SLI Systems Limited

and its Subsidiaries

Financial Statements

For the year ended 30 June 2016

SLI Systems Limited and its Subsidiaries
Contents

Independent Auditors' Report
to the shareholders of SLI Systems Limited

Report on the Consolidated Financial Statements
We have audited the consolidated financial statements of SLI Systems Limited ("the Company") on pages 6 to 27, which comprise the consolidated balance sheet as at 30 June 2016, the consolidated the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated 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 the Group. The Group comprises the Company and the entities it controlled at 30 June 2016 or from time to time during the financial year.

Directors' Responsibility for the Consolidated Financial Statements
The Directors are responsible on behalf of the Company for the preparation and fair presentation of these consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation and fair presentation of the consolidated financial statements 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'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 consolidated financial statements.

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

We are independent of the Group. Other than in our capacity as auditors, tax advisors and providers of other assurance related services we have no relationship with, or interests in, the Group.

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Independent Auditors' Report

SLI Systems Limited

Opinion

In our opinion, the consolidated financial statements on pages 6 to 27 present fairly, in all material respects, the financial position of the Group as at 30 June 2016, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards and International Financial Reporting Standards.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state 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.

Pricewaterhouse Coopers

Chartered Accountants | Christchurch

25 August 2016

Directors' Responsibility Statement

The directors are responsible on behalf of the Company for presenting financial statements in accordance with New Zealand law and generally accepted accounting practice, which present fairly a view of the financial position of the Group as at 30 June 2016 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 2015 to 30 June 2016.

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 Part 7 of the Financial Markets Conduct Act 2013.

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 2016.

For and on behalf of the Board,

Greg Cross

Chairman of Board

Sarah Smith

Chair of Audit and Risk Management Committee

SLI Systems Limited and its Subsidiaries
Consolidated Statement of Comprehensive Income
For the Year Ended 30 June 2016

	Note	2016 $'000	2015 $'000
Operating revenue		35,006	28,126
Other income		646	466
Total revenue and other income	3	**35,652**	**28,592**
Operating expenses	4	(14,803)	(14,309)
Employee entitlements	5	(21,050)	(22,007)
Operating (loss) before finance income		**(201)**	**(7,724)**
Finance income		39	174
Net financing income		**39**	**174**
(Loss) before tax		**(162)**	**(7,550)**
Income tax (expense)/credit	6	(77)	190
(Loss) for the year		**(239)**	**(7,360)**
Other comprehensive income recycled through profit and loss			
Currency translation movement		(314)	243
Total comprehensive (loss) for the year attributable to the shareholders of the company		**(553)**	**(7,117)**

(Loss) per share		**2016**	**2015**
Basic and diluted (loss) per share	24	(0.004)	(0.121)

SLI Systems Limited and its Subsidiaries
Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2016

	Share Capital $'000	Share Option Reserve $'000	Translation Reserve $'000	Accumulated Losses $'000	Total Equity $'000
Opening balance at 1 July 2015	18,125	1,492	277	(14,504)	5,390
Prior period adjustment (note 2)	-	-	-	(478)	(478)
Restated opening balance at 1 July 2015	**18,125**	**1,492**	**277**	**(14,982)**	**4,912**
(Loss) for the year	-	-	-	(239)	(239)
Currency translation movement	-	-	(314)	-	(314)
Total comprehensive income for the year	**-**	**-**	**(314)**	**(239)**	**(553)**
Transactions with owners					
Share options					
- Share options exercised during year	646	(108)	-	-	538
- Share option expense for the year	-	888	-	-	888
- Share options expired for the year	-	(424)	-	424	-
Balance at 30 June 2016	**18,771**	**1,848**	**(37)**	**(14,797)**	**5,785**

	Share Capital $'000	Share Option Reserve $'000	Translation Reserve $'000	Accumulated Losses $'000	Total Equity $'000
Opening balance at 1 July 2014	17,674	1,216	34	(7,476)	11,448
Prior period adjustment (note 2)	-	-	-	(248)	(248)
Restated opening balance at 1 July 2014	**17,674**	**1,216**	**34**	**(7,724)**	**11,200**
(Loss) for the year	-	-	-	(7,360)	(7,360)
Currency translation movement	-	-	243	-	243
Total comprehensive income for the year	**-**	**-**	**243**	**(7,360)**	**(7,117)**
Transactions with owners					
Share options					
- Share options exercised during year	451	(148)	-	-	303
- Share option expense for the year	-	526	-	-	526
- Share options expired for the year	-	(102)	-	102	-
Balance at 30 June 2015	**18,125**	**1,492**	**277**	**(14,982)**	**4,912**

SLI Systems Limited and its Subsidiaries
Consolidated Balance Sheet
As at 30 June 2016

	Note	2016 $'000	2015 $'000	2014 $'000
ASSETS				
Current assets				
Cash and cash equivalents	10	6,765	5,582	11,389
Trade and other receivables	11	5,876	6,631	4,972
Taxation receivable	6	-	-	30
Total current assets		**12,641**	**12,213**	**16,391**
Non-current assets				
Deferred tax assets	7	675	688	455
Property, plant and equipment	8	1,316	1,582	1,589
Intangible assets	9	65	99	115
Total non-current assets		**2,056**	**2,369**	**2,159**
Total assets		**14,697**	**14,582**	**18,550**
LIABILITIES				
Current liabilities				
Taxation payable	6	34	24	-
Trade and other payables	14	7,035	6,843	5,312
Employee benefits	15	1,801	2,774	1,966
Total current liabilities		**8,870**	**9,641**	**7,278**
Non-current liabilities				
Employee benefits	15	29	17	57
Deferred tax liabilities	7	13	12	15
Total non-current liabilities		**42**	**29**	**72**
Total liabilities		**8,912**	**9,670**	**7,350**
Net assets		**5,785**	**4,912**	**11,200**
EQUITY				
Share capital	13	18,771	18,125	17,674
Reserves		1,811	1,769	1,250
Accumulated losses		(14,797)	(14,982)	(7,724)
Total equity		**5,785**	**4,912**	**11,200**

	2016	2015	2014
Net tangible asset backing per ordinary security	$0.09	$0.08	$0.18

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

SLI Systems Limited and its Subsidiaries
Consolidated Statement of Cash Flows
For the Year Ended 30 June 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Cash was provided from:			
Receipts from customers		36,148	27,938
Interest received		111	246
Net GST (paid)		(23)	(15)
Government grants		558	378
Cash was applied to:			
Payments made to suppliers and employees		(35,936)	(34,193)
Income tax received / (paid)	6	(50)	8
Net cash inflow / (outflow) from operating activities	25	**808**	**(5,638)**
Cash flows from investing activities			
Cash was provided from / (applied to):			
Purchase of property, plant and equipment	8	(140)	(433)
Sale of property, plant and equipment	8	-	1
Purchase of intangibles	9	(23)	(40)
Net cash (outflow) from investing activities		**(163)**	**(472)**
Cash flows from financing activities			
Cash was provided from / (applied to):			
Cash received from share options exercised		538	303
Net cash inflow from financing activities		**538**	**303**
Net increase / (decrease) in cash and cash equivalents		**1,183**	**(5,807)**
Cash and cash equivalents at the beginning of the year		5,582	11,389
Cash and cash equivalents at the end of the year	10	**6,765**	**5,582**

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 year ended 30 June 2016 were authorised for issue in accordance with a resolution of the Directors on 25 August 2016.

2. Summary of significant accounting policies

The consolidated financial statements of the group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The group is a for-profit entity for the purposes of complying with NZ GAAP. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also 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

SLI Systems Limited is a company registered under the Companies Act 1993 and is an FMC reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules. In accordance with the Financial Markets Conduct Act 2013, because Group financial statements are prepared and presented for SLI Systems Limited and its subsidiaries, separate financial statements for SLI Systems Limited are no longer required to be prepared and presented.

The Group is designated as a for-profit entity for financial reporting purposes.

SLI is a limited company, incorporated in New Zealand and the registered office of the Company is 78-106 Manchester Street, Christchurch, New Zealand.

There have been no significant changes in accounting policies during the period. These financial statements have been restated to reflect a prior period adjustment as below:

During the year, the Company appointed a specialist indirect tax expert to evaluate previous advice on the Group's US Sales Tax position. The earlier advice and related treatment of US sales tax resulted in SLI under-returning sales taxes to the US authorities. The Company has made a provision within Trade and other Payables of $664,000 for an estimate of additional sales tax cost, net of expected credits, that relates to previous years.

As the amount relates to previous periods, as required by accounting standards, the amount has been adjusted against opening retained earnings.

The impact of the restatement on these financial statements is as follows:

Year ended 30 June 2015 - $319,000 increase in operating expenses and loss for the year, a $664,000 increase in trade and other payables, $186,000 increase in deferred tax asset and a $478,000 decrease in total equity. This equates to a $0.005 increase in loss per share.

Year ended 30 June 2014 - $236,000 increase in operating expenses and loss for the year, a $345,000 increase in trade and other payables, $97,000 increase in deferred tax asset and a $248,000 decrease in total equity. This equates to a $0.004 increase in loss per share.

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 (note 5);
2. Share option expense whereby a level of judgement is required to determine the parameters of the Black-Scholes pricing model (note 21);
3. Share appreciation rights being equity settled share option scheme (note 22);
4. US Sales tax provision as judgement has been used in determining the level of the provision (note 14);
5. The provision for doubtful debts in determining the level of receivables to provide (note 12).

(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 2016 and the results of the subsidiaries for the year 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 statement of comprehensive income.

(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 statement of comprehensive income are translated at average exchange rates; and
- all resulting exchange differences are recognised as currency translation movement.

(d) 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.

(e) 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.

(f) Changes in accounting policy and disclosures

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 2017 and 2018, and have not been applied in preparing these consolidated financial statements. None of these are 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 standard is effective for accounting periods beginning on or after 1 January 2018. Early adoption is permitted. The Group will apply this standard from 1 July 2018 and has yet to assess its full impact.

NZ IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces NZ IAS 18 'Revenue' and NZ IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group will apply this standard from 1 July 2018 and is currently assessing its full impact.

NZ IFRS 16, 'Leases' replaces the current guidance in NZ IAS 17. Under NZ IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Under NZ IAS 17, a lessee was required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). NZ IFRS 16 now requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. The standard is effective for accounting periods beginning on or after 1 January 2019. The Group will apply this standard from 1 July 2019 and has yet to assess its full impact.

(g) Accounting Policies disclosed in the Notes

The following accounting policies are disclosed separately alongside their relevant note:

	Note
Revenue recognition	3
Income tax	7
Property, plant and equipment	8
Intangible assets	9
Cash and cash equivalents	10
Trade receivables	12
Contributed capital	13
Trade and other payables	14
Employee benefits	15
Leases	16
Equity settled share option plan	21
Financial assets	23

3. Revenue and other income

Revenue for the Group is analysed below.

	2016 $'000	2015 $'000
Revenue from sale of services	35,006	28,126
Government grants received and receivable	646	466
Total revenue and other income	**35,652**	**28,592**

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

	2016 $'000	2015 $'000
United States	20,132	16,686
United Kingdom	7,310	5,519
Australia	3,593	2,737
Brazil	2,307	2,069
New Zealand	1,211	782
Rest of the world	453	333
	35,006	**28,126**

Accounting policy: 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 is 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.

4. Operating expenses

	2016 $'000	2015 $'000
Operating expenses include:		
Amortisation of intangible assets	57	56
Bad debts written off	626	318
Movement in provision for doubtful debts	128	127
Depreciation on property, plant and equipment	392	458
Directors' fees and other remuneration	252	260
Remuneration paid to auditors (Note 26)	128	141
Operating leases expenses	1,555	1,245
Loss/(gain) on foreign exchange transactions	289	(804)

5. Employee entitlements

	2016 $'000	2015 $'000
Wages and salaries	19,877	21,199
Share option expense	888	526
Employer contribution to defined contribution plans	285	282
Total employee entitlements	**21,050**	**22,007**

Employee benefit costs incurred on research activities are included within employee entitlements disclosed above. The cost of employee entitlements associated with research costs is $1,661,000 (30 June 2015 $843,000). Total amounts attributable to research costs during the year is $2,092,000 (30 June 2015 $1,131,000). During the year there were no activities which met the definition of development expenditure.

6. Taxation

(a) Income tax expense / (credit) can be reconciled to accounting (loss) as follows:	2016 $'000	2015 $'000
Accounting (loss) before tax	(162)	(7,550)
Tax at the Group's effective income tax rate of 28%	(45)	(2,114)
Adjustments in respect of current income tax of previous years	(15)	(4)
Tax effect of non-deductible expenditure	273	182
Tax effect of deduction for share options exercised in UK	(26)	-
Unrecognised current year tax losses	-	1,728
Tax effect of foreign jurisdictions	11	21
Tax losses brought forward utilised	(201)	(43)
Other	80	40
Aggregate income tax expense / (credit)	**77**	**(190)**

Comprising		
Current tax		
- Current year tax	81	50
- Prior year adjustment	(15)	(4)
Deferred tax	11	(236)
Income tax expense / (credit)	**77**	**(190)**

(b) Recognised tax (liability) / asset	**2016**	**2015**
	$'000	**$'000**
Opening balance	(24)	30
Charged to income	(81)	(50)
Tax paid / (refund)	50	(8)
Prior year adjustment	15	4
Other	6	-
Closing balance	**(34)**	**(24)**

(c) Imputation credit balance

There is no imputation credit balance at 30 June 2016 (30 June 2015 nil).

7. Deferred taxation

	2016	**2015**
Deferred tax asset / (liability):	**$'000**	**$'000**
Opening balance	676	440
Credited to income	68	275
Prior year adjustment	(79)	(39)
Other	(3)	-
Closing balance	**662**	**676**

Deferred income tax at 30 June relates to the following:	**2016**	**2015**
	$'000	**$'000**
Deferred tax assets:		
Employee entitlements and other temporary differences	281	324
Provisions	285	266
Doubtful Debts	103	92
Other	6	6
Gross recognised deferred tax assets	**675**	**688**
Deferred tax liabilities:		
Property, plant and equipment	(13)	(12)
Gross recognised deferred tax liabilities	**(13)**	**(12)**
Net recognised deferred tax asset	**662**	**676**

It is not anticipated that deferred tax balances will be recovered within 12 months. The Company has unrecognised New Zealand tax losses available to carry forward at 30 June 2016 of $11,043,000 (30 June 2015 $11,545,000) subject to shareholder continuity being maintained as required by New Zealand tax legislation and subject to confirmation from the relevant tax authorities.

Accounting policy: Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income. 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.

8. Property, plant and equipment

	Computer Equipment $'000	Furniture, Equipment and Other $'000	Total $'000
Year ended 30 June 2016			
Cost			
Balance at 1 July 2015	1,352	1,724	3,076
Currency translation movement	(31)	(42)	(73)
Additions	123	17	140
Disposals	(12)	-	(12)
Balance at 30 June 2016	**1,432**	**1,699**	**3,131**
Depreciation			
Balance at 1 July 2015	(961)	(533)	(1,494)
Currency translation movement	27	32	59
Depreciation expense	(221)	(171)	(392)
Disposals	12	-	12
Balance at 30 June 2016	**(1,143)**	**(672)**	**(1,815)**
Net carrying amount	**289**	**1,027**	**1,316**

	Computer Equipment $'000	Furniture, Equipment and Other $'000	Total $'000
Year ended 30 June 2015			
Cost			
Balance at 1 July 2014	1,064	1,543	2,607
Currency translation movement	23	35	58
Additions	286	147	433
Disposals	(21)	(1)	(22)
Balance at 30 June 2015	**1,352**	**1,724**	**3,076**
Depreciation			
Balance at 1 July 2014	(695)	(323)	(1,018)
Currency translation movement	(19)	(20)	(39)
Depreciation expense	(267)	(191)	(458)
Disposals	20	1	21
Balance at 30 June 2015	**(961)**	**(533)**	**(1,494)**
Net carrying amount	**391**	**1,191**	**1,582**

The net carrying value at 30 June 2016 of property, plant and equipment held in New Zealand is $890,000 (30 June 2015 $1,049,000), within the United States $317,000 (30 June 2015 $336,000), within United Kingdom $86,000 (30 June 2015 $140,000), within Australia $21,300 (30 June 2015 $25,000) and within Japan $1,200 (30 June 2015 $2,000).

Accounting policy: Property, plant and equipment

All property, plant and equipment is 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 statement of comprehensive income 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% - 67%
- Furniture, Equipment and 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 statement of comprehensive income.

9. Intangible assets	**Patents and Trademarks $'000**	**Software $'000**	**Total $'000**
Year ended 30 June 2016			
Cost			
Balance at 1 July 2015	503	140	643
Additions	13	10	23
Balance at 30 June 2016	**516**	**150**	**666**
Amortisation			
Balance at 1 July 2015	(438)	(106)	(544)
Amortisation	(37)	(20)	(57)
Balance at 30 June 2016	**(475)**	**(126)**	**(601)**
Net carrying value	**41**	**24**	**65**

	Patents and Trademarks $'000	**Software $'000**	**Total $'000**
Year ended 30 June 2015			
Cost			
Balance at 1 July 2014	486	117	603
Additions	17	23	40
Balance at 30 June 2015	**503**	**140**	**643**
Amortisation			
Balance at 1 July 2014	(402)	(86)	(488)
Amortisation	(36)	(20)	(56)
Balance at 30 June 2015	**(438)**	**(106)**	**(544)**
Net carrying value	**65**	**34**	**99**

Management assesses the costs incurred in developing software against the Accounting policy below (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.

Accounting policy: Intangible assets

(i) Research costs are expensed as incurred.

Costs associated with maintaining computer software programs are recognised as an expense as incurred. The costs incurred do not relate to research. 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.

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 statement of comprehensive income 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 statement of comprehensive income 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	10 - 20 years
Software	3 - 5 years

10. Cash and cash equivalents

	2016 $'000	2015 $'000
Cash at bank and on hand	3,203	3,790
Short-term bank deposits	3,562	1,792
	6,765	**5,582**

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

	2016 $'000	2015 $'000
US dollars	1,342	1,281
Great British pounds	846	583
Australian dollars	539	528
Japanese yen	109	50

Accounting policy: Cash and cash equivalents

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

11. Trade and other receivables

	2016 $'000	2015 $'000
Gross trade receivables	4,528	5,020
Provision for impairment of receivables	(495)	(367)
Net trade receivables	**4,033**	**4,653**
Un-invoiced revenue	926	1,368
Prepayments and other receivables	917	610
Total trade and other receivables	**5,876**	**6,631**

12. Trade receivables provisioning

(a) Impaired receivables

As at 30 June 2016 trade receivables with a nominal value of $495,000 (30 June 2015 $367,000) were impaired in respect of the Group. The ageing analysis of these trade receivables is as follows:

	2016 $'000	2015 $'000
1-60 days overdue	87	88
61-90 days overdue	120	39
91+ days overdue	288	240
Impaired receivables	**495**	**367**

(b) Past due but not impaired

As at 30 June 2016 trade receivables of the Group of $241,000 (30 June 2015 $241,000) were past due but not impaired. 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:

	2016 $'000	2015 $'000
1-30 days overdue	173	23
Greater than 31 days overdue	68	218
	241	**241**

(c) Provision for impairment of receivables

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

	2016 $'000	2015 $'000
Opening balance	367	240
Additional amounts provided	128	127
Unused amounts written back	-	-
Closing balance	**495**	**367**

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

	2016 $'000	2015 $'000
US dollars	3,587	4,186
Great British pounds	1,382	1,428
Australian dollars	376	553
Japanese yen	29	29

Accounting policy: 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 statement of comprehensive income within 'operating expenses.'

When a trade receivable is uncollectible, it is written off against the statement of comprehensive income within 'operating expenses.' Subsequent recoveries of amounts previously written off are credited against 'operating expenses' in the statement of comprehensive income.

13. Contributed equity

(a) Ordinary share capital

	Number of Ordinary Shares 2016	2016 $'000	Number of Ordinary Shares 2015	2015 $'000
Opening balance	61,162,116	18,125	60,498,018	17,674
Share options exercised	1,098,700	646	664,098	451
Closing balance	**62,260,816**	**18,771**	**61,162,116**	**18,125**

The total number of ordinary shares on issue as at 30 June 2016 is 62,260,816 (30 June 2014: 61,162,116) shares. All shares are issued and fully paid (no par value).

Accounting policy: 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.

(b) Redeemable shares

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. The loans provided are interest free, have recourse only against the redeemable shares and are repayable in full on the third anniversary of the issue date, 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 21 using the Black-Scholes pricing model. As at 30 June 2016, 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.

On 30 June 2016 the redeemable share issued to Sam Knowles were redeemed by SLI due to expiry of the limited recourse loan. The loan was not repaid.

The Company's board of directors agreed to extend the repayment date of the loan to 31 December 2016 in relation to the redeemable shares issued to Greg Cross and Sarah Smith.

The unlisted redeemable shares as at 30 June 2016 are as follows:

	Issue Date	Unlisted Redeemable Shares	Loan $
Greg Cross	31 May 2013	133,333	200,000
Sarah Smith	31 May 2013	133,333	200,000
Andrew Lark	20 Dec 2013	107,527	200,000
Sam Knowles (redeemed 30 Jun 16)	31 May 2013	-	-
		374,193	**600,000**

14. Trade and other payables

	2016 $'000	2015 $'000
Trade payables	138	427
Revenue in advance	4,963	4,883
Other payables and accrued expenses	1,934	1,533
	7,035	**6,843**

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

	2016 $'000	2015 $'000
US dollars	5,749	5,637
Great British pounds	1,576	1,805
Australian dollars	686	953
Japanese yen	38	30

Accounting policy: 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.

15. Employee benefits

Current employee benefits	2016 $'000	2015 $'000
Liability for annual and long service leave	965	1,099
Other employee payables	836	1,675
	1,801	**2,774**

Non-current employee benefits

	2016 $'000	2015 $'000
Liability for long service leave	29	17
	29	**17**

Accounting policy: 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.

16. Operating lease commitment

Non-cancellable operating lease rentals are payable as follows:	2016 $'000	2015 $'000
Less than one year	1,471	1,432
Between one and five years	489	1,866
More than five years	-	-
	1,960	**3,298**

Accounting policy: Leases

Operating leases

The Group is the lessee. 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 statement of comprehensive income on a straight-line basis over the period of the lease.

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.

17. Capital commitments

There are no material contractual obligations to purchase plant and equipment at 30 June 2016 (30 June 2015 nil).

18. Contingencies

There are no contingencies at 30 June 2016 (30 June 2015 nil).

19. Subsidiaries

Name	Country of Incorporation	Ownership 2016	Ownership 2015
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%	100%

20. 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, SARs, preference shares and associated loans are disclosed in Notes 13, 21 and 22.

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 $312,000 (2015 $239,000).

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.

	2016 $'000	2015 $'000
Directors' fees and other remuneration	252	260
Employee entitlements	2,925	2,728
Share options (under Employee Share Options Scheme) and share appreciation rights	702	133

21. Share options

Options to subscribe for shares have been issued to certain directors, employees and some advisors of the Company.

Unless otherwise determined by the Board of Directors 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 (NZ$). However, a majority of the options have an exercise price denominated in US dollars (US$) so the tables below are presented in US$ where appropriate.

Current Year ***Reconciliation of outstanding options***	Number of Options 2016	Weighted Average Exercise Price US$ 2016
Balance at 1 July 2015	7,191,927	0.64
Expired during the year	(1,873,283)	0.81
Exercised during the year	(1,098,700)	0.33
Issued during the year	382,000	0.57
Balance at 30 June 2016	**4,601,944**	**0.66**
Exercisable at 30 June 2016	3,949,948	0.61

Prior Year *Reconciliation of outstanding options*	**Number of Options 2015**	**Weighted Average Exercise Price US$ 2015**
Balance at 1 July 2014	6,786,960	0.71
Expired during the year	(519,837)	1.00
Exercised during the year	(664,096)	0.37
Issued during the year	1,588,900	0.91
Balance at 30 June 2015	**7,191,927**	**0.65**
Exercisable at 30 June 2015	4,788,959	0.53

The weighted average exercise price of the total options at the end of the year is US $0.61 cents which equates to NZ $0.86 cents at year end exchange rates.

The tables above includes the unlisted redeemable shares as detailed in note 13 (b).

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

Number of Options	**Exercise Price per Share**	**Weighted Average Contractual Life at Balance Date 2016 (years)**
340,000	US $0.29 - $0.33	0.9
1,834,348	US $0.3333	3.8
220,875	US $0.68	6.0
401,138	US $0.75	6.2
129,600	US $0.78	6.7
127,000	NZ $0.75 - $0.80	9.0
200,000	NZ $0.81 - $1.00	9.2
221,950	NZ $1.01 - $1.20	8.5
92,625	NZ $1.21 - $1.40	8.2
368,664	NZ $1.41 - $1.60	7.0
218,680	NZ $1.61 - $1.80	7.9
288,077	NZ $1.81 - $2.00	7.3
76,187	NZ $2.01 - $2.20	7.4
27,600	NZ $2.21 - $2.40	7.8
55,200	NZ $2.41 - $2.60	7.7

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 for both SLI and its peers.

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

US$ options	**2016**	**2015**
Share price at grant date (weighted average US$)	0.41	0.41
Exercise price (weighted average US$)	0.43	0.42
Expected volatility (weighted average)	20%-30%	20% to 30%
Expected life (weighted average)	4	4
Risk-free interest rate (weighted average)	3.0%	3.0%
Fair value at grant date (weighted average US$)	0.08	0.08

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

NZ$ options	2016	2015
Share price at grant date (weighted average NZ$)	1.50	1.44
Exercise price (weighted average NZ$)	1.49	1.43
Expected volatility (weighted average)	30%	30%
Expected life (weighted average)	4	4
Risk-free interest rate (weighted average)	3.5%	3.6%
Fair value at grant date (weighted average NZ$)	0.46	0.43

Directors

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

	Exercise price	
Shaun Ryan	US $0.33	49,260
Shaun Ryan (issued in the current year)	NZ $0.94	200,000
Greg Cross	US $0.33	120,000

Accounting policy: Equity settled share option plan

The Employee Share Option Plan allows employees to acquire shares of the Company. The fair value of options granted is recognised as an employee expense in the statement of comprehensive income with a corresponding increase in the share option reserve. 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.

22. Share Appreciation Rights

Historically the company has operated a share option scheme for its employees in line with the terms set out in note 21 above. During the current period the company has introduced a new share based payment plan based on Share Appreciation Rights (SARs). The development of this new Long Term Incentive plan is for key US executives and provides the company with the flexibility to settle any share appreciation in cash or shares. An appropriate Long Term Incentive plan is critical to attracting and retaining key executive talent in the US market.

The terms and conditions, valuation basis and other required disclosures for these share based payments are set out below:

The SARs will vest to the extent of 1/4 of the SARs 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 SARs are fully vested on the fourth anniversary of the grant date. The SARs shall be exercisable to the extent of 25% of the total number of SARs issued to the recipient at the one year anniversary of the grant date, then an additional 25% of the initially issued number of SARs will be able to be exercised on each of the second, third and fourth anniversaries of the base grant date. The SARs can only be exercised during the 30 day period commencing on the appropriate anniversary date and if they are not exercised they will terminate after the expiry of the relevant 30 day period.

On the date on which the SARs are either (i) exercised or (ii) terminated, subject to Board approval, additional fully vested share options will be issued equal to the number of such exercised or terminated SARs. The exercise price of the share options will be the greater of the share price on the original grant date of the SARs and the share price on the day the share options are granted. The options will expire on the 10th anniversary of the grant date of the SARs.

Upon exercise of SARs, the recipient will be entitled to receive a payment equal to the increase in share price between the grant date and the exercise date. Such payment can be made either in cash or by the issue of SLI NZ ordinary shares, at market value, at the discretion of the Board of Directors.

Whilst the share options linked to the SARs have not been issued, there is a constructive obligation to issue the additional options. Therefore the share based payment expense including both the SARs and additional options, is required to be recognised from the grant date of the SARs. Based on this choice of settlement and SLI's ability and the likelihood to settle in shares, the SARs and options are considered to be equity-settled share based payments.

Current Year *Reconciliation of outstanding SARs*	**Number of SARs 2016**	**Weighted Average Exercise Price NZ$ 2016**
Balance at 1 July 2015	-	-
Expired during the period	-	-
Exercised during the period	-	-
Issued during the period	4,583,757	0.85
Balance at 30 June 2016	4,583,757	0.85
Exercisable at 30 June 2016	-	-

SARs outstanding at the end of the period have the following characteristics:

Number of SARs	**Exercise Price per Share**	**Weighted Average Contractual Life remaining at 30 Jun 16 (years)**
439,785	NZ $0.74	2.02
1,017,011	NZ $0.77	1.83
2,452,332*	NZ $0.83	1.75
674,629	NZ $1.09	2.31

*613,083 of these are conditional upon implementing a commercially viable strategy to maximise long term growth, in the initial 1 year term to 29 September 2016. If the Board is not satisfied that this condition is met, the conditional SARs will terminate. In calculating the fair value of the SARs we have assumed that the condition will be met and the SARs will be exercisable.

Measurement of fair value

The fair values of the SARs and additional option grants were measured based on the Black-Scholes pricing model. Expected volatility is estimated by considering historic average share price volatility for a group of SLI's NZX listed peers. A simulation model has been used to determine the exercise price of options being the future share price at the time the associated SARs are exercised and the related options are granted. The exercise price of the additional options will be the greater of the market price of the SARs on exercise or the share price at grant date of the SARs.

The inputs used in the measurement of the fair values at grant date were as follows for NZ$ SARs and additional options:

NZ$	**2016 SARs**	**2016 Additional options**
Expected volatility (weighted average)	30%	30%
Expected life (weighted average)	2.5 years	4 years
Risk-free interest rate (weighted average)	2.7%	2.7%
Fair value at grant date (weighted average)	$0.18	$0.20

The SARs weighted average share price at grant date and exercise price is NZ$ 85 cents.

The options in the table above have not yet been granted so have not been reported on the NZX but for Accounting standard IFRS 2 the related expense is recorded in current period financial statements

Directors

The following directors hold the following number of SARs as at 30 June 2016:

	Exercise price	
Christopher Brennan (issued in the current year)	NZ $0.83	2,452,332

23. Financial risk management

i) Financial instrument classification

The Group's loans and receivables comprise of 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet. 'Trade and other payables' are recognised at fair value and subsequently at cost. 'Employee benefits' are recognised at the amounts expected to be paid when the liabilities are settled.

Accounting Policy: 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.

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.

(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 $29,000 at 30 June 2016 for long service leave that will be settled after more than 12 months (30 June 2015: $17,000).

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.

The maximum exposure to credit risk at balance date comprises 'trade and other receivables' and 'cash and cash equivalents' in the balance sheet.

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, British pounds, and Australian dollars. As a result the Group's statement of comprehensive income 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 2016 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;

	2016 $'000	2015 $'000
Appreciation of NZ$ against foreign currency (10%)		
(Decrease) in profit before tax	(15)	(73)
(Decrease) in equity after tax	(155)	(161)
Depreciation of NZ$ against foreign currency (10%)		
Increase in profit before tax	15	73
Increase in equity after tax	155	161

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 is assumed to approximate their fair values due to the short term maturity of these assets and liabilities.

24. 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 year.

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.

	2016	2015
Net (loss) after tax	($239,000)	($7,360,000)
Ordinary shares on issue	62,260,816	61,162,116
Weighted average number of shares on issue	61,652,459	60,894,496
Basic and diluted (loss) per share	**(0.004)**	**(0.121)**

25. Reconciliation from the net (loss) after tax to the net cash from operating activities

	2016 $'000	2015 $'000
Net (loss) after tax	(239)	(7,360)
Adjustments		
Depreciation	392	458
Amortisation	57	56
(Loss) / gain on currency translation movement	(300)	224
Share option expense	888	526
Changes in working capital items		
Decrease / (Increase) in trade receivables and prepayments	835	(217)
(Decrease) / Increase in trade payables and accruals	(864)	823
Decrease in GST	15	34
Decrease / (Increase) in tax	24	(182)
Net cash inflow / (outflow) from operating activities	**808**	**(5,638)**

26. Remuneration of auditors

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

	2016 $'000	2015 $'000
Audit of financial statements		
Audit and review of financial statements [1]	98	71
Other services		
Tax services [2]	12	21
Other services [3]	18	49
Total remuneration paid to auditors	**128**	**141**

1. The audit fee includes the fees for both annual audit of the Group and SLI Systems (UK) Limited financial statements and the compliance assurance engagement on the Group interim financial statements.
2. Tax services relate to a peer review of the potential US sales tax on customer use agreements.
3. Other services as at 30 June 2016 include professional services rendered in relation to grant income and review of share appreciation right contracts and model.

27. Subsequent events

There have been no material subsequent events after 30 June 2016.