide + Second 500 Guide, 2012 editions (www.internetretailer.com)

MULTINATIONAL PRESENCE WITH A LEADING CUSTOMER BASE //



// SLI is one of the leading site search providers to ecommerce businesses in the US, UK, Brazil, Australia and New Zealand with over 375 worldwide customers, powering the search on over 600 websites and serving in excess of half a billion page views per month (as at 28 February 2013). SLI generates in excess of 85% of its revenue outside of Australia and New Zealand

// Well known clients include Hardrock Café and Jelly Belly (United States), Harrods and Next (UK), and The Warehouse and Mitre 10 (New Zealand)

ESTABLISHED BUSINESS WELL POSITIONED FOR FUTURE GROWTH //

35%

FORECAST INCREASE IN
ARR FROM FY13 TO FY14

SLI

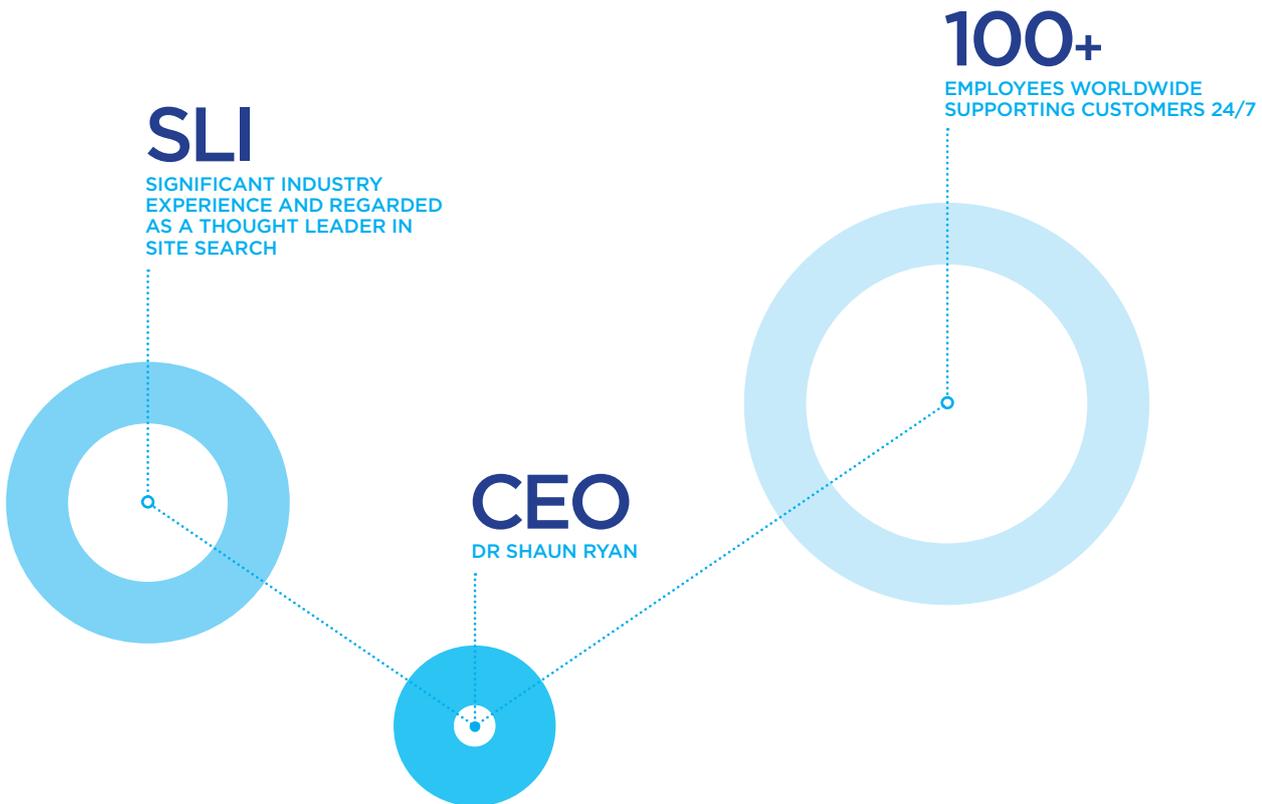
HIGH CUSTOMER
RETENTION RATES

31%

CAGR FROM JUNE 2007
TO JUNE 2012

- // SLI has experienced strong and consistent ARR growth with a CAGR of 31% over the last five financial years - from \$4.0 million at June 2007 to \$15.5 million at June 2012
- // The Board expects significant further growth capacity to be created through the on-going structural shift to ecommerce, increasing adoption of SaaS, SLI's high customer retention rates, upselling opportunities to existing customers, new product development and expansion into new and existing markets
- // SLI plans to use the net proceeds of this Offer to implement a step change in its growth. The Company expects the financial benefits of the capital being raised are anticipated to start to become increasingly evident towards the second half of the FY14 forecast period (and beyond) where ARR is forecast to increase from \$19.2 million as at FY13 to \$25.9 million as at FY14 (an increase of 35%)

HIGHLY EXPERIENCED MANAGEMENT TEAM AND BOARD //



// SLI has a strong management team led by CEO, Dr. Shaun Ryan with an entrepreneurial culture and significant experience within the ecommerce, software development and SaaS markets. SLI's management team is part of a wider team of over 100 staff as at February 2013 consisting of software engineering, sales and marketing and support staff located in New Zealand, the United States, UK and Australia enabling SLI to provide 24/7 service to its customers

// SLI is regarded as a thought leader in the site search space with senior members of the SLI team regularly presenting at industry trade shows, hosting webinars and ecommerce podcasts and publishing white papers and regular newsletters

// The management team is supported by an experienced board, including US based co-founder Steven Marder and Independent Directors Greg Cross, Sarah Smith and Sam Knowles



SLI AND THE SITE SEARCH BUSINESS



MARKET OVERVIEW

SLI is at the centre of two large and growing markets: online retail and ecommerce software delivered via SaaS. Each of these markets is described below. The site search market, which SLI is part of, operates across these markets providing dedicated site search, navigation and related products.

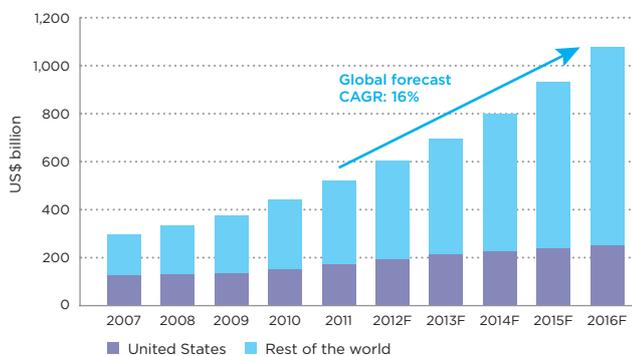
4.1 ONLINE RETAIL //

Online retail is becoming an increasingly important component for retail businesses. The online retail industry comprises the sale of retail goods and services over the internet and includes both pure-play online retail companies (those that only sell products and services online) and multi-channel vendors (those that sell through both online and other sales channels, such as stores and kiosks).

The global online retail market has grown at a 15% CAGR from 2007 to 2011, while growing at an 8% CAGR over the same period in the United States - the largest online market. The global online retail industry was estimated to be worth US\$530 billion in 2011 and is expected to grow by 107% to US\$1.1 trillion by 2016 (a CAGR of 16%).⁶

The online retail industry has benefited from: increasing internet penetration, increasing time spent online by internet users, increased consumer comfort with transacting online, increased online presence of offerings, the ability to comparison shop and, more recently, the penetration of powerful internet enabled mobile devices. An estimated 1.3 billion people used the internet in 2007. By 2011, this had risen to 2.4 billion. It is expected to reach 3.1 billion by 2016.⁷ The continuation of these growth trends is expected to lead to further increases in the potential number of online transactions and, by extension, the market opportunity for businesses servicing the online retail sector.

Global online retail sector value



⁶ Source: Global Online Retail, MarketLine Industry Profile, February 2013 and Online Retail in the United States, MarketLine Industry Profile, June 2012 (www.marketresearch.com/MarketLine-v3883/Global-Online-Retail-7077580/ and www.marketresearch.com/MarketLine-v3883/Online-Retail-United-States-7077973/).

⁷ Source: Business Monitor International (www.businessmonitor.com).

ONLINE RETAIL GEOGRAPHIC MARKETS

The US is the largest online market by a considerable margin. In 2011 it had an estimated market size of US\$173 billion - a figure that is expected to increase by a CAGR of 8% to US\$255 billion by 2016. In emerging markets where internet penetration levels and connection speeds are relatively high, such as Brazil, ecommerce and online retailing is expected to grow at even faster rates than in the more mature markets such as the US, UK and Japan.

The Company estimates that the UK and Australia/New Zealand online retail markets are approximately 34% and 10% of the size of the US market respectively.

TRENDS IN ONLINE RETAILING

Online retail technology is becoming more complex, particularly for global multi-channel retailers and brands trying to reach consumers with consistent storefronts across multiple channels, geographies and platforms. Several trends are driving this increased complexity.

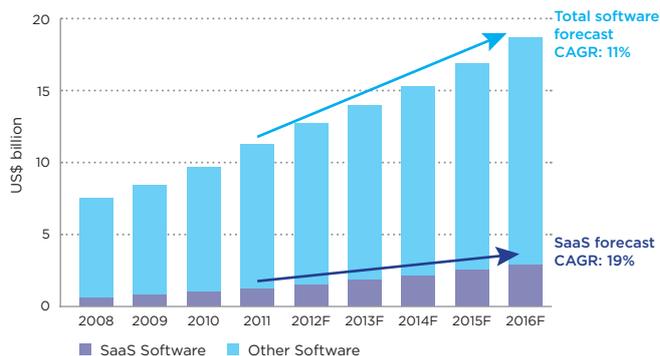
- **Globalisation.** The internet has reduced geographic boundaries with regard to trade and commerce, making it easier to do business beyond home markets. More businesses are selling more products and services online, in more markets and in more languages.
- **Consumer demand for a great user experience.** Consumers increasingly expect a rich, interactive and personalised ecommerce experience, such as fast and relevant site search, social commerce, product suggestions, dynamic product imaging, videos, ratings and reviews.
- **Proliferation of mobile devices.** Ecommerce is expanding beyond traditional web storefronts viewed on a personal computer to include in-store kiosks, smart phones, tablets, and other devices, allowing consumers to shop almost anywhere at any time.
- **Rapid pace of innovation.** Ecommerce innovations are driving competitive advantage for online retailers by reducing operational costs, increasing conversion rates, and increasing the rate of returning customers. The pressure is high for companies to keep up with the pace of ecommerce innovation both as an offensive and defensive strategy.
- **Integration of systems and business processes.** Companies have dramatically recast their online presence from static ecommerce sites focused mainly on basic product information or simple purchasing to dynamic, interactive hubs for consumer marketing, transactions, communications and services. The online presence also increasingly serves as a place to gather valuable data on shopping behaviour, consumer preferences and test new products.

- **Social media and visual marketing.** Integrated communication strategies across social networks such as Facebook and Twitter and new visual content networks such as Instagram and Pinterest are becoming increasingly important in driving online sales of products and services.

4.2 ECOMMERCE SOFTWARE MARKET //

The ecommerce software market comprises a large number and variety of software providers which help ecommerce businesses run their operations and online presence. The needs of ecommerce businesses are changing rapidly, as technology advances and online behaviour changes. Best practices are continuously evolving and customer expectations are rising. These changing needs have given rise to an increasing degree of specialisation and sophistication by those that provide services to ecommerce websites.

Global spending on software by ecommerce providers



The trend towards online retailing is expected to benefit providers of ecommerce software as businesses look to improve the user experience through an enhanced and richer online offering. Ecommerce businesses spent an estimated US\$11.3 billion on ecommerce software in 2011. This is expected to increase to US\$18.7 billion in 2016 (a CAGR of 11%). Over the same period, SaaS delivered ecommerce software is expected to grow from an estimated US\$1.2 billion to US\$2.9 billion (a CAGR of 19%).⁸

At the core of an ecommerce business is the ecommerce platform: the software that runs the ecommerce website and allows website visitors to browse through the retailer’s online store and make purchases. Ecommerce platforms may offer many, or all, ecommerce services in an integrated platform – for example, web hosting, analytics, email campaign management, merchandising, ratings and reviews, product recommendations, and a “default” site search.

The advantages of the platform approach include better integration with existing architecture and a common look and feel to the end user. However, integrated platforms do not necessarily provide the leading product in each individual category that makes up the full suite of services.

Businesses such as SLI focus on developing best of breed ecommerce software solutions in their key area of focus. Customers can incorporate these more focussed best of breed elements to enhance their broader platform, while maintaining the key advantages of the integrated suite solution.

Product discovery is at the heart of a business’s online strategy. Consumers being able to find the products and information they are seeking quickly, through intuitive and rich search and navigation features, is fundamental to converting web browsing into sales. Therefore, effective search and navigation are essential elements of ecommerce platforms. SLI’s core products fall within this segment of the ecommerce software market.

There is also a consumer driven trend towards “discovery” where learning and socialising about products and services is an increasingly important aspect for business in selling their products and services. This is evident in social media. SLI has relationships with many of the businesses supplying software for recommendations and personalisation.

Other notable areas within the ecommerce platform where there are significant providers of best of breed software products include:

- **Enterprise Resource Planning (ERP):** software products that integrate internal and external management information systems across an organisation (e.g. finance/accounting, manufacturing and sales) to facilitate information flow between business functions.
- **Customer Relationship Management (CRM):** systems that manage an ecommerce business’s interactions with current and future customers. These are often closely linked with loyalty programme functions and email marketing.
- **Marketing:** software which facilitates a business’s marketing strategies including specialist email software providers, search engine marketing technology providers, loyalty programme and display advertising.
- **Search Engine Optimisation (SEO):** the process of affecting visibility of a website or webpage in a search engine’s ‘natural’ or unpaid search results.
- **Customer service:** dedicated call centre systems, live chat and online help products which provide systems to businesses to maintain their customer support functions.

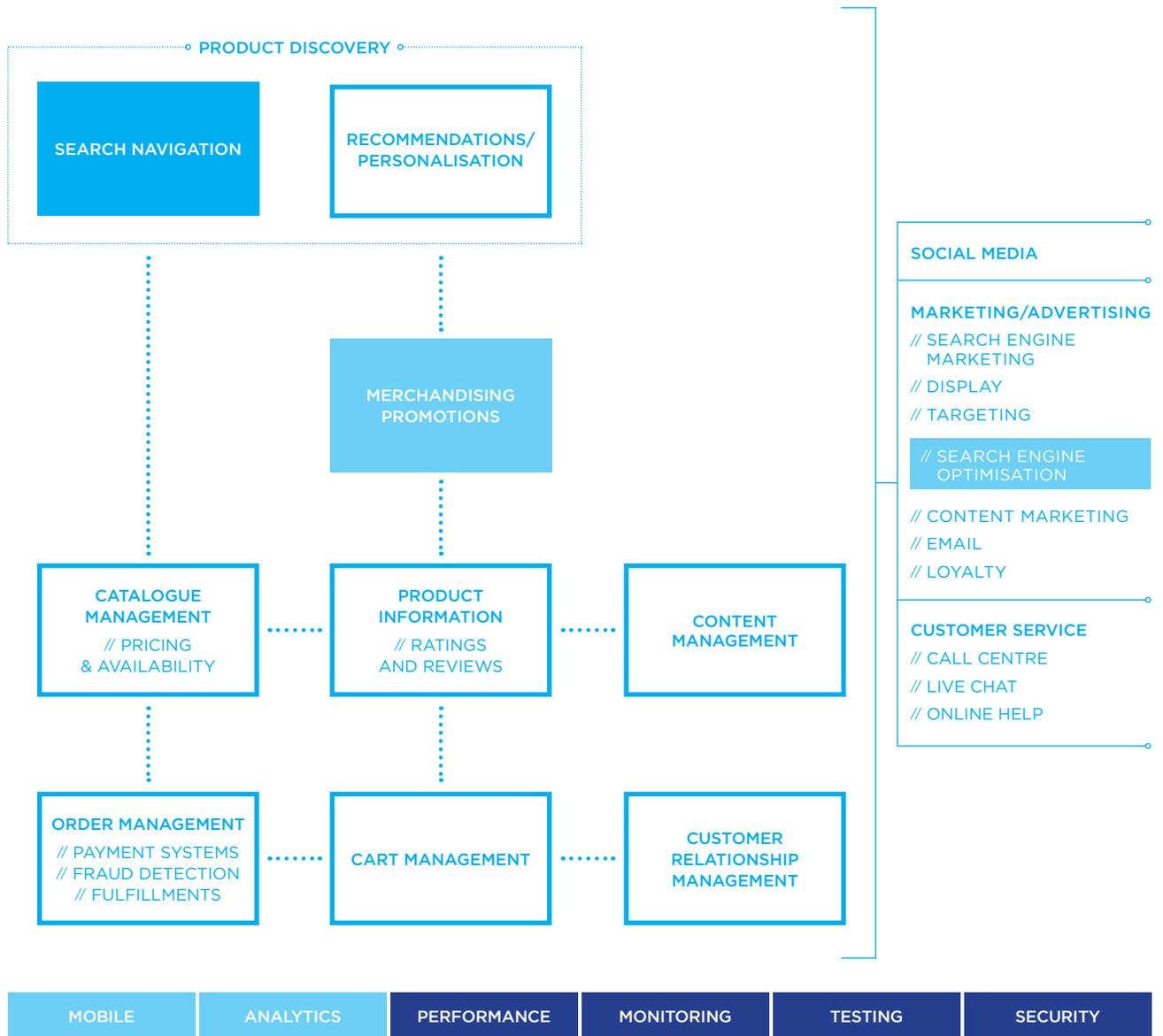
⁸ Source: Forrester Consulting, Inc. April 2013 (www.forrester.com). Includes revenues by business to business and business to customer software vendors including software licenses, maintenance services and subscription services, but excluding professional services (e.g. consulting, implementation) and marketing services (e.g. direct marketing, access to contact databases).

- **Cart management and payment systems:** software which manages shoppers' online purchases and facilitates the acceptance of electronic payment for online transactions.
- **Multi channel:** applications which support ecommerce over smart phones and other mobile devices, software and hardware for in-store kiosks and catalogue management software which manages a business's product catalogue.
- **Analytics and monitoring:** analytical software for monitoring visitor behaviour and buying habits and which provides testing tools to optimise online store performance.

In SLI's experience, online businesses often use around 12 vendors in powering their overall ecommerce operation. For example, a business may incorporate dedicated site search, recommendation, email marketing, CRM, rating and review

and payment system applications into their overall ecommerce platform. Examples of best of breed companies they may use for these applications include SLI (site search), Mybuys (recommendations), ExactTarget (email marketing), Salesforce.com (CRM), Bazaarvoice (reviews) and Paypal (payment). The breadth and depth of the ecommerce software market is also evident at international ecommerce tradeshows such as Internet Retailer where approximately 600 ecommerce software vendors exhibit.

ECOMMERCE PLATFORM



KEY:

- SLI CORE PRODUCT CATEGORIES
- OTHER SLI PRODUCT CATEGORIES
- PLATFORM FEATURES

4.3 THE SITE SEARCH AND NAVIGATION MARKET //

The difference between “site search” and a “web search engine” service provided by companies such as Google:

SITE SEARCH (such as SLI) is an internal search function for products and content **within an individual online site**. The best site search solutions deliver the most relevant results to the user for the keywords entered. Most site search providers charge a monthly subscription or upfront licence to use their product.

WEB SEARCH ENGINES use keywords entered by the user to search for information **across the entire internet**. The sites returned are ranked using the search engine’s own set of complex algorithms. Most web search engines are commercial businesses supported by advertising revenue.

The site search and navigation market represents a sub-segment of the ecommerce software market relating to businesses which provide site search software either through on-premise software or SaaS delivery.

Site search may be provided through a number of approaches, including:

| DEFAULT SEARCH  | DEDICATED SEARCH  | INTERNALLY DEVELOPED SEARCH  |
|---|--|---|
| <p>Almost every ecommerce platform comes with a default search and navigation function. The quality of the default search varies from platform to platform and between implementations on the same platform. Default search solutions are normally focused on the core search features rather than trying to be a best of breed solution and often have limited features. Examples of ecommerce platforms with default search functions include: Demandware, IBM’s Websphere, and Ebay’s Magento.</p> | <p>Dedicated search providers, such as SLI, provide specialised search and navigation software which can be integrated into the existing ecommerce platform of a business or supplement its other ecommerce software. Examples of site search businesses and key competitors to SLI include: Endeca (owned by Oracle), Search and Promote (owned by Adobe), Nextopia, Celebros, Thanxmedia, Factfinder and Fredhopper.</p> | <p>There are a range of open-source (free) software solutions providing site search capability, which anyone can use and which developers can access to modify. Open-source can be integrated with a business’s existing ecommerce software or used stand alone. One of the most popular open-source search software is SOLR.</p> |

Although the US is the largest and most developed site search market, penetration of dedicated site search is low among online retailers. In 2012, around 350 of the Top 1000 online retailers in the US used a dedicated site search provider, and 60 of these were customers of SLI⁹.

SLI estimates that the global addressable market segment (based on customer size) for its current products is worth over US\$500 million per annum based on SLI's estimated market share in the US and an estimate of the US's market share of the global online retail market. There is considerable scope for this addressable market to expand, including by delivering new products or by selling the existing products into markets other than ecommerce. SLI is currently developing new products and testing them with a selection of existing customers.

SLI believes the use of site search solutions by ecommerce websites will grow broadly in line with the online retail and ecommerce software markets but with faster growth evident in site search delivered through SaaS. However, considerable opportunity also exists to target additional growth through increased penetration of dedicated site search providers to ecommerce websites who use their own internally developed software or use default search within their existing ecommerce platform.

4.4 SOFTWARE AS A SERVICE //

There are two common solutions for the creation, provision and management of software:

ON-PREMISE SOFTWARE

On-premise software typically has large upfront costs, including a licence fee, costs associated with the hardware on which the software will run and for the people to install, customise and integrate it. During the installation period there can be a large amount of customisation to meet the needs of the customer. There are also typically on-going costs for bandwidth, power, hardware and software updates and time for people to install these updates and make any changes required by the customers.

SAAS

With SaaS, the software and associated data is hosted outside the customer's premises and accessed through the internet. SLI considers that the SaaS delivery model offers users several fundamental advantages over on-premise software.

- **Ease of implementation:** the SaaS solution provider manages the underlying infrastructure (e.g. servers, storage, bandwidth and networking). This allows the SaaS solution to be deployed more quickly and with significantly less effort required by the customer.
- **Scalability:** the SaaS solution provider will generally have the flexibility to enable the customer to scale its business well beyond the customer's requirements because they have to provide capacity for all of their customers.
This means that customers have infrastructure they could not otherwise afford and that the SaaS provider should be able to provide any additional capacity the customer might require.
- **Reliability:** the service provided by the SaaS company is core to its business so a significant amount of time and expense (across many customers) is invested to ensure as close to 100% availability as is commercially practicable. This means that a SaaS solution is likely to be more reliable than a comparable on-premise solution.
- **Speed and ease of upgrades:** it is important for businesses to keep up with improvements in technology. SaaS providers manage updates to the service, software, and infrastructure, often with no additional cost to, or effort from, the customer. This means that updates are more frequent and easier to deploy than on-premise software.
- **Lower total cost of ownership:** SaaS products are typically subscription based, sometimes with no initial setup cost, often meaning the solution is less expensive overall than the on-premise solutions.

The benefits of the SaaS delivery model have helped its adoption grow rapidly for many business applications. Total global SaaS software revenue (for ecommerce and other markets) was estimated at US\$21.1 billion in 2011 and is forecast to grow to US\$92.7 billion in 2016 - representing a CAGR of 34%.¹⁰

⁹ Internet Retailer Top 500 Guide + Second 500 Guide, 2012 editions (www.internetretailer.com).

¹⁰ Source: Sizing the Cloud, Forrester Research Inc, April 2011 (www.forrester.com/Sizing+The+Cloud/fulltext/-/E-RES58161?objectid=RES58161).

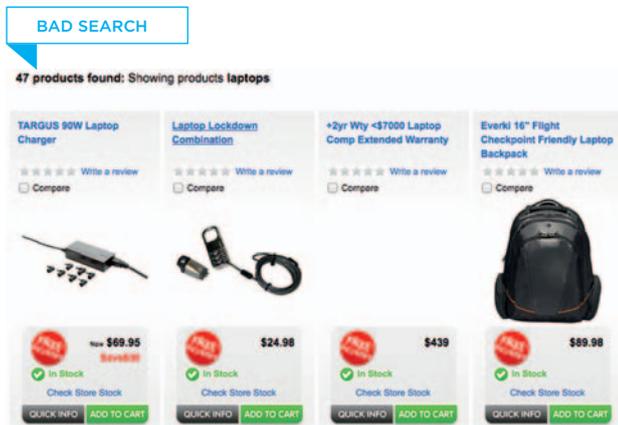
BUSINESS DESCRIPTION

5.1 OVERVIEW OF SLI //

SLI is a leading supplier of site search and other solutions to ecommerce providers, with customers in the US, UK, Brazil, Australia and New Zealand.

WHAT IS SITE SEARCH?

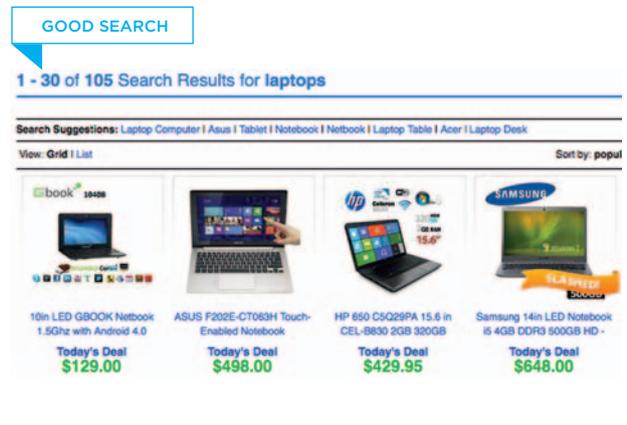
Site search is the means through which online users search for products and services within a website. Often this function does not work well because online retailers typically do not have the skills required to construct or implement a well-functioning internal search engine, meaning that when a visitor searches using a keyword they do not see the results they expected.



The image above shows an example of this. The user types in the word "laptops" and is shown a range of laptop accessories but no laptops. **This is an example of 'Bad Search'**. When this happens visitors can get frustrated and may leave the website. **SLI's research has shown that 73% of visitors will leave a website in two minutes if they can't find what they are looking for.**

WHAT DOES SLI DO?

SLI's search is designed to improve the search experience by delivering more relevant search results. The image below shows an example of an SLI driven website where the search for "laptops" delivers laptops. **This is 'Good Search' and generally translates directly into greater online sales for SLI's customers, offering a compelling proposition for ecommerce businesses.**



SLI aims to enhance the relevance of search results by associating a search term with the product the site visitor clicks on. SLI then uses its algorithms to learn relevance from the collective activities of site visitors.

In addition, SLI offers a range of complementary solutions outlined in section 5.3 "Product Range".

SLI delivers its products via a SaaS model described more fully in section 4 "Market Overview". Importantly, SaaS allows SLI to derive recurring revenue (charging customers on-going subscription fees, rather than the traditional model of deriving a large amount of one-off revenue from non-recurring fees for installing the software).

SLI's primary focus is on the online retail market but it also has customers in a range of other sectors. SLI is well known in the industry for providing superior high-touch customer service, offering the highest level of responsiveness, flexibility, support and attention to its customers.

SLI powers the site search for over 375 customers in over 600 websites globally (as of 28 February 2013). Each month it serves over half a billion web pages on behalf of its customers.

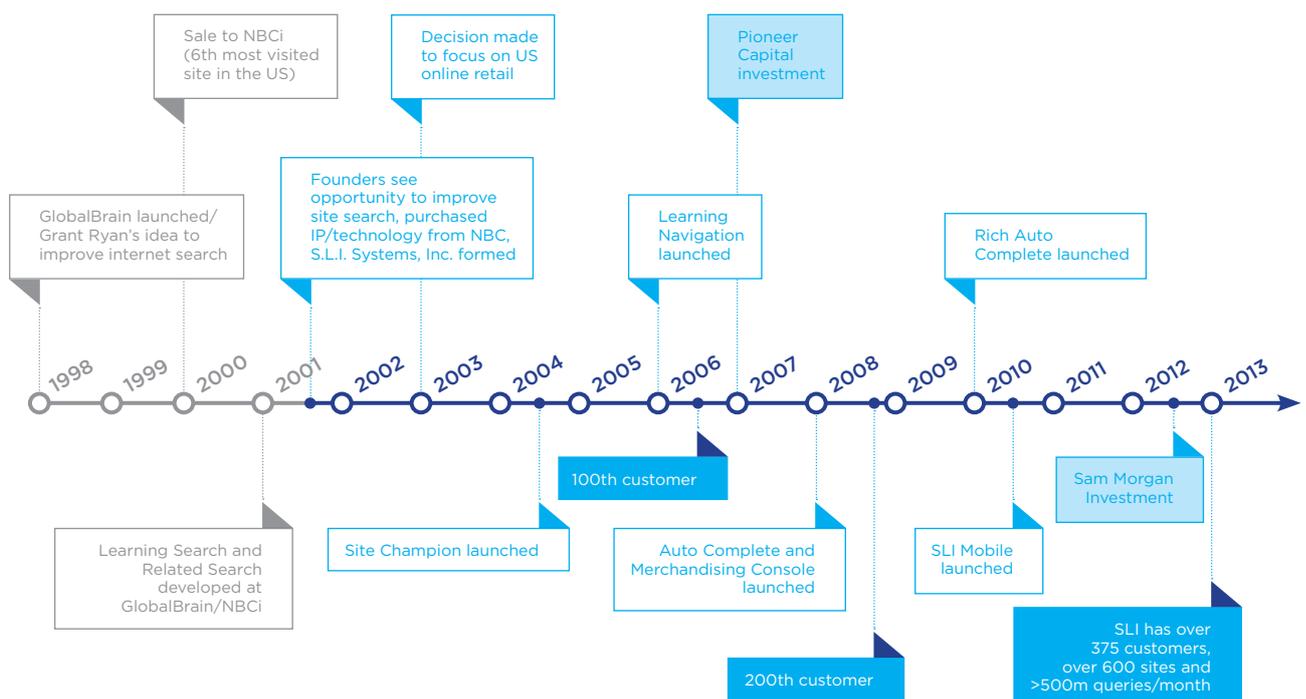
5.2 HISTORICAL OVERVIEW //

SLI started as a concept to improve the relevance of search results by learning from prior user experience. The kernel of the idea was to track which search results were clicked on by users and use this information combined with the search term to elevate those results to the top of the search results. In 1998, GlobalBrain was established in Christchurch to develop software that would commercialise this idea. GlobalBrain was subsequently sold in 2000 to NBCi, a subsidiary of the US based National Broadcasting Company (NBC). In 2001, following the dotcom crisis, NBCi was shut down. SLI was formed when a group of ex-NBCi management and employees, and others, bought the intellectual property from NBC and decided to focus the technology on the site search market.

SLI adapted the software that was developed by GlobalBrain and NBCi to provide dedicated site search products through a SaaS delivery model. SLI saw an opportunity to capitalise on the proliferation of internet usage and provide a site search product for those businesses that had yet to implement such features or had site search products which were providing poor results or an inferior customer experience.

The timeline below sets out the key events and milestones in SLI's history.

SLI TIMELINE //



5.3 PRODUCT RANGE //

SLI's products are designed to help its customers by increasing relevant visitor traffic to their site and, once there, making it easier for them to find what they're looking for. SLI's product range currently encompasses the products depicted below.



Learning Search, the site search product, is the core product, from which the other four have been derived through SLI's on-going research and product development. Site Champion is a separate product, but requires the customer to subscribe to Learning Search. Learning Navigation, Mobile and Rich Auto-complete are related optional add-on products to Learning Search. There is a further and very specialised product, Related Search, that SLI does not actively market. SLI has two patents related to these products.

SLI's business is based on a recurring revenue model where customers pay a periodic fee for the service provided by SLI. SLI sells mainly to online retailers and generates approximately 80% of its revenue for the Learning Search suite of products and 20% from Site Champion. Further details of the revenue contribution for each product are available in section 9 "Prospective Financial Statements" under assumption A.6.3 "Revenue".

LEARNING SEARCH

SLI’s core product is Learning Search, an advanced SaaS based site search offering which is designed to learn from visitors’ site search activity and click-throughs to deliver the most relevant results.

When a visitor performs a search on a SLI customer’s website, the results displayed are powered by SLI and come from a SLI server. To achieve this SLI receives a “feed” from the customer. A feed is a file that contains all the information SLI needs to build the search, typically a list of the products and all the information associated with those products, such as name, price, description, and images. An updated feed is received regularly to ensure SLI has the latest information.

Learning Search is customised to match the design of a customer’s existing website. Clicking on results links from the SLI-powered search results page takes the visitor back to the relevant content on the customer’s own website. Each customer has a SLI representative (called a Customer Success Manager) to ensure their search follows best practices and matches their business needs.

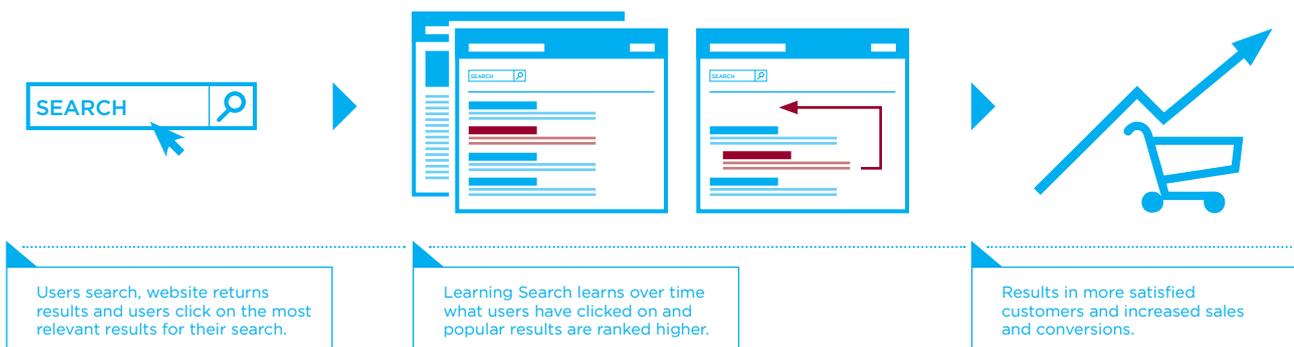
A key differentiator of SLI’s search is that it learns from the people who use it and keeps improving. Learning Search analyses the keywords visitors search with and the items they click on, using this information to continuously learn and improve the relevancy of searches. This includes the various refinements and navigation paths visitors use to find the items they eventually purchase. Learning Search then uses this learning to re-order the future search results and make them more relevant to searchers.

SLI’s customers pay a monthly fee for Learning Search. The size of the fee is based on the number of search pages that SLI serves for the customer.

ADDITIONAL FEATURES OF LEARNING SEARCH

- **Search Suggestions.** SLI’s patented search suggestions are normally shown at the top and bottom of the results page and below each search result to help visitors refine or expand their search. Learning Search also presents spelling suggestions when people enter misspelled words.
- **Analytics and Merchandising Console.** Learning Search provides customers with access to SLI’s analytics and merchandising console, detailing information about what site visitors are searching for and providing insight into the behaviour of their site visitors.
 - The customer can use the **analytics** within the console to further improve the search, their website and their business. For example, customers can identify products visitors are searching for but which they don’t stock, using this information to decide whether to add additional products to their catalogue.
 - The **merchandising** functionality of the console allows the customer to control various aspects of the search experience to help them achieve their business goals, particularly around promoting products. Customers can override the natural search results arising under Learning Search and specify rules to adjust the order of items on the search results pages, pushing products to the top or removing them from a particular search. They can also add rules to show promotional banners or to bypass the search results altogether (e.g. taking a search for ‘Levis’ directly to the Levis brand page).
- **Faceted Search and Refinements.** Learning Search can present search results with the same navigational refinements as the rest of a website, providing a consistent user experience across search and navigation. For instance, a search for “shoes” would show the search results and also present a navigable list of options that would allow the visitor to refine their search by characteristics such as category, size and colour.

LEARNING SEARCH //





JELLYBELLY.COM //

“Since implementing SLI’s site search, conversions have grown nearly one-third, average orders have increased 10 percent.”

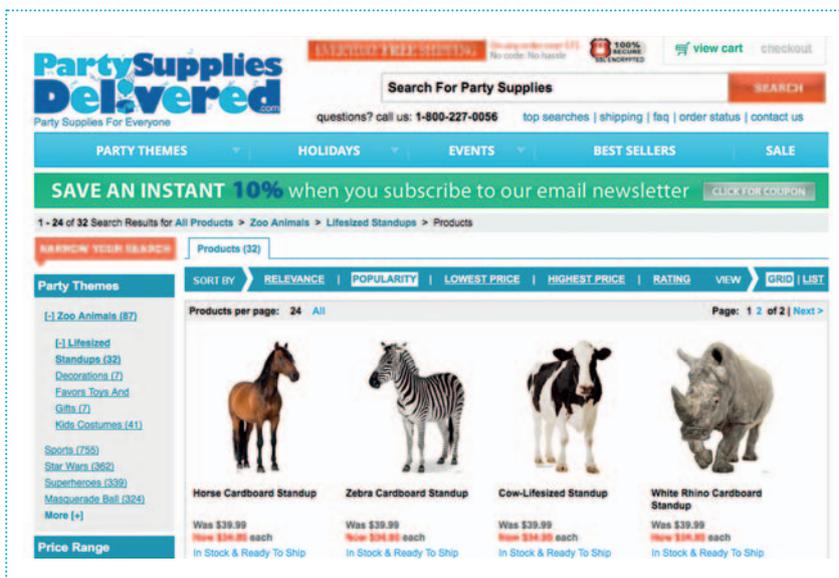
- **Comprehensive search.** Unlike most ecommerce platforms, SLI’s search can return not only products but also results from other sources. This is a valuable feature for customers as it allows their website visitors to connect with other content in their website, such as videos, manuals, blog posts and store locations together with information the retailer may be publishing on other sites such as Facebook, Twitter, and YouTube.

LEARNING NAVIGATION

Learning Navigation is similar to Learning Search in many ways, except that it powers the navigation elements on a site. Websites generally have a hierarchical navigation structure providing key navigation links or buttons at the top or side of their web pages (e.g. products, news, and contact us). Ecommerce sites will typically have a number of product category options, but may also have navigation options for genders (men’s clothing), age groups (children’s clothing) and style (street wear).

Learning Navigation generates these navigation links dynamically, based on the site’s product structure. These links are used by website visitors to navigate the site instead of using the search box.

The image below shows a navigation page hosted by SLI.



PARTYSUPPLIESDELIVERED.COM //

“Since switching to SLI Systems’ Learning Navigation pages, bounce rates on category pages are down 40%. Pages per visit have increased 53% and conversion rates have increased 203%. These increases are important because they demonstrate the business value that SLI’s solution offers, which delivers an almost immediate ROI.”

Learning Navigation continually analyses visitors' behaviour as they navigate and reorders the links to help minimise the number of clicks visitors take to find what they're looking for. Like Learning Search, Learning Navigation is delivered by SLI via SaaS. Learning Navigation pages are optimised to rank well in search engines such as Google - helping customers achieve enhanced visibility and more traffic.

SLI MOBILE

Not all websites are easily viewed on small mobile screens, or function well with a touch interface. Accordingly, many retailers seek to develop mobile-optimised versions of their websites.

SLI Mobile is a mobile-optimised search and navigation product that can be customised to fit a customer's website branding and design. SLI Mobile aims to improve the mobile user experience and make it intuitive to discover products and other information from a Smart phone.

As of 28 February 2013, approximately 15% of SLI customers use SLI Mobile.

RICH AUTO COMPLETE

Rich Auto Complete shows visitors product images and descriptions in a drop down box as they type (as distinct from 'auto-complete', which just shows words and not necessarily

any other context). As the visitor types into the search box, Rich Auto Complete will constantly refresh the list of likely products before the visitor even presses the "search" button.

SLI's learning technology generates these suggestions automatically based on visitor activity on the site. Rich Auto

IN PRACTICE //

A SLI customer tested the benefit of Rich Auto Complete over normal auto complete. Google Analytics showed a 23% increase in revenue from using Rich Auto Complete, largely driven by a 22% increase in conversion rate.

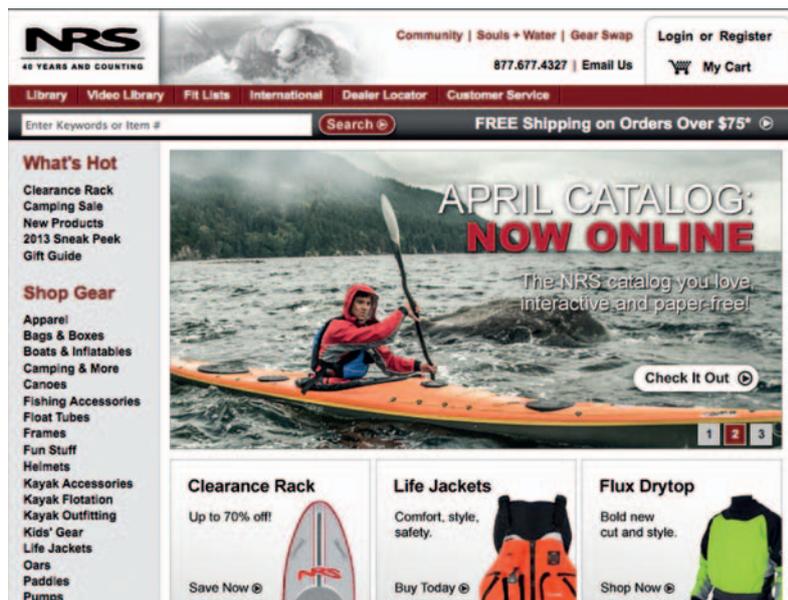
Complete is available as an optional add-on service for Learning Search customers for an additional charge. As of 28 February 2013, approximately 40% of SLI customers use Rich Auto Complete.

SITE CHAMPION

Site Champion is a SEO solution designed to drive more traffic to a customer's site. In general, the higher ranked and more frequently a site appears in an internet search engine's results, the more visitors it will receive from the search engine's users.

NRS.COM //

"Site Champion is helping improve our visibility in natural search results. We have received tens of thousands of referrals from Site Champion since going live, which has helped us grow our online business profitably. This service complements our own natural search optimization efforts perfectly. The terms site visitors use parallel what people are looking for on Google, MSN, etc."



Site Champion is based on the premise that the search terms used on the internal site search to find products (i.e. under SLI's Learning Search) are very similar to the terms used when searching the whole internet for those products. Site Champion automatically creates pages based on commonly used site search terms to increase the chances that these pages will be picked up and ranked higher by search engines. Site Champion cannot guarantee that any individual page will rank in a search engine, as search engines use a number of complex variables to drive their rankings. But Site Champion has proven effective in assisting SLI's customers by providing more traffic to their sites (and, ultimately, more sales).

Site Champion is available as an optional add-on service for Learning Search customers. As of February 2013, approximately 47% of SLI customers use Site Champion.

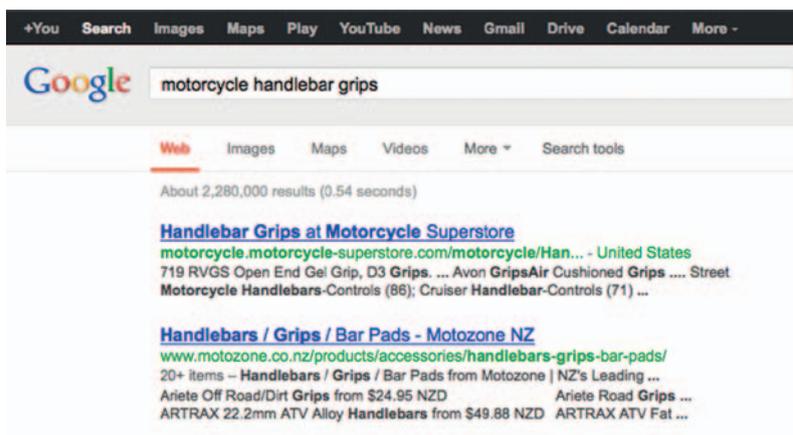


Figure 1: A search for motorcycle handlebar grips on Google shows a page that was automatically created by Site Champion because handlebar grips was a common search term on Motorcycle Superstore's SLI-powered site search. Google and the Google logo are registered trademarks of Google Inc., used with permission.

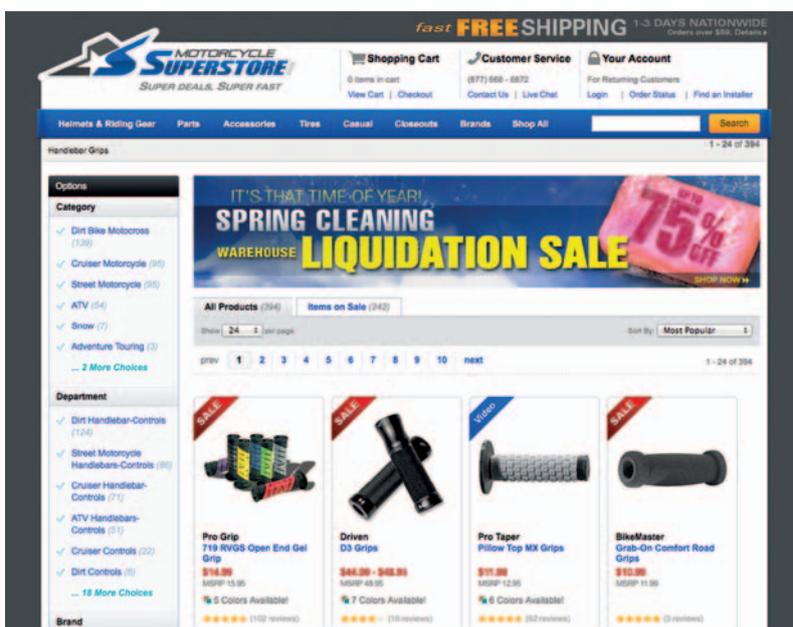


Figure 2: When the person clicks on the Google result they are taken to a page that shows the most popular handle bar grips on Motorcycle Superstore. Many of these people then go on to make a purchase.

RELATED SEARCH

The Related Search product was sold to web search engines which would share the search terms their visitors were using and SLI would return a set of related search terms that the search engine would show on the search results page.

There has been very little emphasis on this product because there are very few potential customers and the biggest potential customers have their own solutions. Related Search is a product that is outside of SLI's core product focus, although it will continue to sell it on request.

5.4 SLI'S BUSINESS MODEL //

SLI operates on a recurring subscription based model where most customers subscribe for a contract term of 12 months with automatic renewal unless the contract is terminated at the expiry of that term. As of February 2013, approximately 80% of SLI's revenue came from Learning Search and its related products with most of the balance coming from Site Champion. While there are variations for certain customers, each product generally employs a different revenue model as detailed below:

- **Learning Search and associated products:** the customer is charged a monthly subscription fee according to a tiered structure based primarily on a range of the anticipated number of queries performed. As the customer generates more searches through its site, the monthly subscription rate increases and they progress through the tiers. The cost for a small customer starts at approximately US\$1,000 a month and includes SLI's standard Learning Search, and Search Suggestions. Customers pay for additional products such as Learning Navigation, Mobile and Rich Auto Complete.
- **Site Champion:** revenue is performance-based with the customer typically charged a fee per referral from a search engine to the Site Champion pages.

SLI recruits customers primarily through a direct sales model – see further details below.

Although customer recruitment requires significant investment, on-going customer servicing costs are relatively low compared to the on-going revenue received. Revenue from a customer generally increases with the growth of the customer's business and as the customer purchases more of SLI's products.

LONG TERM VALUE OF CUSTOMERS ACQUIRED

Due to the recurring nature of SLI's revenue stream, high customer retention rates (approximately 90% per annum by value over the last five years to 28 February 2013) and strong gross margins (approximately 75%), generally once customers have been acquired and SLI has recovered the cost of acquiring those customers, there is significant long term value potential created. SLI forecasts that the time taken to recover the cost of acquiring customers over FY13 and FY14 in growing ARR (i.e. the payback period) will be 2.2 and 2.0 years respectively.¹¹ Accordingly, while the long term value of each customer continues to materially exceed the cost of acquiring that customer, SLI's sees a strong rationale in growing its customer base and ARR.

¹¹ Calculated as the forecast costs of achieving the increase in ARR during the relevant period (\$8.5 million for FY13, being an average of the forecast growth costs over FY12 and FY13 and \$12.7 million for FY14, being an average of the forecast growth costs in FY13 and FY14 as set out in section 9 "Prospective Financial Statements") divided by the incremental gross margin on the gross value of ARR (i.e. excluding lost customers) obtained in the relevant period (\$3.9 million between June 2012 to June 2013 and \$6.5 million between June 2013 to June 2014). The gross margin on incremental ARR is assumed at 75% (consistent with gross margins achieved in FY12 and forecast for the FY13 and FY14 periods).

FINANCIAL METRICS¹²

Financial statement reporting measures

| | Actual | Actual | Actual | Actual | Actual | Pro Forma PFI | PFI |
|--|--------|--------|--------|--------|--------|---------------|---------|
| NZ\$'000 | FY08 | FY09 | FY10 | FY11 | FY12 | FY13 | FY14 |
| Operating Revenue | 6,985 | 10,385 | 10,965 | 12,826 | 15,524 | 18,285 | 22,200 |
| Operating Expenses and Employee Entitlements | 7,133 | 10,796 | 10,889 | 13,730 | 15,454 | 20,971 | 29,782 |
| Comprehensive profit/(loss) | (325) | 143 | 71 | (158) | 92 | (2,147) | (7,182) |

Non-GAAP performance and valuation measures

| | Actual | Actual | Actual | Actual | Actual | Pro Forma PFI | PFI |
|----------|--------|--------|--------|--------|--------|---------------|---------|
| NZ\$'000 | FY08 | FY09 | FY10 | FY11 | FY12 | FY13 | FY14 |
| EBITDA | (150) | 369 | 379 | 256 | 424 | (1,856) | (6,874) |
| ARR | 5,991 | 7,169 | 9,848 | 12,082 | 15,468 | 19,163 | 25,884 |

Reconciliation from profit / (loss) before tax to EBITDA

| | Actual | Actual | Actual | Actual | Actual | Pro Forma PFI | PFI |
|--|--------|--------|--------|--------|--------|---------------|---------|
| NZ\$'000 | FY08 | FY09 | FY10 | FY11 | FY12 | FY13 | FY14 |
| Profit / (loss) before tax | (316) | 168 | 159 | 23 | 215 | (2,106) | (7,082) |
| Less: Interest income | (3) | (8) | (3) | (2) | (7) | (46) | (230) |
| Add: Interest expense | 35 | 4 | 5 | 5 | 0 | - | - |
| Add: Depreciation and amortisation expense | 135 | 204 | 218 | 230 | 216 | 296 | 438 |
| EBITDA | (150) | 369 | 379 | 256 | 424 | (1,856) | (6,874) |

¹² Further detail is available in section 9 "Prospective Financial Statements" concerning the information in this section which has been extracted from the prospective financial statements (including the principal assumptions on which those financial statements are based).

ARR

Internally, SLI looks to ARR as a point in time estimation of core subscription revenue already secured for the next 12 months. SLI considers that this is an important performance measure for the Company, given its growth phase and the fact that its subscription based revenue model and high customer retention rates (see below) enables high forward revenue visibility for existing customers. The Company intends to report on ARR periodically after completion of the Offer.

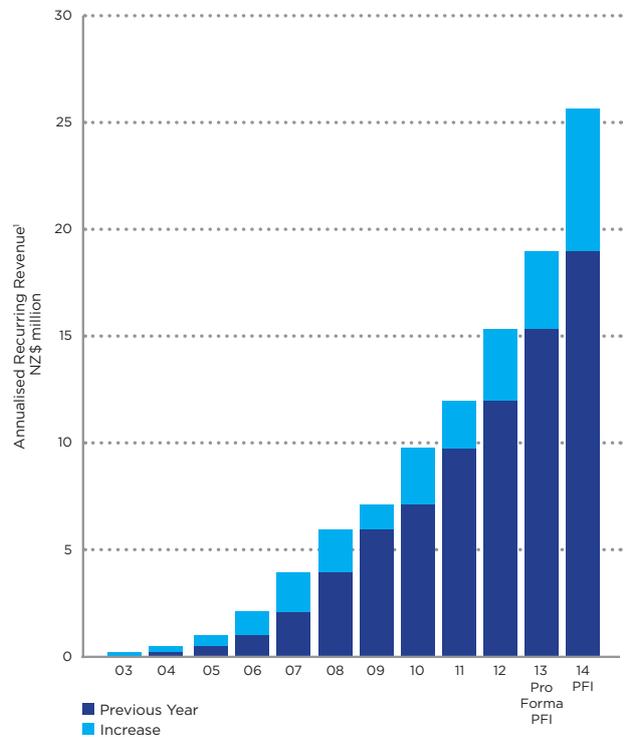
ARR is a non-GAAP financial performance metric which is calculated based on the subscription revenue generated from the existing customer base in the reference month and then annualised. It is based on the exchange rates at that time. When ARR is presented for a historical time series, all points are calculated on a constant currency basis using the current exchange rates. ARR does not account for changes in behaviour of customers to that experienced historically (e.g. retention rates, increase/decrease in activity or bad debts).

The implied forward looking nature of ARR means it is typically higher than historical reported revenue at the same point in time where revenue is growing. That is because the ARR at the end of a financial year is the subscription revenue for the month of June multiplied by 12, whereas the reported revenue will comprise all recognised revenue from 1 July of the previous calendar year to 30 June. The constant exchange rate used also smoothes out any foreign exchange fluctuations, providing SLI with a better understanding of the business' underlying performance over time.

ARR only includes revenue from SLI's customers for its Learning Search and related products and its Site Champion product; it does not include revenue from SLI's Related Search product, which it does not actively promote. For the Site Champion component of ARR it is necessary to apply judgement to mitigate the effects of one-off events that impact the base month revenue of the calculation. For example, SLI makes adjustments to revenue at a customer level to account for seasonality, Site Champion revenue growth and customer size.

SLI has grown its ARR to approximately \$17.7 million as at 28 February 2013 since the inception of its business in 2001, with only US\$2.5 million of new capital invested. SLI plans to use the net proceeds of this Offer to implement a step change in its growth. The financial benefits of the capital being raised are anticipated to become increasingly evident towards the second half of the FY14 forecast period (and beyond) where ARR is forecast to increase to \$25.9 million from the forecast \$19.2 million as at FY13 (an increase of 35%).

ARR at June Each Year in Historical and Prospective Periods



CUSTOMER RETENTION

SLI attributes its high rates of customer retention to the effectiveness of its product range in helping its customers make more money and high rates of customer satisfaction. SLI expects to maintain its high retention rates by providing customers with high levels of service and support as well as new capabilities and functionality.

Retention rates on core products have averaged approximately 90% per annum by value over the five years to 28 February 2013 (and approximately 85% per annum by number of customers over the last two years to 28 February 2013), and has been 92% over the last financial year and 90% per annum (annualised) in the eight months to 28 February 2013. Customer retention rates on core products have fluctuated

between 93% and 83% by value over the last five financial years - with the low point of 83% occurring in FY09, when customers were heavily impacted by the global financial crisis. Customer retention was also slightly lower in FY11 in part because service levels were lower due to the Christchurch earthquakes.

Most SLI customers who terminate their agreement do so when they change ownership, change ecommerce platforms, are forced to cost-cut and discontinue site search, use other alternatives (e.g. open-source or a competitor), or they close operations due to financial hardship.

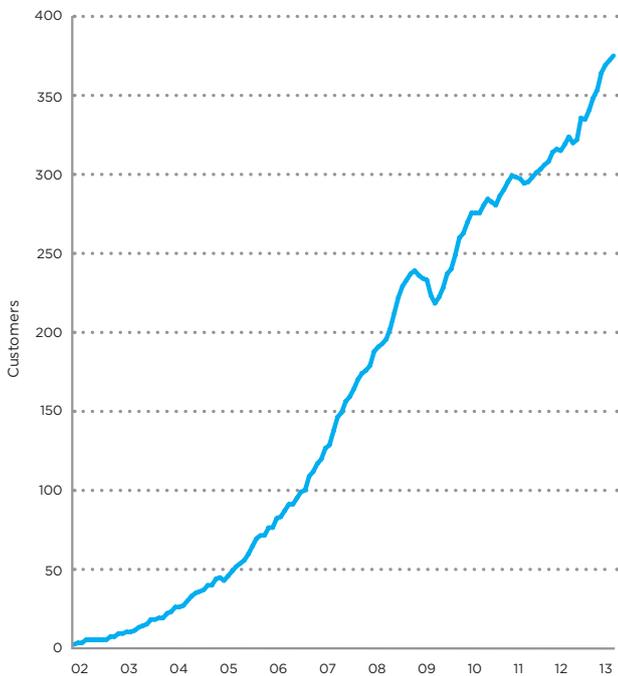
SELECTED SLI CUSTOMERS //



5.5 CUSTOMERS //

As of 28 February 2013 SLI had more than 375 customers and had its products on over 600 websites globally. No single customer represents more than 5% of revenue and the top 20 customers represent less than 30% of revenue. According to Internet Retailer¹², SLI serviced 60 of the top 1000 US online retail businesses.

Number of customers serviced by SLI

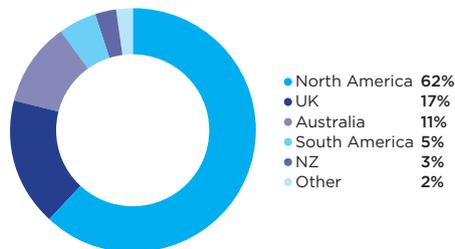


SLI’s customer base has grown consistently since it was founded, with the exception of 2009 where its customers were impacted by the global financial crisis.

SLI’s customers represent a broad cross section of retailers in the US, Europe, Australia/New Zealand and Brazil. They include Hardrock Café and Jelly Belly in the United States, Harrods and Next in the UK, and The Warehouse and Mitre 10 in New Zealand.

SLI also services other sectors with web-based search functions, including customers in the publishing industry such as Dilbert and the New England Journal of Medicine and corporate sites such as Qantas and Trimble Navigation. Although SLI’s marketing is focused on securing ecommerce companies as customers, there are many other businesses with websites that need better search. These verticals represent a possible future opportunity. The focus to date on ecommerce has been driven by the clear ability for the customers to see that it gains financially from the SLI products.

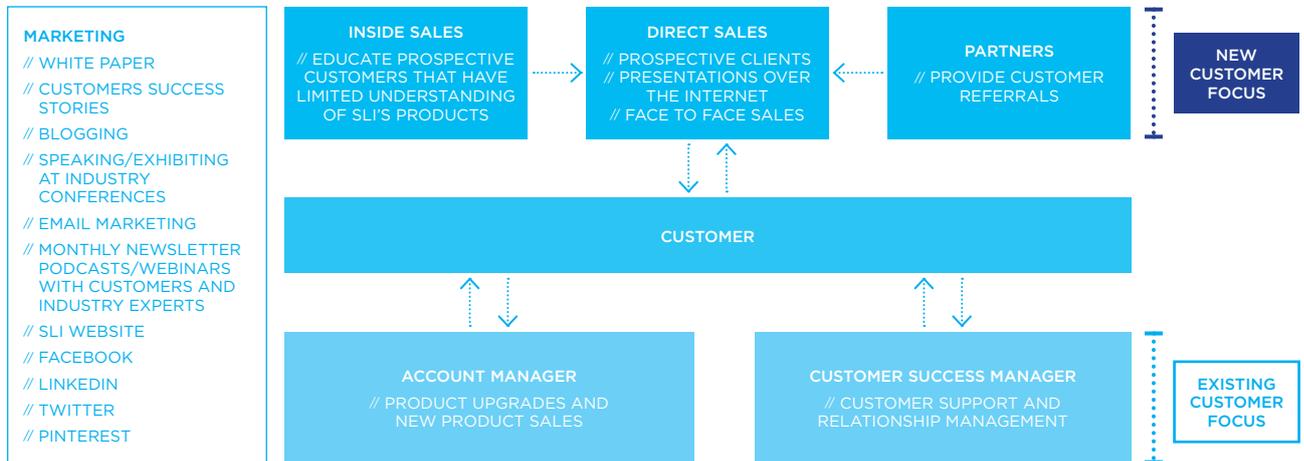
ARR split by geography at 28 February 2013 (NZD)



ARR split by customer size at 28 February 2013 (NZD)



¹² Internet Retailer Top 500 Guide + Second 500 Guide, 2012 editions (www.internetretailer.com/shop/2013-leading-vendors-guide.html).



5.6 SALES AND MARKETING //

SLI has an international team working to acquire and retain customers, primarily via a direct sales model. SLI has sales staff that specialise in roles ranging from direct sales representatives who target key prospective customers to inside sales staff focussed on selling new or enhanced products to existing customers.

This strategy has been successful, with SLI establishing a strong track record of attaining new customers (having grown from 132 customers in 2007 to over 375 as at February 2013) and up-selling new products and services to those customers.

SLI’s sales strategy is based around a repeatable process that develops demand for SLI products then engages with prospects to move them through the various stages of the sales cycle. Customers typically sign up to a 12 month initial term which is automatically renewed upon expiry unless terminated.

SLI’s primary marketing strategy is the creation of leads through communicating and engaging with its customers and prospects.

The inside sales team is responsible for generating leads for SLI’s direct sales representatives.

SLI has direct sales teams in each of its primary markets (US, UK, and Australia/New Zealand) to target key prospective customers. When SLI secures a new customer, the customer is assigned to a certain account manager for direct sales efforts. The account manager is responsible for helping clients with product additions and complementary products. As SLI’s customers grow their businesses, they will often deploy additional sites and add additional products, like SLI’s mobile search offering.

SLI also has partner arrangements with businesses supplying products and services to ecommerce businesses. These arrangements include referral, reseller and ‘original equipment manufacturer’ agreements. SLI will often engage in joint marketing with these partners. In FY12, these partner arrangements accounted for a small amount of SLI’s total sales revenue, and although SLI has not assumed a material increase in the prospective financial statements, it expects that there is an opportunity to expand revenue through this channel.

SLI aims to build reputation and market share by producing thought leading content (white papers, customer success stories, blogging and video content), and seeking opportunities to engage and promote these ideas (speaking and exhibiting at industry conferences, webinars and email marketing). SLI is well known within the ecommerce industry as a leading provider of site search solutions.

- Trade shows have been a very successful marketing channel for SLI, with the company regularly attending and speaking at a range of key industry events.
- SLI's monthly email newsletter is an informative publication on site search, sharing experience from its customers and promoting SLI as a thought leader.
- SLI's website contains information about its products. This includes videos, an active blog with several contributors, and easy access to news, press releases and newsletters.
- SLI produces white papers, available as a free download on its website, which contain useful information for retailers. These downloads generate leads for the sales team through down-loaders entering their contact information.
- SLI also uses partners for promotion, such as dinners, seminars and webinars.

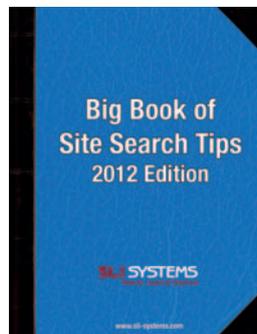


Figure: The big book of site search tips contains 100 tips on building a good site search. This white paper was published by SLI and summarises the best practices learnt across its customers.

5.7 PEOPLE //

SLI has over 100 staff, located in Christchurch (New Zealand), San Jose (United States), London (UK) and Melbourne (Australia) (as at 28 February 2013). Because SLI has people located across multiple time zones, SLI can readily provide 24/7 service to customers.

SLI's senior management team has an average of a decade experience each in site search and SaaS, and some members of the management team have a significant personal shareholding in the business. The executive team is led by Dr. Shaun Ryan, a co-founder of SLI and an original developer of SLI's unique "Learning Search" site search technology.

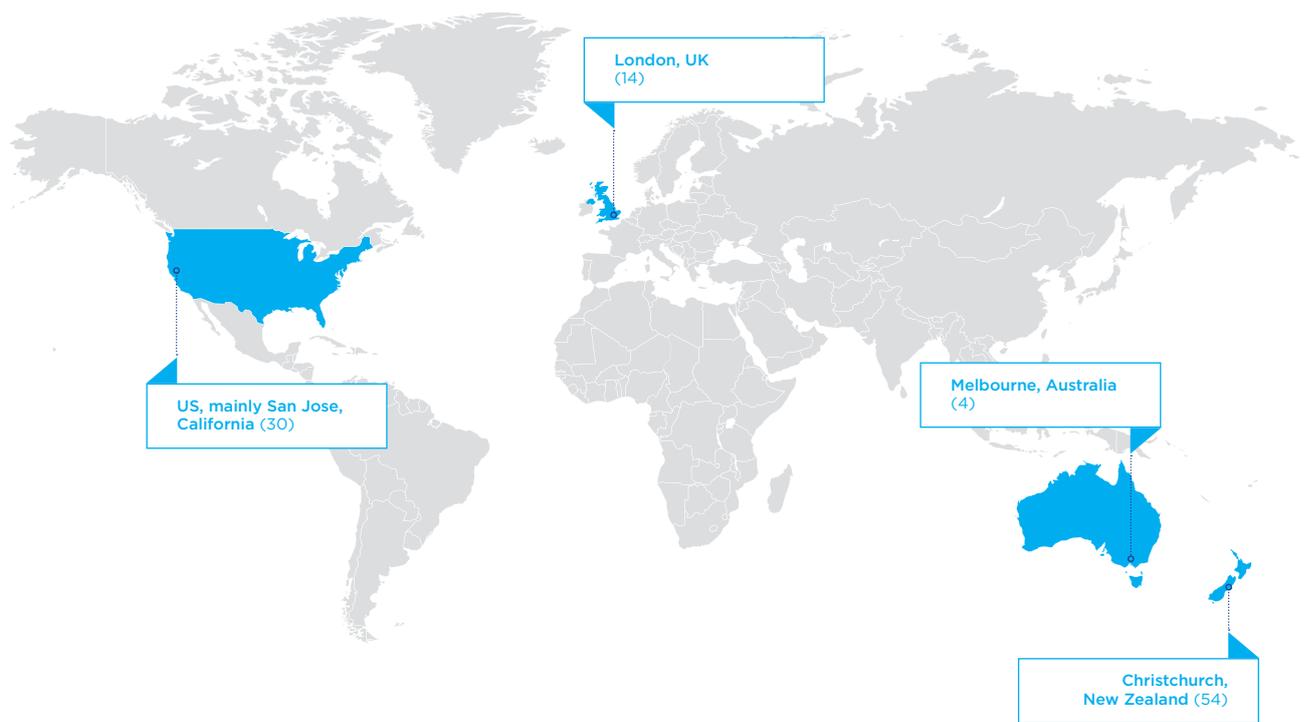
In addition to the senior management team, there are seven major teams within SLI comprising:

- Product Management/Development Engineers: responsible for developing new products. The majority of this team is located in Christchurch
- Customer-Facing Engineers: responsible for implementing and maintaining services to SLI's customers. Located mainly in Christchurch and London
- Customer Success: responsible for implementing and maintaining existing accounts, including working closely with the customer facing engineering team. Located across the territories
- Direct Sales: responsible for securing new business. This team has a presence in all three of SLI's offshore offices, and also often travels to visit potential customers
- Inside Sales: responsible for educating prospective customers who have limited understanding of SLI's products. Located across the territories
- Marketing: responsible for running all of SLI's marketing activities. Located in San Jose and London
- Finance and HR: responsible for all standard finance and HR functions. Located in Christchurch.



EPIC offices, Christchurch, New Zealand

GEOGRAPHICAL PRESENCE //



5.8 OPERATIONAL SUPPORT & SECURITY //

SLI's products are built on a high availability architecture, where each customer's solution is hosted on multiple servers in several different data centres to increase reliability. The geographic redundancy that SLI employs for its live search servers means that there is no single physical point of hardware failure. Multiple physical locations serve each customer, with technical staff in the US, UK and New Zealand. SLI has disaster recovery plans in place in the event of a loss of service. SLI is constantly looking for ways to further improve its architecture to prevent any loss of service.

5.9 SLI'S COMPETITIVE ADVANTAGE //

LEADING PRODUCT OFFERING

Many site searches produce results with low relevance. This can be harmful for the site owner, because a poor search experience can cause visitors to abandon their search and not transact. Many websites are employing home-grown search technology solutions, legacy solutions with limited functionality and poor intelligence or on-premise solutions which require significant IT support.

SLI's core strength is the enhancement of the search function. Learning Search is designed to improve the customer

experience by learning from previous online buyer behaviour and ensuring high relevance for search results on a customer's ecommerce website. Site Champion uses previous search experiences to create web pages hosted by SLI, many of which rank in web search engines (such as Google and Yahoo!). SLI's SaaS delivery model makes it easier for SLI's customers because SLI manages the core infrastructure and search functions on their behalf, but the customers are still able to overlay their own strategies for ranking, promotions, etc.

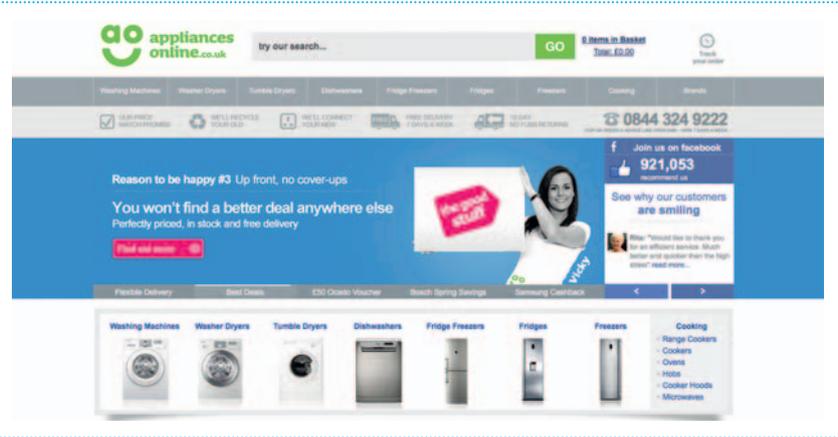
ON-GOING PROCESS OF INNOVATION

SLI has an 11 year track record of innovation and new product development in an environment of rapid change and evolution. Recent developments include SLI Mobile and Rich Auto Complete. SLI is also continually developing its core Learning Search technology and currently has a number of potential new products in the pipeline that may contribute to further earnings growth. SLI also has an intellectual property strategy designed to protect SLI's technology.

SLI has a high quality management and development team with considerable knowledge, experience and expertise in software development.

APPLIANCESONLINE.CO.UK //

“People who use site search spend twice as much time on our site as visitors who don’t use site search. We’ve also seen a 30% revenue increase for people who use site search compared to the previous search technology.”



SAAS DELIVERY

SLI provides its solutions via a SaaS delivery model which can create significant competitive advantage over many of its on-premise, single tenant hosted competitors (see further details on the benefits of a SaaS delivery model in section 4.4 “Software as a Service”). SLI’s adoption of the SaaS model provides a cost effective and scalable means to deliver its products in a fast evolving environment where the platform can be rapidly adapted to changing customer requirements.

BEST OF BREED

SLI’s site search features can be added to nearly any major ecommerce platform, ensuring customers can receive the additional benefits of a dedicated site search product with their existing ecommerce suite of products. By focussing on being a best of breed solution SLI intends to stay at the forefront of technological advances.

In 2012, SLI was ranked #1 SaaS site search provider, #2 overall site search provider by number of customers on the ‘Top 1000 Internet Retailer’ list.

PARTNERS

SLI leverages its expertise in site search by partnering with complementary product and service providers (such as other SaaS providers and other platforms) to offer its customers broader ecommerce solutions. Working with partners helps ensure smooth compatibility between SLI’s products and other ecommerce products, which is often critical from the customers’ point of view. SLI works hard to achieve this with as many other ecommerce providers as commercially practical.

CUSTOMER RESPONSIVENESS

SLI considers that a key driver of its success has been its customer care model. Unlike many of SLI’s competitors, customer service and other professional services are almost always delivered with no additional charge. SLI customers receive on-going support from a dedicated customer representative who assists with product implementation, support and suggestions for further product improvements. This allows SLI to react rapidly to customer requests without the overhead of scoping, quoting and charging for the service and it makes it more likely that the customer is using as many of SLI’s features as is appropriate. Having happy customers also helps SLI’s marketing efforts.

Another advantage of the close relationship that SLI has with its customers is that it makes it easy for SLI to test new products and features. Often the ideas for these will come from the customers. Some have resulted in new products, others have simply made the product more compelling.

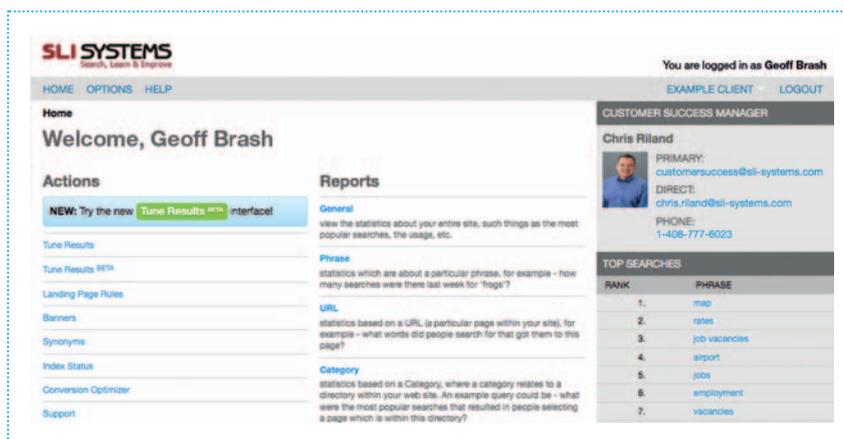
5.10 COMPETITORS //

SLI has a range of competitors in the site search market, including on premise applications and other SaaS providers. Some of the key competitors include:¹³

- On premise: Endeca (an Oracle business) had 111 out of the 1000 largest online retailers in the US among its clients;
- SaaS: Omniture (an Adobe business) and Nextopia had 44 and 42 out of the 1000 largest online retailers in the US among their clients respectively.

Other competitors include the default search that comes with ecommerce platforms, the open-source software SOLR and other dedicated search providers, including Celebros, Thanx Media, Fred Hopper and FACT-Finder.

¹³ Source: Internet Retailer Top 500 Guide + Second 500 Guide, 2012 editions (www.internetretailer.com).



5.11 GROWTH STRATEGIES //

SLI has identified four key areas from which it will seek to derive growth in the future.

GROWTH IN EXISTING MARKETS

Dedicated sales staff, incentivised by commission payments, are employed to grow SLI's customer base in the US, UK, Australia and New Zealand. SLI plans to use a portion of the Offer proceeds to strengthen the direct sales effort in these established markets. In addition, SLI intends to employ additional inside sales resource. See section 5.7 "People".

OPPORTUNITIES IN NEW MARKETS

SLI has licensed technology to enable its products to work in 38 languages. It already supports eight languages, and has a delivery model that is transferable to other geographies. Some integration work will be required to use the other 30 languages. This will be done as required and as commercial imperatives dictate.

SLI has identified a range of markets in which it intends to seek to build its presence. These markets include:

- Brazil, where SLI already has a foothold. Brazil has been identified as a market with strong demographic trends - a growing middle class with good internet use - but which is currently underserved by SLI's competitors
- Japan, which is a substantial market.

GROWTH FROM EXISTING CUSTOMERS

SLI has historically experienced significant growth in existing customer sales, and expects this to continue. As customers' ecommerce traffic increases, delivering them increased revenues, they tend to buy additional services.

GROWTH FROM NEW PRODUCTS

SLI has historically experienced significant growth from new products, including Site Champion, Rich Auto Complete and Learning Navigation, and expects this to continue. SLI expects growth from additional products.

The statements in this section should be read in conjunction with the risks set out under the heading "What are my risks?" in the "Investment Statement Information" section at the front of this Offer Document.

5.12 USE OF OFFER PROCEEDS //

Of the \$27 million of gross issue proceeds, \$12 million will be applied as part consideration for acquisition of the stock in SLI and \$2.1 million will be spent on costs directly attributable to the Offer. The Company intends to apply the remaining proceeds to accelerate SLI's growth as follows:

- recruiting sales and marketing staff to accelerate growth in existing markets
- expanding into new markets (Japan initially) and strengthening its presence in Brazil, including opening new sales offices and recruiting sales heads
- funding development for enhancing existing products and new products and continued research for the product pipeline, and
- providing working capital to sustain the operations of the business while SLI continues to build ARR streams.

In the Prospective Period, of the net movement in cash, 17% is planned to be applied towards expansion into new markets, 6% for increased product development costs, and the balance on existing business and markets. \$7.32 million of cash (being remaining Offer proceeds and cash from trading activities) is planned to be carried forward for working capital and to be applied in later financial periods.

The Directors believe that the amount raised under the Offer will enable the Company to pursue its current business strategy. However, events such as a change in strategy, financial performance not meeting expectations, or a desire to accelerate expansion plans may require the Company to raise further capital in the future.

DETAILS OF THE OFFER

The following is a summary of the details of the Offer. Investors should also refer to other sections of this Offer Document for additional details (in particular “*Investment Statement Information*” at the beginning of this Offer Document).

6.1 PURPOSE OF THE OFFER //

The purpose of the Offer is to:

- raise capital to accelerate SLI’s growth plans (see further details in sections 6.4 “*Acquisition of SLI*”, 5.12 “*Use of Offer Proceeds*” and 5 “*Business Description*”);
- enable the Company to list on the NZX Main Board, which will provide an enhanced profile for the Company, provide additional financial flexibility to pursue further growth opportunities and improve access to capital markets (if required); and
- provide a market for the Shares and an opportunity for employees, stakeholders and other persons to invest in the Company.

In addition, \$12 million of the Offer proceeds (of the \$27 million being sought) will be applied in part consideration of the acquisition of stock in SLI from those existing stockholders who are realising part of their investment in SLI (see further details below under “*Acquisition of SLI*”).

6.2 THE OFFER //

The Offer is an offer of 18 million new ordinary shares in the Company. All Shares issued under the Offer will be fully paid ordinary shares which rank equally with each other and all existing Shares. The Shares will be offered to investors at the Offer Price of \$1.50 per Share. The Offer comprises a Broker Firm Offer and an Institutional Firm Offer. There is no public pool.

The Offer will remain open until either the Closing Date or such other time and date as is determined by the Company. The Offer is made on the terms, and is subject to the conditions, set out in this Offer Document.

6.3 PROCEEDS OF THE OFFER //

The Company intends to apply the proceeds from Shares issued under the Offer as part consideration for the acquisition of 100% of the stock in SLI and to accelerate growth of SLI’s business, including by recruiting additional sales and marketing staff, expanding into new markets, funding enhancement of existing products and development of new ones, for working capital and to satisfy costs associated with the Offer. Refer to section 5.12 “*Use of Offer Proceeds*” for further details.

6.4 ACQUISITION OF SLI //

As at the date of this Offer Document, SLI is owned by a broad range of stockholders. The Company has entered into exchange agreements with all SLI stockholders.

Immediately before allotment under the Offer, the Company will acquire all of the stock in SLI in exchange for Shares in the Company and some cash (as described below), meaning that stockholders in SLI are effectively ‘shifted up’ so that they are shareholders in the Company.

Under the exchange agreements, some existing investors in SLI have elected to realise some of their investment by receiving some cash consideration at the Offer Price for some of their stock in SLI. The Company will pay a total of \$12 million in cash consideration for this stock on the Allotment Date. The shareholders that continue with their holding will swap their shares in S.L.I. Systems, Inc. for shares in SLI Systems Limited on a one for one basis.

Under the terms of SLI’s stock option plans, when it acquires the stock in SLI the Company will also assume SLI’s obligations under all of the stock options in SLI. The options will remain on the same terms, except that the Company will be the issuer and the options will be exercisable for ordinary shares in the Company (rather than stock in SLI).

Following the exchange, the Company will undertake a share split to ensure that an appropriate number of Shares are on issue following the Offer (resulting in 58,068,532 Shares after allotment under the Offer). The Company will also split the options, and reduce the option exercise price, in proportion to the share split (so that the share split does not dilute option holders).

Further detail on shareholding in SLI Group before and after the sell down is available in section 6.8 “*Quoted shareholdings post the Offer*”. Further detail on the options is available in section 8.4 “*Share option schemes*”.

6.5 SHARE TRANSFER RESTRICTIONS //

Each of SLI's current shareholders has agreed with the Company that until the date of the announcement of the Company's financial results for the period ending 30 June 2014, they will not:

- dispose of, or agree to dispose of the shares; or
- do or omit to do anything which could have the effect of transferring effective ownership or control of any of the existing Shares they own in the Company (i.e. shares held prior to settlement of the Offer), other than:
 - with the prior written consent of the non-interested directors (as that term is defined in the Companies Act 1993), the Company and NZX;
 - to an affiliate which would be similarly bound; or
 - in connection with a takeover offer under the Takeovers Code for Shares in the Company.

6.6 APPLICATION //

Applicants under the Offer can only apply for Shares on the Application Form. Applications must be accompanied by payment in full for the total number of Shares applied for at the Offer Price. The minimum application is for 2,000 Shares (\$3,000) and must be in multiples of 200 Shares (\$300) thereafter.

Applications pursuant to the Broker Firm Offer must be sent with payment to the NZX Primary Market Participant or Joint Lead Manager, who granted the Applicant an allocation, in such time as to enable the NZX Primary Market Participant or Joint Lead Manager to forward the application and payment to the Share Registrar by no later than 5:00pm on the Closing Date.

6.7 ALLOTMENT //

Shares allocated under the Offer are expected to be allotted on 31 May 2013. Notifications to successful Applicants of the allocations under the Offer are expected to be issued on or before 6 June 2013. Shareholders will be sent a holding statement and advised of their Shareholder Number and FIN (if they do not already have these).

Applicants may call the Share Registrar or their sharebroker from the Allotment Date (31 May 2013) to ascertain their allocation before trading in the Shares. To assist this process, if an Applicant has an existing Shareholder Number, the Applicant should quote it when they call. If Applicants provide their mobile number on the application form the Share Registrar will advise them via text message of their allotment when it is completed.

No Applicant should attempt to sell or otherwise deal with any Shares until they have received written confirmation from the Share Registrar as to whether any, and if so how many, Shares have been allotted to them. Neither the Company nor the Joint Lead Managers nor any of their respective directors, officers, employees or advisers accept any liability or responsibility should any person attempt to sell or otherwise deal with the Shares before the holding statements confirming allotments are received by the Applicants for the Shares.

Transactions in the Shares after allotment can be made by a successful Applicant by contacting a NZX Primary Market Participant and supplying the Applicant's FIN and Shareholder Number provided by the Share Registrar, subject to the NZX Primary Market Participant's terms and conditions.

In the event that admission to list the Company and quote the Shares on the NZX Main Board is denied, or for any other reason the issue of Shares under the Offer does not proceed, all application monies will be refunded in full without interest within five business days of the Directors making that decision.

6.8 QUOTED SHAREHOLDINGS POST THE OFFER //

The ten largest current SLI shareholders holding quoted Shares in the Company upon completion of the Offer are set out in the table below together with details of the sell down under the share exchange.

| SHAREHOLDER INTERESTS | % IN SLI BEFORE SHARE EXCHANGE | % STOCK IN SLI SOLD UNDER EXCHANGE | % IN THE COMPANY FOLLOWING EXCHANGE | QUOTED SHARES IN COMPANY AFTER OFFER* | % AFTER OFFER*** |
|---------------------------------------|--------------------------------|------------------------------------|-------------------------------------|---------------------------------------|------------------|
| TEA Custodians (Pioneer Capital) Ltd | 16.3% | 4.0% | 12.3% | 5,913,798 | 10.2% |
| Lynnwood Holdings Ltd | 9.8% | 2.4% | 7.4% | 3,561,816 | 6.1% |
| Marder Media Group, Inc. | 8.9% | 2.2% | 6.7% | 3,211,290 | 5.5% |
| Grant James Ryan Family Trust | 6.8% | 0.7% | 6.1% | 2,953,116 | 5.1% |
| Munro, Wayne Allistair | 6.8% | 0.7% | 6.1% | 2,940,120 | 5.1% |
| Brash, Geoffrey Michael | 6.1% | 1.2% | 4.9% | 2,352,000 | 4.1% |
| Shaun William Ryan Family Trust | 5.6% | 0.6% | 5.1% | 2,430,000 | 4.2% |
| Grantham, Michael Arthur | 5.1% | 0.8% | 4.3% | 2,065,500 | 3.6% |
| Kevin Taylor Family Trust | 4.8% | 1.2% | 3.6% | 1,742,928 | 3.0% |
| Rob van Noblen Family Trust | 4.2% | 0.0% | 4.2% | 2,007,612 | 3.5% |
| Other SLI stockholders share exchange | 25.6% | 2.9% | 22.7% | 10,890,352 | 18.8% |
| New capital invested in the Offer**** | - | - | 16.6% | 18,000,000 | 31.0% |
| Total | 100% | 16.6% | 100.0% | 58,068,532 | 100.0% |

* Calculated following a share split of 6 shares for every share immediately after the exchange.

** In addition there will be 8,441,949 options on issue in the Company. If all options were exercised for cash immediately on allotment under the Offer, the options would confer 15% of the Shares in the Company following that exercise and the Company would receive total cash proceeds of \$4.2 million. This is illustrative only, because many of the options will not have vested at that time and there is no certainty that option holders will exercise and the Company has flexibility to permit a cashless exercise. See further details in section 8.4 "Share Option Schemes".

*** In addition, the Company will issue a total of 400,000 unlisted redeemable shares to the Independent Directors (as described in section 8.3 "Directors Interests"), which would amount to 400,000 Shares (being 0.7% of the Shares in the Company if they reclassified into Shares (based on the number of Shares on issue after the Offer)).

**** Interests associated with existing SLI shareholder Mr Sam Morgan have agreed to subscribe for \$1 million of the new capital under the Offer. Other SLI shareholders may apply for additional Shares in the Offer.

None of the persons set out above guarantees or undertakes any liability in respect of the Shares being offered.

6.9 SUBSTANTIAL SECURITY HOLDERS //

As required by Listing Rule 7.1.15, on 30 April 2013, the Company required shareholders with relevant interests in 5% or more of the Shares of the Company to disclose the nature of their relevant interest and the consideration and other terms and conditions or any transaction under which they acquired their Shares as follows:

| RELEVANT INTEREST HOLDER | NO. OF SHARES | NATURE OF RELEVANT INTEREST | CONSIDERATION AND OTHER TERMS |
|--------------------------|---------------|--|-------------------------------|
| Shaun William Ryan | one | Registered holder and beneficial owner | Nil |

The person named above does not guarantee, or undertake any liability in respect of, the Shares.

6.10 BROKERAGE //

No brokerage or commission is payable by Applicants for Shares under the Offer. The Joint Lead Managers will be paid a fee in connection with the Offer, from which they will pay firm allocation commissions of 0.5% and retail brokerage of 1.0% on retail applications bearing brokers' stamps pursuant to a firm allocation under the Broker Firm Offer.

6.11 LISTING ON THE NZX MAIN BOARD //

Application has been made to NZX for permission to list the Company and quote the Shares on the NZX Main Board and all the requirements of NZX relating to the application that can be complied with on or before the date of this Offer Document have been duly complied with. However, NZX accepts no responsibility for any statement made in this Offer Document. The NZX Main Board is a registered market operated by NZX, a registered exchange under the Securities Markets Act 1988.

Craigs Investment Partners Limited and Forsyth Barr Limited are the Joint Lead Managers and Joint Organising Participants to the Offer. NZX has authorised Craigs Investment Partners Limited and Forsyth Barr Limited to act on this Offer.

BOARD AND MANAGEMENT

7.1 BOARD OF DIRECTORS

The Company believes it has secured a strong Board of Directors with the balance of skills and experience necessary to best position the Company to exploit its growth opportunities. The Board comprises three independent directors (Greg Cross, Sarah Smith and Sam Knowles), two non-executive directors (Steven Marder and Matthew Houtman), and one executive director (Shaun Ryan).

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01// GREG CROSS*Independent Chairman*

Greg is an experienced entrepreneur, CEO and Company Director with over 25 years of experience in the technology sector working in growth companies in international markets. Greg is Executive Chairman of PowerbyProxi, a wireless power company he co-founded in 2007, which is growing rapidly with major corporate clients in the Industrial Component and Consumer Electronics markets and offices in the United States. Greg has been on the board of SLI as an Independent Director since July 2003 and has been Chair since 2005. He is Vice Chair of the Meteorological Service of New Zealand and a director of Fronde a Cloud Systems Integration Company based in Wellington.

Previous roles include Chairman of the IceHouse, a technology incubator associated with the University of Auckland Business School, Chairman of NZTE Beachhead Advisory Board, CEO of Advantage Group Limited which was a listed NZX company and Managing Director of Microsoft New Zealand.

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02// DR. SHAUN RYAN*Chief Executive Officer and Co-Founder // PhD, B Eng*

Shaun has over 10 years' experience in search technologies. As a co-founder of SLI, he was one of the developers of SLI's unique "Learning Search" site search technology. Shaun was also an original founder of GlobalBrain (in 1998), the search technology company which was bought by NBCI, in 2000. Shaun and his fellow founders formed S.L.I. Systems, Inc. and bought back the GlobalBrain technology. Prior to GlobalBrain, he worked as a contract software developer for a number of organisations, including the international health technology company Invacare. Shaun is a frequent speaker at conferences in the US, UK and Australia, and regularly posts insights on site search trends to the Company's blog. His retail search by-lines have been published in Chief Marketer, Multichannel Merchant and other online magazines. Shaun has a PhD in Artificial Intelligence from the University of Canterbury.

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03// STEVEN E MARDER*Non-Executive Director // JD, BA*

Silicon Valley-based Steven Marder has over 23 years' executive, advisory, and investment experience in the global technology, media and communications sectors. Steven was an operating partner for private equity firm Avista Capital Partners and sat on the board of Avista portfolio companies WideOpenWest (WOW!) and InvestorPlace Media in addition to serving as Director/co-founder of internet social search technology company Eurekster, Inc. Previously, he held corporate development and business development executive roles at major media companies EMI Music and Tribune Company (Compton's NewMedia). He also co-founded and served as Managing Director, North America for multinational merchant bank Gramercy Venture Advisors, co-founded and served as Chairman/CEO of eMemberDirect, Inc. (formerly PetPlanet.com) and served as a Director for New Zealand based technology company GlobalBrain. A graduate of St. John's School of Law, Columbia College/Columbia University and Horace Mann School, Steven is also an attorney and member of the State Bar of New York and California. As an SLI Director, Steven currently serves on the SLI Remuneration Committee.

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04// MATTHEW HOUTMAN*Non-Executive Director // MMS*

Matthew is a co-founder and Managing Director of Pioneer Capital Partners, an investor in New Zealand businesses that are focussed on growth into large international markets. In addition to SLI Systems, Inc., he has portfolio responsibilities with Orion Health, Pukeko Pictures, Konnect and YikeBike. Before joining Pioneer Capital Partners, Matthew had a career in investment banking; most recently with UBS Investment Bank, where he worked in the Auckland then London offices. Activities during this period included: mergers, acquisitions, trade sales, balance sheet recapitalisations, IPOs and debt funding (both bank and capital markets; and investment and sub-investment grade). In the Auckland office, general sector coverage included energy distribution, telecommunications services and general industrial. In the London office, Matthew was a member of the European TMT group and covered primarily telecommunications services companies. He had clients across Europe, in the Middle-East, in Japan and in Canada. Matthew has a Master of Management Studies with distinction from the University of Waikato. As an SLI Director, he serves on the Audit and Risk Committee.

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05// SARAH SMITH*Independent Director // BCom, CA, AFInstD*

Sarah, a chartered accountant, has extensive business and governance experience in both the private and public sectors. She has held key financial and business development roles in a variety of businesses both in New York and New Zealand. As an independent director, Sarah has 18 years' experience and currently holds positions as Chairman of Meteorological Services of New Zealand (MetService), Director of Christchurch City Holdings, Director of EcoCentral and is a Trustee for several charitable organisations. She is a member of the Institute of Chartered Accountants and is an Accredited Fellow of the Institute of Directors. Sarah is Chairperson of the Company's Audit and Risk Committee.

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06// SAM KNOWLES*Independent Director // MSc*

Sam has held senior positions for major banks in both Australia and New Zealand and has extensive experience in strategy, marketing, organisational capability building, and private and public sector governance including over 10 years on boards of NZX listed companies.

Sam is perhaps best known for his role in establishing Kiwibank and leading it from startup to a large successful business.

Since leaving Kiwibank in 2010, Sam has taken on governance roles in growth businesses, primarily with a technology focus. His current roles include Chairman of Xero and a Director of Trustpower, both NZX listed companies, and Chairman of Partners Life, ON-Brand partners and Fingertapps and a Director of Magritek, and Rangatira.

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7.2 MANAGEMENT

01// DR. SHAUN RYAN

Chief Executive Officer and Co-Founder

See page 45.

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02// DR. WAYNE MUNRO

Chief Technology Officer and Co-Founder // PhD

Wayne oversees SLI's engineering team. He is responsible for the production and maintenance of the client searches as well as the development of the SLI products. Before joining the Company, he held senior technical positions with NBCi and GlobalBrain, specialising in software development and theoretical research. Wayne also worked as a research scientist for the Wool Research Organisation of New Zealand. He has a PhD in engineering from the University of Canterbury in New Zealand, where he developed new numerical models for structural simulation. Wayne has also published papers in international journals.

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03// GEOFF BRASH

Vice President of Business Intelligence and Co-Founder // MBA

Geoff focuses on driving growth and managing customer perception for SLI. A co-founder of the Company, he has considerable expertise in search and nearly two decades' strategic and operations experience in the technology market. Under his direction, the Company won the New Zealand Hi-Tech Awards Marketer of the Year in 2005, placed 100 in the 2005 "Deloitte Technology Fast 500" ranking in Asia Pacific, and placed 12th in the 2005 "Deloitte/Unlimited Fast 50" in New Zealand. Before joining SLI, Mr. Brash was an engineering manager at NBCi, and has also served in various technical and managerial positions in the public and banking sectors. He is an active member of several New Zealand software associations, and holds an MBA from Massey University.

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04// ED HOFFMAN

Vice President of Global Sales and Business Development

Ed has over 20 years of experience in the software industry with deep experience in search technology, user experience and ecommerce. Ed was senior director for Infoseek's software unit Ultraseek, which eventually was acquired by Inktomi, then Verity, then Autonomy, then HP. In that role, he helped grow revenues of Infoseek Software / Ultraseek Corporation from the initial deal in 1997 to US\$25 million annual sales into 2,500+ accounts in over 40 countries. Ed has been contributing to SLI's growth and customer satisfaction since 2003. He is currently responsible for sales, channel/business development, and alliances globally.

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05// DR. BLAIR CASSIDY

Vice President of Product Management // PhD

Blair is responsible for product development and on-going product management. He has extensive experience leading high performance technical teams, focusing on the design, implementation and usage of highly scalable IT systems. Previously, he was VP of Engineering at Eurekster, the pioneering social search company. He spent several years at PA Consulting Group, an international management consultancy, living and working throughout Asia and the US. He also worked as the data engineer for the search product at NBCi. Blair has held research positions within New Zealand and Japanese institutions, and holds a PhD in Computational Modelling from Lincoln University.

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06// ROD GARRETT

Chief Financial Officer // BCom (Hons)

Rod has 20 years' experience in finance and related roles. He worked for Pricewaterhouse in New Zealand and London working mainly on Insolvency/Corporate Recovery assignments before moving into the commercial sector. Before joining SLI in 2006, he was CFO of Christchurch electronics developer and manufacturer Eaton Power Quality Ltd. Rod originally worked for New Zealand owned Swittech which was acquired by British company Invensys and, ultimately, by the Eaton group. He has an honours degree in Accounting and Finance from Otago University.

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07// TERRY COSTA

Vice President of Marketing // MBA, BS

Terry is responsible for SLI's global marketing efforts. He is an experienced marketing veteran with strong marketing, product marketing and product management experience, and has served in senior marketing positions for several leading technology companies, including InQuira, a provider of natural language search and knowledge management software, and ecommerce platform provider BroadVision. Before joining SLI, Terry was VP of marketing for Exaprotect, a security software company, and VP of marketing for Reportive. He started his career at Hewlett-Packard, where he was responsible for bringing to market HP's security products and Data Warehousing solutions. Terry holds an M.B.A. and B.S. degree from Carnegie Mellon University.

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08// CHRIS RILAND

Vice President of Customer Success // BA

As Vice President of customer success, Chris manages the growth and direction of SLI's customer success group and works closely with the team to ensure the continual delivery of SLI's unique high-quality service and customer care. His responsibilities include building a team to handle tactical customer support, rolling out new customer implementations, and increasing customer retention. Before joining SLI's executive team, Chris was director of customer success at SLI, where he transformed the customer success team into a worldwide support organisation. Before SLI, he was director of technical support at Actiance (formerly FaceTime Communications). As one of the original employees of FaceTime, Chris built the service/support group from scratch and played a key role in building the successful start-up. Chris has been building, leading, and driving customer satisfaction in the software and technology industry for the past 15 years.

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09// MICHAEL GRANTHAM

Operations Manager and Co-Founder // BSc

Michael is responsible for SLI's global technology systems. As a co-founder of SLI, he has helped design and implement many of SLI's products and infrastructure. Prior to SLI, he gained valuable experience in search and systems design at NBCi and GlobalBrain, where he was a lead developer and systems engineer. Michael has also held lead developer positions at Australia and New Zealand's largest banks. He holds a bachelor's degree in computer science from the University of Canterbury.

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CORPORATE GOVERNANCE

8.1 ROLE OF THE BOARD //

The Board has ultimate responsibility for the strategic direction of SLI Group and for supervising the Company's management for the benefit of shareholders. Specific responsibilities include:

- working with management to set the strategic direction of SLI Group;
- monitoring and working with management to direct the business and the financial performance of SLI Group;
- monitoring compliance and risk management;
- establishing and monitoring SLI Group's health and safety policies;
- establishing and overseeing succession plans for senior management; and
- ensuring effective disclosure policies and procedures are adopted.

The Board currently plans to meet not less than nine times during the financial year, including sessions to consider SLI Group's strategic direction and business plans. Video and/or phone conferences will be used as required.

8.2 BOARD COMMITTEES //

The Board has two formally constituted committees of Directors. These committees review and analyse policies and strategies, usually developed by management, which are within their terms of reference. The committees examine proposals and, where appropriate, make recommendations to the full Board. Committees do not take action or make decisions on behalf of the Board unless specifically authorised to do so by the Board.

AUDIT AND RISK MANAGEMENT COMMITTEE

The Audit and Risk Management Committee will be responsible for overseeing the risk management (including treasury and financing policies), treasury, insurance, accounting and audit activities of the Company, and reviewing the adequacy and effectiveness of internal controls, meeting with and reviewing the performance of external auditors, reviewing the consolidated financial statements, and making recommendations on financial and accounting policies.

The members of the Audit and Risk Management Committee are Sarah Smith (Chairperson), Sam Knowles, and Matthew Houtman.

NOMINATIONS AND REMUNERATION COMMITTEE

The Nominations and Remuneration Committee is responsible for considering new appointments to the Board, overseeing management succession planning, establishing employee incentive schemes, reviewing and approving the compensation arrangements for the executive Directors and senior management, and recommending to the full Board the remuneration of Directors.

The members of the Nominations and Remuneration Committee are Greg Cross (Chairman), Sam Knowles, and Steven Marder.

8.3 DIRECTORS INTERESTS //

DIRECTORS' REMUNERATION

Directors' fees have been fixed at \$60,000 per annum for the Chairman, and \$40,000 per non-executive Director (including the Independent Directors).

To provide for flexibility, shareholder approval has been provided for an aggregate cap on non-executive directors' fees of \$250,000 for the purposes of Listing Rule 3.5.

The Directors are also entitled to be paid for all reasonable travel, accommodation and other expenses incurred by them in connection with their attendance at Board or shareholder meetings, or otherwise in connection with SLI Group's business.

As CEO, Shaun Ryan receives a salary of \$257,000 per annum from SLI and is entitled to an annual bonus of \$75,000 subject to achieving performance targets.

INDEPENDENT DIRECTOR LIMITED RECOURSE LOANS

To align the Independent Directors' interests with the Company's, the Company plans to provide limited recourse loans of \$200,000 to each of the Independent Directors to enable them to subscribe for 133,333 unlisted redeemable shares each in the Company at the Offer Price for allotment at the same time as allotments under the Offer. There are no unlisted redeemable shares on issue at the date of this Offer Document.

The loans will not bear interest, and will be repayable on 30 June 2016, or a later date specified by the Board (excluding any director advanced a limited recourse loan). The loan may be prepaid earlier, in whole or in part, at the discretion of the relevant Independent Director. The loans are limited recourse, and are secured against shares acquired with the benefit of the loan and held by or on behalf of the Independent Directors, but the Company has no recourse against any personal assets of the Independent Directors. If the loan is not repaid, the Company may arrange for those shares to be sold.

The redeemable shares will have the same rights as ordinary shares, and rank equally as to distributions and voting at shareholder meetings, but will be redeemable by the Company for the Offer Price (which will be applied in repayment of the loan) if the loan is not repaid. Once the loan is repaid the redeemable shares will be reclassified into ordinary Shares on the basis of one ordinary share for each unlisted redeemable share.

DIRECTORS' SHAREHOLDINGS

Shareholdings of the Directors immediately following the Offer are set out in the following table:

| DIRECTOR | HELD AS BENEFICIAL OWNER | HELD AS TRUSTEE OF FAMILY TRUST / ASSOCIATED COMPANY | HELD AS TRUSTEE OF TRUST NOT ESTABLISHED FOR BENEFIT OF DIRECTOR'S IMMEDIATE FAMILY | TOTAL |
|---|-----------------------------|---|--|----------------------|
| Greg Cross, Chairman | | | | |
| <i>Unlisted redeemable shares</i> | 133,333 ¹ | | | 133,333 ¹ |
| Dr. Shaun Ryan, Executive Director | | | | |
| <i>Quoted Shares</i> | 810,000 | 2,430,000 | 3,704,376 | 6,944,376 |
| Steven Marder, Non Executive Director | | | | |
| <i>Quoted Shares</i> | 1,498,032 | 3,211,290 | | 4,709,322 |
| Matthew Houtman, Non Executive Director | | | | |
| <i>Quoted Shares</i> | 13,333 | 6,070,230 | | 6,083,563 |
| Sarah Smith, Independent Director | | | | |
| <i>Quoted Shares</i> | | 20,000 | | 20,000 |
| <i>Unlisted redeemable shares</i> | 133,333 ¹ | | | 133,333 ¹ |
| Sam Knowles, Independent Director | | | | |
| <i>Quoted Shares</i> | 66,667 | | | 66,667 |
| <i>Unlisted redeemable shares</i> | 133,333 ¹ | | | 133,333 ¹ |

Notes: 1. Unlisted redeemable shares funded by limited recourse loans of \$200,000 to each Independent Director.

2. 5,913,798 shares held by Pioneer Capital Fund, and 156,432 shares held by Pioneer Capital Management Ltd, the manager of that fund.

8.4 SHARE OPTION SCHEMES //

SLI currently operates two share options schemes, under which certain Directors, employees and some advisers may subscribe for shares in SLI. Immediately prior to completion of the Offer, the Company will assume the benefits and obligations of SLI under those schemes. The number of options and the exercise price of those options will be adjusted to reflect a share split to be undertaken by the Company immediately before completion of the Offer. The Company intends to continue to issue employees with options when they start employment on the same essential terms as the existing scheme.

The purpose of the plan is to provide an incentive to attract, retain and reward individuals performing services for SLI and to motivate such individuals to contribute to the growth and profitability of SLI. SLI has traditionally granted each staff member options when they start employment with SLI Group

(with the amount of options varying depending on the level of the position) and intends to continue to do so. The options are exercisable to the extent of 1/4 of the option 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 option is fully exercisable on the fourth anniversary of the grant date. The option is 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 table below shows details of the outstanding options at 30 April 2013, including whether those options are vested (i.e. exercisable) and of how the exercise price and number of those options would be adjusted for the share split key characteristics once assumed by the Company on completion of the Offer:

| SLI OPTIONS EXERCISE PRICE | ADJUSTED COMPANY OPTIONS EXERCISE PRICE | NUMBER OF VESTED OPTIONS IN SLI | NUMBER OF UNVESTED OPTIONS IN SLI | ADJUSTED NUMBER OF VESTED OPTIONS IN COMPANY | ADJUSTED NUMBER OF UNVESTED OPTIONS IN COMPANY | TOTAL ADJUSTED NUMBER OF OPTIONS IN COMPANY | WEIGHTED AVERAGE REMAINING TERM OF OPTIONS (YEARS) |
|-------------------------------------|--|---------------------------------------|---|--|--|---|---|
| USD 1.00 | USD 0.17 | 66,000 | 0 | 396,000 | 0 | 396,000 | 0.75 |
| USD 1.45 | USD 0.24 | 20,000 | 0 | 120,000 | 0 | 120,000 | 0.58 |
| USD 1.75 | USD 0.29 | 246,429 | 0 | 1,478,571 | 0 | 1,478,571 | 3.80 |
| USD 2.00 | USD 0.33 | 481,808 | 287,005 | 2,890,850 | 1,722,028 | 4,612,878 | 7.36 |
| USD 4.09 | USD 0.68 | 0 | 123,750 | 0 | 742,500 | 742,500 | 9.11 |
| USD 4.49 | USD 0.75 | 0 | 93,200 | 0 | 559,200 | 559,200 | 9.37 |
| USD 4.69 | USD 0.78 | 0 | 37,800 | 0 | 226,800 | 226,800 | 9.77 |
| N/A | NZD 1.50 | 0 | 51,000 | 0 | 306,000 | 306,000 | 9.97 |
| Total | | 814,237 | 592,755 | 4,885,422 | 3,556,528 | 8,441,949 | |

The weighted average exercise price of the options is USD 42 cents (adjusted for the share split) and the weighted average term to expiry as at 30 April 2013 is 6.8 years. If all options on issue as at allotment under the Offer were exercised for cash, the options would confer 15% of the Shares in the Company following that exercise and the Company would receive total cash proceeds of \$4.2 million (at a NZD/USD rate of 0.85). This is illustrative only, because many of the options will not have vested at that time and there is no certainty that option holders will exercise and the Company has flexibility to permit a cashless exercise.

As at 30 April 2013, Executive Director Dr Shaun Ryan held 8,210 options in SLI exercisable at USD 2.00 each (which would equate to 49,260 options exercisable at USD 33 cents each following adjustment immediately prior to completion of the Offer). Chairman Greg Cross held 20,000 options in SLI exercisable at USD 2.00 each (which would equate to 120,000 options exercisable at USD 33 cents each following adjustment immediately prior to completion of the Offer).



PROSPECTIVE FINANCIAL STATEMENTS



PROSPECTIVE FINANCIAL STATEMENTS

A.1 INTRODUCTION AND BASIS OF PREPARATION

The prospective financial statements included in this section are the consolidated group position of SLI Systems Limited and its subsidiaries (“SLI Group”) and include a prospective consolidated statement of comprehensive income, statement of financial position, statement of movements in equity and statement of cash flows, prepared in accordance with Financial Reporting Standard 42: Prospective Financial Statements (“FRS-42”). Also included are general and specific assumptions on which the prospective financial statements are based and a sensitivities analysis.

The prospective financial statements, including the assumptions on which they are based, are the responsibility of, and have been prepared by, the Directors and are based on events and conditions existing as at the date of this Offer Document. The Directors have given due care and attention to the preparation of the prospective financial statements, including the underlying assumptions. These assumptions should be read in conjunction with the sensitivity analysis in section A.6.13, the risk factors set out under the heading “*What are my Risks?*” in the “*Investment Statement Information*” section at the front of this Offer Document, and SLI’s accounting policies under the heading “*Accounting policies*” further below in this section.

Forecasts by their nature are inherently uncertain. They are predictions of future events which cannot be assured. They involve risks and uncertainties, many of which are beyond the control of SLI Group. These risks and uncertainties include, but are not limited to, the non-occurrence of anticipated events or alternatively events occurring that were not anticipated. Various risk factors and the management of those risks (including those under the heading “*What are my Risks?*” in the “*Investment Statement Information*” section at the front of this Offer Document) may influence the success of SLI Group’s business. Accordingly, actual results are likely to vary from the prospective financial information, and these variations may be significantly more or less favourable to SLI Group. Therefore, the Directors cannot and do not guarantee the achievement of these financial forecasts.

The prospective financial statements were prepared and authorised by the Directors as at 1 May 2013 for use in this Offer Document and not for any other purpose. The prospective financial statements cover the prospective statement of financial position as at 30 June 2013 and the period from 1 July 2013 to 30 June 2014 (FY14). The prospective financial statements for this period do not include any actual results.

The Directors have not presented prospective financial statements for the limited period from incorporation of the Company until 30 June 2013, as the Company will only acquire SLI approximately four weeks prior to that date and the Directors consider disclosure of such a limited period of trading activity and expensing of the transaction costs associated with the Offer will show a significant loss for this period that is not reflective of the expected trading profitability of the Group and as such would likely deceive or mislead the reader as to the financial performance of SLI Group. Instead this section also presents pro forma prospective financial statements for the period from 1 July 2012 to 30 June 2013 (pro forma FY13) as if SLI Systems Limited had acquired S.L.I. Systems, Inc. on or before 1 July 2012. The pro forma prospective financial statements include eight months unaudited actual results and four months prospective results. The pro forma prospective financial statements have been compiled for illustrative purposes only and they do not represent the financial statements that will be presented by the SLI Group for the year ending 30 June 2013. SLI Group’s financial statements for this year will only present trading activity from the date the Company acquires SLI, which is expected to be on or around 31 May 2013.

The period from 1 March 2013 to 30 June 2014 is referred to as the Prospective Period.

The auditors’ report in relation to the prospective financial information, as required by clause 28 of schedule 1 of the Securities Regulations 2009, is set out in the Prospectus.

There is no present intention to update the prospective financial statements or to publish prospective financial statements in the future. Investors must consider the assumptions on which the prospective financial statements have been prepared and the sensitivities analysis in order to fully understand the prospective financial statements. The SLI Group will report actual financial results against the pro forma prospective financial statements and prospective financial statements in accordance with generally accepted accounting practice in the 30 June 2013 and 30 June 2014 financial statements and will provide that information to Shareholders on request under section 54B of the Securities Act 1978 and regulation 44 of the Securities Regulations 2009.

For comparative purposes this section also includes SLI’s statement of comprehensive income for the year ended 30 June 2012, which is taken from SLI’s audited financial statements in Appendix B.

A.2 SLI GROUP CONSOLIDATED PROSPECTIVE STATEMENT OF COMPREHENSIVE INCOME

| | SLI | SLI Group | SLI Group |
|--|------------------------------|------------------------------|------------------------------|
| | Actual | Pro forma PFI | PFI |
| THOUSANDS | 12 MONTHS TO 30 JUNE 2012 | 12 MONTHS TO 30 JUNE 2013 | 12 MONTHS TO 30 JUNE 2014 |
| Operating Revenue | 15,524 | 18,285 | 22,200 |
| Other Income | 138 | 534 | 270 |
| Operating Expenses | (6,045) | (9,041) | (12,278) |
| Employee Entitlements | (9,409) | (11,930) | (17,504) |
| Operating Profit (Loss) before financing costs | 208 | (2,152) | (7,312) |
| Net financing costs | 7 | 46 | 230 |
| Profit (Loss) before Income tax | 215 | (2,106) | (7,082) |
| Income Tax Expense | (132) | (42) | (100) |
| Profit (Loss) for the period | 83 | (2,147) | (7,182) |
| Other Comprehensive Income | 9 | 0 | 0 |
| Comprehensive profit (loss) for the period attributable to shareholders | 92 | (2,147) | (7,182) |
| Operating Profit (Loss) before financing costs | 208 | (2,152) | (7,312) |
| Add back : Depreciation and Amortisation | 216 | 296 | 438 |
| EBITDA | 424 | (1,856) | (6,874) |

A.3 SLI GROUP CONSOLIDATED PROSPECTIVE STATEMENT OF CHANGES IN EQUITY

| | SLI Group | SLI Group |
|--|------------------------------|------------------------------|
| | Pro forma PFI | PFI |
| THOUSANDS | 12 MONTHS TO 30 JUNE 2013 | 12 MONTHS TO 30 JUNE 2014 |
| Opening Balance 1 July | 2,033 | 15,503 |
| Loss for period | (2,147) | (7,182) |
| Net change in foreign currency translation reserve | 0 | 0 |
| Director and employee share schemes | 354 | 335 |
| Issue of ordinary shares | | |
| for cash | 16,139 | 0 |
| Share issue cost | (875) | 0 |
| Balance end of period | 15,503 | 8,656 |

A.4 SLI GROUP CONSOLIDATED PROSPECTIVE STATEMENT OF FINANCIAL POSITION

| | SLI Group | SLI Group |
|-------------------------------------|------------------|------------------|
| | PFI | PFI |
| THOUSANDS | 30 JUNE 2013 | 30 JUNE 2014 |
| Assets | | |
| Cash and Cash Equivalents | 15,066 | 7,320 |
| Trade and Other Receivables | 3,106 | 4,176 |
| Total Current Assets | 18,172 | 11,496 |
| Non-current Assets | | |
| Property, Plant and Equipment | 1,353 | 1,878 |
| Intangible Assets | 122 | 102 |
| Deferred Tax | 135 | 135 |
| Total Non-Current Assets | 1,611 | 2,115 |
| Total Assets | 19,784 | 13,612 |
| Equity | | |
| Total Equity | 15,503 | 8,656 |
| Liabilities | | |
| Current Liabilities | | |
| Trade and Other Payables | 3,206 | 3,436 |
| Employee Benefits | 1,066 | 1,511 |
| Taxation Payable | 8 | 8 |
| Total Current Liabilities | 4,280 | 4,956 |
| Total Equity and liabilities | 19,784 | 13,612 |

A.5 SLI GROUP CONSOLIDATED PROSPECTIVE STATEMENT OF CASH FLOWS

| | SLI Group | SLI Group |
|---|------------------------------|------------------------------|
| | Pro forma PFI | PFI |
| THOUSANDS | 12 MONTHS TO 30 JUNE 2013 | 12 MONTHS TO 30 JUNE 2014 |
| Cash in (Out) flow | | |
| Cash Flows from Operating Activities | | |
| Receipts from Customers | 18,102 | 21,155 |
| Receipts from Other Income | 515 | 244 |
| Payments to Suppliers and Employees | (19,952) | (28,333) |
| Interest Received | 46 | 230 |
| Interest Paid | 0 | 0 |
| Taxation Received (Paid) | (139) | (100) |
| Net cash inflow / outflow from operating activities | (1,427) | (6,803) |
| Cash Flows from Investing Activities | | |
| Purchase of Plant and Equipment | (1,212) | (942) |
| Cash Flows from Financing Activities | | |
| Net Proceeds from Capital contributed | 15,264 | 0 |
| Net Increase / (Decrease) in Cash and Cash Equivalents | 12,625 | (7,746) |
| Opening Balance | 2,441 | 15,066 |
| Closing Balance | 15,066 | 7,320 |
| Cash Inflow | 12,625 | (7,746) |

A.6 NOTES TO THE PROSPECTIVE FINANCIAL INFORMATION

The principal assumptions on which the prospective financial statements have been prepared are set out below. These assumptions should be read in conjunction with the risk factors set out under the heading “*What are my risks?*” in the “Investment Statement Information” section at the front of this Offer Document, and the sensitivity analysis below.

The prospective financial statements comply with FRS-42 and assume the following during the periods of the prospective financial statements:

A.6.1 GENERAL ASSUMPTIONS

A.6.1.1 Economic Environment - there will be no material change in the general economic environments in which SLI Group operates or sells its products.

A.6.1.2 Political, legislative and regulatory environment - there will be no material change to the political, legal or regulatory environments in which SLI Group operates or sells its products.

A.6.1.3 Competitive environment - there will be no material change to the competitive dynamics of the markets in which SLI Group operates or sells its products, including any material change in competitor activity. No new entrants will materially change the competitive environment. The nature and extent of competition in any new markets which SLI Group enters will be comparable to that currently exhibited in its existing markets.

A.6.1.1 Market conditions - there will be no material change in the general market structure, technology relations, third party relationships (including partners) or employee environments other than for a continuation of the structural shift of businesses and consumers from traditional to online channels.

A.6.1.2 Taxation - there will be no material change to the income tax, excise tax or goods and services tax regime in any country or state where SLI Group operates or sells its products, including no change to the corporate tax rates in those countries.

A.6.1.3 Management of SLI Group - no key Directors or key personnel will leave SLI Group, SLI will be able to recruit sufficient personnel, and management resources will be sufficient for SLI Group’s requirements, including executing on growth initiatives.

A.6.1.4 Operating environment - there will be no material costs incurred through either industrial or contractual disputes.

A.6.1.5 Disruption to operations - there will be no material disruption to operations, including through natural disasters, fires or explosions, contention around intellectual property, information systems failure, data corruption, software defects or errors, product quality issues, security or privacy breaches or through normal hazards associated with SLI Group’s activities (including disruptions to or affecting any of SLI Group’s key clients).

A.6.1.6 Customers and key suppliers - there will be no loss of customers, or key suppliers, except as described below in relation to customer retention. The lead time for bringing on new customers will be as described below.

A.6.2 SPECIFIC ASSUMPTIONS

A.6.2.1 ACCOUNTING POLICIES

SLI Group’s accounting policies will be the same as the existing accounting policies for SLI, which are set out in the historical financial statements for the year to 30 June 2012 and included in the Prospectus. It is assumed that these accounting policies remain consistent throughout the periods covered by the prospective financial statements, except for the new policy discussed below. It is also assumed there will be no material change in New Zealand Generally Accepted Accounting Practice during this period.

SLI Group intends to adopt the following accounting policy.

SHARE CAPITAL

Ordinary share capital is recognised at the fair value of the consideration received by the Company. Transaction costs related to the listing of new shares and the simultaneous listing of existing shares are allocated to those transactions on a proportional basis. Transaction costs relating to the listing of existing shares are not considered costs of an equity instrument as no equity instrument is issued, and consequently costs are recognised as an expense in the Statement of Comprehensive Income when incurred. Transaction costs related to the issue of new share capital are recognised directly in equity as a reduction of the share proceeds received.

A.6.3 REVENUE

SLI Group’s actual revenue for the last year and forecast revenue is set out in the table below:

| | SLI | SLI Group | SLI Group |
|--------------------------------------|------------------------------|------------------------------|------------------------------|
| | Actual | Pro forma PFI | PFI |
| THOUSANDS | 12 MONTHS TO 30 JUNE 2012 | 12 MONTHS TO 30 JUNE 2013 | 12 MONTHS TO 30 JUNE 2014 |
| Learning Search and related products | 11,526 | 14,141 | 17,071 |
| Site Champion | 3,246 | 3,745 | 5,010 |
| Related Search | 752 | 400 | - |
| New Products | - | - | 118 |
| | 15,524 | 18,285 | 22,200 |

SLI Group’s ARR for the last year and forecast ARR is set out in the table below:

| | SLI | SLI Group | SLI Group |
|--------------------------------------|---------------|---------------|---------------|
| | Actual | Pro forma PFI | PFI |
| THOUSANDS | 30 JUNE 2012 | 30 JUNE 2013 | 30 JUNE 2014 |
| Learning Search and related products | 12,067 | 15,032 | 19,696 |
| Site Champion | 3,401 | 4,131 | 5,923 |
| Related Search | - | - | - |
| New Products | - | - | 264 |
| | 15,468 | 19,163 | 25,884 |

PRODUCTS

SLI Group currently has two main product families being Learning Search (this includes related products: Learning Navigation, Rich Auto Complete and Mobile) and Site Champion. The Learning Search suite of products currently contributes approximately 80% of revenue and Site Champion contributes approximately 20% of revenue. This relative split is expected to continue throughout the Prospective Period. Currently approximately half of customers use the Site Champion services. All Site Champion customers have the Learning Search product.

As at 28 February 2013, SLI has ARR of NZ\$17.7 million. The ARR run rate at 30 June 2011 and 30 June 2012 was NZ\$12.1 million and NZ\$15.5 million respectively. SLI Group is forecasting ARR of NZ\$19.2 million at June 2013 and NZ\$25.9 million at June 2014.

SLI operates a subscription-based revenue model where customers sign up for services and pay for those on a regular schedule, generally monthly, rather than in a single upfront payment. SLI Group is not expecting to change the revenue model away from a recurring basis unless a new product has a requirement for a different approach.

SLI has developed, and continues to develop, a number of new products in areas relating to their existing products and targeted at SLI Group's existing customers and markets. During the Prospective Period it is anticipated that SLI Group will be developing and selling some of these new products. The existing customer base provides an effective means of promoting and selling new products that supplement existing products or provide new benefits for customers. Given the subscriptions revenue model, the contribution from new products is anticipated to contribute less than one percent of reported revenue in FY14. The revenue from new products is expected to increase in years post the Prospective Period.

It is assumed that during the Prospective Period the sales prices for SLI Group's products do not change from the current 2013 price lists.

Learning Search

Each customer is charged a monthly subscription fee according to a tiered structure, primarily based on a range for the anticipated number of queries performed. Consequently, as the customer generates more searches through its site, the monthly subscription rate increases as they step through tiers. There are additional charges for some of the additional products that customers may add on to the base Learning Search product. These are set out below.

It is assumed that the initial monthly fee for new customers signed during the Prospective Period is approximately the same as the average initial monthly fee charged to new customers over the 24 month period ending February 2013.

Historically, the monthly revenue from Learning Search customers increases on average by approximately 80% over the first 36 months after sale. This increase is driven by:

- selling other Learning Search related products, such as: Learning Navigation, Rich Auto Complete and Mobile
- customers adding additional sites
- increases in usage of the core Learning Search product (i.e. an increase in queries moves the customer through price tiers).

There is further potential for growth after the 36 month period but this additional upside is not modelled in the Prospective Period. The forecast assumes penetration rates for these new products continue at the rates that have been achieved historically throughout the Prospective Period. However, there are a number of opportunities for SLI Group to increase revenues through higher penetration of the existing suite of products to current and new customers. This potential increase in revenue from any increase in penetration is not reflected in the forecasts for the Prospective Period.

It is assumed that revenues from customers of less than 36 months duration and new customers acquired during the Prospective Period increase in the same manner as this historical profile.

Site Champion

Site Champion revenue is performance-based. The customer is charged a fee based on the number of referrals to pages created by the Site Champion service, a portion of which go on to purchase products. It takes time for the Site Champion pages to be created, indexed and to rank in the search engines. As a consequence of this, the average Site Champion revenue per customer increases over time as the referrals increase. It is assumed that for recent new Site Champion customers and new customers acquired during the Prospective Period the revenue ramp up will be the same as this historical experience. It is also assumed the uptake of Site Champion will be consistent with the historical uptake (i.e. approximately half of all customers will use Site Champion). However, SLI Group has strategies in place to try to increase these penetration rates. The pricing of Site Champion is being reviewed with a view to increase the charges.

Related Search

Related Search is a search suggestions tool for web search portals that improves the user experience on sites by presenting their visitors related search terms. The revenue streams from Related Search are somewhat sporadic in nature in that SLI Group has often at any one time received significant revenue from only one customer. In FY11 SLI Group had revenue of \$121,000 from the Related Search product, FY12 \$752,000 and FY13 revenue forecast is \$400,000. Given the sporadic nature of revenues from this product and the stage of its product life cycle SLI Group is not forecasting to earn revenues going forward. Any comparisons to underlying growth of SLI Group's business should exclude the Related Search component as this is not a core product for the business.

CUSTOMERS

The growth in SLI Group's revenue has historically been determined by the number of sales staff in each market and the productivity of the respective sales staff. It is assumed that increasing sales staff will lead to growth in customers consistent with historic evidence of approximately one new customer per sales representative per month. At the start of 2012 the Company implemented a range of new sales processes including adding a new sales manager in the US. This resulted in an increase in the number of new customers being signed up per sales representative to approximately one per month and it is on the basis of calendar year 2012 that the number of sales per representative is based on for the Prospective Period.

Note that there is a delay between signing up customers and converting to paying customers.

As at 28 February 2013, SLI Group had over 375 customers and is forecasting to increase to approximately 420 by June 2013. There is good visibility of the number of customers that will go live between now and June 2013. SLI currently has contracts signed but awaiting implementation that will generate annual recurring revenue of \$2.1 million. SLI is also in advanced stages of negotiation with prospects that would result in an additional \$2.9 million of annual recurring revenue if 100% converted. Based on historical performance the Company expects that two thirds of these would convert to signed customers.

SLI Group is forecasting customer numbers of 580 by June 2014. SLI Group had 300 customers at June 2011 and 338 customers at June 2012. The relatively small increase in customer numbers over the 12 months to June 2012 was offset by the higher average amount each customer was paying for services. At June 2011 an average sized customer was paying US\$34,500 per annum whereas at June 2012 the average was US\$41,000 per annum.

In general, it is assumed that sales staff will continue to sell at the same rate as they have done in calendar year 2012. It is also assumed that there is an eight month lead time between the time a new salesperson commences employment with SLI and the time that salesperson generates revenue. This is broadly consistent with SLI's historical experience, although SLI expects that new hiring and training practices would have the potential to shorten the lead time.

The average initial sell price is assumed to stay constant at current levels - there is a potential for this to increase if SLI Group signs up a higher proportion of large customers.

The assumptions regarding the increase in the number of customers are based on the different geographic areas, as explained below. It is assumed that each new customer purchases Learning Search and that approximately half purchase Site Champion. This is based on the current proportion of customers that have both Learning Search and Site Champion.

CUSTOMER RETENTION

SLI has enjoyed high rates of customer retention, which it attributes to the effectiveness of its products and high rates of customer satisfaction. SLI's retention rates on core products have averaged approximately 90% by value over the last five years (and approximately 85% by number of customers in the last two years) to 28 February 2013 and has been 92% over the last financial year and 90% per annum (annualised) over the eight months to 28 February 2013. Customer retention rates on core products have fluctuated between 93% and 83% by value over the last five financial years - with the low point of 83% occurring in FY09, when customers were heavily impacted by the global financial crisis. Customer retention was also slightly lower in FY11 in part because service levels were lower due to the Christchurch earthquakes.

Most SLI customers who terminate their agreement do so when they change ownership, change ecommerce platforms, are forced to cost-cut and discontinue site search, use other alternatives (e.g. open-source or a competitor), or they close operations due to financial hardship.

SLI expects to maintain its strong retention rates by continuing to provide customers with high levels of service and support as well as new ecommerce capabilities and functionality. Accordingly, it is assumed that retention rates of approximately 90% per annum by value on core products continue throughout the Prospective Period.

Customer Geography and associated staffing

SLI Group sells primarily via a direct sales methodology with the majority of sales historically being generated via its direct sales force. The percentage of sales made via resellers is expected to increase with SLI Group's geographic expansion into new markets and SLI Group will use resellers along with direct sales teams to sell into these new markets. See detail on the estimated relative size of these markets in section 4.1 "Online retail".

United States

The US is SLI Group's largest market. Sales to the US are denominated in US dollars.

The sales function is staffed by nine full time in-market sales reps who hold quota targets for sales. SLI considers that there is still strong growth potential in this market. In order to grow SLI Group's US revenues there will be an additional two quota carrying sales staff added in FY13 and a further six at the start of FY14, to take the total headcount to 17 at the end of the Prospective Period.

United Kingdom

The UK is SLI Group's second largest market. Sales are denominated in British pounds. The sales function is staffed by four full time in-market sales representatives. It is expected there will be an additional two sales representatives employed over the Prospective Period to take the total UK sales headcount to six at the end of the Prospective Period.

Australia/New Zealand

Australia and New Zealand are SLI Group's third largest market. The region is managed by two full time in-market quota carrying staff. It is expected there will be one additional quota carrying sales staff in FY13 and a further one at the start of FY14 to take the total headcount to four at the end of the Prospective Period. Sales are denominated in Australian or New Zealand dollars in these markets.

NEW MARKETS

SLI has identified a range of new markets where it intends to build its presence. SLI has recently entered the Brazilian market with early success. This market has been identified as a market with strong demographic trends - specifically a growing middle class with good internet use leading to a rapidly expanding ecommerce sector - but the market is currently underserved by SLI's competitors.

The sales function for Brazil is currently managed by one staff member based in the US. It is expected there will be an additional sales representative employed in FY13 and a further one in mid FY14 to take the total Brazilian sales representative headcount to three at the end of the Prospective Period.

Japan has been identified as the best fit for SLI to enter as the next new market. SLI plans to expand into Japan during FY14 with two sales representatives to be added.

It is assumed that the rate of sales by sales representatives into these markets (including Japan and Brazil) will be less than in other markets, as these are markets in which SLI is less established.

Current ARR for new markets is \$750,000 and is expected to increase to \$1.2 million by June 2014.

For the purposes of these forecasts sales are denominated in US dollars in both of these markets.

OTHER OPERATING INCOME

Other operating income is made up of government grants and insurance proceeds. The total insurance proceeds were \$368,000 in FY13 with no other income from insurance is forecast in the Prospective Period. It is assumed SLI Group will receive \$166,000 of government grants in FY13 and a further \$270,000 in FY14. The grants are based on agreements already signed with the New Zealand Government but there may be some uncertainty to receiving 100% of these amounts as there is some open interpretation on the eligibility of some costs.

A.6.4 OPERATING EXPENSES

SLI's historical and forecast total operating expenses in the classification categories that will be reported/have been reported in the statutory accounts are set out in the table below:

| | SLI | SLI Group | SLI Group |
|--------------------|------------------------------|------------------------------|------------------------------|
| | Actual | Pro forma PFI | PFI |
| THOUSANDS | 12 MONTHS TO 30 JUNE 2012 | 12 MONTHS TO 30 JUNE 2013 | 12 MONTHS TO 30 JUNE 2014 |
| Operating Expenses | 6,045 | 9,041 | 12,278 |
| Employee Expenses | 9,409 | 11,930 | 17,504 |
| Total Costs | 15,454 | 20,971 | 29,782 |

These expense categories can be broken down into the following categories that should provide more meaningful detail on the forecast operating expenses of SLI Group:

| | SLI | SLI Group | SLI Group |
|--|------------------------------|------------------------------|------------------------------|
| | Actual | Pro forma PFI | PFI |
| THOUSANDS | 12 MONTHS TO 30 JUNE 2012 | 12 MONTHS TO 30 JUNE 2013 | 12 MONTHS TO 30 JUNE 2014 |
| Delivery Costs | | | |
| Hosting Costs | 1,267 | 1,443 | 1,776 |
| Wages cost for Client facing Engineers and CSG | 1,881 | 2,449 | 3,588 |
| Wages cost for Development staff | 257 | 296 | 381 |
| Growth Costs | | | |
| Marketing | 2,203 | 2,601 | 4,361 |
| New Product Development | 1,027 | 1,183 | 1,524 |
| Sales staff wages and commissions | 3,373 | 4,171 | 7,019 |
| Professional fees / contractors costs | 120 | 541 | 1,434 |
| Wages cost for Client facing Engineers and CSG | 806 | 1,050 | 1,538 |
| Other Costs | | | |
| Professional Fees and Contractors | 628 | 690 | 1,308 |
| Lease Expenses | 533 | 683 | 1,063 |
| Other Wages | 1,571 | 2,123 | 2,402 |
| Other Expenses | 1,788 | 2,535 | 3,388 |
| IPO Costs | - | 1,206 | - |
| Total costs added through | 15,454 | 20,971 | 29,782 |

The costs are split out above into the categories of: Delivery Costs, which are the costs of maintaining services for customers after the customers have gone through an implementation process; Growth Costs, being the costs of growing SLI Group's customer base and Other Costs, predominantly being overhead costs. Specific details on these costs are set out below. In all wage and salary costs below, it is assumed there is a general cost of living increase in wage rates in July 2013.

DELIVERY COSTS

- i. Hosting costs are the lease costs paid to external providers of hardware and bandwidth used to provide search services. The technology around the use of this hardware provides redundant and load balanced services to customers. The hosting costs are correlated with changes in revenue, largely because both revenue and hosting requirements increase with the increase in the volume of traffic by customers. The forecast costs are based on the historical hosting costs as a proportion of revenue.
- ii. Wage costs for Customer Facing Engineers and the Customer Service Group (CSG) are the staff costs for on-going support for customers. The forecasts of these costs are based on 70% of the total cost of the existing customer facing engineers and CSG headcount together with additions to these headcount costs at salary rates similar to the rates for existing staff.
- iii. Wages costs for development staff is 20% of the staff costs of the R&D team as described below. These costs are for staff involved in enhancements to products required to retain existing customers.

GROWTH COSTS

- i. Marketing expenses include costs of trade shows, creation of marketing collateral, PR and advertising, marketing travel and accommodation and internal marketing staff wages costs. The forecasts of these external costs assume an increase in historical marketing expenditure in existing markets as well as expenditure in new markets that SLI Group intends to target. The forecasts are based on SLI Group's expectations of the level of marketing expenditure required to support the sales functions anticipated in those markets. The internal wages costs are staff costs of existing marketing staff together with additions to these headcount costs at salary rates similar to the rates for existing staff.
- ii. New Product Development costs are wages costs for staff involved in new product development and enhancements to existing products. The principal difference to the same cost category in Delivery Costs is the prospect of incremental revenue. The forecasts of these costs are based on the existing R&D headcount together with additions to these headcount costs at salary rates similar to the rates for existing staff. SLI Group currently has 14 staff in the R&D function and expects to increase this to 21 by the end of the Prospective Period.
- iii. Sales staff wages and commissions include base salaries and commissions for sales staff that have a sales quota. Commissions are paid to sales representatives on signing up a new customer, on any subsequent upsells and in some cases on the continuing monthly revenue from those

customers. The forecasts are based on initial commissions of 20% of the committed annual revenue in the first year of initial sales and on any upsells, and 3% of the revenue thereafter. The modelling is a simplification of existing commission schemes but materially reflects the current commissions that are being paid. Given the recurring revenue model and SLI Group's historic retention rates, the costs of current commissions and current sales people's salaries are expected to translate into future revenue for SLI Group.

- iv. Professional Fees and Contractors Costs include recruitment costs of increasing the headcount. Recruitment costs are based on an average of \$15,000 per staff member. The other cost in this category is the cost to establish a market presence in the Brazilian and Japanese markets and is estimated at \$700,000 in FY14.
- v. Wage costs for client facing engineers and CSG are the staff costs for implementations on new customers. The forecasts of these costs are based on 30% of the total cost of existing client facing engineers and CSG headcount working on new customers together with additions to these headcount costs at salary rates similar to the rates for existing staff.

OTHER COSTS

- i. Professional Fees and Contractors Costs includes costs of professional advisors and contractors, consulting fees, directors' fees and public company costs (NZX fees, registry fees and investor relations costs). These costs are based on current arrangements with contractors and directors and quotes and price lists for public company costs.
- ii. SLI Group leases offices in New Zealand, the US, UK and Australia. It is anticipated that offices will be leased in two new markets in the Prospective Period. The forecast lease costs are based on existing lease costs for existing arrangements which run beyond the Prospective Period. The estimates for costs for the two markets that are being considered are based on costs incurred in other relevant markets and scaled for the size of office required.
- iii. Other Wages are wages for the CEO, finance, administrative, HR and product management staff. The forecasts of these costs are based on the existing headcount together with anticipated additions to this staff level at salary rates similar to the rates for existing staff.
- iv. The material items in other expenses include travel and accommodation costs, medical cover for US staff, communications costs and software licence fees. These costs are assumed to increase in line with headcount costs based on historical correlations between these costs and employee remuneration costs.

Depreciation and amortisation is also included in this expense category. Depreciation expense in the Prospective Period is determined on a materially consistent basis as SLI Group has historically calculated depreciation.

SLI Group amortises search engine patents and software costs. Amortisation in the Prospective Period is based on the current rate of amortisation. There is no capitalisation of any patent or software costs in the Prospective Period.

- v. IPO fees are discussed below in paragraph A.6.7.

All operating expenses are forecast in the currencies in which they are expected to be denominated, and then converted into New Zealand dollars.

RESEARCH AND DEVELOPMENT ACCOUNTING POLICY

Research costs are expensed as incurred. Development costs that meet the recognition criteria under NZ IAS 38 are capitalised. Historically a substantial portion of development cost is incurred in maintaining the current software and therefore development costs for specific projects have not met the recognition criteria. On this basis no development costs have been capitalised.

SLI Group expects its development costs to be a similar nature to what has historically been incurred and accordingly has not forecast for any capitalisation of research and development costs in the Prospective Period. SLI Group will comply with all appropriate accounting standards and in the event there is a change in these standards, or a change in interpretation, that requires SLI Group to capitalise research and development costs in the future, SLI Group will comply with the standards, which may result in variances between the prospective financial statements and the actual results.

A.6.5 CAPITAL EXPENDITURE AND DEPRECIATION

The underlying business has relatively low capital expenditure requirements. The forecast capital expenditure of \$1,212,000 in FY13 is based on the capital expenditure incurred to February 2013 and known commitments for the remainder of the financial year. Capex for FY13 is higher than expected for a normal year as this included the fit-out of new offices in Christchurch. The forecast capital expenditure of \$942,000 in FY14 is based on historical levels of capital expenditure, plus \$475,000 of one-off fit-out costs for offices in two new markets. The actual costs SLI Group ultimately incurs for any such fit-outs will be dependent on lease negotiations with local landlords.

A.6.6 DIVIDENDS

It is assumed that no dividends will be paid in the Prospective Period.

A.6.7 CAPITAL RAISING

It is assumed that gross proceeds of \$15 million will be received from the Offer and that there will be an additional \$12 million of stock sold by existing SLI stockholders for cash to be funded by the Offer. SLI Group expects net costs directly attributable to the Offer of \$2.1 million, including: NZX firm brokerage and commission fees, legal fees, NZX listing fees, share registry costs, accounting fees, advertising costs, offer document design, printing costs and postage and courier costs relating to the Offer, based on fee schedules, quotes and estimates. Of this amount \$875,000 will be accounted for as a reduction in equity and \$1.2 million will be expensed to the Income Statement in accordance with the intended accounting policy set out above. The anticipated Offer costs are based on estimates received from the Company's professional advisors and other external suppliers. Offer costs have been calculated based on an offer size of \$27 million. Any increase or reduction in the offer size will vary brokerage and other advisory fees.

The capital raising proceeds will be held on call pending use. An interest rate of 2% has been assumed, which is based on an average of call deposit rates that SLI Group is earning with its banks.

In addition, \$1.139 million was raised by SLI in the 8 months ended 28 February 2013 under a range of transactions.

A.6.8 DEBT

SLI Group has no debt facilities.

A.6.9 EXCHANGE RATES

The majority of SLI Group's revenue is denominated in currencies other than the NZ dollar, the largest single foreign exchange exposure being against the US dollar with approximately 70% of sales earned in US currency in FY12. SLI Group also has exposure to British pounds and Australian dollars. The forecasts use the following currency exchange rates against the NZ dollar for translating trading results and balance sheet amounts in the Prospective Period: US\$0.84, A\$0.81 and GBP0.545.

The assumed exchange rates are based on actual exchange rates for the current financial year to date and recent exchange rate forecasts and forward rates from a selection of major New Zealand trading banks and economic institutions.

SLI Group does not hedge its foreign currency exposures. However, SLI Group also incurs a significant portion of its operating costs in US dollars, with approximately 45% of SLI Group costs in US dollars in FY12. This provides a partial hedge against SLI Group's US dollar and, potentially, other currency exposure.

A.6.10 TAXATION

It is the Company's view that shareholder continuity for retention of tax losses is likely to be breached during the Prospective Period. If a shareholder continuity breach occurs then SLI Group may not necessarily lose all tax losses available to carry forward. The quantum of tax losses that may be lost will depend on the degree of shareholder change that occurs. The tax benefit of losses has not been recognised in the prospective financial statements.

While SLI Group is making losses at a total group level there will be some tax payable in other tax jurisdictions and this is provided for in the forecast in a manner consistent with how tax has been treated historically.

A.6.11 EMPLOYEE AND DIRECTOR SHARE AND OPTION PLANS

The prospective financial statements include the financial impact of non-recourse loans to the Independent Directors of \$600,000 for the purchase of redeemable preference shares under the Offer (see section 8.3 "Directors Interests").

The terms of these loans are interest free with the loans being repaid in three years, or at a later date specified by the Board (excluding any director advanced a limited recourse loan). The loans are non-recourse to the Independent Directors but are secured against the shares acquired with the loan proceeds. If an Independent Director resigns the loan remains in place.

These arrangements are accounted for as share based payments.

Additionally there are options that have been issued by SLI to employees under the two share option schemes (see Section 8.4) and it is assumed that SLI will continue to issue options to new employees up to the time of the IPO. At the time of the IPO these options will be assumed by the Company. It is assumed that after the Offer the Company will continue to issue options to new employees on a materially similar basis to the current process.

The fair value charge for the share based payments (both the share based payments for the directors and employees) are calculated using the Black Scholes pricing model assuming a stock volatility of 30%. These charges are expensed over the vesting period. On the basis of these assumptions, the amounts to be expensed are expected to be \$354,000 and \$335,000 in Pro Forma FY13 and FY14 respectively.

It is assumed that none of the options that have already vested, or those that will vest during the Prospective Period will be exercised for cash consideration. It is assumed that since very few of the vested options expire in the Prospective Period (only 86,000 options, or less than 5% of total current options, will expire), the majority of option holders will retain their options and will not seek to cash-out their options early. In any event, if options were expired, the effect on the financial statements would only affect the balance sheet (increase cash and total equity for the amount of the exercise paid) and not the income statement.

A.6.12 WORKING CAPITAL

It is forecast that accounts receivable balances will grow in proportion to revenue increases, which is SLI Group's experience historically. Unless otherwise agreed, SLI Group anticipates settling all non-salary and wage payables in the month following invoice. Therefore payables are forecast to grow proportionately with monthly purchases. Income in advance is forecast to be constant and any monthly variance is assumed to be offset by compensating fluctuations in cash and debtors balances.

A.6.13 SENSITIVITY ANALYSIS

The prospective financial statements are sensitive to variations in certain assumptions used in their preparation. A summary of the likely effect that variations to certain assumptions may have on the prospective revenue, ARR and EBITDA for FY14 is detailed below. The sensitivities for each assumption are not intended to be indicative or predictive of the possible range of outcomes but are for information purposes to allow potential investors to gain an understanding of potential sensitivities of financial outcomes to changes in these key assumptions.

Care should be taken in interpreting the information set out below. Each movement in an assumption is treated in isolation from possible movements in other assumptions, which is not likely to be the case. Movements in one assumption may have offsetting or compounding effects on other variables, the impact of which is not reflected in the prospective financial statements. In addition, it is possible that more than one assumption may move at any point in time, giving rise to cumulative effects, which are not reflected in the prospective financial statements.

Four key factors that are considered to have significant potential impact on projected financial performance of SLI Group are:

MOVEMENT IN THE NZ DOLLAR EXCHANGE RATE

The exchange rate assumptions are set out above. If the exchange rates change then this will impact the value of foreign currency denominated sales and expenses as recorded in New Zealand dollars. The sensitivity analysis table shows the estimated impact of a change in the NZ dollar against currencies that SLI Group has material exposures to.

The sensitivities do not reflect any currency hedging programmes that may be put in place. SLI Group does not currently have a currency hedging policy.

SALES REPRESENTATIVE HEADCOUNT

SLI Group's ability to attract new customers is influenced by the rate of hiring new sales representatives and the sales productivity of new and existing sales representatives. There is an eight month lead time between the time a new sales representative is hired and the time SLI Group expects to begin earning revenue from customers the sales representative signs up. This means that any change in the rate of hires of sales representatives will only have a relatively small impact on reported revenue in the Prospective Period. Given the eight month lead time any delay in hiring sales staff has a short term favourable impact on EBITDA (as costs are incurred for eight months while there are no corresponding revenues). However, the impact on ARR, as is set out below, reflects more appropriately the impact that any changes in hiring will have for the business's revenue over the longer term. The table below shows the change in the number of headcount hired assuming the same phasing but with a pro-rated adjustment depending on the sensitivity adjustment. By way of example in the negative 20% column if SLI had planned to hire five representatives in a particular month the negative 20% scenario would have them hiring four representatives in that month.

SALES REPRESENTATIVE PRODUCTIVITY

The rate at which sales representatives can sign new customers will also have an impact on SLI Group's revenue over the longer term. The tables below show this impact on revenue, ARR and EBITDA.

Customer retention rate

If the level of customer retention is different to the assumed rate then the level of revenue, ARR and EBITDA will be impacted as set out below.

The impacts on revenue, ARR and EBITDA of variations to the assumptions regarding the four factors listed above are set out in the table below:

| ASSUMPTION | INCREASE / (DECREASE) IN REVENUE FOR A CHANGE IN ASSUMPTIONS FOR FY14 (\$'000) | | | | |
|---|--|----------------|--------------------------------------|-------------|---------------|
| | | | BASE PFI ASSUMPTIONS / REVENUE | | |
| Change in NZ\$ against the US\$ GBP and AU\$ | US\$0.88 | US\$0.86 | US\$0.84 | US\$0.82 | US\$0.80 |
| | GBP0.575 | GBP0.56 | GBP0.545 | GBP0.53 | GBP0.515 |
| | AU\$0.85 | AU\$0.83 | AU\$0.81 | AU\$0.79 | AU\$0.77 |
| | (1,033) | (529) | 22,200 | +556 | +1,139 |
| Sales representative headcount additions | -20% | -10% | See paragraph A.6.3 | +10% | +20% |
| | (80) | (40) | 22,200 | 40 | 79 |
| | | | | | |
| Sales Rep Productivity | -20% | -10% | See paragraph A.6.3 | +10% | +20% |
| | (890) | (445) | 22,200 | +445 | +890 |
| | | | | | |
| Customer annual retention rate | 80% | 85% | 90.8% | 95% | |
| | (2,249) | (1,209) | 22,200 | +872 | |
| | | | | | |

| ASSUMPTION | INCREASE / (DECREASE) IN ARR FOR A CHANGE IN ASSUMPTIONS FOR FY14 (\$'000) | | | | |
|--|--|----------------|----------------------------------|---------------|---------------|
| | | | BASE PFI ASSUMPTIONS / ARR | | |
| Change in NZ\$ against the US\$, GBP and AU\$ | US\$0.88 | US\$0.86 | US\$0.84 | US\$0.82 | US\$0.80 |
| | GBP0.575 | GBP0.56 | GBP0.545 | GBP0.53 | GBP0.515 |
| | AU\$0.85 | AU\$0.83 | AU\$0.81 | AU\$0.79 | AU\$0.77 |
| | (1,201) | (615) | 25,884 | +645 | +1,324 |
| Sales representative headcount additions | -20% | -10% | See paragraph A.6.3 | +10% | +20% |
| | (350) | (175) | 25,884 | +175 | +350 |
| | | | | | |
| Sales Rep Productivity | -20% | -10% | See paragraph A.6.3 | +10% | +20% |
| | (1,616) | (808) | 25,884 | +808 | +1,616 |
| | | | | | |
| Customer annual retention rate | 80% | 85% | 90.8% | 95% | |
| | (3,387) | (1,839) | 25,884 | +1,350 | |
| | | | | | |

| ASSUMPTION | INCREASE / (DECREASE) IN EBITDA FOR A CHANGE IN ASSUMPTIONS FOR FY14 (\$'000) | | | | |
|--|---|--------------|-------------------------------------|--------------|--------------|
| | | | BASE PFI ASSUMPTIONS / EBITDA | | |
| Change in NZ\$ against the US\$, GBP and AU\$ | US\$0.88 | US\$0.86 | US\$0.84 | US\$0.82 | US\$0.80 |
| | GBP0.575 | GBP0.56 | GBP0.545 | GBP0.53 | GBP0.515 |
| | AU\$0.85 | AU\$0.83 | AU\$0.81 | AU\$0.79 | AU\$0.77 |
| | (118) | (61) | (6,874) | +64 | +130 |
| Sales representative headcount additions | -20% | -10% | See paragraph A.6.3 | +10% | +20% |
| | +339 | +171 | (6,874) | (171) | (343) |
| Sales Rep Productivity | -20% | -10% | See paragraph A.6.3 | +10% | +20% |
| | (482) | (241) | (6,874) | +241 | +482 |
| Customer annual retention rate | 80% | 85% | 90.8% | 95% | |
| | (1,761) | (945) | (6,874) | +682 | |

Given the short time period covered by the Pro Forma FY13 forecasts and the level of certainty provided by the recurring revenue stream, it is unlikely that there will be a material variance in those periods.

The above sensitivities also do not take into account any mitigating measure that SLI Group may take. In the case of a significant change in exchange rate, SLI Group may choose to change the costs being spent in certain jurisdictions and would endeavour to stimulate demand through measured additional sales and marketing initiatives.

Investors should also refer to the discussion of these factors set out under the heading “*What are my risks*” in the “Investment Statement Information” section at the front of this Offer Document.

TAXATION SUMMARY

In this section, “you” refers to the person who acquires the Shares.

Tax will affect your return from the Shares.

The following comments are of a general nature of application to New Zealand tax resident investors. They are based on the law at the date of this Offer Document and do not deal with your specific circumstances.

You should seek your own tax advice in relation to your Shares.

ARE YOU TAX RESIDENT IN NEW ZEALAND?

Your tax residence will affect how New Zealand taxes apply to your return on the Shares. Natural persons who have:

- a permanent place of abode in New Zealand; and/or
 - been present in New Zealand for more than 183 days in a 12 month period, and not subsequently absent from New Zealand for more than 325 days in a 12 month period,
- are New Zealand tax resident.

A company is tax resident in New Zealand if it is incorporated in New Zealand, has its head office or centre of management in New Zealand, or if its directors exercise control of the company in New Zealand.

Generally Shares held by a trustee will be treated as held by a New Zealand resident if a New Zealand resident has contributed to the trust.

TAX IMPLICATIONS FOR NEW ZEALAND TAX RESIDENT SHAREHOLDERS

The Company will be treated as if it were tax resident in the United States of America as a result of the Company’s purchase of SLI being treated as a corporate inversion for the purposes of United States domestic tax legislation. As a result, investors should assume that the Company will be treated as a foreign company for New Zealand income tax purposes, as it may not be treated as a resident of New Zealand for the purposes of the tax treaty between New Zealand and the United States of America. The Company does not believe this treatment is appropriate and is taking steps to confirm its position.

New Zealand’s foreign investment fund (FIF) tax regime applies to shares held by a New Zealand tax resident shareholder in a foreign company unless the shareholder is a natural person (but not a trustee, other than for certain very limited purposes) and the total cost of all interests owned by the shareholder (either directly or through a custodian holding as bare trustee) which would otherwise be subject to the FIF regime is \$50,000 or less.

Under the FIF regime, shareholders are generally required to use the fair dividend rate (FDR) method to calculate assessable income from shares. Income under the FDR method in an income year is:

- (a) 5% of the market value of shares (measured in NZ Dollars) held by the shareholder at the beginning of the income year (regardless of whether all or some of those shares are subsequently sold during the year); plus
- (b) an amount referred to as the ‘quick sale adjustment’ if the shareholder has bought and later sold shares during the year.

To calculate any ‘quick sale adjustment’ the shareholder first needs to calculate its ‘peak holding adjustment’. To calculate its peak holding adjustment with respect to shares, the shareholder must calculate the excess (if any) of the greatest number of Shares held at any point during the income year over the greater of:

- (i) the number of shares held at the beginning of the income year; and
- (ii) the number of shares held at the end of the income year.

The shareholder must then multiply any such excess by the average cost of the shares it acquired during the year. The peak holding adjustment is 5% of this amount.

The ‘quick sale adjustment’ amount which then must be returned by the shareholder is the lesser of:

- (iii) the peak holding adjustment for the shares and all other FIF interests for which a quick sale adjustment must be calculated; and
- (iv) the profit (if any) made on the sale of shares (or other interests) acquired during the year, plus any distributions received on those shares (or other interests).

A shareholder is subject to tax on this assessable income at their marginal rate.

Any dividends received by a shareholder and any sales or redemptions are ignored under the FDR method (except when the sale or redemption occurs in the same year as Shares are acquired). A modified version of the above method is used by managed funds.

If a shareholder is a natural person or a family trust and can show that the sum of:

- (a) the total increase in the market value of all the shareholder’s FIF interests (including the Shares, but excluding certain debt-like FIF interests); plus
- (b) any realised gains and distributions received from this pool of interests,

is less than the shareholder’s total income from the pool under the FDR method, the shareholder can elect to only be subject to tax on this lesser amount. The shareholder cannot claim a deduction for any loss however.

A shareholder who is not a portfolio investment entity and who, together with its associates, owns 10% or more of a foreign company may also elect to be taxed under the attributable FIF income method. Under this method, the shareholder must return as income in their own tax return all of the passive FIF income from the foreign company. This is subject to the requirement that the shareholder be able to provide to the Commissioner of Inland Revenue sufficient information to check their attributable FIF calculations. Such shareholders should obtain their own advice concerning the taxation of their shares.

DISTRIBUTIONS

The Directors have adopted a policy that there will not be any dividend payments or other distributions made for the foreseeable future as any surplus funds will be retained in order to capitalise on immediate and future growth opportunities.

However, if the Company does make distributions, then in addition to usual New Zealand tax implications, investors may also be subject to US withholding tax.

Sale or disposal of Shares

Although New Zealand does not have a capital gains tax, there are instances where you will be subject to New Zealand tax on gains you make on the sale or disposal of your Shares. You must consider your individual circumstances to determine whether any gain you make on the sale or disposal of your Shares is taxable. Generally, if you are not subject to the FDR tax method under the FIF rules, you will be subject to tax on any gain arising from the sale or disposal of your Shares if you:

- are in the business of dealing in shares;
- acquire your Shares as part of a profit making undertaking or scheme; or
- acquire your Shares with the dominant purpose of selling them.

Your taxable gain (or tax deductible loss) will be the difference between the cost of your Shares and the market value of the consideration you receive for the Shares.

TAX PROFILE OF THE COMPANY

The Company is liable for tax on its worldwide income in both New Zealand and the United States of America, as a result of being a tax resident in both jurisdictions. While the tax legislation in both jurisdictions provides some recognition for taxes paid in the other jurisdiction (and there is a Double Tax Agreement in force between New Zealand and the United States of America), it is likely that the Company will be subject to tax on any earnings at the higher of the tax rates applying in New Zealand and the United States of America.

If the Company is treated as a foreign company, the Company will not be eligible to maintain an imputation credit account.

GLOSSARY

“Allotment Date” means 31 May 2013, unless brought forward or extended by the Company.

“Applicant” means a person who submits an Application Form under the Offer.

“Application” means an application to subscribe for Shares under the Offer.

“Application Form” means the form circulated with the investment statement to subscribe for Shares under the Offer.

“ARR” means annualised subscription revenue, a non-GAAP financial performance measure used internally by SLI that represents the annualised monthly subscription revenue from SLI’s customers for its Learning Search and related products and its Site Champion product on an assumed constant currency basis using the current exchange rates. ARR does not include revenue from SLI’s Related Search product, which it does not actively promote. See the explanation under the table of Key Performance Indicators in section 1 “Important Dates and Offer Statistics”.

“Best of breed” means, in relation to products, products which have been identified as the best products of its type. Enterprises often purchase software from different vendors to obtain the best of breed offering for each application area. For example, enterprises may purchase a human-resource package from one vendor and an accounting package from another. It is difficult for a single vendor to excel in every application area.

“Board” means the board of directors of the Company.

“Broker Firm Offer” means the offer of Shares under this Offer Document to New Zealand resident retail clients of brokers who have received an allocation from their broker.

“CAGR” means compound annual growth rate (an average growth rate over a period of time assuming compounding constant annual growth throughout the period).

“Closing Date” means 5.00pm on 28 May 2013, unless varied by the Company.

“Company” means SLI Systems Limited, which on the Allotment Date is intended to be the holding company of SLI.

“Customer retention rate” is the rate (expressed as a percentage) of customers retained in a particular period, and is measured either by value of customers or by number of customers (as specified in the Offer Document). The customer retention rates for SLI exclude the impact of Related Search, because this is a non-core product that SLI does not actively promote.

“Director” means a director of the Company.

“Dividend” means a payment per share that a company makes to shareholders, usually from its profits. The level of dividends that are paid by companies to their shareholders is generally linked to how profitable the company is. A company is not obliged to pay dividends.

“EBITDA” means earnings before interest, tax, depreciation and amortisation.

“FIN” means an alphanumeric identifier issued by NZX, the Company (as issuer) or the Share Registrar, to a Shareholder who provides authority to access that Shareholder’s account held by the Share Registrar.

“FY” means a financial year. For the Company and SLI, this is a 12 month period ending on 30 June (e.g. FY14 is the 12 month period ending 30 June 2014).

“GAAP” means generally accepted accounting practice.

“Independent Directors” means the independent directors of the Company, being Sam Knowles, Sarah Smith and Greg Cross.

“Institutional Firm Offer” means the invitation to Institutional Investors under this Offer Document, as described in the “*Details of the Offer*” section of this Offer Document.

“Institutional Investor” means an investor to whom offers or invitations in respect of securities can be made without the need for a lodged prospectus (or other formality, other than a formality which the Company is willing to comply with), including in New Zealand persons to whom offers or invitations can be made without the need for a registered prospectus under the Securities Act 1978.

“Joint Lead Managers” and **“Joint Organising Participants”** means Craigs Investment Partners Limited and Forsyth Barr Group Limited.

“Listing Rules” means the listing rules of the NZX Main Board as amended from time to time.

“NZX” means NZX Limited.

“NZX Main Board” means the main board equity security market operated by NZX.

“NZX Primary Market Participant” means a company, firm, organisation, or corporation designated or approved as a ‘Primary Market Participant’ from time to time by NZX. See www.nzx.com/investing/find_a_participant for a list.

“Offer” means the offer of Shares under this Offer Document.

“Offer Document” means this document.

“Offer Price” means the price at which Shares may be bought under the Offer.

“Opening Date” means 14 May 2013.

“PFI” means prospective financial information for the Company.

“Pro Forma PFI” means prospective financial information for the Company for the period from 1 July 2012 to 30 June 2013 as if the Company had acquired SLI on or before 1 July 2012.

“Prospectus” means the registered prospectus in respect of the Offer dated 6 May 2013, as may be amended in accordance with the Securities Act 1978.

“Prospective Period” means the period from 1 March 2013 to 30 June 2014.

“SaaS” means Software as a Service (described further in section 4.4 “Software as a Service”).

“SEO” means search engine optimisation - the process of affecting the visibility of a website or webpage in a search engine’s ‘natural’ or unpaid search results.

“Share” means an ordinary share of the Company.

“Shareholder” means a person for the time being entered on the register of the Company either alone or jointly with others as the holder of a Share.

“Share Registrar” means Link Market Services Limited.

“SLI” means S.L.I. Systems, Inc. and, where the context requires, includes SLI Systems (UK) Limited.

“SLI Group” means the Company and its subsidiaries, which on the Allotment Date is intended to include SLI and SLI Systems (UK) Limited.

APPLICATION INSTRUCTIONS

You should read the Offer Document carefully before completing an Application Form.

GENERAL

Applicants under the Offer can only apply for Shares on the Application Form distributed with this Offer Document. The Application Form must be completed in accordance with the instructions set out in this section of the Offer Document. The terms and conditions set out on the reverse side of the Application Form are included as terms and conditions of the Offer.

The minimum application is 2,000 Shares (\$3,000) and may be in multiples of 200 Shares (\$300) thereafter.

All Application Forms must be properly completed and signed, although the Company reserves the right to accept (but does not undertake to accept) an Application which does not meet these requirements. Applications will constitute an irrevocable offer to acquire the number of Shares applied for, on the terms and conditions set out in this Offer Document and the Application Form. By submitting an Application Form, you agree to be bound by those terms and conditions and the Constitution. The Company reserves the right to reject in whole or in part, at its sole discretion, any Application for Shares, without giving any reason.

An Application will constitute an irrevocable offer by the Applicant to subscribe for and acquire the number of Shares specified on the Application Form (or such lesser number as the Company may determine) on the terms and conditions set out in this Offer Document and on the Application Form.

COMPLETING THE APPLICATION UNDER THE BROKER FIRM OFFER

APPLICATION FORM INSTRUCTIONS

The Offer is open to persons who have received a firm allocation from their broker. You should ensure that your application form is stamped by your broker and **returned to your broker after completion** for lodgement with the Share Registry, so that you receive your correct firm allocation.

A = Investor Details

Insert your full name(s), address and telephone numbers. Applications must be in the name(s) of natural persons, companies or other legal entities, up to a maximum of three names per application. Use the table below to see how to write your name correctly.

| Type of Investor: | Correct way to write Name: | Incorrect way to write Name: |
|---------------------------------------|---|--------------------------------------|
| Individual person | JOHN SMITH | J SMITH |
| More than one person | JOHN SMITH MICHELLE SMITH | J & M SMITH |
| Company | ABC LIMITED | ABC |
| Trusts | JOHN SMITH (JOHN SMITH FAMILY A/C) | SMITH FAMILY TRUST |
| Partnerships | JOHN SMITH MICHAEL SMITH (JOHN SMITH AND SONS A/C) | JOHN SMITH & SONS |
| Clubs and unincorporated associations | JANE SMITH (SMITH INVESTMENT CLUB A/C) | SMITH INVESTMENT CLUB |
| Superannuation funds | JOHN SMITH LIMITED (SUPERANNUATION FUND A/C) | JOHN SMITH SUPERANNUATION FUND |

By supplying your mobile number you will enable the Share Registrar, Link Market Services Limited, to advise you by SMS message alerts (post allotment) of any changes on your holding balance, or if your bank account details or address on register change, or if a new/replacement FIN has been requested. This feature provides additional security to you as an investor.

B = Holder number details and CSN instructions

If you have other investments registered under a Common Shareholder Number (CSN) you must supply your CSN in the space provided. The name and address details on your Application Form must correspond with the registration details under that CSN. If you do not provide a CSN it will be deemed that you do not have a current CSN and a base registry number and FIN will be allocated to you at allotment of the Shares under the Offer.

C = Application Payment Details

The Application Form allows you to select payment by direct debit, bank draft or cheque.

If you are applying under the Broker Firm Offer, payment must be made in accordance with the directions of the NZX Firm from whom you received a firm allocation.

Complete the box for the “Number of Shares” you wish apply for, and then multiply this by the Offer Price and insert the total amount in the “Total Amount” box.

Note the **minimum amount and multiples** that are stated in the Application Form. Please advise payment method for your Shares and bank account details for any future dividend payments.

Option 1:

If you choose the direct debit option you must tick the box **authorising the Share Registrar to direct debit** the bank account nominated on the Application Form, **on the day the Application Form is received by the Share Registrar**, for the amount applied for on the Application Form. The bank account must be with a **New Zealand registered bank**. You cannot specify a direct debit date and you must ensure that:

- the bank account details supplied are correct;
- the application funds in the bank account for direct debit are available on the day the Share Registrar receives the Application Form;
- the person(s) giving the direct debit instruction has/have the **authority** to operate the account solely/jointly; and
- the bank account you nominated is a **transactional account eligible for direct debit transactions**. If you are uncertain you should contact your bank.

Should your direct debit fail, your application will be rejected. If requested, a direct debit authority form may be provided to you by the Share Registrar. Refer to the contact details on the Application Form.

Option 2:

By bank draft in New Zealand dollars or a cheque drawn from a New Zealand registered bank and must be made in New Zealand dollars.

Cheques must be made payable to “SLI Share Offer”, crossed “Not Transferable” **and must not be post-dated as cheques will be banked on day of receipt**. If an Applicant’s cheque is dishonoured, the Company may cancel that Applicant’s allotment of Shares and pursue any other remedies available to it at law.

Option 3:

Investors who are members of NZClear may, by prior arrangement with the Share Registrar, settle their applications for the Shares prior or on the Offer Share Allotment Date, through the NZClear system.

Please note:

Your Broker may arrange for an alternative payment method in which case you need to follow their instructions.

D = Provide your IRD number

Resident withholding tax (RWT) will be deducted from any dividends paid to you (unless you provide a valid RWT exemption certificate). If you are exempt from RWT, please tick the exempt box and attach a photocopy of your RWT exemption certificate. Only one IRD number is required per holding. If you provide an exemption certificate the IRD number you supply must relate to the exemption certificate.

E = Electronic investor correspondence

By supplying your email address you will be able to receive your investor correspondence electronically where possible. This is a much more environmentally friendly, cost effective and timely option than paper based investor mail outs.

F = Signing and Dating

Read the Offer Document and Application Form carefully and sign and date the Application Form. If the Broker Firm Application Form is stamped by a broker, you are confirming that the Applicant has received a firm allocation from an NZX Firm.

The Application Form must be signed by the Applicant(s) personally, or by two directors of a company (or one director if there is only one director, whose signature must be witnessed), or in either case by a duly authorised attorney or agent.

G = Closing Date and Delivery

The Offer will close at 5.00pm on 28 May 2013 (being the Closing Date).

Applications pursuant to a Broker Firm allocation must be sent with payment to the NZX Primary Market Participants or Joint Lead Manager, who granted the Applicant an allocation, in such time as to enable the NZX Primary Market Participant or Joint Lead Manager to forward the application and payment to the Share Registrar by no later than 5.00pm on the Closing Date.

All other applications must be sent with payment to the Share Registrar to be received no earlier than the Opening Date of the Offer and not later than 5.00pm on the Closing Date at the following address:

Link Market Services Limited
Level 16, Brookfields House
19 Victoria Street West
Auckland 1010

PO Box 91976
Victoria Street West, Auckland 1142

Applications may also be made through any NZX Primary Market Participant, the Joint Lead Managers, or any other channel approved by NZX, provided that they are lodged in sufficient time for the Application Form and payment to be received by the Share Registrar no later than 5.00pm on the Closing Date. Late applications will not be accepted, unless agreed by the Company.

H = If the Application Form is signed by an attorney, the power of attorney document is not required to be lodged, but the attorney must complete the certificate of non-revocation of power of attorney on the reverse of the Application Form.

I = If the Application Form is signed by an agent, the agent must complete the certificate of non-revocation of agent on the reverse of the Application Form.

Joint Applicants must each sign the Application Form.

CLOSING THE OFFER

The Company may elect to close the Offer early, or extend the Offer, or accept late Applications either generally or in particular cases. The Offer may be closed at any earlier date and time, without further notice. Applicants are, therefore, encouraged to submit their Applications as early as possible after the Opening Date.

In the event of an extension to the Offer, Application Money will continue to be held on behalf of Applicants pending allotment. No interest will be paid to Applicants on application money received in the event that the Closing Date is extended.

In the event that applications are not accepted, in whole or part, refunds of application money will be posted as soon as practicable but in any event within five business days after allocation of the Shares. No interest will be paid on refunds.

PERSONAL INFORMATION

Personal information provided by you in completing the Application Form will be held by the Share Registrar. The information will be used by the Share Registrar and the Company for administration purposes relating to your Application and, where applicable, the issue of and your holding of Shares. Pursuant to the Privacy Act 1993, you have a right of access to, and correction of, the personal information held about you. The addresses of each of the Share Registrar and the Company are set out in the Directory.

APPLICATION FORM INTENTIONALLY LEFT OUT

DIRECTORY

REGISTERED OFFICE OF THE COMPANY

1st Floor, Epic Centre
78 - 106 Manchester Street
Christchurch, 8011

Telephone: 0800 754 797
Facsimile: +64 (3) 961 3262
Website: www.sli-systems.com

DIRECTORS OF THE COMPANY

Greg Cross, *Non-Executive Chairman*
Dr. Shaun Ryan, *Chief Executive Officer*
Steven E Marder, *Non-Executive Director*
Matthew Houtman, *Non-Executive Director*
Sarah Smith, *Independent Director*
Sam Knowles, *Independent Director*

JOINT LEAD MANAGERS AND JOINT ORGANISING PARTICIPANTS

Craigs Investment Partners Limited
Level 32, Vero Centre
48 Shortland Street
Auckland 1010

Telephone: +64 (9) 919 7400
Freephone: 0800 226 263
Facsimile: +64 (9) 926 9549
Website: www.craigsip.com

Forsyth Barr Limited

Level 9, Forsyth Barr House
The Octagon
Dunedin 9016

Telephone: +64 (3) 477 7464
Freephone: 0800 367 227
Facsimile: +64 (3) 479 9296
Website: www.forsythbarr.co.nz

SOLICITORS

Chapman Tripp
Level 35, ANZ Centre
23-29 Albert Street
Auckland 1010

Telephone: +64 (9) 357 9000
Facsimile: +64 (9) 357 9099
Website: www.chapmantripp.com

AUDITOR

PricewaterhouseCoopers
188 Quay Street
Auckland 1010

Telephone: +64 (9) 355 8000
Facsimile: +64 (9) 355 8001

REGISTRAR

Link Market Services Limited
Level 16, Brookfields House
19 Victoria Street West
Auckland 1010
PO Box 91976
Victoria Street West, Auckland 1142

Telephone: +64 (9) 375 5998
Facsimile: +64 (9) 375 5990
Email: enquiries@linkmarketservices.co.nz
Website: www.linkmarketservices.co.nz

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