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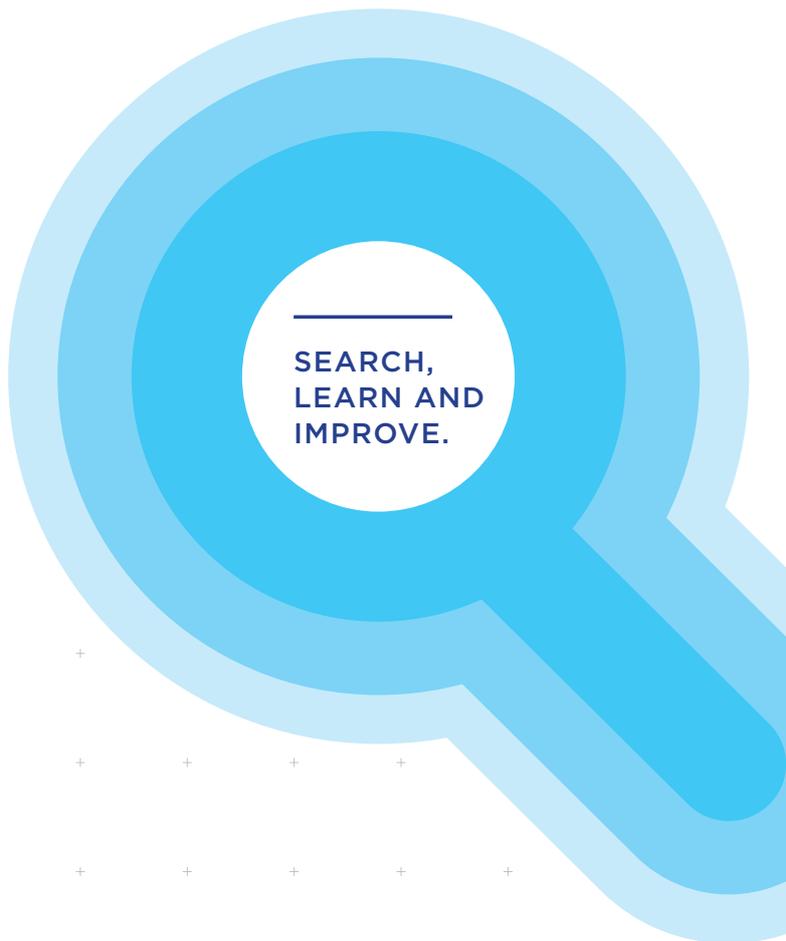
# WE'VE FOUND THE ANSWERS.

Search

LADIES TAILORED JACKET



SEARCH,  
LEARN AND  
IMPROVE.



AND YOU'LL FIND  
THEM HERE.

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**CONTENTS.**

- 02. 2013 HIGHLIGHTS
- 03. CHAIRMAN'S REPORT
- 04. CHIEF EXECUTIVE'S REPORT
- 08. SITE SEARCH ENABLER
- 10. HOW WE ARE INVESTING FOR THE FUTURE
- 12. BOARD
- 14. MANAGEMENT
- 17. CORPORATE GOVERNANCE
- 20. SHAREHOLDER AND STATUTORY INFORMATION
- 25. FINANCIAL STATEMENTS
- 26. INDEPENDENT AUDITORS' REPORT
- 28. DIRECTORS' RESPONSIBILITY STATEMENT
- 48. DIRECTORY
- 49. SLI TIMELINE

# 2013 HIGHLIGHTS<sup>1</sup>

RAISED \$15.0 MILLION OF  
NEW CAPITAL IN AN INITIAL  
PUBLIC OFFER //

TOTAL OPERATING REVENUE  
OF \$18.3 MILLION IS IN LINE  
WITH PROSPECTUS FORECAST  
(\$18.3 MILLION) //

JUNE 2013 ANNUALISED  
RECURRING REVENUE  
(ARR)<sup>2</sup> OF \$19.3 MILLION IS  
IN LINE WITH PROSPECTUS  
FORECASTS (\$19.2 MILLION) //

CASH POSITION OF  
\$15.4 MILLION IS AS  
EXPECTED (FORECAST  
OF \$15.1 MILLION) //

LOSS FOR THE PERIOD  
OF \$2.0 MILLION IS IN LINE  
WITH FORECAST LOSS OF \$2.1  
MILLION //

BUSINESS PLAN ON TRACK  
AND LAUNCHED NEW  
PRODUCT "SLI LIVE" //

CUSTOMER RETENTION  
RATE IS AT 92%  
(VS 91% FORECAST) //

BRAZILIAN AND JAPANESE  
MARKETS SHOWING STRONG  
PROMISE //

<sup>1</sup> The highlights on this page are for the SLI Group. They are for the period from 1 July 2012 to 30 June 2013 as if SLI Systems Limited had acquired S.L.I. Systems, Inc. on or before 1 July 2012.

<sup>2</sup> ARR is defined on page 11 of this document.

# CHAIRMAN'S REPORT



Dear Shareholders,

2013 has been a good year for SLI Systems. We listed on the Main Board of the NZX. We enjoyed strong growth in Annualised Recurring Revenue<sup>1</sup> (ARR), and maintained a high Customer Retention Rate (CRR). The Company was also successful in beginning our expansion into new markets and growing our team to enable future growth in customer revenues.

We listed on the NZX on 31 May 2013. On the date of listing SLI Systems Limited acquired all of the shares in S.L.I. Systems, Inc. in exchange for shares in SLI Systems Limited and for some cash consideration. This resulted in the formation of the SLI Group comprising SLI Systems Limited, S.L.I. Systems, Inc. and SLI Systems (UK) Limited.

As part of our NZX listing we raised \$15.0 million of new capital. We are using these funds to accelerate growth in existing markets, expand into new markets and to enhance our product development programme. It is early days since listing however to date the funds are helping to achieve these objectives in line with our plans.

Two S.L.I. Systems, Inc. directors, Sam Knowles and Sarah Smith, were appointed in February to further strengthen the quality of the Board in line with the opportunities we see going forward. Sam brings considerable experience from his entrepreneurial background and his extensive service on the boards of software companies. Sarah's experience on a number of boards in varied industries has been invaluable with the new compliance and governance requirements the Company faces now we are listed. Grant Ryan resigned from the board of S.L.I. Systems, Inc. in February and I would like to thank him for his more than 10 years service to SLI.

We have formalised a number of our existing governance policies and procedures and have added additional governance processes that will help to provide better transparency to shareholders. Our corporate governance code can be downloaded from our website.

The financial statements presented show the results of the New Zealand holding company that owns the US operating company and therefore cover only the month from our listing to 30 June 2013. However, we present a pro-forma full year position in the notes to the accounts and compare this to our prospectus forecast.

With 25% growth in ARR, the Company has performed well over the last 12 months. This is the result of a combination of factors including:

- 1) our customer base being primarily in the fast-growing e-commerce market;
- 2) a best of breed "Software as a Service" (SaaS) offering with SaaS becoming increasingly more accepted and requested in the market;
- 3) strong customer relationships; and
- 4) technology and solutions that are in demand from our customer base.

There is still significant untapped potential in our existing markets. The US in particular remains the largest e-commerce market in the world and as such remains the primary focus of our Sales and Marketing efforts. With the additional capital raised we have also added resources to expand more quickly into new markets such as Brazil, where we currently have four of the top ten Brazilian on-line retailers as customers. We have also entered Japan where we have signed up a partner who we will use to sell our services and we have signed up our first Japanese customer.

We are growing our head count and will continue to grow the Sales, Development and Customer Success teams in line with prospectus forecasts. SLI's results would not have been possible without the commitment and performance of SLI's employees throughout the world. The culture of SLI continues to be a key factor in our success and we regularly receive comments from customers when our employees have performed above and beyond expectations.

Looking forward, it is an exciting time for SLI as we are set to continue to grow both within existing markets and in new geographies and also with new products. There are significant opportunities in our markets and we believe we have the right team to deliver on these opportunities. We will continue to provide value to our clients through outstanding customer service and to our shareholders by focusing on growth in revenue and maintaining customer retention rates that will ultimately flow to long term profitability.

I would like to say thank you to the hard-working SLI Systems team for their efforts again this year and welcome all our new shareholders who have invested in a New Zealand growth company competing on the global stage.

I look forward to seeing as many of you as possible at the Annual Meeting, which will take place on 30 October at our Christchurch office.

Greg Cross  
Chairman

# CHIEF EXECUTIVE'S REPORT



## BECOMING A PUBLIC COMPANY //

In the past year we've seen our revenue continue to grow strongly and we completed a successful initial public offer (IPO) and listing on the NZX on 31 May 2013. We have continued executing the plan that was laid out in our prospectus for the listing and we are learning how to be a public company. The completion of this, our first annual report, is an important milestone.

Our services are used by e-commerce companies around the world to optimise their websites by making it easier for their customers to find what they're looking for. We have a highly differentiated product, a strong market position, and a large opportunity to grow as retailers everywhere invest more online. The capital we received from the IPO gives us the resources to take advantage of this opportunity.

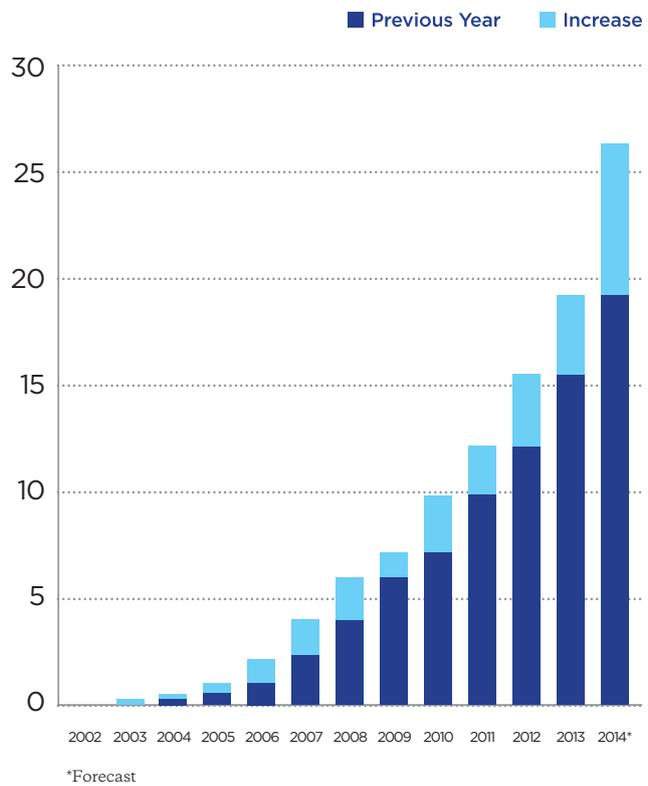
## FINANCIAL UPDATE //

The summary is that we are in line with our forecasts both in terms of revenue and expenses. Our operating revenue is favourable to forecast by \$25,000 (0.1% of operating revenue) and our expenses are unfavourable by \$40,000 (0.2% of total expenses). Our cash position is in line with forecast (\$316,000 favourable).

The key metric upon which we measure the performance of our business is our Annualised Recurring Revenue (ARR). Using the exchange rates in our prospectus, we achieved an ARR of \$19.3m at 30 June 2013. This is in line with our forecast of \$19.2m. This shouldn't be a surprise given that there was only one month between our listing and balance dates. By 30 June 2013 the US/NZ exchange rate had moved in our favour, boosting the ARR to \$20.4m. Because exchange rates are continuously changing we will continue to report our progress against our forecast, using the exchange rates at the time these were prepared. Using those exchange rates our ARR growth rate was 25%.

A particularly encouraging metric is our Customer Retention Rate (CRR). Our historical CRR by value has been approximately 90%. For the last 12 months our CRR was 92%. A high CRR is vital for a Software as a Service business because it shows that our customers are happy with our service and want to continue using us and this translates into long term value. This result is a reflection of the great work by our team globally to meet the needs of our ever-increasing customer base. It also helps with our growth because happy customers will tell other people about our products and services.

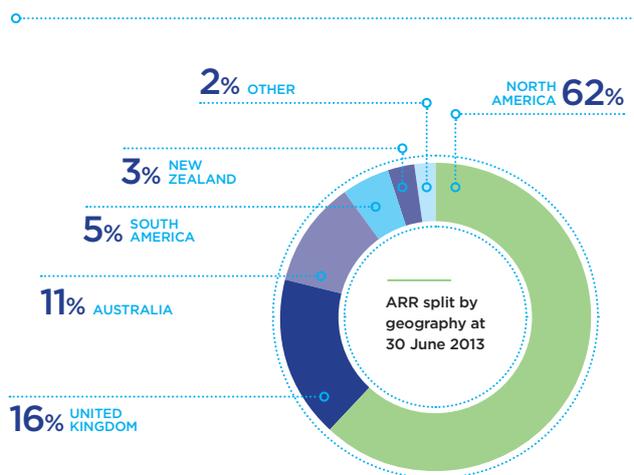
Annualised Recurring Revenue<sup>1</sup> NZ\$Million



## GLOBAL PERFORMANCE //

Approximately 97% of our revenue is from outside New Zealand. The chart on page 5 shows our revenue breakdown by geography and the table below the chart shows the growth in each of our main geographies.

Particularly encouraging is the growth we are seeing in Brazil, where we see plenty of opportunity and are encouraged by the size and volume of the deals. To make the most of this opportunity, we have hired our first sales person based in Sao Paulo (through a partner). We also have a Brazilian Customer Success Manager (in San Jose) and a Brazilian engineer (in Christchurch). We will continue to invest in growing this market.



REGION	% increase in ARR in last 12 months
North America	21%
United Kingdom	10%
Australia/New Zealand	34%
South America	110%
<b>Total</b>	<b>25%</b>

Japan is also encouraging. Although at a much earlier stage than Brazil, we have signed our first Japanese customer and are working with a number of Japanese partners. We continue to believe that there is a large opportunity for us in this market. Our focus is to set up the appropriate market structures, hire our first employee in Japan, and tweak our product to meet the needs of this market.

The market delivering the largest growth, in dollar terms, is the US. This accounts for the majority of our revenue and continues to provide our biggest opportunity. It is in this market where we are making the largest investment in sales and marketing.

#### OUR STRATEGY //

We are forecasting to grow our high margin ARR by 34% to 30 June 2014. We plan to achieve this primarily by increasing the size of our sales force. This team is responsible for acquiring new customers and expanding our relationship with existing customers. We expect that growth will occur both in our main markets of North America, the UK and Australia and our new markets of Brazil and Japan.

We have accelerated our recruitment globally. A large portion of our new sales hires are Inside Sales people who are responsible for finding opportunities for our Sales Directors. (See 'How we are investing for the future', page 10). This is a reflection of the specialisation that is required as we grow our sales team. We have hired an experienced Inside Sales Manager in San Jose who has started building out the team globally and setting up systems and processes to manage this team.

Another change to our sales structure is that we are building out our Enterprise Sales team. These people are focused on selling to large retailers who have a more complex buying process. We acquired our largest US Learning Search customer recently. That customer is one of the top 50 online retailers in the US and we are targeting more customers like this.

To optimise the long-term value we get from our customers we need to retain them for as long as we can and, where possible, grow our relationship with them. To help achieve this we are also building out our Customer Success and Engineering teams. Part of our revenue growth will come from new products that are being developed by our expanding engineering team.

To accommodate the new staff we have expanded our offices in San Jose, altered our London office to fit more people, and found a new office in Melbourne. Our EPIC office in Christchurch is large enough.

#### THE NEXT TWELVE MONTHS //

Our immediate focus is on hiring. This is the primary use of the new capital that we have received. As we build out the teams, we shift our focus to training and optimizing the performance of the teams, which is an on-going part of the growth process.

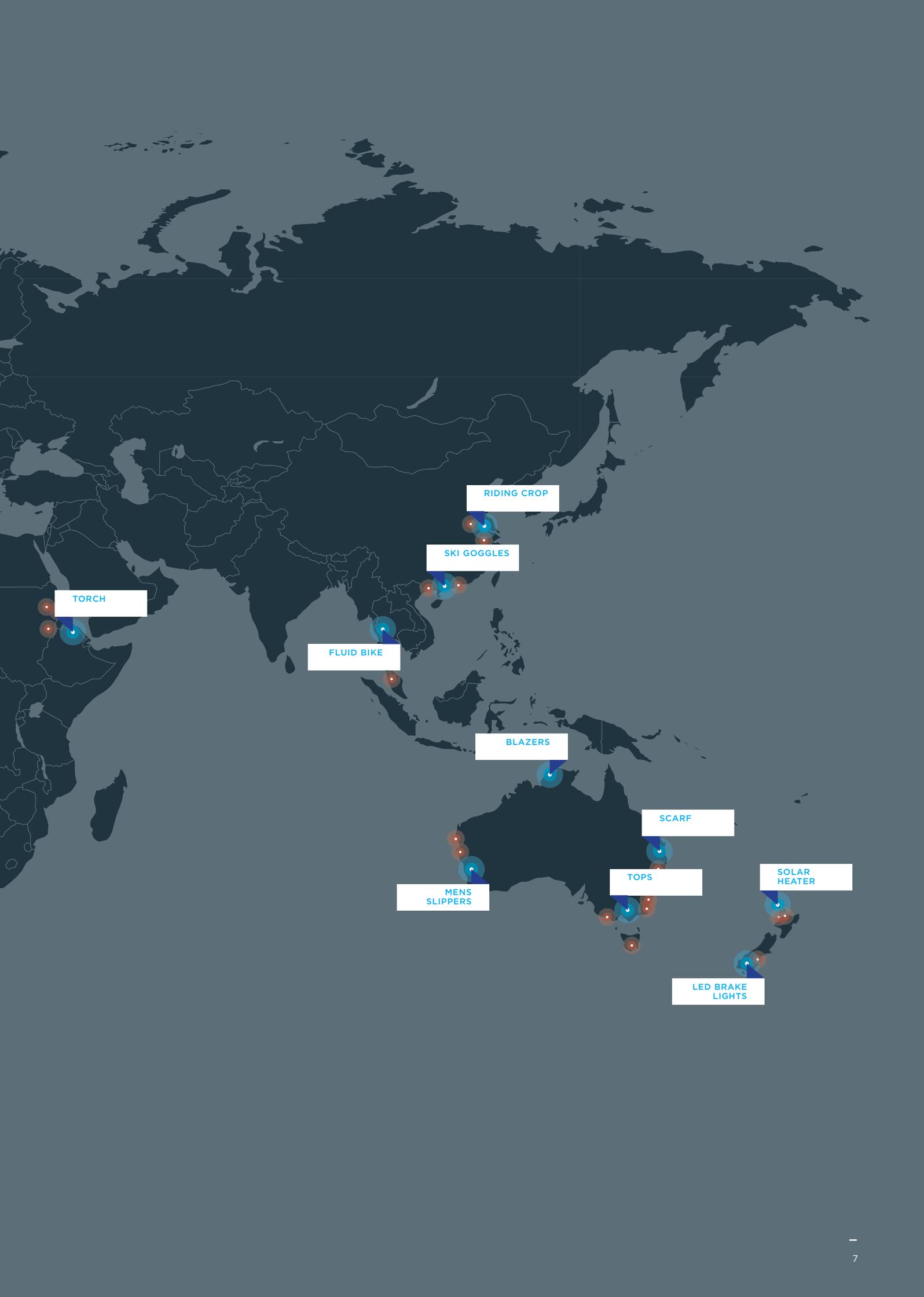
Our product development team offers the Company a lot of potential to outperform. We already have a very strong product suite, close relationships with a growing set of happy customers around the world and vast amounts of data about their products and customers. If we are able to show our customers new ways that we can use this data to help their businesses grow, we believe they will happily pay for it. We are currently working on a product that nicely fits this criterion, but we are not yet in a position to reveal it. This and future potential products represent a huge opportunity, and I believe we have the right team in place to make the most of these opportunities.

**Shaun Ryan**  
Chief Executive Officer



# STILL A WORLD LEADER

SLI continues to be a leading site search provider to e-commerce businesses in the US, UK, Brazil, Australia and New Zealand.



TORCH

FLUID BIKE

RIDING CROP

SKI GOGGLES

BLAZERS

SCARF

MENS SLIPPERS

TOPS

SOLAR HEATER

LED BRAKE LIGHTS

# SITE SEARCH ENABLER

## WHO WE ARE //

SLI supplies site search, navigation, merchandising, and other solutions to companies running e-commerce sites, with customers in the US, UK, Brazil, Australia, Japan and New Zealand.

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

For example, the user types in the word “laptops” and is shown a range of laptop accessories but no laptops. This is an example of ‘Bad Search’. When this happens visitors can get frustrated and may leave the website. SLI’s research has shown that 73% of visitors will leave a website within two minutes if they can not find what they are looking for.

## WHAT WE DO //

SLI’s search is designed to improve the search experience by delivering more relevant search results. A search for “laptops” on a SLI driven website delivers laptops. This is ‘Good Search’ and translates directly into greater online sales for SLI’s customers, offering a compelling proposition for e-commerce businesses.

SLI provides enhanced search relevance by learning from the search behaviour of site visitors and using this information to present visitors with the most popular items first.

SLI delivers its products via a SaaS model allowing SLI to derive recurring revenue (charging customers on-going subscription fees, rather than the traditional model of deriving a large amount of one-off revenue from selling a software based solution).

SLI’s primary focus is on the online retail market but it also has customers in a range of other sectors.

## OUR PRODUCTS

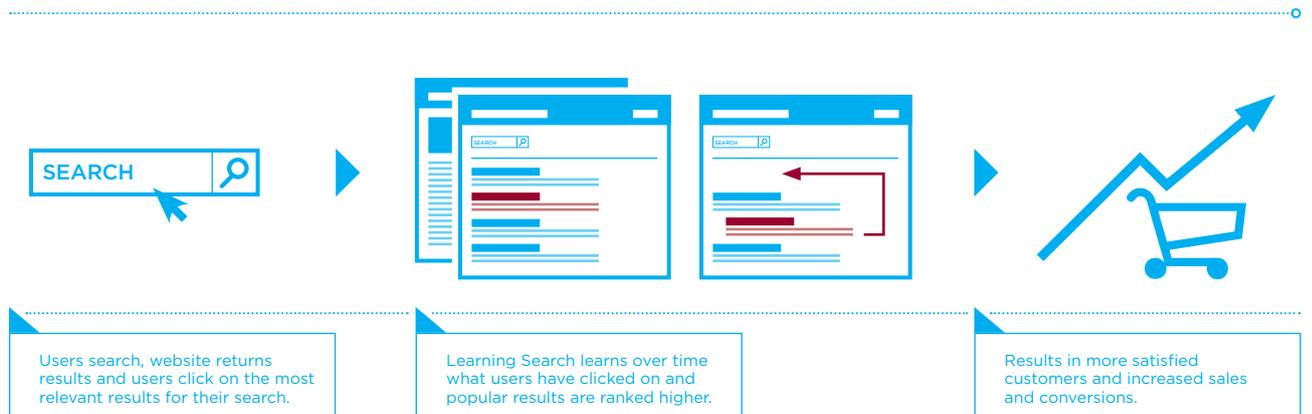
SLI’s products are designed to help its customers by increasing relevant visitor traffic to their site and, once there, making it easier for them to find what they’re looking for. SLI’s product range currently encompasses:



## JELLYBELLY.COM //

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





### LEARNING SEARCH //

SLI's core product is Learning Search, an advanced SaaS based site search offering which is designed to learn from visitors' site search activity and click-throughs to deliver the most relevant results. Learning Search is customised to match the design of a customer's existing website. Clicking on links from the SLI-powered search results page takes the visitor back to the relevant content on the customer's own website. Learning Search analyses the keywords visitors search with and the items they click on, using this information to continuously learn and improve the relevance of searches. This includes the various refinements and navigation paths visitors use to find the items they eventually purchase. Learning Search then uses this learning to re-order the future search results and make them more relevant to searchers.

### 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 optimised to rank well in search engines such as Google - helping customers achieve enhanced visibility and more traffic.

### SLI MOBILE //

SLI Mobile is a mobile-optimised search and navigation product that 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 aims to improve the mobile user experience and make it intuitive to discover products and other information from a smart phone.

### RICH AUTO COMPLETE //

Rich Auto Complete shows visitors product images and descriptions in a drop down box as they type (as distinct from 'auto-complete', which just shows words and not necessarily any other context). As the visitor types into the search box, Rich Auto Complete will constantly refresh the list of likely products before the visitor even presses the "search" button. SLI's learning technology generates these suggestions automatically based on visitor activity on the site.

### 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. under 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.

# HOW WE ARE INVESTING FOR THE FUTURE

Since we listed on the NZX we have been growing our team in line with our growth plan. As at 30 June 2013 we had over 120 staff located around the globe in our centres in Christchurch (New Zealand), San Jose (United States), London (UK) and Melbourne (Australia).

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

- **Product Management/Development Engineers:** responsible for developing new products. *(Christchurch)*
- **Customer-Facing Engineers:** responsible for implementing and maintaining services to SLI's customers. *(Christchurch and London)*
- **Customer Success:** responsible for implementing and maintaining existing accounts, including working closely with the customer facing engineering team. *(Global)*
- **Direct Sales:** responsible for securing new business. This team has a presence in all three of SLI's offshore offices, and also often travels to visit potential customers. *(Global)*
- **Inside Sales:** responsible for educating prospective customers who have limited understanding of SLI's products. *(Global)*

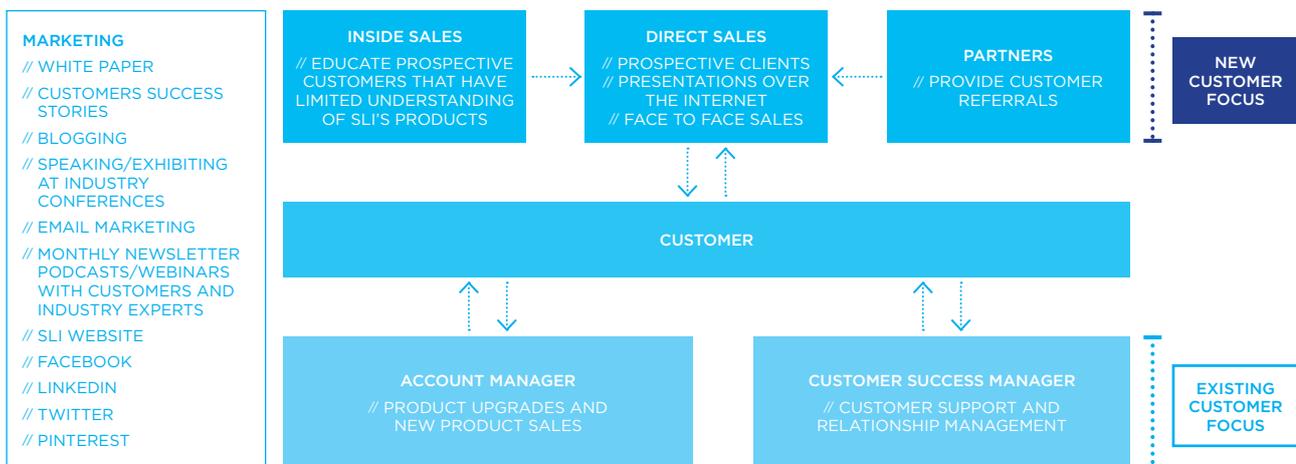
- **Marketing:** responsible for running all of SLI's marketing activities. *(San Jose, London, Melbourne)*
- **Finance and HR:** responsible for all standard finance and HR functions. *(Christchurch)*

The focus of our hiring will be on recruiting sales and marketing staff to accelerate growth in existing markets, expanding into new markets (Japan initially) and strengthening our presence in Brazil.

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

The inside sales team is responsible for finding prospective customers and handing them to the direct sales team to close. SLI has direct sales teams in each of its primary markets (US, UK, and Australia/New Zealand) to target key prospective customers.

## SALES AND MARKETING //



When SLI secures a new customer, the customer is assigned to a certain account manager for direct sales efforts. The account manager is responsible for helping clients with product additions and complementary products. As SLI's customers grow their businesses, they will often deploy additional sites and add additional products, like SLI's mobile search offering.

SLI also has partner arrangements with businesses supplying products and services to e-commerce businesses. These arrangements include referral, reseller and 'original equipment manufacturer' agreements. SLI will often engage in joint marketing with these partners. SLI aims to build reputation and market share by producing thought leading content (white papers, customer success stories, blogging and video content), and seeking opportunities to engage and promote these ideas (speaking and exhibiting at industry conferences, webinars and email marketing). SLI is well known within the e-commerce industry as a leading provider of site search solutions.

### ANNUALISED RECURRING REVENUE //

Annualised Recurring Revenue ("ARR") is a metric used by SLI which is a point in time estimation of core subscription revenue already secured for the next 12 months. ARR is calculated based on the subscription revenue generated from the existing customer base in the reference month and then annualised. For example, ARR as at 30 June 2013 is calculated with reference to the subscription revenue generated from the existing customer base for the month of June 2013 and multiplying it by 12.

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

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

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

### SELECTED SLI CUSTOMERS //



# BOARD

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. The Board comprises three independent directors (Greg Cross, Sarah Smith and Sam Knowles), two non-executive directors (Steven Marder and Matthew Houtman), and one executive director (Shaun Ryan). These six Directors also comprise the Board of S.L.I. Systems, Inc.



**// GREG CROSS**  
*Independent Chairman*

A director with over 25 years of experience in the technology sector working in growth companies in international markets. Greg is Chief Executive 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.

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**  
*Chief Executive Officer and Co-Founder*  
*// PhD, B Eng (Hons)*

Shaun has 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 is a frequent speaker at conferences in the US, UK and Australia, and regularly posts insights on site search trends to the Company's blog. His retail search by-lines have been published in Chief Marketer, Multichannel Merchant and other online magazines. Shaun has a PhD in Artificial Intelligence from the University of Canterbury.



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

Silicon Valley-based Steven Marder has over 23 years executive, advisory, and investment experience in the global technology, media and communications sectors. He currently serves as Chairman of PlatformPurple, is on the Board of Advisors for Aeria Games and AdMedia and recently served as operating partner for New York-based private equity firm Avista Capital. Steven acts as Director for portfolio companies WideOpenWest (WOW!) and InvestorPlace Media in addition to serving as Director/co-founder of social search technology company Eurekster. Steven also co-founded and served as Managing Director, North America for multinational merchant bank Gramercy Venture Advisors, co-founded and served as Chairman/ CEO of eMemberDirect, Inc. (formerly PetPlanet.com), 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.



**// MATTHEW HOUTMAN**

*Non-Executive Director // MMS*

Matthew is a co-founder and Managing Director of Pioneer Capital Partners, an investor in New Zealand businesses that are focussed on growth into large international markets. In addition to SLI, he has portfolio responsibilities with Orion Health, Pukeko Pictures, Konnect and YikeBike. Before joining Pioneer Capital Partners, Matthew had a career in investment banking; most recently with UBS Investment Bank, where he worked in the Auckland then London offices. Activities during this period included: mergers, acquisitions, trade sales, balance sheet recapitalisations, IPOs and debt funding. Matthew has a Master of Management Studies with distinction from the University of Waikato.

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**// SARAH SMITH**

*Independent Director // BCom, CA, AFIInstD*

Sarah, a chartered accountant, has extensive business and governance experience in both the private and public sectors. She has held key financial and business development roles in a variety of businesses both in New York and New Zealand. As an independent director, Sarah has 18 years experience and currently holds positions as Chairman of Meteorological Services of New Zealand and Metra Information Ltd. Sarah is also a Director of Christchurch City Holdings 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.

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**// SAM KNOWLES**

*Independent Director // MSc*

Sam has held senior positions for major banks in both Australia and New Zealand and has extensive experience in strategy, marketing, organisational capability building, and private and public sector governance 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 Chairman of Xero and a Director of Trustpower and Synlait milk, all NZX listed companies, and Chairman of Partners Life, ON-Brand partners and Unlimited Realities. He is also a Director of Magritek and Rangatira.

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# MANAGEMENT

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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.

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

Shaun has 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 is a frequent speaker at conferences in the US, UK and Australia, and regularly posts insights on site search trends to the Company's blog. His retail search by-lines have been published in Chief Marketer, Multichannel Merchant and other online magazines. Shaun has a PhD in Artificial Intelligence from the University of Canterbury.

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**// DR. WAYNE MUNRO**  
*Chief Technology Officer and Co-Founder*  
// PhD, B Eng (Hons)

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.

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**// GEOFF BRASH**  
*Vice President of Business Intelligence and Co-Founder*  
// MBA

Geoff focuses on driving growth and managing customer perception for SLI. A co-founder of the Company, he has considerable expertise in search and nearly two decades strategic and operations experience in the technology market. Under his direction, the Company won the New Zealand Hi-Tech Awards Marketer of the Year in 2005, placed 100 in the 2005 "Deloitte Technology Fast 500" ranking in Asia Pacific, and placed 12th in the 2005 "Deloitte/Unlimited Fast 50" in New Zealand. Before joining SLI, 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 an active member of several New Zealand software associations, and holds an MBA from Massey University.

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**// 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**

*Vice President of Product Management*  
*// PhD, BSc (Hons)*

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



**// ROD GARRETT**

*Chief Financial Officer // BCom (Hons)*

Rod has 20 years experience in finance and related roles. He worked for Pricewaterhouse in New Zealand and London working mainly on Insolvency/Corporate Recovery assignments before moving into the commercial sector. Before joining SLI in 2006, he was CFO of Christchurch electronics developer and manufacturer Eaton Power Quality Ltd. Rod originally worked for New Zealand owned 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**

*Vice President of Customer Success // BA*

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

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**// MICHAEL GRANTHAM**

*Operations Manager and Co-Founder*

*// BSc*

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

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# CORPORATE GOVERNANCE

## 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. In May 2013 the Board of Directors adopted a corporate governance 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 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; and
- monitoring compliance and risk management.

## BOARD AND COMMITTEE MEETINGS //

As the Company was incorporated on 17 April 2013 the full board only met three times in their capacity as Directors of SLI Systems Limited during the period to 30 June 2013. The board also met ten times in their capacity as Directors of S.L.I. Systems, Inc. in the period to 30 June 2013. The Audit and Risk Committee was formed in April 2013 and met once in the year. The Nominations and Remuneration committee was also formed in April 2013 and met twice in the year.

## BOARD MEMBERSHIP AND COMPOSITION //

The Board is required to maintain at least a minimum number of 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 2013, the Board has three 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 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 2013 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** (appointed 20 February 2013)  
Independent Director

**Sarah Smith** (appointed 20 February 2013)  
Independent Director

Profiles of current board members are shown on page 12 and 13.

Grant Ryan resigned as a director of the company on 20 February 2013.

As at 30 June 2013, five of the Company's directors were male and one was female. All of the Company's eight key management personnel were male. These key management personnel are 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 and the operations manager.

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## **NOMINATION AND APPOINTMENT OF DIRECTORS //**

The Board is responsible for identifying and recommending candidates. Directors may also be nominated by shareholders under NZSX 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 has two formally constituted committees. These committees established by the Board, under the terms of the corporate governance code, review and analyse policies and strategies (usually developed by management) which are within their terms of reference. The Committees examine proposals and, where appropriate, make recommendations to the 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 2013 were \$60,000 per annum for the Chairman and \$40,000 per annum for each non-executive director (including the independent directors). These fees were set with an effective date of 1 October 2012. Prior to this there were no director's fees payable.

To provide for flexibility, shareholder approval was obtained prior to listing for an aggregate non-executive directors' fees of \$250,000 for the purposes of NZSX 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.

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#### **LOANS TO DIRECTORS //**

As set out in its Investment Statement dated 6 May 2013, and its prospectus also dated 6 May 2013, the Company has provided limited recourse loans of \$200,000 each to Greg Cross, Sarah Smith and Sam Knowles to enable them to subscribe for unlisted redeemable shares in the company at the offer price of \$1.50 per share. These three directors subscribed for redeemable shares having an aggregate issue price of \$600,000. The loans do not bear interest and are repayable on 30 June 2016 or a later date specified by the Board (excluding any director advanced a limited recourse loan), but may be repaid earlier. The loans are limited recourse and are secured against shares acquired with the benefit of the loan, but the Company has no recourse against any personal assets of the Independent Directors. If the loan is not repaid, the Company may arrange for those shares to be sold. As at 30 June 2013, no cash has been exchanged in relation to this transaction.

#### **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 NZX Main Board.

## TWENTY LARGEST SHAREHOLDERS //

The table below shows the names and holdings of the 20 largest shareholders as at 28 August 2013.

INVESTOR NAME	NUMBER OF SHARES	%
TEA Custodians (Pioneer Capital) Limited	5,913,798	10.12%
Lynnwood Holdings Limited	3,561,816	6.10%
Marder Media Group Inc.	3,211,290	5.50%
Grant James Ryan & Shaun William Ryan <sup>1</sup>	2,953,116	5.06%
Wayne Alistair Munro	2,940,120	5.03%
Shaun William Ryan & Katherine Louise Ryan <sup>2</sup>	2,430,000	4.16%
Geoffrey Michael Brash	2,398,294	4.11%
Michael Arthur Grantham	2,065,500	3.54%
Robert Van Nobelen & BWS Trustee (2005) Limited <sup>3</sup>	2,007,612	3.44%
Jasmine Investment	1,795,843	3.07%
Kevin James Taylor & Anna Patricia Taylor <sup>4</sup>	1,742,928	2.98%
Premier Nominees Limited <sup>5</sup>	1,589,043	2.72%
Custodial Services Limited	1,553,588	2.66%
Steven Marder	1,498,032	2.56%
TEA Custodians Limited <sup>5</sup>	1,337,953	2.29%
Meagan Kae Vanzyl	1,187,274	2.03%
Grant Ryan	900,000	1.54%
K One W One (No. 2) Limited	900,000	1.54%
JPMorgan Chase Bank <sup>5</sup>	894,452	1.53%
Forsyth Barr Custodians Limited	840,455	1.44%
<b>Total</b>	<b>41,721,114</b>	<b>71.42%</b>

<sup>1</sup> As trustees of the Grant James Ryan Family Trust

<sup>2</sup> As trustees of the Shaun W Ryan Family Trust

<sup>3</sup> As trustees of the Rob Van Nobelen Family Trust

<sup>4</sup> As trustees of the Anna and Kevin Taylor Family Trust

<sup>5</sup> Held by New Zealand Central Securities Depository Ltd as custodian

## SPREAD OF SECURITY HOLDERS AS AT 28 AUGUST 2013 //

RANGE	NUMBER OF HOLDERS	%	ISSUED CAPITAL	%
1-1,000	317	21.3%	218,088	0.4%
1,001-5,000	797	53.4%	2,315,285	4.0%
5,001-10,000	216	14.5%	1,672,226	2.9%
10,001-50,000	114	7.6%	2,289,150	3.9%
50,001-100,000	8	0.5%	591,615	1.0%
Greater than 100,000	40	2.7%	51,329,492	87.9%
<b>Total</b>	<b>1,492</b>	<b>100%</b>	<b>58,415,856</b>	<b>100%</b>

## SUBSTANTIAL SECURITY HOLDERS //

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	%
SLI Systems Limited <sup>1</sup>	40,068,532	68.59%
Shaun William Ryan <sup>2</sup>	6,944,376	11.89%
Pioneer Capital Management Limited / Pioneer Capital Partners I LP and NZVIF Investments Limited / Matthew Gainsford Houtman <sup>3</sup>	6,083,563	10.41%
Steven Marder <sup>4</sup>	4,709,322	8.06%
Marder Media Group, Inc	3,211,290	5.50%
Grant James Ryan <sup>5</sup>	4,604,376	7.88%
Lynwood Holdings Limited	3,561,816	6.10%
Wayne Alistair Munro	2,940,120	5.03%

The total number of listed voting securities of the company on issue at 28 August 2013 was 58,415,856 fully paid ordinary shares.

<sup>1</sup> As part of listing the Company, several shareholders undertook to the Company, NZX and the non-interested directors of the Company not to dispose of their legal or beneficial ownership of their shares from 31 May 2013 until the first day after announcement to NZX of the preliminary financial results in respect of the year ended 30 June 2014. As a result of these undertakings the Company has a relevant interest in the shares that are subject to these restrictions, as it has the power to control the disposal of such shares.

<sup>2</sup> 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.

<sup>3</sup> 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 TEA Custodians (Pioneer Capital) 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.

<sup>4</sup> Steven is legal and beneficial holder of 1,498,032 ordinary shares and has a deemed relevant interest in the ordinary shares held by Marder Media Group, Inc arising from his power to control Marder Media Group, Inc.

<sup>5</sup> 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.

## STATEMENT OF DIRECTORS' RELEVANT INTEREST //

Directors held the following relevant interests in equity securities in the company as at 30 June 2013:

DIRECTOR	NUMBER OF SHARES	NATURE OF RELEVANT INTEREST
<b>Greg Cross, Chairman</b>		
<i>Unlisted redeemable shares</i>	133,333	Held as legal and beneficial owner
<i>Unlisted exercisable options</i>	120,000	Held as legal and beneficial owner
<b>Dr Shaun Ryan, Executive Director</b>		
<i>Quoted Shares</i>	810,000	Held as legal and beneficial owner
<i>Quoted Shares</i>	2,430,000	Held as trustee of associated family trust
<i>Quoted Shares</i>	3,704,376	Held as trustee of trust not established for benefit of director's immediate family
<i>Unlisted exercisable options</i>	49,260	Held as legal and beneficial owner
<b>Steven Marder, Non Executive Director</b>		
<i>Quoted Shares</i>	1,498,032	Held as legal and beneficial owner
<i>Quoted Shares</i>	3,211,290	Deemed relevant interest arising from power to control Marder Media Group Inc.

## STATEMENT OF DIRECTORS' RELEVANT INTEREST CONTINUED //

<b>Matthew Houtman, Non Executive Director</b>		
Quoted Shares	13,333	Held as legal and beneficial owner
Quoted Shares	6,070,230	Arising from power to control Pioneer entities <sup>1</sup>
<b>Sarah Smith, Independent Director</b>		
Unlisted redeemable shares	133,333	Held as joint legal and beneficial owner
Quoted Shares	20,000	Held as joint legal and beneficial owner
<b>Sam Knowles, Independent Director</b>		
Quoted Shares	66,667	Held as legal and beneficial owner
Unlisted redeemable shares	133,333	Held as legal and beneficial owner

<sup>1</sup> 5,913,798 ordinary shares held by Pioneer Capital Partners I LP and NZVIF Investments Limited and 156,432 ordinary shares held by Pioneer Capital Management Limited, the manager of that fund. Matthew owns in conjunction with a family trust 50% of Pioneer Capital Management Limited.

## GENERAL DISCLOSURE OF INTERESTS //

The following represents the interests of Directors in other entities as disclosed to the company and its subsidiaries and entered into their Interests Registers:

INTEREST - COMPANY	DETAIL		
<b>Greg Cross</b>			
Cross Ventures Ltd	Director		
CVI Trust Ltd	Director		
PowerbyProxi Ltd	Chairman		
Fronde Systems Group Ltd	Director		
Fronde Anywhere Ltd	Director		
Movac Fund 3	Investment Partner		
Meteorological Service of New Zealand Ltd	Director		
Metra Information Ltd	Director		
Tentpole Family Trust	Trustee		
Three H Ltd	Director		
BiciVida Ltd	Director		
Global Edge Capital Ltd	Director		
Netople Ltd	Director		
<b>Shaun Ryan</b>			
Epic Christchurch Limited	Director		
<b>Steven Marder, Non-Executive Director</b>			
Eurekster. Inc.	Director		
Marder Media Group. Inc.	Director		
<b>Matthew Houtman, Non-Executive Director</b>			
Pukeko Pictures GP Limited	Director		
MGH & KMW Limited	Director		
Pioneer Capital Management Limited	Director		
ProjectGarlic Limited	Director		
<b>Sarah Smith, Independent Director</b>			
Meteorological Service of New Zealand Ltd	Chairman		
Metra Information Ltd	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		
Warren Architectural Trust	Trustee		
Ohinetahi Charitable Trust	Trustee		
<b>Sam Knowles, Independent Director</b>			
Xero Ltd	Chairman		
Trustpower Ltd	Director		
Unlimited Realities Ltd	Chairman		
Partners Life Ltd	Chairman		
OnBrand Ltd	Chairman		
Rangatira Ltd	Director		
Te Omanga Hospice	Trustee		
United World College NZ	Trustee		
Angel HQ Inc - Wellington angel Investment society	Director		
Ruby Family Trust	Trustee		
Ian Samuel Knowles Children's Trust	Trustee		
Growthcom Ltd and Com Investments Ltd	Director		
Synlait Milk Ltd	Director		

## DIRECTORS' REMUNERATION AND OTHER BENEFITS //

Directors' fees and executive Director's salary and entitlements received or receivable for the year are as follows:

DIRECTOR	\$	NATURE OF REMUNERATION
Greg Cross	45,000	Director Fees
Matthew Houtman	30,000	Director Fees
Stephen Marder	30,000	Director Fees
Sam Knowles	16,666	Director Fees
Sarah Smith	16,666	Director Fees
Grant Ryan	15,562	Director Fees
Shaun Ryan	292,819	Director fees, salary & entitlements

Note this includes payments to the Directors in their capacity as directors of S.L.I. Systems, Inc. and in their capacity as Directors of SLI Systems Ltd.

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 relevant group company's business.

The Company also provided limited recourse loans of \$200,000 to each of the Independent Directors which enabled them to subscribe for 133,333 unlisted redeemable shares each in the Company at \$1.50. The terms of the redeemable preference shares are as set out in the Investment Statement date 6 May 2013. Refer to Corporate Governance section of the Annual Report.

## DIRECTOR SHARE DEALINGS //

During the accounting period ended 30 June 2013 the following directors disclosed under section 148 of the Companies Act 1993 that they acquired or disposed of relevant interests of shares issued by the Company and S.L.I. Systems, Inc.

All transactions occurred on the 31 May 2013 (being the date the Company was listed on the NZX Main Board).

DIRECTOR	SHARES IN S.L.I. SYSTEMS, INC. BEFORE LISTING	SHARES IN S.L.I. SYSTEMS, INC. SOLD UNDER SHARE EXCHANGE ON LISTING	ACQUIRED AT TIME OF LISTING	SHARES IN THE COMPANY FOLLOWING LISTING	NATURE OF RELEVANT INTEREST	CONSIDERATION PAID / (RECEIVED)
<b>Shaun Ryan</b>						
<i>Quoted shares</i>	900,000	90,000	-	810,000	Held as legal and beneficial owner	(135,000)
<i>Quoted shares</i>	2,700,000	270,000	-	2,430,000	Held as trustee of associate family trust	(405,000)
<i>Quoted shares</i>	4,277,838	573,462	-	3,704,376	Held as trustee of trust not established for benefit of director's immediate family	(860,193)
<b>Steven Marder</b>						
<i>Quoted shares</i>	1,544,364	46,332	-	1,498,032	Held as legal and beneficial owner	(69,498)
<i>Quoted shares</i>	4,260,000	1,048,710	-	3,211,290	Deemed relevant interest arising from power to control Marder Media Group, Inc	(1,573,065)
<b>Matthew Houtman</b>						
<i>Quoted shares</i>	-	-	13,333	13,333	Held as legal and beneficial owner	20,000
<i>Quoted shares</i>	8,052,576	1,982,346	-	6,070,230	Arising from power to control Pioneer entities	(2,973,519)

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## DIRECTOR SHARE DEALINGS CONTINUED //

<b>Sarah Smith</b>						
Quoted shares	-	-	20,000	20,000	Held as joint legal and beneficial owner	30,000
Unlisted Redeemable shares	-	-	133,333	133,333	Held as joint legal and beneficial owner	200,000
<b>Sam Knowles</b>						
Quoted shares	-	-	66,667	66,667	Held as legal and beneficial owner	100,000
Unlisted Redeemable shares	-	-	133,333	133,333	Held as legal and beneficial owner	200,000
<b>Greg Cross</b>						
Unlisted Redeemable shares	-	-	133,333	133,333	Held as legal and beneficial owner	200,000

## DIRECTORS INDEMNITY INSURANCE //

The Company entered into an indemnity in favour of its Directors and its subsidiaries 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 2013.

REMUNERATION RANGE NZ\$	NO. OF EMPLOYEES
100,000-109,999	5
110,000-119,999	3
120,000-129,999	1
130,000-139,999	3
140,000-149,999	1
150,000-159,999	2
170,000-179,999	1
180,000-189,999	3
190,000-199,999	2
200,000-209,999	2
240,000-249,999	1
250,000-259,999	1
280,000-289,999	3
290,000-299,999	1
460,000-469,999	1

## NET TANGIBLE ASSETS PER SECURITY //

Net Tangible assets per security is \$0.27.

## NZX WAIVERS OBTAINED DURING THE PERIOD TO 30 JUNE 2013 //

None were obtained.

## AUDIT FEES //

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

## DONATIONS //

The SLI Group made no donations for the period ended June 2013.

## 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.



# FINANCIAL STATEMENTS\$

INDEPENDENT AUDITORS' REPORT

DIRECTORS' RESPONSIBILITY STATEMENT

INCOME STATEMENTS

STATEMENTS OF COMPREHENSIVE INCOME

STATEMENTS OF CHANGES IN EQUITY

BALANCE SHEETS

STATEMENT OF CASH FLOWS

NOTES TO THE 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 29 to 47, which comprise the balance sheets as at 30 June 2013, the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows for the period 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 2013 or from time to time during the financial period.

### ***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.

Other than in our capacity as auditors and providers of other assurance services we have no relationship with, or interests in, SLI Systems Limited or any of its subsidiaries.

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*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](http://www.pwc.com/nz)*



## ***Independent Auditors' Report***

SLI Systems Limited

### ***Opinion***

In our opinion, the financial statements on pages 29 to 47:

- (i) comply with generally accepted accounting practice in New Zealand;
- (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 2013, and their financial performance and cash flows for the period 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 period ended 30 June 2013:

- (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 Distribution or Use***

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.

A handwritten signature in blue ink, appearing to read 'PricewaterhouseCoopers', is written over a faint, larger version of the signature.

Chartered Accountants  
28 August 2013

Christchurch

# DIRECTORS' RESPONSIBILITY STATEMENT

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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 2013 and the results of the Group's operations and cash flows for the period ended on that date.

The company was incorporated on 17 April 2013 and a share exchange with S.L.I. Systems, Inc. occurred on 31 May 2013. The financial statements presented cover a period of only one month where there was any trading for SLI Systems Limited. Because this is a newly incorporated company there are no comparative figures for the corresponding prior period.

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 30 being pro forma financial statements for the period 1 July 2012 to 30 June 2013. These are prepared as if the Company had acquired S.L.I. Systems, Inc. on or before 1 July 2012. Historical financial statements for S.L.I. Systems, Inc. can be found in the Company's Investment Statement.

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 28 August 2013.

For and on behalf of the Board,



Greg Cross  
Chairman of Board



Sarah Smith  
Chair of Audit and Risk Committee

**SLI SYSTEMS LIMITED AND ITS SUBSIDIARIES**  
**INCOME STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2013**

		<b>Group</b>	<b>Parent</b>
	NOTE	2013 \$000	2013 \$000
Operating revenue	3	1,583	-
Other income	3	25	-
<b>Total revenue and other income</b>		<b>1,608</b>	<b>-</b>
Delivery costs		(441)	-
Administration and other costs		(475)	-
Listing costs		(1,129)	-
Employee entitlements	5	(1,454)	(168)
<b>Operating profit / (loss) before finance costs</b>		<b>(1,891)</b>	<b>(168)</b>
Finance income	6	50	-
Finance costs	6	-	-
<b>Net financing income / (cost)</b>		<b>50</b>	<b>-</b>
<b>Profit / (loss) before tax</b>		<b>(1,841)</b>	<b>(168)</b>
Income tax (expense)/ credit	7	24	-
<b>Profit / (loss) for the period</b>		<b>(1,817)</b>	<b>(168)</b>
<b>Profit / (loss) attributable to the Shareholders of the Company</b>		<b>(1,817)</b>	<b>(168)</b>
<b>Earnings / (loss) per share</b>			
Basic earnings / (loss) per share	25	(0.077)	
Diluted earnings / (loss) per share	25	(0.077)	

**SLI SYSTEMS LIMITED AND ITS SUBSIDIARIES**  
**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 30 JUNE 2013**

	<b>Group</b>	<b>Parent</b>
	2013 \$000	2013 \$000
Profit / (loss) for period	(1,817)	(168)
<b>Other comprehensive income</b>		
Currency translation movement	46	-
<b>Total comprehensive income / (loss) for the period attributable to the shareholders of the company</b>	<b>(1,771)</b>	<b>(168)</b>

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 PERIOD ENDED 30 JUNE 2013

GROUP	Share capital	Share option reserve	Translation reserve	Accumulated losses	Total equity
	\$000	\$000	\$000	\$000	\$000
Opening balance at 17 April 2013	-	-	-	-	-
Profit / (loss) for the period	-	-	-	(1,817)	(1,817)
Currency translation movement	-	-	46	-	46
<b>Total comprehensive income for the period</b>	-	-	<b>46</b>	<b>(1,817)</b>	<b>(1,771)</b>
<b>Transactions with owners</b>					
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)
<b>Balance at 30 June 2013</b>	<b>16,531</b>	<b>995</b>	<b>46</b>	<b>(1,817)</b>	<b>15,755</b>

PARENT	Share capital	Share option reserve	Accumulated losses	Total equity
	\$000	\$000	\$000	\$000
Opening balance at 17 April 2013	-	-	-	-
Profit / (loss) for the period	-	-	(168)	(168)
<b>Total comprehensive income for the period</b>	-	-	<b>(168)</b>	<b>(168)</b>
<b>Transactions with owners</b>				
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
<b>Balance at 30 June 2013</b>	<b>17,322</b>	<b>995</b>	<b>(168)</b>	<b>18,149</b>

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 2013

		Group	Parent
	NOTE	2013 \$000	2013 \$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	11	15,382	-
Trade and other receivables	12	4,185	-
Receivables from subsidiaries	22	-	15,025
<b>Total current assets</b>		<b>19,567</b>	<b>15,025</b>
<b>Non-current assets</b>			
Deferred tax assets	8	167	-
Property, plant and equipment	9	1,290	-
Intangible assets	10	162	-
Investment in subsidiaries	21	-	3,124
<b>Total non-current assets</b>		<b>1,619</b>	<b>3,124</b>
<b>Total assets</b>		<b>21,186</b>	<b>18,149</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Taxation payable	7	76	-
Trade and other payables	15	3,739	-
Employee benefits	16	1,573	-
<b>Total current liabilities</b>		<b>5,388</b>	<b>-</b>
<b>Non-current liabilities</b>			
Employee benefits	17	43	-
<b>Total non-current liabilities</b>		<b>43</b>	<b>-</b>
<b>Total liabilities</b>		<b>5,431</b>	<b>-</b>
<b>Net assets</b>		<b>15,755</b>	<b>18,149</b>
<b>EQUITY</b>			
Share capital	14	16,531	17,322
Reserves		1,041	995
Accumulated losses		(1,817)	(168)
<b>Total equity</b>		<b>15,755</b>	<b>18,149</b>

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 PERIOD ENDED 30 JUNE 2013**

	NOTE	<b>Group</b>
		2013 \$000
<b>Cash flows from operating activities</b>		
<b>Cash was provided from:</b>		
Receipts from customers		1,247
Interest received		50
Net GST received		36
<b>Cash was applied to:</b>		
Payments made to suppliers and employees		(2,358)
Income tax paid	7	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>26</b>	<b>(1,025)</b>
<b>Cash flows from investing activities</b>		
<b>Cash was provided from/(applied to):</b>		
Purchase of property, plant and equipment	9	(56)
Cash acquired with subsidiary	28	2,229
<b>Net cash inflow from investing activities</b>		<b>2,173</b>
<b>Cash flows from financing activities</b>		
<b>Cash was provided from/(applied to):</b>		
Net proceeds from issue of shares		15,000
Cash received from share options exercised		25
IPO share issue costs charged to equity		(791)
<b>Net cash inflow from financing activities</b>		<b>14,234</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>15,382</b>
Cash and cash equivalents at the beginning of the period		-
<b>Cash and cash equivalents at the end of the period</b>	<b>11</b>	<b>15,382</b>

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 and SLI Systems (UK) Limited, (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 and the United Kingdom.

The consolidated financial statements for the Group for the period ended 30 June 2013 were authorised for issue in accordance with a resolution of the Directors on 28 August 2013.

Note 30 sets out the comparison of actual results compared to the Prospective Financial Information as set out in the Group's Investment Statement dated 6 May 2013.

### 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").

The financial statements presented are the first financial statements as at balance date 30 June 2013 of the Parent and Group, covering the period since incorporation on 17 April 2013 and accordingly no comparatives have been presented.

#### (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.

#### 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. There are no areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements except for 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 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 2013 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. The acquisition of the subsidiary S.L.I. Systems, Inc. has been accounted for as a capital reorganisation. The cost of the acquisition is measured as the predecessor value of the assets and liabilities assumed at the date of exchange.

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 based on monthly exchange rates. 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 functional currency different from New Zealand dollars are translated into the presentation currency as follows:

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

**(d) Revenue recognition**

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

Revenue is recognised as follows:

**(i) Provision of services**

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

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

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

**(ii) Government grants**

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

**(e) Income tax**

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

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

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

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

**(f) Goods and Services Tax (GST)**

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

**(g) Leases**

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

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

**(h) Cash and cash equivalents**

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

**(i) Trade receivables**

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

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

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'operating expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administration and other costs' 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 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 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 and 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 valuation approach, 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 and the United Kingdom. Discrete financial information is not produced on a geographical basis and the operating results are reviewed on a group basis.

#### (t) Standards, interpretations and amendments not yet effective

##### NZ IFRS 9: Financial Instruments (effective 1 January 2015):

This standard replaces the parts of NZ IAS 39 Financial Instruments: Recognition and Measurement that relates to the classification and measurement of financial instruments.

All financial assets are required to be classified into two measurement categories: at fair value and at amortised cost.

The determination is based on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Group intends to adopt the new standard in the annual reporting period ending 30 June 2016.

##### NZ IFRS 13 Fair Value Measurement (effective 1 January 2013):

NZ IFRS 13 explains how to measure fair value and aims to enhance fair value disclosures. The Group has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Group intends to adopt the new standard in the annual reporting year ending 30 June 2014.

There are no other NZ IFRSs or NZ IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group or Parent.

### 3. REVENUE AND OTHER INCOME

	Group 2013 \$000	Parent 2013 \$000
Revenue from sale of services	1,583	-
Government grants received and receivable	25	-
<b>Total revenue and other income</b>	<b>1,608</b>	<b>-</b>

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

	Group 2013 \$000	Parent 2013 \$000
New Zealand	27	-
United States	974	-
United Kingdom	276	-
Australia	194	-
Rest of the world	112	-
	<b>1,583</b>	<b>-</b>

### 4. OPERATING EXPENSES

	Group 2013 \$000	Parent 2013 \$000
<b>Operating expenses include:</b>		
Amortisation of intangible assets	5	-
Bad debts written off	63	-
Movement in provision for doubtful debts	(30)	-
Depreciation on property, plant and equipment	22	-
Directors fee	18	-
Fees paid to auditors	168	-
Operating leases expenses	62	-
Loss/(gain) on foreign exchange transactions	(43)	-

## 5. EMPLOYEE ENTITLEMENTS

	Group 2013 \$000	Parent 2013 \$000
Wages and salaries	1,254	-
Share option expense	189	168
Employer contribution to defined contribution plans	11	-
<b>Total employee entitlements</b>	<b>1,454</b>	<b>168</b>

Employee benefit costs incurred on research activities are included within employee entitlements disclosed above.

## 6. NET FINANCING INCOME/(COST)

	Group 2013 \$000	Parent 2013 \$000
Interest income	50	-
<b>Finance Income</b>	<b>50</b>	<b>-</b>
Interest expense	-	-
<b>Finance cost</b>	<b>-</b>	<b>-</b>
<b>Net Financing income/(cost)</b>	<b>50</b>	<b>-</b>

## 7. TAXATION

	Group 2013 \$000	Parent 2013 \$000
<b>(a) Income tax (credit)/expense can be reconciled to accounting (loss)/profit as follows:</b>		
Accounting (loss) / profit before tax	(1,841)	(168)
Tax at the group's effective income tax rate of 28%	(515)	(47)
Tax effect of non deductible expenditure	339	47
Unrecognised current period tax losses	158	-
Other	(6)	-
<b>Aggregate income tax expense/(credit)</b>	<b>(24)</b>	<b>-</b>
<b>Comprising</b>		
Current tax	5	-
Deferred tax	(29)	-
<b>Income tax expense/(credit)</b>	<b>(24)</b>	<b>-</b>
<b>(b) Recognised tax liabilities</b>		
Balance at 17 April 2013	-	-
On acquisition of subsidiary	71	-
Charged to income	5	-
Tax paid	-	-
<b>Closing balance</b>	<b>76</b>	<b>-</b>

	Group 2013 \$000	Parent 2013 \$000
<b>(c) Imputation credit balance</b>		
Balance at 17 April 2013	-	-
On acquisition of subsidiary	25	-
Loss of shareholder continuity	(25)	-
<b>Closing balance</b>	<b>-</b>	<b>-</b>

## 8. DEFERRED TAXATION

	Group 2013 \$000	Parent 2013 \$000
<b>Deferred tax asset/(liability):</b>		
Balance at 17 April 2013	-	-
On acquisition of subsidiary (note 28)	138	-
Credited to income	29	-
<b>Closing balance</b>	<b>167</b>	<b>-</b>

	Group 2013 \$000	Parent 2013 \$000
<b>Deferred income tax at 30 June relates to the following:</b>		
<b>Deferred tax assets:</b>		
Employee entitlements and other temporary differences	278	-
<b>Gross recognised deferred tax assets</b>	<b>278</b>	<b>-</b>
<b>Deferred tax liabilities:</b>		
Property, plant and equipment	(111)	-
<b>Gross recognised deferred tax liabilities</b>	<b>(111)</b>	<b>-</b>
<b>Net recognised deferred tax asset</b>	<b>167</b>	<b>-</b>

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 / due from the same tax authority. The Group has unrecognised New Zealand tax losses available to carry forward of NZ \$692,000 subject to shareholder continuity being maintained as required by New Zealand tax legislation and subject to confirmation from the relevant tax authorities.

## 9. PROPERTY, PLANT AND EQUIPMENT

GROUP	Computer equipment \$000	Furniture, equipment and other \$000	Total \$000
<b>Cost</b>			
Balance at 17 April 2013	-	-	-
On acquisition of subsidiary	776	1,079	1,855
Currency translation movement	6	1	7
Additions	20	36	56
<b>Balance at 30 June 2013</b>	<b>802</b>	<b>1,116</b>	<b>1,918</b>
<b>Depreciation</b>			
Balance at 17 April 2013	-	-	-
On acquisition of subsidiary	(482)	(121)	(603)
Currency translation movement	(2)	(1)	(3)
Depreciation expense	(10)	(12)	(22)
<b>Balance at 30 June 2013</b>	<b>(494)</b>	<b>(134)</b>	<b>(628)</b>
<b>Net carrying amount</b>	<b>308</b>	<b>982</b>	<b>1,290</b>

There are no fixed assets in the Parent company.

The net carrying value of property, plant and equipment held in New Zealand is \$957,000, within the United States \$216,000 within United Kingdom \$91,000 and within Australia \$26,000.

## 10. INTANGIBLE ASSETS

GROUP	Patents and trademarks \$000	Software \$000	Total \$000
<b>Cost</b>			
Balance at 17 April 2013	-	-	-
On acquisition of subsidiary	486	107	593
<b>Balance at 30 June 2013</b>	<b>486</b>	<b>107</b>	<b>593</b>
<b>Amortisation</b>			
Balance at 17 April 2013	-	-	-
On acquisition of subsidiary	(364)	(62)	(426)
Amortisation	(3)	(2)	(5)
<b>Balance at 30 June 2013</b>	<b>(367)</b>	<b>(64)</b>	<b>(431)</b>
<b>Net carrying value</b>	<b>119</b>	<b>43</b>	<b>162</b>

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.

## 11. CASH AND CASH EQUIVALENTS

	Group 2013 \$000	Parent 2013 \$000
Cash at bank and on hand	2,537	-
Short-term bank deposits	12,845	-
	<b>15,382</b>	-

As at 30 June 2013 the amounts held in foreign currencies were as follows:

	Group 2013 \$000	Parent 2013 \$000
US dollars	554	-
Great British pounds	465	-
Australian dollars	271	-

## 12. TRADE AND OTHER RECEIVABLES

	Group 2013 \$000	Parent 2013 \$000
Gross trade receivables	2,842	-
Provision for impairment of receivables	(268)	-
Net trade receivables	2,574	-
Un-invoiced revenue	1,051	-
Prepayments and other receivables	560	-
<b>Total trade and other receivables</b>	<b>4,185</b>	<b>-</b>

## 13. TRADE RECEIVABLES PROVISIONING

### (a) Impaired receivables

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

	Group 2013 \$000	Parent 2013 \$000
1-60 days overdue	-	-
61-90 days overdue	16	-
91+ days overdue	252	-
<b>Impairment provision</b>	<b>268</b>	<b>-</b>

### (b) Past due but not impaired

As at 30 June 2013 trade receivables of the Group of \$93,000 were past due but not impaired. The past due but not impaired for the Parent was \$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 2013 \$000	Parent 2013 \$000
1-30 days overdue	32	-
Greater than 31 days overdue	61	-
	<b>93</b>	<b>-</b>

### (c) Provision for impairment of receivables

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

	Group 2013 \$000	Parent 2013 \$000
Opening balance at 17 April 2013	-	-
On acquisition of subsidiary	298	-
Unused amounts written back	(30)	-
<b>Closing balance</b>	<b>268</b>	<b>-</b>

(d) As at 30 June 2013 the amounts receivable in foreign currency were as follows:

	Group 2013 \$000	Parent 2013 \$000
US dollars	2,518	-
Great British pounds	679	-
Australian dollars	416	-

## 14. CONTRIBUTED EQUITY

### (a) Ordinary share capital

	2013 Shares	Group 2013 \$000	Parent 2013 \$000
Ordinary shares			
Authorised and issued (no par value)	58,137,106	16,531	17,322

The total authorised number of ordinary shares is 58,137,106 shares. All shares are fully paid.

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

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.

### Public offer

On 31 May 2013, the Company allotted 10,000,000 ordinary shares at an issue price of \$1.50 per share through a public offer. The Company's shares were listed on the New Zealand Stock Market on the 31 May 2013.

As part of the shares issued at the Initial Public Offering the following shares were issued to related parties who are all directors:

a) Sarah Smith	20,000
b) Sam Knowles	66,667
c) Matthew Houtman	13,333

## (b) Redeemable shares (at time of IPO)

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 as follows:

Greg Cross	133,333
Sarah Smith	133,333
Sam Knowles	133,333
	<b>399,999</b>

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's subsidiary, S.L.I. Systems, Inc. provided loans to the redeemable share holders of \$600,000 in aggregate. The loans provided are interest free, have recourse only against the redeemable shares and are repayable in full on 31 May 2016, 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 23 using the Blacks-Scholes pricing model. As at 30 June 2013, no cash has been exchanged in relation to this transaction and the aggregate value of the issue price, loans and receivable from subsidiary is 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.

## 15. TRADE AND OTHER PAYABLES

	Group 2013 \$000	Parent 2013 \$000
Trade payables	481	-
Revenue in advance	2,683	-
Other payables and accrued expenses	575	-
	<b>3,739</b>	-

## 16. CURRENT EMPLOYEE BENEFITS

	Group 2013 \$000	Parent 2013 \$000
Liability for annual and long service leave	685	-
Other employee payables	888	-
	<b>1,573</b>	-

As at 30 June 2013 the amounts payable (including revenue in advance and employee entitlements) in foreign currency were as follows:

	Group 2013 \$000	Parent 2013 \$000
US dollars	3,025	-
Great British pounds	894	-
Australian dollars	471	-

## 17. NON-CURRENT EMPLOYEE BENEFITS

	Group 2013 \$000	Parent 2013 \$000
Liability for long service leave	43	-
	<b>43</b>	-

## 18. OPERATING LEASE COMMITMENT

	Group 2013 \$000	Parent 2013 \$000
Non-cancellable operating lease rentals are payable as follows:		
Less than one year	683	-
Between one and five years	2,154	-
More than five years	-	-
	<b>2,837</b>	-

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.

## 19. CAPITAL COMMITMENTS

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

## 20. CONTINGENCIES

There are no contingencies at 30 June 2013.

## 21. SUBSIDIARIES

	Country of incorporation	Ownership 2013
S.L.I Systems, Inc.	United States	100%
SLI Systems (UK) Limited (owned 100% by S.L.I Systems, Inc)	United Kingdom	100%

The subsidiary's name has been changed from SLI Systems Limited to SLI Systems (UK) Limited. This was approved on 12 April 2013 by the Registrar of Companies for England and Wales under the Companies Act 2006.

#### Shares in subsidiary

	Parent 2013 \$000
Shares in subsidiary at cost (note 28)	3,103
Share options pre share transfer	21
	<b>3,124</b>

In the Parent the charges relating to the fair value of options that were issued before 31 May 2013 is recognised as an increase in the investment in subsidiaries, 2013: \$21,000.

## 22. 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

The Company provided funding to its subsidiary, S.L.I. Systems, Inc. during the period.

	Parent 2013 \$000
Receivables from subsidiary (S.L.I. Systems, Inc.)	
- IPO funds received	15,000
- Share options exercised	25
<b>Total receivable from subsidiary</b>	<b>15,025</b>

The IPO related costs of \$1,920,000 have been settled by S.L.I. Systems, Inc. on behalf of the Parent.

Director holders of options are disclosed in notes 14 and 23.

Marder Media Group is a shareholder of Delivery Agent which is a customer of S.L.I. Systems, Inc.

Matthew Houtman is a director of Pioneer Capital Management Ltd which manages certain entities which are shareholders in the Company.

#### 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 2013 \$000
Directors fees	18
Directors' redeemable preference shares expense	166
Short term employee benefits	184
Share options (under Employee Share Options Scheme)	1

## 23. 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 option as of the one year anniversary after the grant date, then an additional 1/36th of the remaining balance on a monthly basis, so that the 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.

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

The weighted average of the total options at the end of the period is USD 46 cents which equates to NZD 59 cents at year end exchange rates.

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

The following options are outstanding at balance date:

Number of options	Range of exercise price per share	Weighted average contractual life at balance date (years) (2013)
516,000	US \$0.17 - \$0.24	0.4
1,410,000	US \$0.29 - \$0.33	3.8
4,513,878	US \$0.33	7.0
643,500	US \$0.68	8.9
656,400	US \$0.75	9.3
324,000	US \$0.78	9.7
530,796	NZ \$1.50	9.9
69,000	NZ \$1.94	10.0

### Measurement of fair value

The fair value of the options granted was measured based on the Black-Scholes formula. 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	2013
Fair value at grant date (weighted average USD\$)	0.10
Share price at grant date (weighted average USD\$)	0.40
Exercise price (weighted average USD\$)	0.39
Expected volatility (weighted average)	20% to 30%
Expected life (weighted average)	4
Risk-free interest rate (weighted average)	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	2013
Fair value at grant date (weighted average NZD\$)	0.43
Share price at grant date (weighted average NZD\$)	1.55
Exercise price (weighted average NZD\$)	1.55
Expected volatility (weighted average)	30%
Expected life (weighted average)	4
Risk-free interest rate (weighted average)	2.6%

### Directors

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

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

## 24. FINANCIAL RISK MANAGEMENT

### (i) Financial instrument classification

	Group	
	Loans and receivables	Other at amortised cost
	2013	2013
	\$000	\$000
<b>Assets</b>		
Cash and cash equivalents	15,382	-
Trade and other receivables	4,185	-
<b>Total current assets</b>	<b>19,567</b>	-
<b>Total financial assets</b>	<b>19,567</b>	-
<b>Liabilities</b>		
Trade and other payables	-	5,388
<b>Total current liabilities</b>	-	<b>5,388</b>
Other payables	-	43
<b>Total non-current liabilities</b>	-	<b>43</b>
<b>Total financial liabilities</b>	-	<b>5,431</b>

	Parent	
	Loans and receivables	Other at amortised cost
	2013	2013
	\$000	\$000
<b>Assets</b>		
Cash and cash equivalents	-	-
Trade and other receivables	15,025	-
<b>Total current assets</b>	<b>15,025</b>	-
<b>Total financial assets</b>	<b>15,025</b>	-
<b>Liabilities</b>		
Trade and other payables	-	-
<b>Total current liabilities</b>	-	-
Other payables	-	-
<b>Total non-current liabilities</b>	-	-
<b>Total financial liabilities</b>	-	-

### (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.

As at 30 June 2013 if interest rates had been 0.25% higher/lower with all other variables held constant, interest income, net profit/(loss) and accumulated losses for the Company and the Group would have decreased/increased by an immaterial amount in 2013.

#### 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 generating sufficient revenue from sales to cover the ongoing costs of operation.

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 \$43,000 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 2013 \$000	Parent 2013 \$000
Cash and cash equivalents	15,382	-
Trade and other receivables	4,185	-
<b>Total</b>	<b>19,567</b>	-

#### 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 period ended 30 June 2013 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 in the following table;

	Group 2013 \$000	Parent 2013 \$000
<b>Appreciation of NZD against foreign currency (10%)</b>		
(Decrease)/increase in profit/(loss) before tax	(51)	-
(Decrease)/increase in equity after tax	(134)	-
<b>Depreciation of NZD against foreign currency (10%)</b>		
(Decrease)/increase in profit/(loss) before tax	51	-
(Decrease)/increase in equity after tax	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.

## 25. 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 in 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.

	Group 2013
Net profit/(loss) after tax	(\$1,817,000)
Ordinary shares on issue	58,137,106
Weighted average number of shares on issue	23,563,534
Basic earnings/(loss) per share	(0.077)
Diluted earnings/(loss) per share	(0.077)

## 26. RECONCILIATION FROM THE NET (LOSS)/PROFIT AFTER TAX TO THE NET CASH FROM OPERATING ACTIVITIES

	Group 2013 \$000
Net (loss)/profit after tax	(1,817)
<b>Adjustments</b>	
Depreciation	22
Amortisation	5
Loss/(gain) on foreign exchange transactions	42
Share option expense	189
<b>Changes in working capital items</b>	
(Increase)/decrease in trade receivables and prepayments	(229)
(Decrease)/increase in trade payables and accruals	776
(Increase)/decrease in GST	11
(Increase)/decrease in tax	(24)
<b>Net cash outflow from operating activities</b>	<b>(1,025)</b>

## 27. REMUNERATION OF AUDITORS

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

	Group 2013 \$000	Parent 2013 \$000
Assurance services - due diligence on IPO	142	-
Audit and review of financial reports	26	-
<b>Total remuneration for audit services</b>	<b>168</b>	<b>-</b>

## 28. CAPITAL REORGANISATION

On 31 May 2013 the Company acquired 100% of the share capital of S.L.I Systems, Inc.

The acquisition has been accounted for as a capital reorganisation whereby the assets acquired and liabilities assumed are recognised at their predecessor values in the Group financial statements.

The book value of the assets and liabilities recognised as a result of the acquisition are as follows:

	\$000
Cash	2,229
Trade and other receivables	3,046
Property, plant and equipment	1,252
Intangible assets	167
Deferred tax asset	138
Trade and other payables	(3,729)
<b>Net assets acquired at predecessor values</b>	<b>3,103</b>

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

Included in the \$3,103,000 of net assets acquired is a share option reserve of \$811,000 that has been taken over by the Parent on 31 May 2013. Therefore the remaining balance of \$2,292,000 is the amount of consideration in respect of the share transfer.

## 29. SUBSEQUENT EVENTS

There have been no material subsequent events after 30 June 2013.

## 30. COMPARISON TO PROSPECTIVE FINANCIAL INFORMATION

The Company was formed on 17 April 2013. On 31 May 2013 as a result of a share exchange the Company took ownership of S.L.I. Systems, Inc. and SLI Systems (UK) Limited (refer note 28). The income statements, statements of comprehensive income, statements of changes in equity and statement of cashflows presented above are for the period from the date of the Company formation that covers a period of one month's trading only. The pro-forma statements set out below show the financial statements of the three entities for a twelve month period ended 30 June 2013 as if the Group was one reporting entity throughout this period. These 12 month figures have been audited.

**PRO-FORMA INCOME STATEMENTS  
FOR THE 12 MONTHS TO 30 JUNE 2013**

	<b>Group Actual</b>	<b>Group Forecast pro-forma</b>	
	Year ended 30 June 2013 \$000	Year ended 30 June 2013 \$000	Variance \$000
Operating revenue	18,310	18,285	25
Other income	645	534	111
Operating expenses	(9,038)	(9,041)	3
Employee entitlements	(11,973)	(11,930)	(43)
<b>Operating profit / (loss) before finance costs</b>	<b>(2,056)</b>	<b>(2,152)</b>	<b>96</b>
Net financing income / (costs)	66	46	20
<b>Profit / (loss) before Income tax</b>	<b>(1,990)</b>	<b>(2,106)</b>	<b>116</b>
Income tax (expense)/ credit	(24)	(42)	18
<b>Profit / (loss) for the year</b>	<b>(2,014)</b>	<b>(2,147)</b>	<b>133</b>
<b>Profit / (loss) attributable to the Shareholders of the Company</b>	<b>(2,014)</b>	<b>(2,147)</b>	<b>133</b>
Operating Profit/(Loss) before financing costs	(2,056)	(2,152)	96
Add back: Depreciation and Amortisation	286	296	10
<b>Earnings before interest, tax, depreciation and amortisation</b>	<b>(1,770)</b>	<b>(1,856)</b>	<b>86</b>

**Explanation of variance - Income Statement**

The Group performed favourably to the forecast loss position as a result of favourable revenue (0.7% favourable to forecast) but offset by unfavourable expenses (less than 0.2% of total expenses). In summary the Group has performed in line with expectations from a profitability point of view.

**PRO-FORMA STATEMENT OF MOVEMENT IN EQUITY  
FOR THE 12 MONTHS TO 30 JUNE 2013**

	<b>Group Actual</b>	<b>Group Forecast pro-forma</b>	
	Year ended 30 June 2013 \$000	Year ended 30 June 2013 \$000	Variance \$000
Opening Balance 1 July 2012	2,033	2,033	-
Loss for year	(2,014)	(2,147)	133
Net change in foreign currency translation reserve	1	-	1
Directors and employee share schemes	363	354	9
<b>Issue of ordinary shares</b>			
For cash	16,163	16,139	24
Share issue cost	(791)	(875)	84
<b>Balance end of year</b>	<b>15,755</b>	<b>15,503</b>	<b>252</b>

**Explanation of variance - Statement of Movements in Equity**

The lower than expected loss for the period as explained in the previous page combined with lower than expected share issue costs results in an equity position \$252,000 favourable to forecast.

**PRO-FORMA BALANCE SHEET  
AS AT 30 JUNE 2013**

	<b>Group Actual</b>	<b>Group Forecast pro-forma</b>	
	Year ended 30 June 2013 \$000	Year ended 30 June 2013 \$000	Variance \$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	15,382	15,066	316
Trade and other receivables	4,185	3,106	1,079
<b>Total current assets</b>	<b>19,567</b>	<b>18,172</b>	<b>1,395</b>
<b>Non-current assets</b>			
Property, plant and equipment	1,290	1,353	(63)
Intangible assets	162	122	40
Deferred tax assets	167	135	32
<b>Total non-current assets</b>	<b>1,619</b>	<b>1,611</b>	<b>8</b>
<b>Total assets</b>	<b>21,186</b>	<b>19,784</b>	<b>1,402</b>
<b>LIABILITIES</b>			
<b>Liabilities</b>			
Trade and other payables	3,739	3,206	(533)
Employee benefits	1,616	1,066	(550)
Taxation payable	76	8	(68)
<b>Total liabilities</b>	<b>5,431</b>	<b>4,280</b>	<b>(1,151)</b>
<b>EQUITY</b>			
Total equity	15,755	15,503	(252)
<b>Total equity and liabilities</b>	<b>21,186</b>	<b>19,784</b>	<b>(1,402)</b>

**Explanation of variance - Balance Sheet**

Cash on hand is \$316,000 favourable to forecast as a result of working capital movements and the equity position as explained in the previous page. Trade receivables are materially higher than forecast as a result of collections being approximately \$300,000 lower than expected. However the significant component of this receivables variance is due to the earlier billing of customers than forecast. This higher receivables balance is offset by the higher income in advance balance that is shown in trade and other payables above. The employees' benefits is higher than forecast partly due to the timing of the payroll periods.

**PRO-FORMA STATEMENT OF CASH FLOWS  
FOR THE 12 MONTHS TO 30 JUNE 2013**

	<b>Group Actual</b>	<b>Group Forecast pro-forma</b>	
	Year ended 30 June 2013 \$000	Year ended 30 June 2013 \$000	Variance \$000
<b>Cash flows from operating activities</b>			
Receipts from customers	17,784	18,102	(318)
Receipts from other income	372	515	(143)
Interest received	66	46	20
Payments made to suppliers and employees	(19,351)	(19,952)	601
Income tax paid	(84)	(139)	55
Interest paid	-	-	-
<b>Net cash inflow/(outflow) from operating activities</b>	<b>(1,213)</b>	<b>(1,427)</b>	<b>214</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	(1,218)	(1,212)	(6)
<b>Cash flows from financing activities</b>			
Net proceeds from capital contributed	15,372	15,264	108
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>12,941</b>	<b>12,625</b>	<b>316</b>
Cash and cash equivalents at the beginning of the year	2,441	2,441	-
<b>Cash and cash equivalents at the end of the year</b>	<b>15,382</b>	<b>15,066</b>	<b>316</b>

**Explanation of variance - Statement of Cash Flows**

As explained in the analysis of the balance sheet, cash receipts from customers is slightly down on forecast (1.75%) but is offset by the timing of payments to suppliers and employees. The cash position is also favourably impacted by lower than forecast IPO costs.

# DIRECTORY

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## REGISTERED OFFICE OF THE COMPANY

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

Phone: 0800 754 797  
Facsimile: +64 (3) 961 3262  
Website: [www.sli-systems.com](http://www.sli-systems.com)

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VIC 3000

Australia  
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Christchurch 8011

New Zealand  
New Zealand Phone: 0800 754 797

## SOLICITORS

**Chapman Tripp**  
245 Blenheim Road  
Riccarton  
Christchurch 8011

## AUDITOR

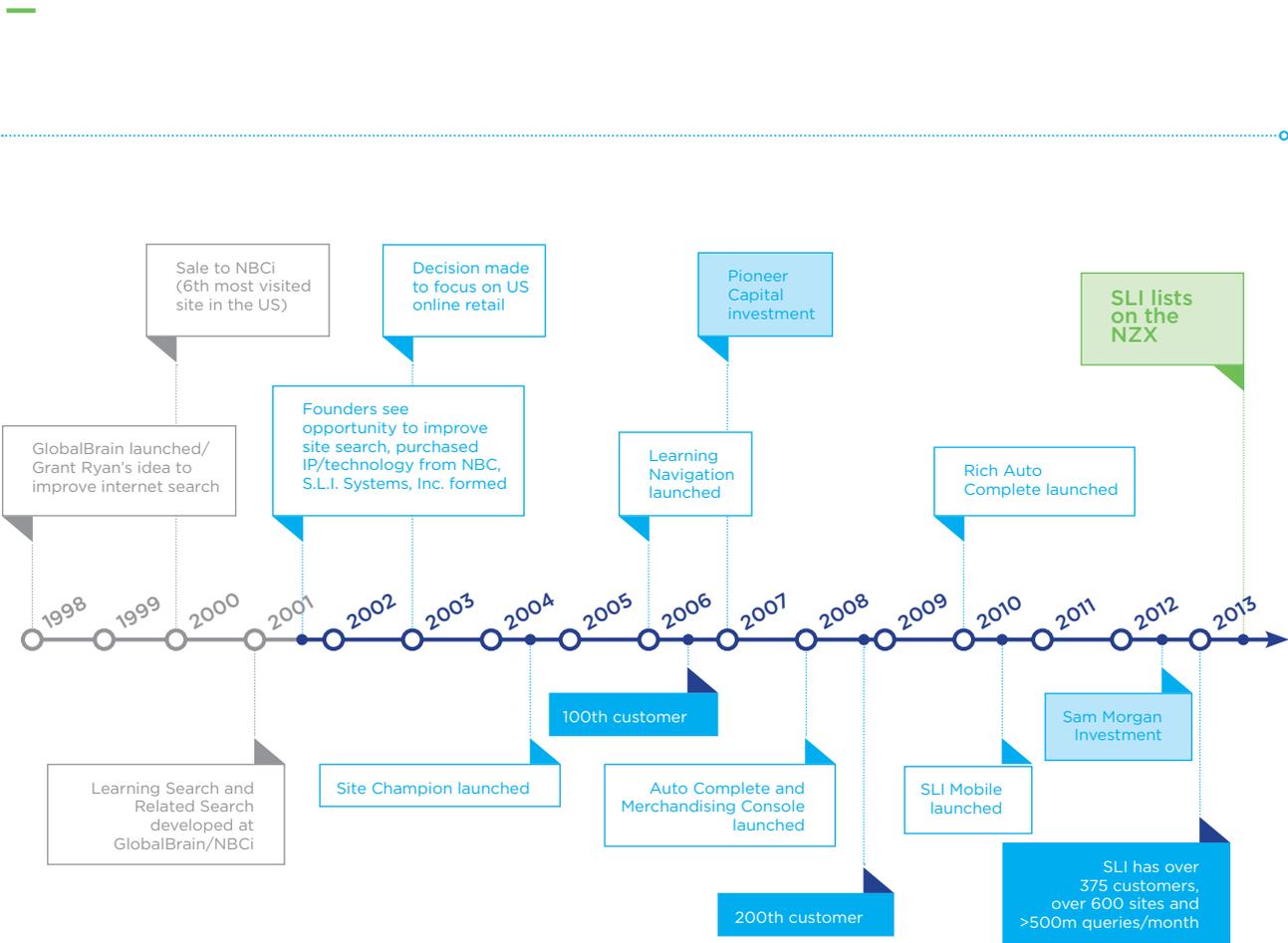
**PricewaterhouseCoopers**  
5 Sir Gil Simpson Drive  
Canterbury Technology Park  
Christchurch

## REGISTRAR

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# SLI TIMELINE



# FINANCIAL CALENDAR

**ANNUAL MEETING**

30 October 2013

**FINANCIAL YEAR END**

30 June

 HOMEWARE//S  
ACCE\$SORIES.CO  
MOBILESEARCH/  
//MERCHANDISIN  
CATALOGUE.COM  
EST/NAVIGATION  
 TECH\$UPPLIES