SLI SYSTEMS
E-COMMERCE ACCELERATED

2014
Annual Report

SLI Systems enables the world's leading e-commerce retailers to accelerate sales by connecting shoppers with the products they're most likely to buy.

Contents

Highlights

Operating revenue of
$22.1m
vs. prospectus forecast of $22.2m

Loss before tax for the period of
$5.9m
compared to $7.1m prospectus forecast

Gross margin at
74.6%
compared to 74.1% prospectus forecast

Two
new products
successfully launched

Cash of
$11.4m
favourable to prospectus forecast of $7.3m

ARR[1] of
$24.9m
increased 29.4% over prior year

Customer Retention Rate (CRR) is at
90%
vs. 91% prospectus forecast

1. Annualised Recurring Revenue, a non-GAAP financial performance measure used internally by SLI that represents the annualised monthly recurring 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 exchange rates set out in the prospectus for SLI's May 2013 Initial Public Offer. ARR does not include revenue from SLI's Related Search product, which it does not actively promote.

Chairman's Report

Dear Shareholders

SLI Systems is pleased with the progress the company made during the 2014 financial year; our first as a publicly-listed company.

We offer a strong proposition to customers and shareholders and anticipate an exciting future. Adoption of website search and related services is in its infancy, and the e-commerce market continues to grow rapidly. The market for software servicing e-commerce businesses is growing at an estimated 11% a year and is forecast to reach US$19 billion in 2016[1].

In the year to 30 June 2014 total operating revenue rose to $22.1 million. This result is in line with the $22.2 million we forecast at the time of our Initial Public Offering (IPO) in May 2013. Our Customer Retention Rate (CRR) remains strong at 90% and is materially in line with our expectations.

Annualised Recurring Revenue (ARR) - an estimate of our expected forward revenue and a key benchmark for the business - rose 29.4% to $24.9 million from the $19.3 million we achieved as of 30 June 2013. This result represents 96.3% of the $25.9 million we forecast at the IPO. The shortfall is disappointing and is mostly attributable to delays in building up our sales and marketing efforts. Total customers stood at 511 at 30 June 2014, short of the 580 we forecast. SLI is taking steps to address these issues with the recruitment of a new head of sales to take responsibility for scaling our sales team and ensuring we meet our growth objectives.

We also recognised the need for additional expertise at the board table and were delighted in December when internationally-renowned expat New Zealand marketer and e-commerce leader Andy Lark agreed to join the board as a Non-Executive Independent Director. Andy is a very experienced executive with a strong background in marketing strategy and sales execution. He also has a deep understanding of the challenges of a fast-growing technology company, making him well suited for SLI.

SLI continues to benefit from market-leading technology that accelerates sales on our customers' e-commerce sites and generates substantial value for our customers. We operate an attractive Software as a Service (SaaS) business model that generates a strong recurring revenue stream. We enjoy a growing multinational reach, with operations in the U.S., U.K., Australia and New Zealand, and we are establishing a growing presence in key new e-commerce markets such as South America and Japan as identified in our prospectus.

We enjoy the patronage of some of the world's leading brands including: Fabergé; Jelly Belly; Snow & Rock and Interflora. Key customer wins in the U.S., our largest market, were: discount battery store Battery Mart; pop culture toy maker Kidrobot; school supplies group Lakeshore Learning; American sporting goods retailer Sports Authority, as well as online wedding store Exclusively Weddings.

By design, SLI has been investing ahead of revenues. As a consequence we showed losses this year and expect to continue doing so for the next few years as we invest in growing our high margin recurring revenue.

Losses before tax are favourable to our forecast by $1.2 million, due primarily to delays in planned expenditure on marketing programs and sales headcount hires. Our cash position of $11.4 million is strong as we continue to prudently manage the capital we raised last year. We carry no debt.

Looking forward, SLI remains on a strong growth path. Our focus in the coming year is to ensure that the significant investments we have made in the business continue to deliver the performance enhancements we expect.

I have confidence in the team's ability to deliver on the expectations of the board and shareholders. The board is appreciative of their hard work and commitment to the success of the company. We look forward to the remainder of the 2015 financial year with confidence in SLI's ability to take advantage of the significant opportunities we see.

Greg Cross
Chairman

1. Forrester Consulting Inc. April 2013

Chief Executive's Report

"We spent less than we forecast but reported progress in line with our goals."

SLI Systems enables the world's leading e-commerce retailers to accelerate sales by connecting shoppers with the products they're most likely to buy.

We stand poised before a vast untapped market, with product awareness and adoption still in the very early stages. In the world's biggest economy, the U.S., SLI is a leader. Recent research indicates that there are well over 100,000 legitimate e-commerce sites in the world[1] and only a small portion of these have any kind of premium site search software or service in place. The vast majority of these are missing significant opportunities to improve the effectiveness, reach and return of their online marketing and sales programs through the use of our technology.

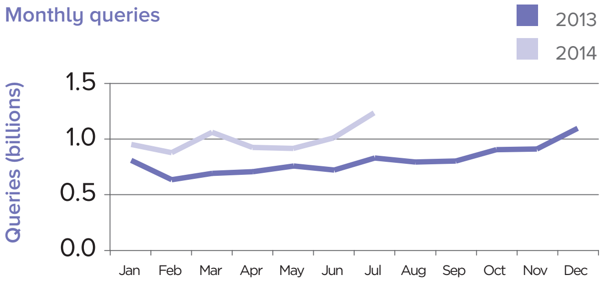
We know our services deliver significant improvements. For example, America's oldest flour company, King Arthur Flour, saw sales conversion rates increase from 3.7% to almost 6% after implementing SLI's services, resulting in a 30% increase in revenue. Our opportunity is to significantly increase the number of retailers we are working with, so many more can benefit from the value we bring.

In 2014 we made good progress towards achieving our potential. As the chairman noted, ARR was up more than 29%, while operating revenue was in line with the forecast we gave at the time of our IPO in May last year.

We passed a significant milestone in December when the number of search queries we handled for our global customers exceeded one billion for the first time, representing a 50% year-over-year increase. We continue to see strong growth in the number of queries we are serving, with July 2014 being the first month we exceeded 1.2 billion.

Our Customer Retention Rate (CRR) remains strong at 90%, largely in line with our IPO forecast of 91% and historical retention rates. Our gross margin for the year was 74.6% which is in line with forecast.

Monthly queries



1. http://blog.rjmetrics.com/2014/06/18/how-many-ecommerce-companies-are-there/

A high CRR and a high gross margin are vital for us as a Software as a Service (SaaS) business if we are to deliver long-term value to our shareholders. Our high CRR shows that our customers are happy with our service and want to continue using us, which coupled with high gross margins, translates into long-term value. High retention also boosts our growth because happy customers become advocates with their industry peers for our products and services.

Annualised Recurring Revenue (ARR) was 96.3% of our forecast, partly due to delays in building up our sales and marketing activity. This delay directly resulted in a lower than forecast loss and better than expected cash position. In other words we spent less than we forecast but still reported progress in line with our goals.

We are well on the way to ramping up these activities thanks to increased investment in recruiting and internal training and we believe we are well positioned to execute on the coming year's plan.

Extending SLI's global reach

Around 97% of our ARR comes from international markets and we have invested in expanding our sales and marketing staff across the globe.

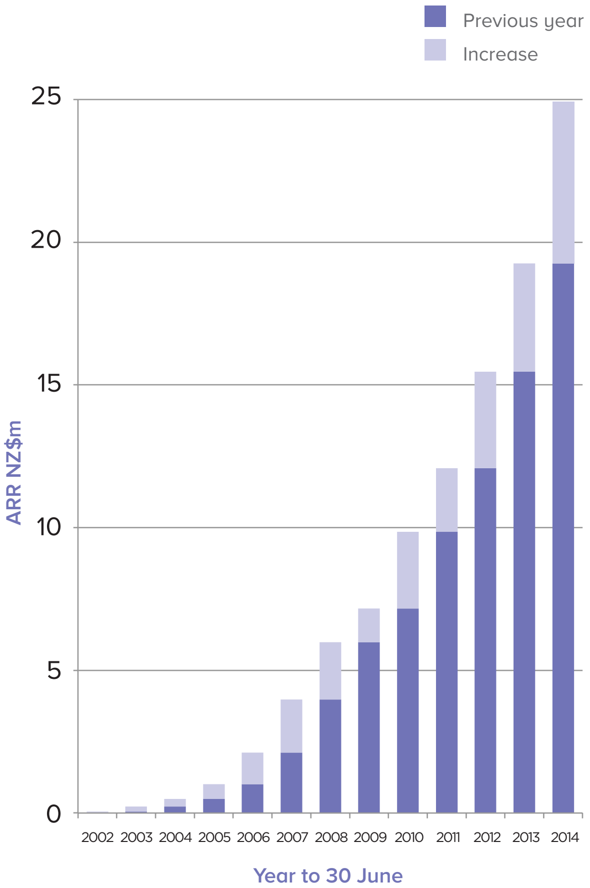
North America continues to be our largest market generating 58% of our ARR with 22% growth over the year. This growth was less than we planned, reflecting the lower than planned investment in sales and marketing. We expect to accelerate the growth of U.S. revenue this year.

We are pleased with the progress we made in the U.K., which grew its ARR by 45% during the year, and South America, where ARR grew by 95%. We also opened a new office in Japan and we are expecting significant progress in the coming year.

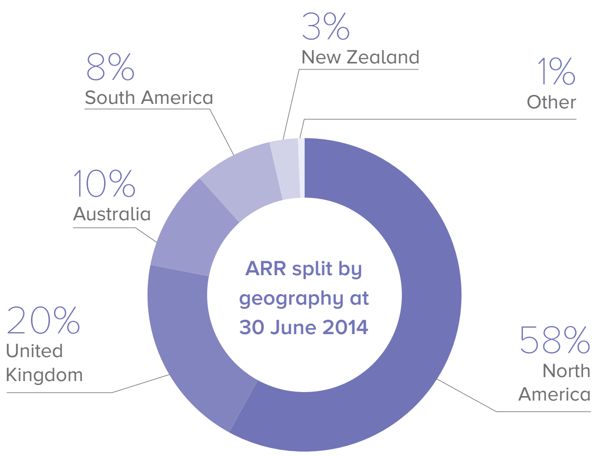
In December we appointed our new Chief Marketing Officer, Tim Callan, who has many years of experience working with market-leading retail and web technology companies. From a standing start, Tim has made good progress building out the global marketing team, putting in place the programs required to support our sales teams and driving awareness of SLI's brand and sector-leading technology. These efforts are beginning to deliver results.

We have introduced a new corporate visual brand identity and positioning for SLI's products. This report is one of the first pieces we are publishing with the new identity. Our website and other marketing materials are being updated in late September. We believe the new fresh and professional look matches the

SLI's ARR grows strongly



ARR by Geography



ARR Growth by Geography

Region	Increase in ARR 12 months to 30 June 2014
South America	95.1%
United Kingdom	45.4%
Australia	22.6%
North America	22.3%
Other	7.8%
Total	**29.4%**

expectations of a target buyer in the e-commerce industry. Likewise, our new tag line "E-Commerce Accelerated" more accurately captures the value our products deliver to online retailers.

Customer retention is a key driver of shareholder value so we focus on ways to reduce the percentage of our customers that turn over each year (approximately 10% per annum by value). It is clear, for instance, that many of the customers that leave SLI do so when they change their e-commerce platform provider.

To improve our retention rate we are working to extend our relationships with these providers so we can avoid losing customers or quickly bring lapsed customers back into the fold. We are also educating customers on the benefits of staying with SLI when they do change platforms. For example, we recently produced a case study of gardening supplies specialist Thompson & Morgan, which left SLI when it changed platforms. Thompson & Morgan came back to SLI when it realised that the search with its new platform was not delivering the results the company had grown to expect.

Launching new products

SLI services generate a stream of data that can be used by new products to improve the shopping experience and increase sales on our customers' websites. Our new products include SLI Learning Recommendations and SLI Dynamic Product Banners. Early results have shown both products to be generating additional value for customers and we're optimistic they will gain broad customer adoption in the year to come.

We also extended our global footprint, expanding the range of languages Learning Search supports from 6 to 14, providing additional support to customers who sell outside their own countries.

The new financial year

SLI continues to benefit from market-leading technology that accelerates e-commerce companies' sales growth. Our customers get fantastic value from our services and we see there is a huge opportunity to grow our business globally.

Our focus in the coming year is to ensure that the significant investments we have made in the business continue to deliver the performance enhancements we expect.

We remain confident we can continue to execute on our opportunities and look ahead to the remainder of the year with optimism.

Shaun Ryan
Chief Executive Officer

A world leader

SLI Systems is a leading global Software as a Service (SaaS) provider of website search services. Our technology enables e-commerce retailers to accelerate sales by connecting shoppers with the products they're most likely to buy. SLI is deployed on 847 websites for 511 customers around the world, including 84 of the top 1000 online retailers in the U.S.[1]

Our market is growing strongly

Our addressable market is huge and is growing rapidly. According to U.S. research[1] there are well over 100,000 e-commerce websites generating meaningful revenues and that number looks set to grow as does the volume and value of transactions over the internet. According to eMarketer[2], worldwide e-commerce sales are expected to increase 20.1% this year to reach US$1.5 trillion driven by the increased penetration of mobile devices, and the shift to online shopping.

Meanwhile, in the U.S., our largest market, online retail sales are set to reach US$294 billion in 2014 or approximately 9% of all U.S. sales, according to global research firm Forrester[3]. Forrester is also forecasting a strong compound annual growth rate of 9.5% between 2013 and 2018 for U.S. e-commerce, yielding approximately $414 billion in online sales by 2018. By 2018, Forrester expects that online sales will account for 11% of total U.S. retail sales. Optimising conversions through improved site search, navigation, relevant recommendations, mobile optimised sites and generating more traffic through search engine optimisation will be key to ensuring e-commerce merchants make the most of this growth.

New languages

We have more than doubled the range of languages we support from 6 to 14, allowing us to serve e-commerce businesses targeting the largest online retail markets in the Americas, EMEA and Asia/Pacific. The addition of Arabic, Danish, Dutch, Italian, Indonesian, Polish, Russian and Swedish to the already-supported English, French, Japanese, German, Portuguese and Spanish languages, lifts the addressable population of SLI's products from approximately 2.8 billion people to 3.6 billion. The expanded language capability combined with our Learning Search technology provides website visitors with search results adjusted to the unique needs and trends of shoppers in varying regions.

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1. 2014 Internet Retailer Magazine Top 1000 list of the United States' largest online retailers
2. http://blog.rjmetrics.com/2014/06/18/how-many-ecommerce-companies-are-there/
3. http://www.forrester.com/US+eCommerce+Forecast+2013+To+2018/fulltext/-/E-RES115513

The addition of

8 new languages

lifts the addressable population of SLI's products from around 2.8 billion people to around

3.6 billion

We have expanded our product range

SLI has a track record of innovation and new product development as we mine our rapidly growing body of data of user behaviour. We expect this innovation to be a strong source of revenue growth. We expanded our product range with two new products: SLI Learning Recommendations and SLI Dynamic Product Banners. These new solutions build on the successes of our existing product suite:

SLI Learning Search

SLI's core product is Learning Search, an advanced SaaS based site search solution, which is designed to learn from visitors' site search activity and click-throughs to deliver the most relevant search results. Learning Search is customised to match the design of customers' websites and analyses the keywords visitors use to search and the items they click on, using this information to continuously learn and improve the relevance of searches.

SLI Learning Navigation

Learning Navigation powers the navigation elements on a customer's site. Learning Navigation generates 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. 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. Learning Navigation pages are also optimised to rank well in search engines such as Google - helping customers achieve enhanced visibility and more traffic.

SLI Mobile

SLI Mobile is a search and navigation product optimised for mobile devices. It can be customised to fit a customer's website branding and design overcoming the limitations of sites optimised for access via a personal computer. SLI Mobile improves the mobile user experience and makes it intuitive to discover products and other information from a mobile device.

"Equipped with SLI Mobile, e.l.f. Cosmetics' mobile commerce site provides speedy and user-friendly shopping while customers are on the go. Conversion for mobile visitors using site search is four times the rate than mobile users who don't use search."

Lesley Klein, Director of Ecommerce, e.l.f. Cosmetics

"70 percent of our customers find what they are looking for within the first five products they are presented, so we know Learning Search is working and providing them with the products they are looking for."

Steve Elkins, Co-owner WEBS

"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 3%."

Ian MacDonald, former VP of eCommerce and Marketing at www.PartySuppliesDelivered.com

New products

"Based on early use of SLI's new Learning Recommendations product, we're already seeing that the feature has improved how customers find products of interest on our site, and we're confident it will have a solid impact on our sales and revenue."

Mike Baranov, Vice President of e-commerce for Footwear Etc.

SLI Learning Recommendations

Learning Recommendations presents products that the consumer is most likely to purchase based on the shopper's online behaviour at a specific point in a shopping trip. Factors such as search terms, pages accessed, and items chosen for purchase combine to drive the individual products presented to the shopper and the order in which they appear. These results are powered by SLI's patented learning engine, which aggregates customer behaviour to determine the relationships between shopping activity and the products and content these shoppers will ultimately select.

SLI Rich Auto Complete

Rich Auto Complete shows visitors product images and descriptions in a drop down box as they type (this is 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 Complete gives our customers an instant visual cue, guiding them to the best item for their search."

Paul Knutton, eCommerce Manager at Boden.

SLI Site Champion

Site Champion is a Search Engine Optimisation 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. Site Champion is based on the premise that the search terms used on the internal site search to find products (i.e. using SLI's Learning Search) are very similar to the terms used when searching the whole Internet for those products. Site Champion 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.

"If I had to pick one reason why we have SLI, it would have to be Site Champion."

Cameron Gabriel, E-Commerce Merchant at Harry & David

SLI Dynamic Product Banners

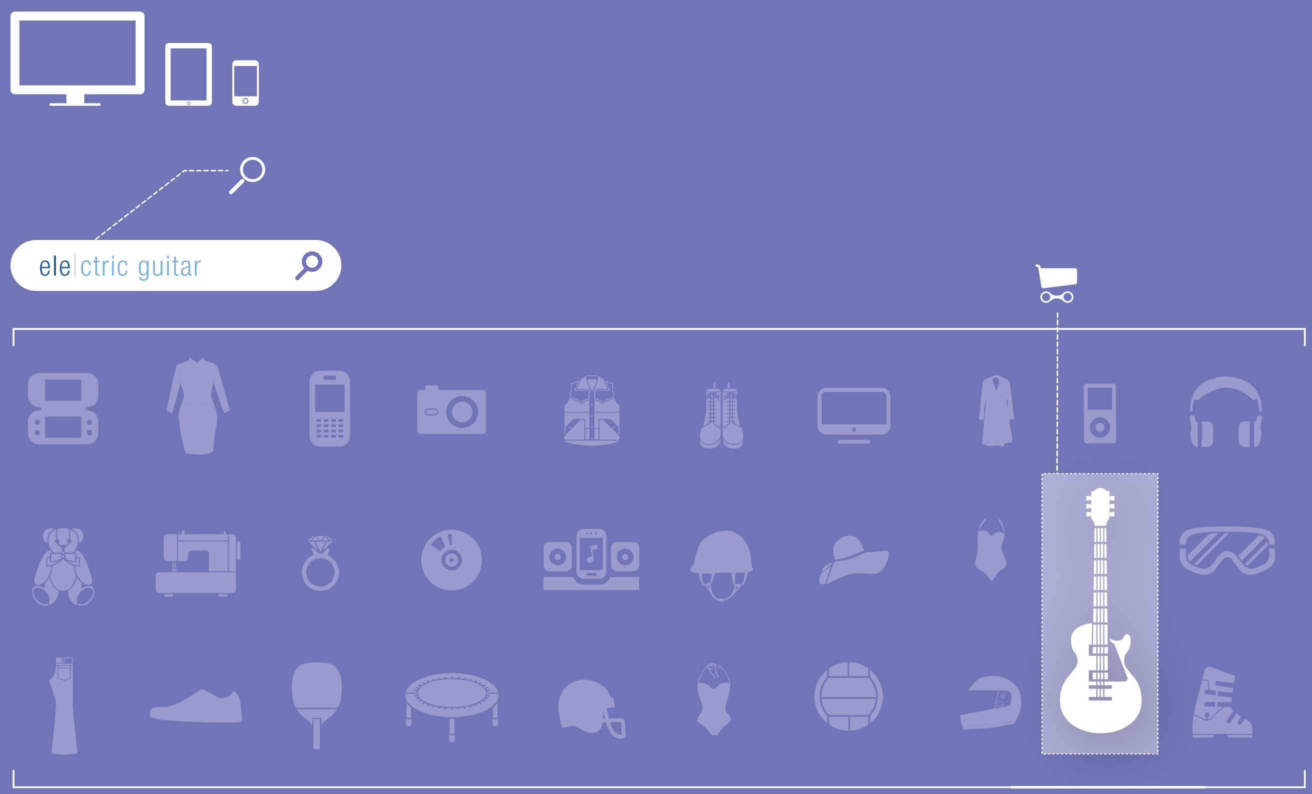
Dynamic Product Banners automatically displays merchandising banners on e-commerce product pages with items related to visitors' web search phrases. With Dynamic Product Banners, retailers' website visitors (arriving from organic search or paid advertisements) are shown products related to their original search intent. With this breakthrough capability, visitors are more prone to stay on the site and complete a purchase. SLI e-commerce customers have reported early successes with Dynamic Product Banners, including conversion rate increases of 9 to 14 percent, lower bounce rates and higher revenue.

"SLI's Dynamic Product Banners allow us to show a full catalogue of products on the detail page above the fold, allowing customers to see related products they may want to purchase."

Glenn Edelman, Vice President of Marketing at Wine Enthusiast.

Why search matters

Effective site search is a critical component of an e-commerce experience. An SLI study has shown that 73% of customers will leave a site within two minutes if they can't find what they're searching for. So having relevant search results on the first results page is essential to converting a website visitor into a customer. SLI's Learning Search delivers the results people are seeking on the first page they visit, which translates into more satisfied and loyal customers.



SLI's Key Benefits:

- Improved shopper experience
- Increased site profitability
- Insight into customer intent and behaviour
- Continually improving results
- Enterprise-level reliability & scalability
- Seamless implementation
- Consultative relationship that adds expertise to customers' teams
- Greater control over your product listing and search results pages
- Flexibility to customise our solutions
- Instant SaaS delivery of innovations

Case Study | MICHAEL C. FINA

313%

increase in per-visit value for site search users

187%

increase in site search conversions

Michael C. Fina has sold fine goods in the New York area for more than 75 years. The company is a leader among East Coast brick-and-mortar retailers, it is also a leader in online sales of fine jewellery, tableware and home décor. Michael C. Fina is also the exclusive retailer in the New York area for many of the prestige brands it carries.

Business challenge

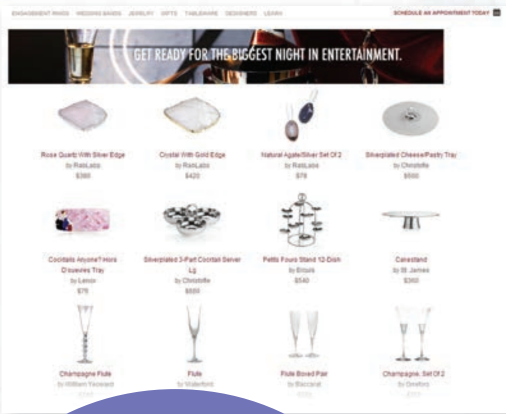
Fine goods retailer with large number of products wanted to make it easy for online shoppers to find their desired items.

Solution

SLI Systems' SaaS-based site search, product suggestion and SEO solutions.

Products

Learning Search, Learning Recommendations, Site Champion and Rich Auto Complete.



"Our customers appreciate finer quality items and expect a high level of service. SLI plays a key role in helping us refine our site search strategy and create the best possible experience for our visitors online."

Zhoe Garcia, Marketing Manager at Michael C. Fina

Michael C. Fina brought SLI Systems on board to provide customers with a more intuitive and effective search experience. The implementation has contributed to the company's bottom line. For visitors using search powered by SLI, Michael C. Fina has seen a 187% increase in conversions, a 44% increase in average order value and a 313% increase in per-visit values.

Case Study | PartySupplies Delivered.com

132%

increase in page views

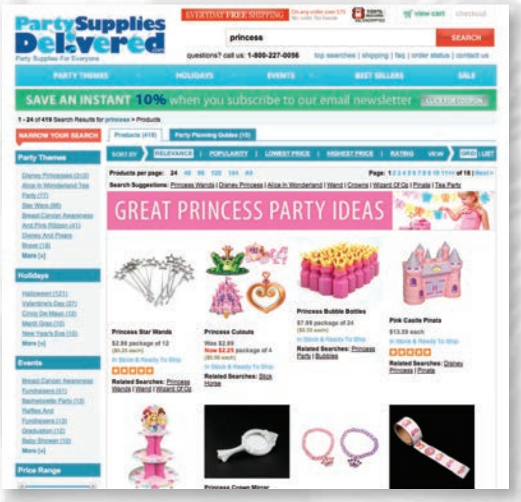
203%

higher conversions

PartySuppliesDelivered.com is an online store for party supplies, holiday decorations, and costumes, and carries more than 4,000 products. Based in Brighton, Michigan the company is a division of Mattress USA, which operates several online retail businesses, including US Mattress.com and FurnitureCrate.com.

Business challenge

The e-commerce platform's search performed poorly and unreliably.



Solution

SLI Systems' suite of Learning Search and Learning Navigation products quickly directed customers to the most relevant items.

Products

Learning Search, Learning Navigation, Site Champion and Rich Auto Complete.

"SLI is really ahead of the site search innovation curve, and they have an adept understanding of how it plays a key role in the whole e-commerce ecosystem. SLI is a true partner and takes extra steps to make sure we're using site search to its full advantage."

Ian MacDonald, former VP of eCommerce & Marketing at www.PartySuppliesDelivered.com

PartySuppliesDelivered.com implemented SLI Systems' full-service site search and navigation to significantly enhance the site's overall user experience and improve search and navigation. Within one month, the company saw increases in conversion rate, average order value and pages searched per visit. Additionally, the abandonment rate for site search pages dropped dramatically. Within a few months of converting to SLI's Learning Search, Party Supplies Delivered's conversion rate increased by 203% and it has seen a 132% increase in page views per visit.

SLI has a strong Board of Directors, with the balance of skills and experience necessary to best position the Company to exploit its growth opportunities.

Board

Greg Cross

Independent Chairman

Greg is a director with over 25 years of experience in the technology sector working in growth companies in international markets. Greg is Chief Executive, Executive Director and Co-Founder of PowerbyProxi, a company which is growing rapidly in the Industrial Component and Consumer Electronics markets. 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. Greg is currently the Sir John Logan Campbell Executive in Residence at the University of Auckland Business School.

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.

Dr Shaun Ryan

PhD, BEng (Hons)

Chief Executive Officer and Co-Founder

Shaun has over 15 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 has led SLI from its inception in 2001.

Shaun has a PhD in Artificial Intelligence from the University of Canterbury.

Matthew Houtman

MMS

Non-Executive Director

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, he has portfolio responsibilities with Orion Health, Pukeko Pictures, WhereScape Software 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. Matthew has a Master of Management Studies with distinction from the University of Waikato.

Sarah Smith

BCom, CA, AFInstD

Independent Director

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 19 years experience and is currently Chairman of Meteorological Services of New Zealand. Sarah is also a Director of Christchurch City Holdings, WhereScape Software, and 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.

Sam Knowles

MSc

Independent Director

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 experience, 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 Director of Trustpower and Synlait Milk, both NZX listed companies, and Chairman of Partners Life, ON-Brand Partners and Umajin Limited. He is also a Director of Magritek and Rangatira.

Andy Lark

Independent Director

Andrew (Andy) is an internationally renowned marketer with 25 years' experience running multi-billion dollar e-commerce businesses and building highly successful online and marketing teams. Andy has served as Chief Marketing and Online Officer at Commonwealth Bank of Australia (CBA), where he revitalised the CBA brand and played a key role in establishing the bank's digital and online leadership. Prior to this, he was a Vice President & General Manager at Dell, where he was head of global marketing for the computer manufacturer's Enterprise and Public group. He has led marketing teams at LogLogic, Sun Microsystems and Nortel Networks, and is a former Senior Vice President and Partner at Fleishman-Hillard. Today he leads Group Lark, a consulting firm accelerating digital and marketing strategies for leading brands. His achievements have earned him recognition including the New Zealand Government's prestigious Worldclass New Zealander Award. He is also a member of the boards of Mighty River Power and Fronde. Andy is a native of Auckland and has received accolades for his contributions to New Zealand businesses.

Steven E Marder

JD, BA

Non-Executive Director

Silicon Valley-based Steven Marder has over 25 years executive, advisory, and investment experience in the global technology, media and communications sectors. In addition to serving as a Co-Founder and Director at SLI Systems, Steven currently serves as Operating Partner for the Technology, Media & Telco Group at merchant bank, Morgan Joseph TriArtisan, while also serving on the board of Ingenious Ventures and the board of advisors for PlayNext Games, Platform Purple and AdMedia. Recently serving as an Operating Partner for New York-based private equity firm Avista Capital Partners, Steven served as Director for portfolio companies WideOpenWest (WOW!) and InvestorPlace Media in addition to serving as Director/co-founder of social search company Eurekster. Steven also co-founded and served as Managing Director, North America for Gramercy Venture Advisors, co-founded and served as Chairman/ CEO of eMemberDirect, Inc. (FKA PetPlanet.com), served as a Director for New Zealand based technology company GlobalBrain and as a senior executive at major media companies EMI Music and Tribune Company (Compton's NewMedia). 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 and an investment banker holding FINRA Series 62 and 63 licenses.

Management

SLI is led by a team which has been with the firm since the beginning, including four of the founders (Shaun Ryan, Geoff Brash, Wayne Munro and Michael Grantham). Three of the team have PhDs, while the rest bring a breadth of experience in disciplines as diverse as accounting and finance, business development and sales and marketing.

Dr Shaun Ryan

PhD, BEng (Hons)
Chief Executive Officer and Co-Founder

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Shaun has led SLI from its inception in 2001.

Shaun has a PhD in Artificial Intelligence from the University of Canterbury.

Dr. Wayne Munro

PhD, BEng (Hons)
Chief Technology Officer and Co-Founder

Wayne leads 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. Wayne is a co-founder of SLI and has developed some of SLI's core algorithms as well as managing and developing the internal processes that have allowed the SLI engineering team to grow efficiently. 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.

Geoff Brash

MBA
Vice President of Business Intelligence and Co-Founder

Geoff focuses on understanding and driving growth for SLI. A co-founder of the Company, he has considerable expertise in search and nearly two decades of 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, Geoff was an engineering manager at NBCi, and has also served in various technical and managerial positions in the public and banking sectors. He is currently Chair of Canterbury Software and holds an MBA from Massey University.

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 e-commerce. 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.

Dr. Blair Cassidy

PhD, BSc (Hons)

Vice President of Product Management

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 U.S. 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.

Rod Garrett

BCom (Hons)

Chief Financial Officer

Rod has over 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 Swichtec 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.

Chris Riland

IBA

Vice President of Customer Success

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.

Michael Grantham

BSc

Chief Information Officer
and Co-Founder

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.

Tim Callan

BA

Chief Marketing Officer

As CMO for SLI Systems, Tim is focused on driving sales growth within the e-commerce sector and increasing SLI's market share with its SaaS-based search and navigation offerings. Tim previously served as CMO at RetailNext, a leading provider of in-store Big Data and analytics solutions, and as VP of marketing for online security leader Verisign, where he led the creation and launch of the Verisign Secured seal. Tim currently sits on the board of IT security company DigiCert and has served on the board of the Online Trust Alliance, a vendor-neutral organization dedicated to creating a more trustworthy online ecosystem. A 20-year technology industry veteran, Tim has also held marketing executive positions at Melbourne IT Digital Brand Services and Caere, which later became Nuance. Tim earned a bachelor's degree with the highest honors from UCLA.

Heather Kinghorn

BSocSc

Vice President of Human Resources

Heather has over 25 years' experience in building highly effective HR programs in high-growth companies. She has been with SLI Systems since 2010 and leads the company in its organisational development, recruitment and strategic human resources planning.

Prior to joining SLI, Heather spent more than 15 years in the built environment, which included working for one of the fastest growing global consulting engineering companies where she specialised in acquisitional growth, diversity management and conflict resolution. She was also part of the team making up the largest BEE engineering consulting business in Africa in 2001. In 2004, Heather was nominated as one of the most influential women in government whilst working as the Skills Development Manager for the government-legislated Construction Education and Training Authority (CETA). In 2009, Heather was appointed as Chairman of the Human Resources Forum for the South African Association of Engineers (SAACE). Heather holds a bachelor's degree in industrial psychology and industrial sociology from Rhodes University, South Africa.

Corporate Governance

Best practice and governance

The Board has overall responsibility for ensuring that the Company is properly managed, and, to enhance investor value and confidence through good corporate governance. The Board has adopted a corporate governance code ("Code"). A copy of the Code is available on the Company's website.

The Board considers that the Company's corporate governance policies, practices and procedures materially comply with the NZX Corporate Governance Best Practice Code.

The Company will continue to monitor best practice in the governance area and update its policies to ensure it maintains the most appropriate standards. The Company's principal governance statements are outlined in this report.

The role of the Board

The Board assumes accountability for the success of the SLI Group by taking responsibility for the direction and management of the Company.

The main functions of the Board include:

- reviewing and approving the strategic, business and financial plans prepared by management;
- ensuring the Company has appropriate management to enable it to achieve its objectives;
- reviewing and approving individual investment and divestment decisions which the Board has determined should be referred to it before implementation;
- monitoring the Company's performance against its approved plans and to oversee the Company's operating results;
- ensuring the quality and independence of the Company's external audit process;
- monitoring compliance and risk management; and
- establishing and monitoring SLI's health and safety policies.

Board and committee meetings

The Board formally met 13 times during the period of 1 July 2013 to 30 June 2014. During this period, the Audit and Risk Management Committee met four times and the Nominations and Remuneration Committee met twice.

Board membership and composition

The Board is required to maintain at least two Independent Directors or where the Board comprises eight or more directors the number of Independent Directors must be at least three or one-third of all directors (rounded down to the nearest whole number of directors), whichever is the greater. As at 30 June 2014, the Board has four Independent Directors as noted below. In order for a director to be independent, the Board has determined that he or she must not be an executive of the Company and must have no disqualifying relationship as defined in the Code and the NZX Main Board Listing Rules.

Each director of the Company is a skilled and experienced business person and has been elected based on the value they bring to the Board. Together they provide value by making quality contributions to corporate governance matters, conceptual thinking, strategic planning, policies and providing guidance to management.

As at 30 June 2014 the Board consisted of:

Greg Cross
Chairman and Independent Director

Steven Marder
Non-Executive Director

Matthew Houtman
Non-Executive Director

Shaun Ryan
Executive Director

Sam Knowles
Independent Director

Sarah Smith
Independent Director

Andrew Lark (appointed 20 December 2013)
Independent Director

Profiles of current Board members are shown on pages 13 to 15.

As at 30 June 2014, six of the Company's directors were male and one was female (30 June 2013 – five males, one female), and nine of the Company's 10 key management personnel were male and one, being the Vice President of Human Resources, was female (30 June 2013 – eight males, no females). The other nine key management personnel as of 30 June 2014 were the CEO, the Chief Technology Officer, the Vice President of Business Intelligence, the Vice President of Global Sales and Business Development, the Vice President of Product Management, the Chief Financial Officer, the Vice President of Customer Success, the Chief Information Officer and the Chief Marketing Officer.

Nomination and appointment of Directors

The Board is responsible for identifying and recommending candidates. Directors may also be nominated by shareholders under NZX Main Board Listing Rule 3.3.5.

A director may be appointed by ordinary resolution and all directors are subject to removal by ordinary resolution.

The Board may at any time appoint additional directors. A director appointed by the Board shall only hold office until the next annual meeting of the Company, but shall be eligible for election at that meeting.

One third of directors must retire from office at the annual meeting each year but are eligible for reappointment by shareholders at the annual general meeting. The directors to retire shall be those who have been longest in office since they were last elected or deemed to be elected.

The number of elected directors and the procedure for their retirement and re-election at annual meetings of shareholders is set out in the Company's constitution.

Board committees

The Board uses committees to deal with issues requiring detailed consideration by members of the Board with specialist knowledge and experience, thereby enhancing the efficiency and effectiveness of the Board. The committees examine proposals and, where appropriate, make recommendations to the Board. Committees do not take action or make decisions on behalf of the Board unless specifically authorised to do so by the Board. The two formally constituted committees are as follows:

Audit and Risk Management Committee

The members of the Audit and Risk Management Committee are Sarah Smith, Matthew Houtman and Sam Knowles. The purpose of the committee is to assist the Board in fulfilling its responsibilities regarding external financial reporting, ensuring the quality and independence of the Company's external audit processes and providing a formal forum for communication between the Board and senior financial management staff.

A majority of the committee's members must be Independent Directors and at least one director must be a chartered accountant or have another recognised form of financial expertise. The committee has adopted a written charter.

Nominations and Remuneration Committee

The members of the Nominations and Remuneration Committee are Greg Cross, Steven Marder and Sam Knowles. This committee is responsible for reviewing and making recommendations of any changes to the Board, setting and reviewing the Company's remuneration policies including making remuneration recommendations for directors and senior executives of the Company. It also reviews any company wide employee or director incentive and share option schemes as required. The committee has adopted a written charter.

Directors' remuneration

Directors' fees for the year ended 30 June 2014 were $60,000 per annum for the Chairman and $40,000 per annum for each non-executive director (including the Independent Directors). The actual aggregate amount of fees paid in the year ended 30 June 2014 was $241,000.

To provide for flexibility, shareholder approval was obtained prior to listing for aggregate non-executive directors' fees of $250,000 for the purposes of NZX Main Board 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 shareholders' meetings or otherwise in connection with the Company's business.

Directors' and staff share dealings

The Company has adopted a securities trading policy which sets out the procedure to be followed by directors and staff when trading in the Company's listed securities, to ensure that no trades occur whilst that person is in possession of material information which is not generally available to the market.

Loans to directors

The Board has resolved to provide financial assistance by way of a limited recourse loan of $200,000 to Andrew Lark to enable him to fully pay up the 107,527 unlisted redeemable shares in the Company issued to Mr Lark in December 2013 as unpaid shares at the issue price of $1.86 per share. This financial assistance remains subject to shareholder approval, which is being sought pursuant to NZX Main Board Listing Rule 7.6.5 at the 2014 annual meeting. Full details are set out in the notice of meeting. If approved, the key terms of the loan will be as follows.

The loan will not bear interest. The loan is repayable on 29 January 2017 (or a later date specified by the Board), but may be repaid by Mr Lark in whole or in part at any earlier time provided he remains an independent director of the Company. On repayment of the loan (whether in full or in part) the relevant number of redeemable shares will automatically be reclassified into ordinary shares in the Company. If Mr Lark does not repay the loan when due, the Company is entitled to redeem the redeemable shares at the issue price paid, and will apply the redemption proceeds in full repayment of the loan. The loan will be limited recourse, meaning that in seeking repayment, the Company's recourse is limited to the 107,527 redeemable shares and the Company cannot have recourse against Mr Lark personally.

Directors' indemnity and insurance

The Company has insured all its directors and the directors of its subsidiaries against liabilities to other parties (except the Company or a related party of the Company) that may arise from their position as directors. The insurance does not cover liabilities arising from criminal actions. In addition, the Company has executed a Deed of Indemnity, indemnifying all directors to the extent permitted by section 162 of the Companies Act 1993.

Code of ethics

The Code includes a policy on business ethics which is designed to govern the Board's conduct. The Code addresses conflicts of interest, receipt of gifts, confidentiality and fair business practices.

Disclosure

The Company adheres to the NZX continuous disclosure requirements which govern the release of all material information that may affect the value of Company's listed shares.

Shareholder and Statutory Information

Stock Exchange listing

The Company's ordinary shares are listed on the Main Board of New Zealand Stock Exchange.

Twenty largest shareholders

The table below shows the names and holdings of the 20 largest shareholders as at 31 July 2014.

Investor Name	Total Shares	%
Pioneer Capital I Nominees Limited	5,913,798	9.78%
Lynnwood Holdings Limited	3,561,816	5.89%
Marder Media Group, Inc.	3,211,290	5.31%
Grant James Ryan & Shaun William Ryan[1]	2,953,116	4.88%
Wayne Alistair Munro	2,940,120	4.86%
Shaun William Ryan & Katherine Louise Ryan[2]	2,430,000	4.02%
Geoffrey Michael Brash	2,398,294	3.96%
Michael Arthur Grantham	2,065,500	3.41%
Premier Nominees Limited[6]	2,020,903	3.34%
Robert Van Nobelen & Bws Trustee (2005) Limited[3]	2,007,612	3.32%
Gareth Samuel Reuben Morgan & Gareth Huw Thomas Morgan & Charles Andrea Purcell[4]	1,795,843	2.97%
Kevin James Taylor & Anna Patricia Taylor[5]	1,742,928	2.88%
Steven Marder	1,498,032	2.48%
Custodial Services Limited	1,361,733	2.25%
Meagan Kae Vanzyl	1,187,274	1.96%
JPMORGAN Chase Bank[6]	1,154,251	1.91%
TEA Custodians Limited[6]	1,118,520	1.85%
Forsyth Barr Custodians Limited	966,561	1.60%
Grant Ryan	900,000	1.49%
K One W One (No. 2) Limited	900,000	1.49%
Jamie Glendinning Anstice	829,962	1.37%

1. As trustees of the Grant James Ryan Family Trust
2. As trustees of the Shaun W Ryan Family Trust
3. As trustees of the Rob Van Nobelen Family Trust
4. As trustees of the Jasmine Investment Trust No.2
5. As trustees of the Anne and Kevin Taylor Family Trust
6. Held by New Zealand Central Securities Depository Limited as custodian

Spread of security holders as at 31 July 2014

Range	Number of holders	%	Issued Capital	%
1-1,000	387	22.5%	264,994	0.44%
1,001-5,000	892	51.86%	2,569,448	4.25%
5,001-10,000	255	14.83%	1,981,316	3.28%
10,001-50,000	134	7.79%	2,769,046	4.58%
50,001-100,000	8	0.47%	589,286	0.97%
Greater than 100,000	44	2.56%	52,323,928	86.49%
Total	**1,720**	**100%**	**60,498,018**	**100%**

Substantial security holders as at 8 September 2014

According to notices given under the Securities Markets Act 1988, the substantial security holders in ordinary shares (being the only class of listed voting securities) of the Company are as follows:

Substantial Security Holder	Number of voting securities	%
Shaun William Ryan[1]	6,944,376	11.44%
Pioneer Capital Management Limited / Pioneer Capital Partners I LP and NZVIF Investments Limited / Matthew Gainsford Houtman[2]	6,083,563	10.03%
Steven Marder/Marder Media Group, Inc.[3]	4,709,322	7.76%
Grant James Ryan[4]	4,604,376	7.59%
Lynnwood Holdings Limited	3,561,816	5.87%
ANZ New Zealand Investments Limited[5]	3,419,249	5.64%
The total number of listed voting securities of the Company on issue at 8 September 2014 was 60,677,518 fully paid ordinary shares.		

1. Shaun is legal and beneficial holder of 810,000 ordinary shares, holds 2,430,000 ordinary shares as trustee of an associated family trust and holds 3,704,376 ordinary shares as trustee of his brother's and parents' family trusts.
2. Pioneer Capital Management Limited is legal and beneficial holder of 156,432 ordinary shares in the Company and is the investment manager of Pioneer Capital Partners I LP and NZVIF Investments Limited. Pioneer Capital Partners I LP and NZVIF Investments Limited are beneficial owners and co-investors in the 5,913,798 ordinary shares in the Company held by Pioneer Capital I Nominees Limited. Matthew is legal and beneficial holder of 13,333 ordinary shares in the Company and owns in conjunction with a family trust in which he is a trustee 50% of Pioneer Capital Management Limited.
3. Steven is legal and beneficial holder of 1,498,032 ordinary shares and has a deemed relevant interest in the 3,211,290 ordinary shares held by Marder Media Group, Inc. arising from his power to control Marder Media Group, Inc.
4. Grant is legal and beneficial holder of 900,000 ordinary shares, holds 2,953,116 ordinary shares as trustee of an associated family trust and holds 751,260 ordinary shares as trustee of his parents' family trust.
5. ANZ New Zealand Investments Limited acts as an investment manager for certain investment funds and as a result has a relevant interest in the units as it has:
   - a conditional power to exercise the right to vote attached to the units; and
   - a conditional power to acquire or dispose of the units.

Statement of Directors' relevant interests

Directors held the following relevant interests in equity securities in the Company as at 30 June 2014:

Director	Held as legal and 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				
Unlisted redeemable shares	133,333			133,333
Dr Shaun Ryan, Executive Director				
Quoted shares	810,000	2,430,000	3,704,376	6,944,376
Steven Marder, Non Executive Director				
Quoted shares	1,498,032	3,211,290		4,709,322
Matthew Houtman, Non Executive Director				
Quoted shares	13,333	6,070,230		6,083,563
Sarah Smith, Independent Director				
Quoted Shares		20,000		20,000
Unlisted redeemable shares	133,333			133,333
Sam Knowles, Independent Director				
Quoted Shares	66,667			66,667
Unlisted redeemable shares	133,333			133,333
Andy Lark, Independent Director				
Unlisted redeemable shares	107,527[1]			107,527

In addition to the relevant interests in equity securities disclosed above, as at 30 June 2014 Greg Cross held 120,000 unlisted exercisable options and Shaun Ryan held 49,260 unlisted exercisable options.

1. The provision of financial assistance to fully pay up the shares is subject to shareholder approval.

Interest Register entries

The following represents the interests of SLI directors in other companies as disclosed to the Company and entered into the Interests Register:

Greg Cross – Independent Chairman	
Interest - company	**Detail**
Cross Ventures Limited	Director
CVI Trust Limited	Director
PowerbyProxi Limited	Director
Fronde Systems Group Limited	Director
Fronde Anywhere Limited	Director
Movac Fund 3	Investment Partner
Meteorological Service of New Zealand Limited	Director
Tentpole Family Trust	Trustee
Three H Limited	Director
BiciVida Limited	Director
Global Edge Capital Limited	Director
Netople Limited	Director

Shaun Ryan – Chief Executive Officer and Co-Founder	
Interest - company	**Detail**
Epic Christchurch Limited	Director

Steven Marder – Non-Executive Director	
Interest - company	**Detail**
Eurekster, Inc.	Director
Ingenious.Ventures, LLC.	Director
Platform Purple, Inc.	Chairman
Marder Media Group, Inc. • *Marder Media Group, Inc. is a SLI shareholder* • *Marder Media Group, Inc. is a shareholder of Delivery Agent, Inc. a customer of SLI*	Director

Interest Register entries continued

Matthew Houtman – Non-Executive Director	
Interest - company	**Detail**
ProjectGarlic Limited (aka YikeBike)	Director
Pukeko Pictures GP Limited	Director
MGH & KMW Limited	Director
Pioneer Capital Management Limited	Director
WhereScape Software Limited	Director

Sarah Smith – Independent Director	
Interest - company	**Detail**
Meteorological Service of New Zealand Limited	Chairman
Christchurch City Holdings Limited	Director
Sasco Holdings Limited	Director
Cashel Properties Limited	Director
Devon Chambers Limited	Director
Oxford Estates Limited	Director
EcoCentral Limited	Director
The Lion Foundation	Director
WhereScape Software Limited	Director
Warren Architectural Trust	Trustee
Ohinetahi Charitable Trust	Trustee

Interest Register entries continued

Sam Knowles – Independent Director	
Interest - company	**Detail**
Xero Limited	Former Chairman, resigned as Chairman in March 2014
Trustpower Limited	Director
Unlimited Realities Limited • *Changed name to Umajin Limited in May 2014*	Chairman
Partners Life Limited	Chairman
On-Brand Partners Limited	Chairman
Rangatira Limited	Director
Te Omanga Hospice	Trustee
United World College NZ	Trustee
Angel HQ Inc – Wellington angel Investment society	Director
Ruby Family Trust	Former Trustee, resigned as Trustee in January 2014
Ian Samuel Knowles Children's Trust	Trustee
Growthcom Limited and Com Investments Limited	Director
Synlait Milk Limited	Director

Andy Lark – Independent Director	
Interest - company	**Detail**
Group Lark Limited	Director
Lark Family Trust	Director
NO.8 Ventures Management Limited	Director
Mighty River Power Limited	Director
Fronde Systems Group Limited	Director
Marketo Inc.	Advisor
Marketshare Inc.	Advisor

Directors' remuneration and other benefits

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

Directors' fees and other remuneration and benefits received or receivable from the Company during the accounting period ended 30 June 2014 are as follows:

	$	Nature of Remuneration
Greg Cross	60,000	Director fees
Matthew Houtman	40,000	Director fees
Steven Marder	40,000	Director fees
Sam Knowles	40,000	Director fees
Sarah Smith	40,000	Director fees
Andy Lark	21,181	Director fees
Shaun Ryan	301,685	Salary and entitlements

Salary and entitlements

The directors of each group company 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 shareholders' meetings or otherwise in connection with the Company's business.

The Board has resolved to provide financial assistance by way of a limited recourse loan of $200,000 to Andy Lark to enable him to fully pay up the 107,527 unlisted redeemable shares in the Company issued to Mr Lark in December 2013 as unpaid shares at the issue price of $1.86 per share. The provision of this financial assistance is subject to shareholder approval at the 2014 annual meeting. Refer to the Corporate Governance section of this report for more details.

Director share dealings

During the accounting period ended 30 June 2014 the following directors disclosed under section 148 of the Companies Act 1993 that they acquired or disposed of relevant interests in shares issued by the Company:

Director	Shares in Company acquired during the year	Nature of relevant interest	Consideration paid / (received)	Date of acquisition or disposal
Andy Lark	107,527[1] redeemable shares	Held as legal and beneficial owner	($200,000)	19 December 2013

1. The provision of financial assistance to fully pay up the shares is subject to shareholder approval.

Directors indemnity insurance

The Company entered into an indemnity in favour of its directors under an indemnity deed. The Company has insured all of its directors against liabilities and costs referred to in section 162(5) of the Companies Act 1993.

Employee remuneration

The list below shows the number of employees of the SLI Group paid greater than $100,000 in the 12 months to 30 June 2014.

Remuneration range NZ$	No. of employees
100,000 - 109,999	6
110,000 - 119,999	3
120,000 - 129,999	4
130,000 - 139,999	1
140,000 - 149,999	1
150,000 - 159,999	1
160,000 - 169,999	5
170,000 - 179,999	2
180,000 - 189,999	1
190,000 - 199,999	1
210,000 - 219,999	1
220,000 - 229,999	1
230,000 - 239,999	1
240,000 - 249,999	1
250,000 - 259,999	1
260,000 - 269,999	2
300,000 - 309,999	3
320,000 - 329,999	1
460,000 - 469,999	1

NZX waivers obtained during the period to 30 June 2014

None were obtained.

Audit fees

The amounts payable to PricewaterhouseCoopers as auditor of the SLI Group are as set out in the notes to the financial statements.

Donations

The SLI Group made no donations for the period ended June 2014.

Dividends

As part of the SLI Group's expansion and development plans, dividends are not currently paid, and will not be for the foreseeable future.

Subsidiary company directors

The following people held office as directors of subsidiary companies at 30 June 2014:

S.L.I. Systems, Inc.: Greg Cross, Shaun Ryan, Matthew Houtman, Sarah Smith, Steven Marder and Sam Knowles
SLI Systems (UK) Limited: Shaun Ryan
SLI Systems (Japan) K.K: Terrie Lloyd

Financial Statements

Independent Auditors' Report

to the shareholders of SLI Systems Limited

Report on the Financial Statements

We have audited the financial statements of SLI Systems Limited ("the Company") on pages 36 to 67, which comprise the balance sheets as at 30 June 2014, the statements of comprehensive income and statements of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for both the Company and the Group. The Group comprises the Company and the entities it controlled at 30 June 2014 or from time to time during the financial year.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

PricewaterhouseCoopers, 5 Sir Gil Simpson Drive, Canterbury Technology Park, PO Box 13 244, Christchurch 8053, New Zealand; T: +64 (3) 374 3000, F: +64 (3) 374 3001, www.pwc.com/nz

pwc

Opinion

In our opinion, the financial statements on pages 36 to 67:

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

(ii) comply with International Financial Reporting Standards; and

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

Report on Other Legal and Regulatory Requirements

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

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

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

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with Section 205(1) of the Companies Act 1993. Our audit work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

PricewaterhouseCoopers

Chartered Accountants
Christchurch

25 August 2014

Directors’ Responsibility Statement

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

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

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

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

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

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

For and on behalf of the Board.

Greg Cross
Chairman of Board

Sarah Smith
Chair of Audit and Risk Committee

Statement of Comprehensive Income

For the Year Ended 30 June 2014

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

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

SLI Systems Limited and its Subsidiaries

Statements of Changes in Equity

For the Year Ended 30 June 2014

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

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

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

SLI Systems Limited and its Subsidiaries

Statement of Changes in Equity

For the Period Ended 30 June 2014

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

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

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

SLI Systems Limited and its Subsidiaries

Balance Sheets

As at 30 June 2014

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

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

SLI Systems Limited and its Subsidiaries

Statement of Cash Flows

For the Year Ended 30 June 2014

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

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

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

SLI Systems Limited and its Subsidiaries

Notes to the Financial Statements

1. General information

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

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

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

2. Summary of significant accounting policies

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

(a) Basis of preparation

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

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

Entities reporting

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

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

Statutory base

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

Historical cost convention

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

Critical accounting estimates and judgements

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

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

(b) Principles of consolidation

Subsidiaries

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

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

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

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

(c) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

(iii) Foreign operations

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

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

(d) Revenue recognition

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

(i) Provision of services

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

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

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

(ii) Government grants

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

(e) Income tax

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

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

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

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

(f) Goods and Services Tax (GST)

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

(g) Leases

The Group is the lessee - Operating leases

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

(h) Cash and cash equivalents

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

(i) Trade receivables

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

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

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

(j) Financial assets

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

Classification

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

Loans and receivables are subsequently carried at cost.

Offsetting financial instruments

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

(k) Property, plant and equipment

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

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

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

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

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

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

(l) Intangible assets

(i) Research costs are expensed as incurred.

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

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

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

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

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

The estimated useful lives are:

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

(m) Investments in subsidiaries

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

(n) Trade and other payables

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

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

(o) Contributed capital

Ordinary shares are classified as equity.

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

(p) Provisions

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

(q) Employee benefits

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

(r) Equity settled share option plan

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

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

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

(s) Segment reporting

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

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

(t) Changes in accounting policy and disclosures

New and amended standards adopted by the group.

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

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

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

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

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

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

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

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

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

New standards and interpretations not yet adopted

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

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

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

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

3. Comparison to Prospective Financial Information (PFI)

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

Explanation of variance – Income Statement

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

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

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

Explanation of variance – Statement of Movements in Equity

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

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

Explanation of variance – Balance Sheet

Cash on hand is over $4 million favourable to forecast - see cash flow for explanation of variance.

Trade receivables are higher than forecast but this is offset by the higher income in advance balance that is shown in trade and other payables above. Employee benefits are higher than forecast due to the timing of the payroll periods and to the timing of when staff are taking their annual leave.

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

Explanation of variance – Statement of Cash Flows

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

4. Revenue and other income

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

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

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

5. Operating expenses

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

6. Employee entitlements

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

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

7. Finance Income

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

8. Taxation

	Group 2014 $'000	Group 2013 $'000	Parent 2014 $'000	Parent 2013 $'000
(a) Income tax (credit) / expense can be reconciled to accounting (loss) / profit as follows:				
Accounting (loss) / profit before tax	(5,913)	(1,841)	(272)	(168)
Tax at the Group's effective income tax rate of 28%	(1,656)	(515)	(76)	(47)
Adjustments in respect of current income tax of previous years	(26)	-	-	-
Tax effect of non deductible expenditure	170	339	76	47
Tax effect of deduction for share options exercised in UK	(79)	-	-	-
Unrecognised current year tax losses	1,477	158	-	-
Tax effect of foreign jurisdictions	15	-	-	-
Other	(92)	(6)	-	-
Aggregate income tax (credit) / expense	**(191)**	**(24)**	**-**	**-**
Comprising				
Current tax				
- Current year tax	23	5	-	-
- Prior year adjustment	(38)	-	-	-
Deferred tax	(176)	(29)	-	-
Income tax (credit) / expense	**(191)**	**(24)**	**-**	**-**
(b) Recognised tax (assets) / liabilities				
Opening balance	76	-	-	-
On acquisition of subsidiary	-	71	-	-
Charged to income	23	5	-	-
Tax paid	(91)	-	-	-
Prior year adjustment	(38)	-	-	-
Closing balance	**(30)**	**76**	**-**	**-**
(c) Imputation credit balance				
Opening balance	-	-	-	-
On acquisition of subsidiary	-	25	-	-
Income tax payments, adjustments and transfers during the year	-	-	-	-
Loss of shareholder continuity	-	(25)	-	-
Closing balance	**-**	**-**	**-**	**-**

9. Deferred taxation

	Group	Group	Parent	Parent
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Deferred tax asset / (liability):				
Opening Balance	167	-	-	-
On acquisition of subsidiary	-	138	-	-
Credited to income	85	29	-	-
Prior year adjustment	91	-	-	-
Closing balance	**343**	**167**	**-**	**-**
Deferred income tax at 30 June relates to the following:				
Deferred tax assets:				
Employee entitlements and other temporary differences	233	278	-	-
Provisions	74	-	-	-
Doubtful Debts	49	-	-	-
Other	2	-	-	-
Gross recognised deferred tax assets	**358**	**278**	**-**	**-**
Deferred tax liabilities:				
Property, plant and equipment	(15)	(111)	-	-
Gross recognised deferred tax liabilities	**(15)**	**(111)**	**-**	**-**
Net recognised deferred tax asset	**343**	**167**	**-**	**-**

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

10. Property, plant and equipment

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

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

There are no fixed assets in the Parent company.

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

11. Intangible assets

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

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

There are no intangible assets in the Parent company.

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

All intangible assets have been purchased from third parties.

12. Cash and cash equivalents

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

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

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

13. Trade and other receivables

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

14. Trade receivables positioning

(a) Impaired receivables

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

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

(b) Past due but not impaired

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

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

(c) Provision for impairment of receivables

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

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

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

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

15. Contributed equity

(a) Ordinary share capital

Current Period

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

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

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

Prior Period

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

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

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

All share issue costs were incurred by the subsidiaries.

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

(b) Redeemable shares

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

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

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

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

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

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

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

16. Trade and other payables

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

17. Current employee benefits

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

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

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

18. Non-current employee benefits

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

19. Operating lease commitment

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

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

20. Capital commitments

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

21. Contingencies

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

22. Subsidiaries

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

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

Investment in subsidiary

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

Receivable from subsidiary

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

23. Related parties

Parent and ultimate controlling party

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

Related party transactions and balances

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

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

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

Key management personnel remuneration

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

The following table summarises remuneration paid to key management personnel.

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

24. Share options

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

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

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

Current Year

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

Prior Period

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

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

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

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

Measurement of fair value

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

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

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

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

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

Directors

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

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

25. Financial risk management

(i) Financial instrument classification

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

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

(ii) Financial risk factors

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

Interest rate risk

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

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

Liquidity risk

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

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

Credit risk

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

Maximum exposure to credit risk at balance date:

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

Foreign currency risk

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

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

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

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

Capital risk management

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

Fair value

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

26. Earnings per share

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

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

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

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

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

28. Remuneration of auditors

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

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

1. The audit fee includes the fees for both annual audit of the Group and SLI Systems (UK) Limited financial statements and the review of the Group interim financial statements.
2. Tax services relate to review of the current group structure.
3. Other services include an agreed upon procedures engagement and assisting in developing the remuneration charter.

29. Subsequent events

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

Directory

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Financial Calendar

Annual Meeting

16 October 2014

Financial Year End

30 June

SLI SYSTEMS
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