

# ANNUAL REPORT



31 March 2019

9 Spokes International Limited and subsidiary companies

ARBN 610 518 075



<b>01 CHAIRMAN'S REPORT</b>	4
<b>02 CHIEF EXECUTIVE'S REPORT</b>	6
<b>03 DIRECTOR'S REPORT</b>	11
<b>04 INDEPENDENT AUDITOR'S REPORT</b>	13
<b>05 CONSOLIDATED FINANCIAL STATEMENTS:</b>	
Consolidated Statement of Comprehensive Income	20
Consolidated Statement of Changes in Equity	21
Consolidated Statement of Financial Position	22
Consolidated Statement of Cash Flows	23
Notes to the Consolidated Financial Statements	24
<b>06 GOVERNANCE &amp; DISCLOSURES:</b>	
New Zealand Statutory Information	54
Additional Information for ASX Companies	58
Company Directory	64

# TABLE OF CONTENTS

**01**

**CHAIRMAN'S  
REPORT**

# CHAIRMAN'S REPORT

---

There is no doubt that 2019 has been the most demanding year yet for our young company. On one hand we have made good progress by increasing revenues and developing new account relationships with banks around the world whilst, on the other hand, we have very significantly reduced our monthly cash burn. Re-structuring on this scale has been painful, but necessary, and the overall result has been to take a large step towards our ultimate goal of profitability.

In turn, this has enabled 9 Spokes to underpin a successful capital-raise and which now gives us the breathing space where we hope to complete some major business development drives and take the company to long term sustainability.

With the recent capital raise we have many new shareholders on our register who we warmly welcome. For those new shareholders, 9 Spokes acts as a business software aggregation platform between the SMB and parties with whom they have deep operational and business relationships. The primary relationship is with their banking partner but over time this ecosystem will expand as we add new capability to the platform.

Whilst the past year has been demanding, we have also achieved much. In the past year we have;

- » delivered two new Enterprise Channel Customers;
- » made significant changes to the entire leadership team, including the appointment of Adrian Grant as Chief Executive;
- » significantly reduced our people costs while ensuring capability was well deployed with headcount falling from 94 to 62 which of itself removed \$3 million cost from the business;
- » reviewed our product strategy which while affirming our core value proposition for SMB's has meant that we are changing how we position the interaction of our products to our clients;
- » we commenced a major rebuild of our platform, known as V2, taking all our learnings from operating over the last two years to both improve our speed and operating cadence but importantly giving us the technical flexibility to rapidly build capability into our core platform;
- » re-platformed our infrastructure utilising Microsoft Azure which has resulted in significant service and cost benefits and
- » revised our distribution model, the first such step being a co-sell relationship with Microsoft.

It has been a huge effort by all the team to undertake these activities while maintaining a positive and concentrated focus on our goals and we can only commend our team on the significant progress made as we write this report.

The Board and management believe 9 Spokes has the right long-term business model. In every market we see increasing disruption within core banking and for SMB's the demand for more relevant and timely credit solutions is driving preference. For SMB's our ability to deliver a seamless aggregation of their business data, and to deliver a 'permissioned' bridge between the bank and the SMB drives a stronger, more relevant relationship.

Looking forward, 9 Spokes will continue to exercise operational caution as we focus on moving the company to break-even. But that is not at the expense of the work to deliver a V2 platform, new banks and SMB's onto the platform. Building a platform takes time and we are confident that the necessary steps have been taken to position the company well for the future.

Approved for and on behalf of the board on 28 June 2019



Paul Reynolds

Chairman

**02**

**CHIEF  
EXECUTIVE'S  
REPORT**

# CHIEF EXECUTIVE'S REPORT

The 2018/19 year has been a year of significant change, as the company elected to pivot its core strategy to achieve break-even as soon as feasible. At the same time all operational aspects of the company were reviewed in order to align all strands of the business to achieve our operational goals.

The following core achievements can be noted.

## Financial Performance

	2019 \$ million	2018 \$ million	Yoy \$ million	YoY %
Total revenue	8.2	6.7	1.5	22%
Total expenses	(16.8)	(24.1)	7.3	-30%
Net finance (expense)/income	(0.7)	0.3	(1.0)	-333%
<b>Net loss before income tax</b>	<b>(9.3)</b>	<b>(17.1)</b>	<b>7.8</b>	<b>-46%</b>

### Revenue

Total revenue for the year was \$8.2 million, (2018: \$6.7 million) up 22% on the prior year. Platform access revenue was \$4.5 million (2018: \$4.1 million) while recognised Implementation revenue was \$2.4 million (2018: \$1.7 million). Implementation revenue is deferred when invoiced and recognised over the initial term of an Enterprise Channel Customer contract. Implementation revenue this year includes \$0.6 million of deferred revenue recognised early, following cancellation of the contract with Royal Bank of Canada. As at 31 March 2019 the Annual Recurring Revenue from platform access fees amounted to \$3.9 million, while deferred Implementation revenue was \$1.5 million.

The Group also generated \$0.4 million of revenue for additional services such as Marketing services, referral fees and a proof of concept, with existing and prospective Enterprise Channel Customers.

Grant Income received mainly from Callaghan Innovation, a Crown entity of New Zealand was \$0.8 million (2018 \$0.5 million).

### Expenditure

Total expenditure for the year is \$16.8 million (2018: \$24.1 million) a decrease of \$7.3 million, down 30% year on year. Cost management and control has been a key objective for this financial year with a focus on alignment of costs to the requirements of the business.

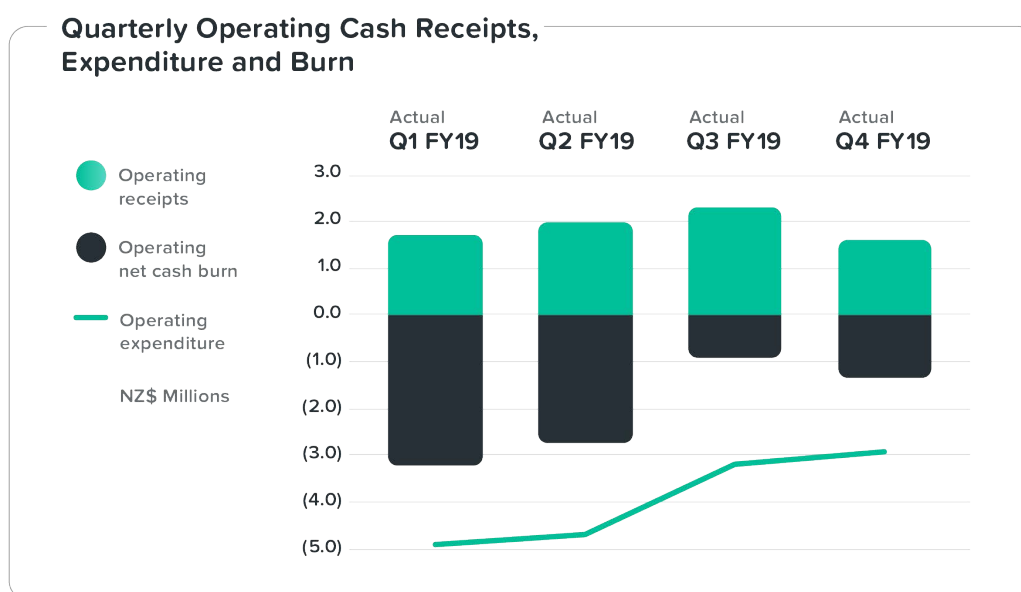
Over the course of the year, costs have progressively reduced, for the first half year total expenditure was \$9.9 million, this has reduced to \$6.9 million (down 31%) in the second half of the year. This compares to \$11.2 million for the second half of the last financial year. The Group is continuing to work with a keen focus on cost control against the backdrop of continued expected revenue increases.

Total employee costs have reduced by \$3.0 million a decrease of 23% year on year, Headcount has reduced, with the average during the last quarter of the year being 66 full time equivalents across the group compared to 100 staff for the same quarter last financial year. This reduction has been managed to ensure that the Company continues to have capacity to service Enterprise Channel Customers and to seek and secure new revenue opportunities.

Other significant cost savings in the year have been marketing spend, down by 86%, a reduction of \$2.1 million compared to marketing spend last financial year. Marketing focus this year has been on supporting growth of users from Enterprise Channel Customers who now account for over 60% of total users.

Cost reductions have also been achieved in hosting and infrastructure as we have moved to new hosting environments, travel and professional fees including having brought legal resources in house.

**Cash flows**



Annual net cash outflows from operations were \$9.4 million, reducing by 43% year on year, reflecting a 27% increase in receipts from Enterprise Channel Customers and government grants and a 25% reduction in payments to our people and suppliers. Quarter on quarter there has been a reduction in net cash outflows from operating activities, reducing from \$3.2 million in the first quarter to \$1.3 million in the last quarter, a trend that is expected to continue.

The cash flows from financing activities records the \$2.5 million short term lending provided to the Company during the year, see note 14 of the Consolidated Financial Statements for more detail on the loan.

Cash and cash equivalents at 31 March 2019 were \$1.4 million (2018: 7.3 million). Subsequent to the year end the Company announced a fully underwritten pro rata renounceable entitlement offer to raise A\$5.3m before costs, see note 25 of the Consolidated Financial Statements.

## ENTERPRISE CUSTOMERS AND CHANNEL PARTNERS

9 Spokes delivered two new bank Enterprise Channel Customers during the year. BNZ which was signed in March 2018 and OCBC Bank signed in August 2018 were both delivered successfully in December 2018. OCBC went live in January 2019, and BNZ at the beginning of April 2019 which 9 Spokes has supported in its go to market campaign by providing a Marketing service programme.

There are number of new Enterprise Channel opportunities under development across Asia, North America and Europe. Discussions with a tier one North American Bank are now at an advanced stage while the Company successfully delivered a paid Proof of Concept (POC) to a major European Bank during the last quarter of the year.

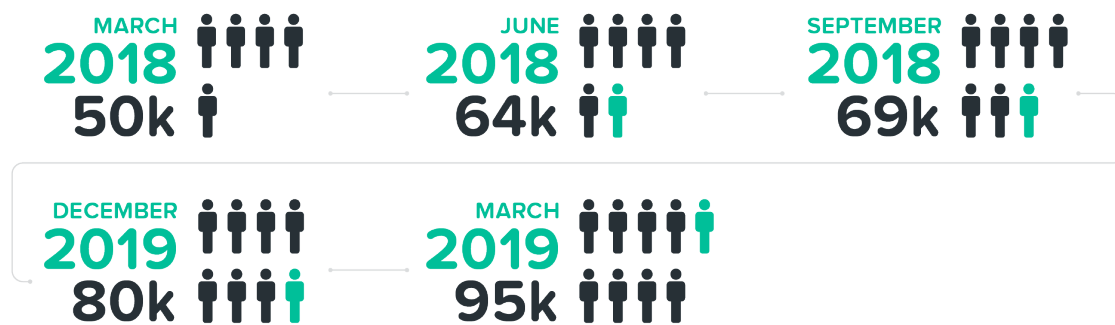
Continuing our strategy of working with key partners with strong banking associations the Company announced a relationship with Microsoft and notified the market of discussions with VISA USA; both to support the growth and distribution of the 9 Spokes platform and to extend the sales model through global distribution partnerships.

On 1 March 2019 the Company announced it had entered into a co-sell partner agreement with Microsoft under the Microsoft One Commercial Partner (OCP) programme, a program specifically designed for Microsoft Azure partners. As part of the OCP programme, Microsoft incentivises its sales teams to co-sell the 9 Spokes platform into key global banking communities. The model is specifically designed to help approved partners, like 9 Spokes, enter new markets and scale quickly by tapping into the deep customer relationships and technical expertise of Microsoft's enterprise sales teams around the world.

On 12 March 2019 the Company announced it had signed a 'Collaboration Framework Agreement' with Visa. This agreement provides a basis for 9 Spokes and Visa to potentially collaborate on mutual areas of interest. The agreement itself does not infer any commercial benefits or obligations on either party. Discussions are continuing well.

### Users

The majority of new growth in platform users comes from Enterprise Channel Customers who now account for approximately 60% of total users. Total user numbers reached 95,000 by 31 March 2019, an increase of 90% compared to March 2018. Since the end of the financial year these numbers have exceeded 100,000.





## NEW PRODUCT DEVELOPMENT

### Platform functionality

A key theme for this year has been the enhancement of our platform functionality, feature sets and user experience. Internally this is referred to as V2 of which a number of elements have already been delivered:

» **Move to Microsoft Azure Platform**

Going forward all new Enterprise Channel Customers will be deployed on the 9 Spokes V2 platform. Operationally, this will result in improved implementation cadence and a reduction in costs.

» **New data service framework**

The new framework speeds up integration of new apps into the platform, improves scalability of the data extraction processes and expands the breadth and depth of the data set 9 Spokes can work with. This framework will be deployed during the first quarter of the new financial year to power all apps on current and future dashboards.

The launch of V2, planned for later in 2019, represents the start of a significant product refresh, built on new architecture. This will enable 9 Spokes to enhance the user experience both for the Company's banking Enterprise Channel Customers and for its small medium business (SMB) users.

### Core foundation technology

The Company released a new REST API service layer. The APIs provide the foundation for mobile apps and support scenarios where Enterprise Channel Customers prefer to write their own user interface or embed the 9 Spokes services into their existing product offerings.

### Open banking

The Company has also developed opening banking functionality in compliance with the European PSD2 requirements which will enable 9 Spokes to integrate bank accounts within the platform from multiple banks. 9 Spokes has been granted a licence as an Open Banking Account Information Service Provider by the United Kingdom's Financial Conduct Authority, one of a small number of accredited agents that is not a bank.

### Mobile

The iOS mobile app was delivered internally and has now entered beta testing. The launch of the native app will provide a user experience for the 9 Spokes platform in line with user demands. For the Company's banking Enterprise Channel Customers, 9 Spokes has also successfully completed integrations enabling the 9 Spokes platform to be a part of each of the bank customers mobile applications.



ADRIAN GRANT

Chief Executive - Co-Founder

**03**

**DIRECTOR'S  
REPORT**

The Board of Directors has pleasure in presenting the financial statements and independent auditor's report for 9 Spokes International Limited for the year ended 31 March 2019.

The financial statements presented are signed for and on behalf of the Board and were authorised for issue on 28 June 2019.



Paul Reynolds

Chairman



Adrian Grant

Chief Executive - Co-Founder

**04**

**INDEPENDENT  
AUDITOR'S  
REPORT**



## ***Independent auditor's report***

To the shareholders of 9 Spokes International Limited

We have audited the consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 March 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

### ***Our opinion***

In our opinion, the accompanying consolidated financial statements of 9 Spokes International Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2019, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

---

### ***Basis for opinion***

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

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

We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other services for the Group in the areas of tax compliance, and a review opinion on the Group's Confirmation of Eligible Research & Development Expenses for Callaghan Innovation. The provision of these other services has not impaired our independence as auditor of the Group.

### ***Material uncertainty related to going concern***

We draw attention to note 2(b) in the consolidated financial statements, which discloses that the Group has incurred a loss of \$9.3 million and net cash outflows from operating activities of \$9.4 million for the year ended 31 March 2019. At the current run rate the Group only has sufficient cash for a further four months from the date of signing these financial statements. In order to generate sufficient cash for at least the next 12 months the Group will need to secure the deal with the North American bank and other smaller scale customers, or raise additional capital. As stated in note 2(b), these events or conditions, along with other matters as set forth in note 2(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

## Our audit approach

### Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Group materiality: \$370,000, which represents approximately 4% of loss before tax.

We chose loss before tax as the benchmark because, in our view, it is a close approximation for the net operating cash outflow and together these are financial benchmarks against which the financial performance and sustainability of the Group is currently measured by users.

We have determined that there are three key audit matters:

- Adoption of NZ IFRS 15 *Revenue from Contracts with Customers*
- Recognition of research and development costs
- Valuation of the derivative conversion option.

### Materiality

The scope of our audit was influenced by our application of materiality.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the consolidated financial statements as a whole.

### Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.



### Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current year. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon. We do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
<p><i>Adoption of NZ IFRS 15 Revenue from Contracts with Customers</i></p> <p>The Group adopted NZ IFRS 15 <i>Revenue from Contracts with Customers</i> from 1 April 2018. This new standard changes the recognition and measurement of revenue.</p> <p>The Group's revenue is largely derived from system implementation fees and platform access fees charged to customers. Management did not identify any material changes to the recognition and measurement of the Group's revenue (note 3) upon adoption of NZ IFRS 15. Management has exercised judgement to determine that contracts with Enterprise Channel Customers, including implementation fees and platform access fees, represent one performance obligation, which is to provide the platform services. This is because the customer could not benefit from the system on its own and separately from the platform access.</p> <p>The Group aggregates the fees received from system implementation and platform access and recognises revenue on a straight-line basis from the start of the hosting period until the expected end of the hosting services. Fees received which relate to the implementation phase are recognised on the balance sheet as contract liabilities until hosting commences at the 'Go live' date.</p> <p>The Group's revenue accounting policy is set out in note 3 of the financial statements.</p> <p>Given the significance of the balances and the judgements involved, this was an area of focus for our audit.</p>	<p>To assess the appropriateness of management's treatment of implementation fees and platform access fees as one performance obligation, we:</p> <ul style="list-style-type: none"><li>• read management's assessment of the impact of NZ IFRS 15 on the Group's revenue arrangements</li><li>• read the material customer contracts and analysed management's assessment of the technical objectives, performance obligations and the commercial factors of these arrangements against the contracts and the requirements of NZ IFRS 15.</li><li>• confirmed the date when the Group commenced hosting services.</li></ul> <p>We considered alternative situations, including whether there were separate performance obligations for implementation and platform access services or other performance obligations that better reflected the terms of the Group's revenue arrangements.</p> <p>We have no matters to report.</p>



Key audit matter	How our audit addressed the key audit matter
<p data-bbox="277 495 842 524"><i>Recognition of research and development costs</i></p> <p data-bbox="277 539 887 763">The research and development accounting policy is contained in note 5 of the financial statements. The Group incurred \$4.2 million of research and development costs (excluding capitalised implementation costs) during the year, which was all expensed. There were no development costs capitalised.</p> <p data-bbox="277 779 890 1066">There is judgement in determining whether particular activities meet the definition of “research” and/or “development” and then whether the costs should be expensed or capitalised as product development costs (an intangible asset) in accordance with accounting standards. All costs incurred as part of the research phase are expensed. Costs incurred in the development phase are only capitalised if they meet the capitalisation criteria.</p> <p data-bbox="277 1081 868 1305">Management assess the capitalisation criteria for each project in accordance with the Group’s accounting policy. At 31 March 2019 they determined that there was no certainty of funding or future economic benefits from current development projects and therefore none of the costs should be capitalised.</p> <p data-bbox="277 1321 880 1384">Given the judgement involved, this was considered to be a key audit matter.</p>	<p data-bbox="922 539 1455 792">Our audit procedures included obtaining an understanding of the processes and controls over the recognition of research and development costs. We discussed the nature of the research and development work undertaken during the year with the Head of Product &amp; Engineering and other management staff.</p> <p data-bbox="922 808 1461 1032">On a sample basis we validated these activities through discussions with individual team members. We discussed the nature of the work being undertaken and ensured that they met the definition of “research” and/or “development” as defined by the accounting standards.</p> <p data-bbox="922 1048 1455 1335">We considered management’s assessment that the capitalisation criteria had not been met, and therefore why it was appropriate to expense all development costs. Our consideration included challenging their assessment of the certainty of funding and the certainty of future economic benefits resulting in management’s conclusion to expense all development costs.</p> <p data-bbox="922 1350 1461 1413">Based on our procedures, we have nothing to report.</p>



Key audit matter	How our audit addressed the key audit matter
<p><i>Valuation of the derivative conversion option</i></p> <p>During the year ended 31 March 2019 the Group entered into a short term loan that included an option to convert some or all of the loans into shares of the Group. As explained in note 14, management determined that this conversion feature should be accounted for separately and held as a liability at fair value.</p> <p>Management valued the conversion feature at the date of initial recognition and then again at 31 March 2019 (\$0.6 million) using an expected cash flows approach. The key inputs into the valuation included the market price of the ordinary shares, potential discount options under the facility agreement, loan exit fees on the portion of the loan not converted, and the likely quantum of shares that could be converted given the cap on the quantity of shares available for conversion due to takeover regulations.</p> <p>The terms of the conversion feature were bespoke to this instrument and required management to interpret the contract to perform the valuation. Judgement was also required to perform this valuation as the expected cash flows depended on a number of expectations about uncertain future events. This was therefore an area of focus for our audit.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• understanding management's procedures and approach for this valuation</li> <li>• reviewing management's valuation model</li> <li>• reading the facility agreement</li> <li>• engaging an internal expert in valuation to review the valuation methodology used by management</li> <li>• verifying inputs, assumptions and calculations in management's valuation model to the quoted share price of the Group, the number of shares on issue, the terms of the facility agreement and external foreign exchange rate sources</li> <li>• performing a sensitivity analysis of the valuation for key variables including those relating to expectations about uncertain future events.</li> </ul> <p>The valuation of the derivative conversion option is within an acceptable valuation range.</p>

***Information other than the financial statements and auditor's report***

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

***Responsibilities of the Directors for the consolidated financial statements***

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

---

### *Auditor's responsibilities for the audit of the consolidated financial statements*

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the financial statements is located at the External Reporting Board's website at:

<https://www.xrb.govt.nz/standards-for-assurance-practitioners/auditors-responsibilities/audit-report-1/>

This description forms part of our auditor's report.

---

### *Who we report to*

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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.

---

The engagement partner on the audit resulting in this independent auditor's report is Troy Florence.

For and on behalf of:

A handwritten signature in blue ink that reads 'Troy Florence' in a cursive script.

Chartered Accountants  
28 June 2019

Auckland

**05**

**CONSOLIDATED  
FINANCIAL  
STATEMENTS**

	Notes	2019 \$'000	2018 \$'000
Operating revenue and other operating income			
Operating revenue	3 (a)	7,341	6,069
Other income	3 (b)	850	609
<b>Total operating revenue and other operating income</b>		<b>8,191</b>	<b>6,678</b>
Expenses			
Operational expenses	5 (a)	(3,146)	(6,778)
Research and development expenses	5 (b)	(4,523)	(4,144)
Sales, marketing and administration expenses	5 (c)	(9,156)	(13,128)
<b>Total expenses</b>		<b>(16,825)</b>	<b>(24,050)</b>
<b>Operating loss</b>		<b>(8,634)</b>	<b>(17,372)</b>
Net finance (expense)/income		(690)	306
Net loss before income tax		(9,324)	(17,066)
Income tax expense	9	-	(125)
<b>Net loss from continuing operations</b>		<b>(9,324)</b>	<b>(17,191)</b>
Other comprehensive income:			
Translation of international subsidiaries		57	(175)
<b>Total comprehensive loss attributable to shareholders</b>		<b>(9,267)</b>	<b>(17,366)</b>
Earnings per share			
Basic and diluted loss per share	17	(\$0.02)	(\$0.04)

The accompanying notes form an integral part of these financial statements.

	Notes	Share capital \$'000	Share based payments reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance as at 1 April 2017		36,145	1,658	(25)	(26,848)	10,930
Proceeds from shares issued	15	12,955	-	-	-	12,955
Share option expense	16	-	180	-	-	180
Costs of capital raise	15	(1,012)	-	-	-	(1,012)
Reclassification of previously expensed amounts from share based payments	15	940	(940)	-	-	-
Reserve arising on conversion of foreign currency subsidiary		-	-	(175)	-	(175)
Net loss for the year		-	-	-	(17,191)	(17,191)
Balance as at 31 March 2018		49,028	898	(200)	(44,039)	5,687
Share option expense	16	-	8	-	-	8
Costs of capital raise		(44)	-	-	-	(44)
Reserve arising on conversion of foreign currency subsidiary		-	-	57	-	57
Net loss for the year		-	-	-	(9,324)	(9,324)
Balance as at 31 March 2019		48,984	906	(143)	(53,363)	(3,616)

The accompanying notes form an integral part of these financial statements.

	Notes	2019 \$'000	2018 \$'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	346	480
<b>Total non-current assets</b>		<b>346</b>	<b>480</b>
<b>Current assets</b>			
Cash and cash equivalents	11	1,360	7,297
Term deposits with maturities of more than three months		-	1,000
Trade and other receivables	12	805	2,077
Contract assets	5 (b)	266	660
<b>Total current assets</b>		<b>2,431</b>	<b>11,034</b>
<b>Total assets</b>		<b>2,777</b>	<b>11,514</b>
<b>Equity</b>			
Share capital	15	48,984	49,028
Share based payments reserve	16	906	898
Foreign currency translation reserve		(143)	(200)
Accumulated losses		(53,363)	(44,039)
<b>Equity attributable to the owners of the company</b>		<b>(3,616)</b>	<b>5,687</b>
<b>Total equity</b>		<b>(3,616)</b>	<b>5,687</b>
<b>Current liabilities</b>			
Trade and other payables	13	1,685	2,551
Short-term loan	14	2,637	-
Fair value of loan conversion option	14	585	-
Contract liabilities	3 (a)	1,486	3,276
<b>Total current liabilities</b>		<b>6,393</b>	<b>5,827</b>
<b>Total equity and liabilities</b>		<b>2,777</b>	<b>11,514</b>

The accompanying notes form an integral part of these financial statements.

	Notes	2019 \$'000	2018 \$'000
Cash flows from operating activities			
Receipts from customers		6,518	5,227
Receipts from government grants		839	312
Payments to employees and suppliers		(16,821)	(22,445)
		(9,464)	(16,906)
Interest received		82	323
<b>Net cash flows from operating activities</b>	<b>18</b>	<b>(9,382)</b>	<b>(16,583)</b>
Cash flows from investing activities			
Purchase of property, plant and equipment		(67)	(183)
Transfer from term deposits		1,000	4,900
<b>Net cash flows from investing activities</b>		<b>933</b>	<b>4,717</b>
Cash flows from financing activities			
Proceeds from the issue of share capital	15	-	12,955
Proceeds from short-term loan		2,500	-
Cost of raising capital		(44)	(992)
<b>Net cash flows from financing activities</b>		<b>2,456</b>	<b>11,963</b>
<b>Net change in cash and cash equivalents</b>		<b>(5,993)</b>	<b>97</b>
Cash and cash equivalents at the beginning of the year		7,297	7,484
Foreign exchange loss on cash and cash equivalents		56	(284)
<b>Cash and cash equivalents at the end of the year</b>	<b>11</b>	<b>1,360</b>	<b>7,297</b>

The accompanying notes form an integral part of these financial statements.

## 1. General information

These financial statements are for 9 Spokes International Limited (“the Company “or “9 Spokes”) and its subsidiaries (together “the Group”).

9 Spokes is a limited liability company incorporated in New Zealand. The registered office of the Company is Level 4, AECOM House, 8 Mahuhu Crescent, Auckland, 1010, New Zealand.

The financial statements were authorised for use by the Board of Directors on 28 June 2019.

## 2. Summary of significant accounting policies

These are the financial statements for the Group for the year ended 31 March 2019.

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

### a) Basis of preparation

These financial statements have been prepared in accordance with Generally Accepted Accounting Practice (“GAAP”). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS), as appropriate for for-profit entities.

The Group has adopted External Reporting Board Standard A1 “Accounting Standards Framework (For-profit Entities Update)” (“XRB A1”). XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Group is a Tier 1 for-profit entity.

9 Spokes International Limited is a company registered under the New Zealand Companies Act 1993. The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013 and the Companies Act 1993.

The financial statements have been prepared on the historical cost basis.

### b) Going concern

The financial statements have been prepared on the going concern basis, which assumes that the Group will continue its operations for the foreseeable future. The Group incurred a net loss of \$9.3 million for the year ended 31 March 2019 and at balance date had available cash of \$1.4 million. The net cash outflows from operating activities were \$9.4 million during the year.

During the financial year the Group significantly reduced its monthly cash burn, while post year end it continued to reduce its cash burn and completed a rights issue and placement, raising A\$5.9 million before costs, see note 25.

At the current run rate, the Group has sufficient cash for a further four months from the date of signing these financial statements. In order to generate sufficient cash for at least the next 12 months, the Group will need to secure new revenue opportunities and/or raise additional capital.



The Group is now in an improved position to follow its goal to achieve breakeven. With a tight control of costs, the key to breakeven will be maintaining existing and growing new revenues. The Group has a number of revenue opportunities that are progressing. New Revenues include a tier one North American bank which is now at an advanced stage of negotiations and should the Group be successful in closing this contract, revenues are expected to be material to the Group. In addition to building opportunities directly, the Group also announced a relationship with Microsoft and notified the market it is in discussions with VISA USA; both to support the growth and distribution of the 9 Spokes platform and to extend the sales model through global distribution partnerships. Should the Group decide to raise additional capital, the support for the recent rights issue and placement provides the Group with confidence in investor support.

The requirement to secure new revenue opportunities and/or new capital within the next four months indicates a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Based on our assessment of progress with a number of potential revenue opportunities, management and the Board, believe the Group will be able to secure new revenues in line with expectations which will provide the Group with sufficient funds to support planned expenditure and maintain operations. Therefore, they consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

#### c) Use of estimates and judgements

The preparation of the financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Critical accounting policies and estimates in the year are the timing of revenue recognition of implementation fees (refer to note 3(a)), fair value of the convertible option of the short term loan (refer to note 14), expensing of research and development costs (refer to note 3 (b)) and the non-recognition of deferred tax assets (refer to note 9).

At balance date the Group has no other significant estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

#### d) Change in accounting policies

A number of new standards became applicable for the current reporting period, which has resulted in the Group changing its accounting policies.

The new standards are:

- NZ IFRS 9 Financial Instruments
- NZ IFRS 15 Revenue from Contracts with Customers

The impact of the adoption of NZ IFRS 15 is disclosed in note 3 on Revenue and the adoption of NZ IFRS 9 is explained in the following paragraph. These notes also disclose the new accounting policies that have been applied from 1 April 2018, if they are different to those applied in prior periods.

NZ IFRS 9, Financial Instruments, as it relates to the Group, replaces the provisions of NZ IAS 39 that relate to the recognition, classification, measurement and impairment of financial assets. The adoption of NZ IFRS 9 from 1 April 2018 resulted in changes in accounting policies but no adjustments to the amounts recognised in the financial statements.

Restatement of prior period disclosures

Following completion of the 2018 tax return for the Company, the value of tax losses as at 31 March 2018 as reported in note 9, has increased from \$27.1 million to \$32.0 million.

In note 15 the number of shares at the beginning of the year has been restated to 402,963,000 having been incorrectly stated as 391,744,000. Consequently, the number of shares at the end of the year has been restated to 495,271,000 from 484,052,000.

Neither restatement affected the reported loss nor any other aspect of the financial statements for the prior year.

e) Foreign currency

#### *Functional and presentation currency*

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The financial statements are presented in New Zealand dollars, which is the Group’s presentation currency.

#### *Foreign currency transactions*

Transactions in foreign currencies are translated to the functional currencies of the Group’s companies at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date.

The foreign currency gains or losses on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

f) Standards or interpretations issued but not yet effective and relevant to the Group

The International Accounting Standards Board and New Zealand Accounting Standards Board have issued a number of standards, amendments and interpretations which are not yet effective, and which may have an impact on the Group's financial statements. The Group has not applied the following standard in preparing these financial statements and will apply it in the period in which it becomes mandatory:

NZ IFRS 16: Leases (effective for the Group from 1 April 2019)

This standard requires a lessee to recognise a lease liability reflecting the future lease payments and a 'right-of-use asset' for substantively all lease contracts and will be effective for the year ended 31 March 2020. The Group is yet to quantify its assessment of the impact of NZ IFRS 16. The Standard will increase the Group's assets (a 'right-of-use' asset) and liabilities ('lease liabilities') and operating lease expenses will be removed and be replaced by an amortisation expense for the right-of-use asset and finance expense for the lease liability. Management are still in the process of assessing the impact to the financial statements.

3. Revenue

a) Operating revenue from contracts with customers

	2019 \$'000	2018 \$'000
Implementation revenue	2,446	1,732
Platform access revenue	4,532	4,134
Other revenue from enterprise customers	161	-
Other revenue	202	203
<b>Total operating revenue</b>	<b>7,341</b>	<b>6,069</b>

Adoption of NZ IFRS 15: Revenue from Contracts with Customers

The Group adopted NZ IFRS 15, Revenue from Contracts with Customers, from 1 April 2018, which resulted in changes in accounting policies relating to the recognition of revenue.

Following a detailed review of the Group's portfolio of contracts, Management concluded that the implementation of NZ IFRS 15 has no material impact on the way in which the Group recognises revenue. Therefore, there is no requirement to restate revenue reported in prior periods. The details of the review process is outlined below. Accounting policies have been amended to ensure that the five-step method, as defined in NZ IFRS 15, is applied consistently to revenue recognition processes across the Group.

To assess the impact of NZ IFRS 15 on the Group, the five-step method was applied to the revenue contracts with the Group's enterprise customers to assess the impact on revenue recognition.

The five-step method for recognising revenue from contracts with customers involves consideration of the following:

1. Identifying the contract with the customer
2. Identifying performance obligations
3. Determining the transaction price
4. Allocating the transaction price to distinct performance obligations
5. Recognising revenue

The accounting policy and key judgements are outlined below.

#### Implementation fees and platform access fees

The Group receives implementation fees and platform access fees in relation to the platforms it provides to its enterprise customers. Implementation fees are received as part of the deployment of the **9 Spokes'** platform to these customers. Platform access fees are charged to customers throughout the term of the service.

Together these fees are the majority of the revenue of the Group. While there are two forms of fees, there is only one performance obligation, which is to provide the platform services to the enterprise customer over the contracted period. The implementation and platform access fees are aggregated (based on the expected total fees over the expected period of service including the most probable outcome of variable arrangements) and then recognised as revenue in the Statement of Comprehensive Income on a straight-line basis over the expected term of the service, starting when the system has been deployed.

The table below provides further information on the application of NZ IFRS 15 across the two main revenue categories in the Group. The segments detailed below represent 95% of the Group's total revenue for the year ended 31 March 2019.

Revenue Type	Description	Key Judgements	Outcome	Timing of Revenue Recognition
Implementation Revenue	Deployment of 9 <b>Spokes'</b> systems.	Determining whether the deployment is a distinct performance obligation.	The customer could not benefit from deployment of the system on its own and separately from the platform access and as such there is no distinct performance obligation.	Over time – while cash is received at the time of implementation, revenue is recognised on a straight-line basis, equally over the expected licence period, once the system has been deployed.
Platform Access Revenue	The right to access 9 <b>spokes' platform</b>	Determining whether the platform access is a distinct performance obligation.	As above.	Over time - recognised monthly, on a straight-line basis, recurring over the expected licence period.

Revenue Type	Description	Key Judgements	Outcome	Timing of Revenue Recognition
Implementation Revenue and Platform Access Revenue	As above.	Determining the length of the expected licence period.	The expected licence period is the minimum contractual period excluding extension options, unless these options have formally been exercised.	As above.

In terms of impact to the presentation of the financial statements, NZ IFRS 15 requires the disaggregation of revenue to provide clear and meaningful information. Management concluded that presentation of revenue in terms of the method of revenue recognition was most appropriate. As disclosed in note 4, the Group operates as a single business segment therefore further disaggregation of revenue is not deemed material.

#### Contract liabilities (deferred revenue)

Implementation fees received prior to deployment are treated as a contract liability (deferred revenue). The Group had deferred implementation revenue as at 31 March 2019 of \$1.5 million (31 March 2018: \$3.3 million). \$2.2 million of Implementation revenue included in the contract liability at 31 March 2018 was recognised in the Statement of Comprehensive Income for the year ended 31 March 2019.

#### Accounting for costs to fulfil contracts

During the implementation process the Group incurs costs directly related to fulfilling its obligations in the contract and expects to recover these costs against implementation revenue. These costs are capitalised as contract assets (previously presented as capitalised work in progress) on the balance sheet and amortised on a straight-line basis over the same period that the implementation revenues are recognised.

#### b) Other operating income

	2019 \$'000	2018 \$'000
Government grants	801	520
Other income	49	89
<b>Total other operating income</b>	<b>850</b>	<b>609</b>

#### Government grants

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with the grant conditions. When a grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Other income

Other income comprises income that is not part of the Group's normal operating activities. \$202,000 of revenue classified as Other income in the prior year has been reclassified as Other revenue.

All revenues and income are stated net of the amount of goods and services tax.

#### 4. Segment Reporting

##### a) Operating segment information

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segment, have been identified as the Chief Executive Officer and the Chief Financial Officer.

The chief operating decision makers have determined that the business operates as a single business operating segment; providing an online, Software-as-a-Service platform application and store allowing a business to access a range of online services.

The chief operating decision makers currently report on the Group as a whole at an operational level, with revenue reported at a geographical level based on the location of the customer. However, as the Group is investing in regional global hubs in Europe, North America and Asia future reporting will include more emphasis on the regional results.

##### b) Geographical segment information

Revenue was sourced from the following geographical locations:

	Notes	2019 \$'000	2018 \$'000
Europe		4,210	4,014
North America		2,475	1,435
Asia Pacific		1,506	1,229
<b>Total operating revenue and other income</b>		<b>8,191</b>	<b>6,678</b>
Comprising:			
Total operating revenue	3 (a)	7,341	<b>6,069</b>
Other income	3 (b)	850	609

During the year ended 31 March 2019 the Group had six enterprise partners (2018: six). Revenue from enterprise partners is currently the Group's primary source of revenue and contributed more than 87% of the Group's revenue and other income in both years. In the year ended 31 March 2019 two enterprise customers each accounted for 10% or more to the Group's revenue (2018: three), including the largest enterprise partner who contributed to more than half of the Group's revenue in both years.

Customers invoices are paid on terms ranging from 20 to 60 days.

## 5. Expenses by nature

### a) Operational expenses

	Note	2019 \$'000	2018 \$'000
Employee benefit expenses	7	2,177	4,509
Platform hosting		790	1,480
Third party contractors		-	323
Other operational expenses		179	466
<b>Total operational expenses</b>		<b>3,146</b>	<b>6,778</b>

Operational expenses represent infrastructure and technical operations not classified as research and development.

### b) Research and development expenses

	Note	2019 \$'000	2018 \$'000
Employee benefit expenses	7	3,034	2,650
Third party contractors		362	493
Depreciation expense		66	52
Other research and development expenses		721	536
Capitalisation of expenditure as contract assets (implementation costs)		(54)	(265)
Amortisation of previously capitalised contract assets (implementation costs)		394	678
<b>Total research and development expenses</b>		<b>4,523</b>	<b>4,144</b>

Research expenditure is recognised as the expense is incurred.

Development costs that are directly attributable to the design and testing of an identifiable product are recognised as intangible assets if it meets the following recognition criteria:

- 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.

Identifiable costs incurred in fulfilling contracts with customers are capitalised as a contract asset and amortised on a systematic basis over the enterprise customers initial licence term. The expenditure capitalised includes payroll expenses, external contractor fees and overhead costs that are directly attributable to the implementation activities.

Total capitalised contract assets (implementation costs) at 31 March 2019 was \$0.3 million (2018: \$0.7 million).

c) Sales, marketing and administration expenses

	Notes	2019 \$'000	2018 \$'000
Depreciation expense		123	130
Directors' fees		169	344
Directors' consultancy services		136	304
Remuneration of auditors	6	215	176
Expensed cost of capital raises		-	169
Employee benefit expenses	7	4,464	5,474
Marketing expenses		361	2,510
Travel		793	1,206
Professional, office running costs and other administration expenses		2,895	2,815
<b>Total sales, marketing and administration expenses</b>		<b>9,156</b>	<b>13,128</b>



## 6. Remuneration of auditors

	2019 \$'000	2018 \$'000
Audit and review of financial statements by PwC		
Audit of the annual financial statements	104	68
Review of the half year financial statements	53	30
Other services performed by PwC		
Other review services	12	6
Tax compliance services	31	12
Remuneration policy advice	-	12
Other tax advice	-	35
<b>Total fees paid and payable to PwC</b>	<b>200</b>	<b>163</b>
Audit of subsidiary financial statements by subsidiary auditors		
Audit of the UK Financial Statements by Oury Clark	15	13
<b>Total fees paid and payable to auditor</b>	<b>215</b>	<b>176</b>

The Audit and Risk Committee oversees the relationship with the Group's auditor, PwC, and considers PwC's independence as part of this process. The Committee is satisfied that PwC is currently independent of the Group and the other non-audit services have not impaired that independence.

## 7. Employee benefit expenses

	Note	2019 \$'000	2018 \$'000
Wages and salaries		9,429	12,046
Share option expense	16	8	180
Other benefits		238	407
<b>Total employee benefit expenses</b>		<b>9,675</b>	<b>12,633</b>

	Note	2019 \$'000	2018 \$'000
Employee benefit expenses have been allocated between operational, research and development and administration expenses as follows:			
Operational expenses	5 (a)	2,177	4,509
Research and development expenses	5 (b)	2,992	2,436
Research and development capitalised as contract assets	5 (b)	42	214
Sales, marketing and administration expenses	5 (c)	4,464	5,474
<b>Total employee benefit expenses</b>		<b>9,675</b>	<b>12,633</b>

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables and are measured at the amounts expected to be paid when the liabilities are settled.

#### 8. Finance expense/(income)

	Notes	2019 \$'000	2018 \$'000
Interest receivable on short term bank deposits		(42)	(311)
Bank interest payable		11	5
Finance expense on short term loan	14	683	-
Fair value loss on loan conversion option	14	38	-
<b>Total finance expense/income</b>		<b>690</b>	<b>(306)</b>

## 9. Income and Deferred Tax

Income tax (expense) / benefit is represented as follows:

	2019 \$'000	2018 \$'000
Current tax (expense) / benefit	-	(125)
<b>Total current tax (expense) / benefit</b>	<b>-</b>	<b>(125)</b>
Deferred tax expense		
Origination of temporary timing differences	62	(42)
Tax (income)/deduction of research and development expenses deferred	(150)	482
Tax losses	(2,506)	(4,955)
Deferred tax assets not recognised	2,594	4,515
<b>Total deferred tax</b>	<b>-</b>	<b>-</b>
<b>Total income tax expense</b>	<b>-</b>	<b>(125)</b>

The tax expense for the year comprises current and deferred tax. Current tax and deferred tax is recognised in the Statement of Comprehensive Income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity.

The current income tax charge is calculated on the basis of the tax laws enacted or subsequently enacted at balance date.

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

An exception is made for certain timing differences arising from the initial recognition of an asset or liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred income tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The Group has tax losses available to carry forward of \$31.2 million (2018: \$28.6 million) subject to shareholder continuity being maintained. The Group has deferred research and development deductions of \$6.0 million (2018: \$5.5 million), after offsetting related revenue. The deferred tax assets have not been recognised as it is uncertain whether the Group will maintain shareholder continuity or

when it will generate taxable profits. There are no imputation credits available, as the Group is yet to generate taxable profits in New Zealand.

Reconciliation of effective tax rate:

	2019 \$'000	2018 \$'000
Loss before income tax	(9,324)	(17,066)
Prima facie taxation at 28% (2018: 28%)	(2,611)	(4,778)
Expenses not deductible for tax purposes	17	138
Temporary timing differences	(62)	42
Research and development expenses deferred/(recognised)	150	(482)
Total losses not recognised	2,506	4,955
Total income tax expense	-	(125)

## 10. Property, plant and equipment

	2019 Office and computer equipment \$'000	2019 Leasehold improve- ments \$'000	2019 Total \$'000	2018 Office and computer equipment \$'000	2018 Leasehold improve- ments \$'000	2018 Total \$'000
Carrying amount at start of year	219	261	480	210	325	535
Additions	23	33	56	111	22	133
Disposals	-	-	-	(9)	-	(9)
Depreciation expense	(85)	(105)	(190)	(96)	(86)	(182)
Depreciation on disposals	-	-	-	3	-	3
Carrying amount at end of year	157	189	346	219	261	480
At cost	432	383	815	409	350	759

## Recognition and measurement

Property, plant and equipment are stated at historical cost less depreciation.

Significant leasehold improvements undertaken over the term of the lease contract that are expected to have significant economic benefit for the Group are recognised at cost and include decommissioning or similar costs if the lease contract requires the property to be returned at the end of the lease in its original state.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are recognised in the Consolidated Statement of Comprehensive Income.

## Depreciation

Depreciation is recognised in profit or loss on a diminishing value basis over the estimated useful lives of each component of an item of property, plant and equipment, with the exception of leasehold improvements which are depreciated on a straight-line basis over the term of the lease.

The estimated useful lives for the current and comparative years of significant items of property, plant and equipment are as follows:

Office and computer equipment	2-10 years
Leasehold improvements	Over the term of the lease

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

## 11. Cash and cash equivalents

	2019 \$'000	2018 \$'000
Cash at bank	935	1,266
Term deposits with maturities of three months or less	425	6,031
<b>Total cash and cash equivalents</b>	<b>1,360</b>	<b>7,297</b>

Cash comprises cash balances and deposits held at call with banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 12. Trade and other receivables

	2019 \$'000	2018 \$'000
Trade receivables	367	1,083
Prepayments and accrued income	401	690
Other receivables	37	304
<b>Total trade and other receivables</b>	<b>805</b>	<b>2,077</b>

Trade and other receivables are initially recognised at the fair value of the amounts to be received, plus transaction costs (if any). They are subsequently measured at amortised cost (using the effective interest method) less expected credit losses. The Group applies the NZ IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

## 13. Trade and other payables

	2019 \$'000	2018 \$'000
Trade payables	469	838
Other creditors and accruals	1,012	1,396
Deferred rent	204	317
<b>Total trade and other payables</b>	<b>1,685</b>	<b>2,551</b>

The Group recognises trade and other payables initially at fair value and subsequently measured at amortised cost using the effective interest method. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid. The amounts are unsecured, non-interest bearing and are usually paid within 45 days of recognition.

Included in trade payables and other creditors and accruals are amounts owing to related parties (refer to note 24).

## 14. Short-term loan and fair value of conversion option

### Short term loan

During the year, the Company entered into a short-term funding facility intended to provide the Company with working capital to allow time to conclude its capital raise, with a total sum of \$2.5 million drawable

under the facility. The loan was initially taken out of 17 October 2018 and terms varied on 16 January 2019. The key commercial terms of the facility are:

- The interest rate is 6.5% per annum until 31 December 2018, and 12% after that date.
- Completion and work fees are payable.
- Advances are secured by way of a general security agreement over the material assets of the Company and subsidiaries.
- Contingent of the timing and nature of the capital raise lenders have the option to convert any portion of the total loan to ordinary shares. Under certain situations this conversion may be exercised at a discount to the current market price of the shares. This option was introduced at 16 January 2019.

The carrying amounts of financial and non-financial assets pledged as security for the short-term loan are:

	2019 \$'000
Financial assets	1,408
Property, plant & equipment	353
Other non-financial assets (contract assets and prepayments)	594
<b>Total assets</b>	<b>2,355</b>

There was no default on the short-term loan facility during the year ended 31 March 2019.

As a result of the conversion option introduced on 16 January 2019 the loan is accounted for as two separate components, the pure debt portion and the loan conversion option.

Where there are financial instruments, with embedded derivatives, whose economic characteristics are not closely related to that of the host financial instrument, the embedded derivative is separated and accounted for separately.

**For embedded derivatives that provide the option to settle the arrangement with the Company's equity instruments, the derivative is classified as equity if the conversion feature results in a fixed amount of debt converted into a fixed amount of equity instruments. Otherwise they are classified as liabilities.**

Derivatives classified as liabilities are initially recognised at fair value and then subsequently measured at fair value at each reporting date. The gains and losses are recognised as finance expenses or income in the Consolidated Statement of Comprehensive Income. In these cases, the debt portion of the financial instrument is presented as borrowings and measured at amortised cost.

#### Accounting for the debt portion of the loan

The loan is assumed to be settled on 24 May 2019 (see settlement paragraph below). At 31 March 2019 the carrying value of the loan at amortised cost was \$2,636,000.

The fair value of the loan at 31 March 2019 is estimated to be \$2,778,000. Since the loan was payable at that date, the fair value is based on the principal, interest and other fees that were outstanding at that date. This is classified as a level 2 fair value in the fair value hierarchy.

#### Finance expense of the debt portion

The finance expense is made up of interest plus completion and work fees estimated over the life of the loan. The finance expense is accounted for using the amortised cost basis. Total finance expense up to 31 March 2019 was \$683,000.

#### Fair value of the derivative conversion option

As a result of the conversion option introduced at 16 January 2019 a derivative was recognised for the loan conversion option.

The fair value of the conversion option was initially calculated as at 16 January 2019 and has been revalued as at 31 March 2019. The calculation took account of the market price of the ordinary shares, potential discount options, loan exit fees that were payable on the proportion of the loan not converted, and the likely quantum of shares that could be converted given the cap on the quantity of shares available for conversion due to takeover regulations.

Changes in the value of the option at 31 March 2019 are recognised in the Consolidated Statement of Comprehensive Income as 'Fair value loss on loan conversion option' (note 8).

#### Settlement of the short-term loan

On 18 April 2019 the Company announced a fully underwritten pro rata renounceable entitlement offer (Offer) to raise A\$5.3 million before costs at a share price of A\$0.016. On completion of the offer on 24 May 2019, the loan including interest to that date and exit fees were discharged by the payment of \$2.32 million and the issue of 80.1 million shares at the Offer price. This repaid the outstanding amount and the lenders' security was released. The derivative conversion option was also derecognised at that point.

## 15. Share capital

	2019	2019	2019	2018	2018	2018
	\$'000	Shares 000's	Options 000's	\$'000	Shares 000's	Options 000's
Share capital at beginning of the year	49,028	495,271	-	36,145	402,963	39,866
Shares issued for cash at A\$0.13 per share (\$0.14)			-	12,955	92,308	-
Costs of capital raises	(44)	-	-	(1,012)	-	-
Expired shareholder options	-	-	-	-	-	(39,866)
Reclassification of previously expensed amounts from share based payments (for shares issued)			-	940	-	-
Share capital at the end of the year	48,984	495,271	-	49,028	495,271	-



Ordinary shares are the only class of share capital and are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

All shares rank equally with regard to the Group's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group. The shares have no par value.

Share options are classified as equity because the holder has the option to acquire a fixed number of shares in exchange for the share option. The Company issued share options in 2014 in conjunction with an equity raising process. For every two shares the investor subscribed for, they received three options to acquire one ordinary share each on or before 30 September 2017. None of these options were exercised and they all expired during the year ended 31 March 2018.

## 16. Share based payments

	Note	2019 \$'000	2018 \$'000
Share based payments reserve at beginning of the year		898	1,658
Reclassification of previously expensed amounts to share capital		-	(940)
Pre-IPO employee share options (a)		8	27
Employee ESOPs (c) (i)		-	109
NEDs ESOPs (c) (ii)		-	44
Total share option expense	7	8	180
Share based payments reserve at the end of the year		906	898

The fair value of share options issued as part of share based payment arrangement is measured at grant date and expensed over the vesting period. At the end of each reporting period, the Company revises its estimates of the number of options that are expected to vest. Revisions to original estimates, if any, are recognised in the Consolidated Statement of Comprehensive Income, with a corresponding adjustment to equity.

### a) Pre-IPO employee share options (December 2015)

In December 2015, the Board approved an employee share option scheme to issue options to selected employees. One-third of the options granted to an employee vest to the employee on each of the first three anniversaries of continuous employment with the Group. The vested options can be exercised at any time up to 21 December 2025. Each option entitles the holder on payment of the exercise price (NZ\$0.16) to one ordinary share in the capital of the Group. If employment ceases the options automatically terminate unless the Board determines otherwise. Payment must be made in full for all options exercised on the dates they are exercised. No further options were issued.

The fair value of each option was calculated to be \$0.08 on the grant date. This fair value is being expensed over the vesting periods for each tranche up to December 2016, December 2017 and December 2018.

**At 31 March 2019, there were 1,533,008 options that were outstanding all of which have vested.**

b) IPO advisors share options (June 2016)

In June 2016, the Company issued additional options to its advisors over an aggregate 8,750,000 shares, at an exercise price of AU\$0.20 per share treated as share-based payments.

8,500,000 of the options issued will vest on the date the price per share of the Company on the ASX is equal to AU\$0.30. The remaining 250,000 options will vest based on the following conditions; if the price per share of the Company on the ASX achieves a 30 day VWAP price of a 50% premium to the issue price of AU\$0.20 (30 day VWAP Price) on or before the date that is two years after the date the Company lists on the ASX (Second Anniversary), the Options will vest on the Second Anniversary. These options are exercisable on or before 30 June 2019.

The weighted average of the fair value of each option is AU\$0.066 under the Black Scholes valuation model resulting in a charge to the Company of AU\$579,375 (\$618,711) during the year ended 31 March 2017. The significant inputs into the model were a share price of AU\$0.20 at the grant date, vesting price AU\$0.30, volatility of 50%, no dividend, expected option life of three years and a risk-free interest rate of 2.51%.

c) Current Employee share options plan (ESOP)

Effective from 10 May 2016, the Company adopted a new employee share option plan (ESOP) which replaces the Pre IPO employee share option scheme. The ESOP has no impact on the Pre IPO employee share options.

Key provisions of the ESOP include:

- a) the options are to vest in accordance with the employee's letter of offer;
- b) the expiry date of the options will be as set out in the employee's letter of offer; and
- c) should the relevant employee cease to be employed by the Company, all options not yet vested will be cancelled and, all options vested must be exercised within three months following the relevant employee's leaving date, unless the Board determines otherwise.

(i) Employee share options (August 2017)

On the 6 June 2017 the Board approved the offer of options under the ESOP to employees on the following terms:

- a) an exercise price of AU\$0.20 per share;
- b) the options vest in full on the date of issue; and
- c) the expiry date of the options will be 5 years after date of issue.

The weighted average of the fair value of each option is AU\$0.037 under the Black Scholes valuation model resulting in a charge to the Company of AU\$101,478 (\$109,980) at the time they were granted. The significant inputs into the model were a share price of AU\$0.12 at the grant date, exercise price

AU\$0.20, volatility of 50%, no dividend, expected option life of five years and a risk-free interest rate of 2.17%. These options were issued in August 2017.

(ii) Non-Executive Directors (NEDs) share options (September 2017)

At the Annual Meeting of Shareholders held on 12 September 2017 the shareholders approved the issue of options under the ESOP to the NEDs on the following terms:

- a) an exercise price of AU\$0.225 per share;
- b) the options vest on the price of the quoted shares reaching AU\$0.30 per share, calculated on a 10 trading day VWAP; and
- c) the expiry date of the options will be 5 years after date of issue.

The weighted average of the fair value of each option is AU\$0.023 under the Black Scholes valuation model resulting in a charge to the Company of AU\$40,268 (\$44,383) at the time they were granted. The significant inputs into the model were a share price of AU\$0.10 at the grant date, exercise price AU\$0.225, volatility of 50%, no dividend, expected option life of five years and a risk-free interest rate of 2.19%. These options were issued in September 2017.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	Pre-IPO employee share options Dec 2015	IPO advisor share options Jan 2016	Employee ESOPs Aug 2017	NEDs ESOPs Sep 2017 AU\$0.22	Total	Weighted average exercise price \$ per option
<i>Exercise price</i>	<i>NZ\$0.16</i>	<i>AU\$0.20</i>	<i>AU\$0.20</i>	<i>5</i>		
	'000's	'000's	'000's	'000's	'000's	
Balance outstanding at 1 April 2017	1,785	8,750	-	-	10,535	0.20
Granted	-	-	2,721	1,713	4,434	0.23
Forfeited	(252)	-	(1,006)	-	(1,258)	0.21
Balance outstanding at 31 March 2018	1,533	8,750	1,715	1,713	13,711	0.21
Balance exercisable at 31 March 2018	1,022	-	1,715	-	2,737	0.22
Granted	-	-	-	-	-	-
Forfeited	-	-	(363)	(570)	(933)	0.24
Balance outstanding at 31 March 2019	1,533	8,750	1,352	1,143	12,778	0.21
Balance exercisable at 31 March 2019	1,533	-	1,352	-	2,885	0.19

## 17. Loss per share

Basic earnings per share is calculated by dividing the comprehensive profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares on issue during the year.

Diluted earnings per share is determined by adjusting the comprehensive profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares on issue for the effects of all dilutive potential ordinary shares, which comprise share options. Potential ordinary shares are treated as dilutive when, and only when, their conversion to ordinary shares would decrease earnings per share or increase the loss per share.

The potential shares are anti-dilutive in nature. The diluted loss per share is therefore the same as the undiluted loss per share. The number of shares and weighted average number of shares has been adjusted for the dilutive impact of bonus shares that arise from the rights issue completed in May 2019.

	2019 000's	2018 000's
Total comprehensive loss attributable to shareholders	(\$9,267)	(\$17,366)
Ordinary number of shares	518,301	518,301
Weighted average number of shares on issue	518,301	476,778
Basic and diluted loss per share	(0.02)	(0.04)

## 18. Reconciliation of reported loss after tax with cash flows from operating activities

	2019 \$'000	2017 \$'000
Loss after income tax	(9,324)	(17,191)
Non-cash items		
Depreciation expense	190	182
Share option expense	8	180
Foreign exchange loss on monetary assets	-	104
Finance expense on short term loan	683	-
Fair value loss on loan conversion option	38	-
Changes in working capital		
(Decrease)/increase in trade and other payables	(866)	1,215
Decrease in deferred revenue	(1,790)	(686)
Decrease / (Increase) in trade and other receivables	1,285	(799)
Decrease in contract assets (implementation costs)	394	412
<b>Net cash flow from operating activities</b>	<b>(9,382)</b>	<b>(16,583)</b>

## 19. Financial instruments and financial risk management

### Financial assets

#### Classification

The Group's only financial assets comprise cash and cash equivalents and trade and other receivables and are classified as amortised cost. Financial assets at amortised cost are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

#### Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade date which is the date on which the Group commits to purchase or sell the asset.

## Impairment of financial assets

### Assets carried at amortised cost

At each reporting date, the Group assesses whether there is any indication that a financial asset (or group of financial assets) is impaired. A financial asset is impaired based on the probability-weighted estimate of credit losses that are expected to result from all possible default events over the expected life of a financial instrument. There has been no impairment of financial assets and there were no past due not impaired financial assets as at 31 March 2019.

## Financial risk management

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board of Directors has established an Audit and Risk Committee, which is responsible for developing and monitoring the Group's risk management policies. The Committee reports regularly to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

As a result of the Group's operations and sources of finance, it is exposed to credit risk, liquidity risk and foreign exchange risk. These risks are described below:

### Credit risk

Credit risk is the risk of financial loss to the Group if a customer fails to meet its contractual obligations and arises principally from the Group's receivables from customers.

Financial instruments which potentially subject the Group to credit risk, principally consists of:

- a) Trade receivables - the maximum exposure to credit risk at balance date to recognised financial assets is the carrying amount, net of any provision for impairment of those assets, as disclosed in the statement of financial position. These predominantly relate to trade receivables. Refer note 11 for further details.
- b) Cash and cash equivalents - the maximum potential exposure to credit risk at balance date is \$1.4 million (2018: \$8.3 million). The Group monitors the credit quality of its major financial institutions that are counter-parties to its financial statements and does not anticipate on-performance by the counter-parties. All financial institutions have a credit rating of AA-

The Group has not provided collateral and has no securities registered against it. Note 20 of these Financial Statements provides details of guarantees held by its financial institutions. The Group does not have any significant concentrations of credit risk apart from its deposits with large and reputable banks.

The Group has no credit facilities, other than trade creditors.

#### Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. Management and the Board monitor cash forecasts of the Group's liquidity reserve on the basis of expected cash flow, to enable the Board to determine the funding needs and to ensure the Group meets its future operating requirements.

With the exception of the short-term loan (note 14), at 31 March 2019, the contractual cash flows of the Group's financial liabilities are equal to the carrying value and are due within 12 months or less.

#### Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency. The Group is exposed to foreign exchange risk currently arising as a result of commercial transactions involving the Australian dollar, British pound, Canadian dollar, Singapore dollar and US dollar. The policy requires the Group to manage foreign exchange risk against its functional currency (New Zealand dollar).

The Group's exposure to monetary foreign currency financial instruments (in currencies other than each entity's functional currency) is outlined below in New Zealand dollars.

As at 31 March, a movement of 10% in the New Zealand dollar would impact the Statement of Comprehensive Income and Statement of Changes in Equity as detailed in the table below:

	10% decrease		10% increase	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Impact on net loss before income tax:				
Balances in GBP (net)	0	11	0	(11)
Balances in AUD (net)	7	(25)	(7)	25
Balances in CAD (net)	0	(24)	0	24
Balances in USD (net)	(15)	7	15	(7)
Balances in SGD (net)	0	1	0	(1)

When necessary, the Group uses derivatives in the form of forward exchange contracts to reduce the risk that movements in the exchange rate will affect the Group's New Zealand dollar cash flows. The Group did not hold any forward exchange contracts at 31 March 2019 (2018: Nil).

---

## Capital risk management

The capital structure of the Group consists of equity raised by the issue of ordinary shares in the Company. The Group manages its capital so that it is able to continue as a going concern.

The Group's aim is to maintain a sufficient capital base to sustain future growth and development of the business and to maintain investor and creditor confidence.

The Group's strategy in respect of capital management is reviewed regularly by the Board of Directors. There has been no material change in the Group's management of capital during the year.

## Fair values

Apart from the short-term loan, the fair value of the Group's financial assets and liabilities is considered approximately equal to their carrying amount. The carrying value of the Group's financial instruments do not materially differ from their fair value, accordingly, information on the fair value hierarchy is not required for those instruments. Information on the fair value and carrying value of the short-term loan is in note 14.

## Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group classifies its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level is below.

Level 1: Financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) whose fair value is based on quoted market prices at the end of the reporting period.

Level 2: Financial instruments that are not traded in an active market (for example, over-the-counter derivatives) where the fair value is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: Financial instrument that have one or more of the significant inputs that is not based on observable market data.

The Group's only financial instrument recognised and measure at fair value is the derivative conversion option (note 14). The valuation technique for this instrument is the present value of expected future cash flows based on contractual parameters and observative market prices for the Company's shares.



## 20. Consolidation

The Group had the following subsidiaries as at 31 March 2019:

Name	Country of incorporation and place of business	Nature of business	% of ordinary shares held by parent	Date of incorporation
9 Spokes Asia Pte Limited	Singapore	Trading operation	100%	2 April 2019
9 Spokes Australia Pty Limited	Australia	Trading operation	100%	10 April 2014
9 Spokes Canada Limited	Canada	Trading operation	100%	16 August 2017
9 Spokes Knowledge Limited	New Zealand	Holder of provisional patent	100%	5 May 2015
9 Spokes Trustee Limited	New Zealand	Non-trading	100%	16 July 2015
9 Spokes UK Limited	United Kingdom	Trading operation	100%	21 December 2015
9 Spokes US Holdings Limited	New Zealand	Holding Company	100%	12 November 2014
9 Spokes US, Inc.	United States	Non-trading	100%	11 May 2017

### Subsidiary companies

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group.

Inter-company transactions, balances and unrealised gains and losses on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform to Group accounting policies.

### Group companies

The results and financial position of all Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of comprehensive income and statement of changes in equity, are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

The ultimate holding company of the Group is 9 Spokes International Limited.

## 21. Commitments

### Capital commitments

The Group had no capital commitments as at 31 March 2019 (2018: Nil).

### Lease commitments

The Group has lease agreements on certain premises. Future minimum rentals payable under non-cancellable agreements are:

	2019 \$'000	2018 \$'000
Not later than one year	793	1,221
Later than one year and no later than five years	713	1,985
<b>Total lease commitments</b>	<b>1,506</b>	<b>3,206</b>

## 22. Contingencies

As at 31 March 2019, the Group had a lease premise guarantee to the value of \$423,635 for the operating lease for the premises, held by ASB Bank Limited, this replaced the guarantee previously held at 31 March 2018 of \$831,000.

## 23. Key management personnel

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 Directors and the Chief Executive Officer, and his direct reports.

The following table summarises remuneration paid to key management personnel:

	2019 \$'000	2018 \$'000
Short-term employee benefits	2,641	3294
Additional expenses related to restructure	-	205
Directors' fees	169	344
Share based payments	3	101

Short term employee benefits relate to salaries and other benefits paid to the Executive Team. In 2019 members of the executive management team took a reduction to salary, while two roles in place during 2018 were disestablished by the end of that year.

## 24. Related party transactions and balances

As at 31 March 2019, the Directors of the Company held 28.2% of the share capital of the Company (2018: 28.4%).

Transactions with the following related parties during the year:

Name of related party	Nature of relationship	Transaction	2019 \$'000	2018 \$'000
Paul Reynolds	Director	Directors' fees	77	169
		Consulting services	-	49
		Share based payments - ESOP	-	17
Tightline Advisory Limited <sup>[1]</sup>	Director	Consulting services	27	-
Social Power (Surrey) Limited <sup>[2]</sup>	Director	Directors' fees	40	80
		Consulting services	96	225
		Share based payments - ESOP	-	12
Mint Recruitment Limited <sup>[3]</sup>	Family Member of a Director	Provision of recruitment services	138	74
Kestrel Corporate Advisory, Inc. <sup>[4]</sup>	Director	Directors' fees	40	95
		Consulting services	23	30
		Share based payments - ESOP	-	15

1. Non-executive Director, Paul Reynolds is a Director and Shareholder of Tightline Advisory Limited
2. Non-executive Director, Thomas Power is a Director and shareholder of Social Power (Surrey) Limited.
3. **A member of Executive Director, Adrian Grant's family is a Director and shareholder of Mint Recruitment Limited.**
4. Non-executive Director, Wendy Webb is a Director and shareholder of Kestrel Corporate Advisory, Inc. Wendy resigned from the board on 21 September 2018.

During the year the non-executive directors voluntarily reduced their Directors' fees and ceased charging for consultancy services.

Amounts owed by the Group to related parties were:

Name of related party	Nature of relationship	Balance type	2019 \$'000	2018 \$'000
Paul Reynolds	Director	Trade and other payables	13	36
Social Power (Surrey) Limited	Director	Trade and other payables	7	51
Mint Recruitment Limited	Family Member of a Director	Trade and other payables	8	50
Kestrel Corporate Advisory, Inc.	Director	Trade and other payables	-	28
Amounts owed to related parties			28	165

## 25. Events after the reporting period

### Company announces underwritten rights issue and placement

On 18 April 2019 the Company announced a fully underwritten pro rata renounceable entitlement offer (Entitlement Offer) to issue 330,180,791 shares at A\$0.016 per share to raise A\$5.3 million before costs. Further on 21 May 2019 the Company announced that as a consequence of demand from shareholders and sub-underwriters for the Rights Issue and shortfall, the Company has secured a placement of up to 43,500,000 fully paid ordinary shares at an issue price of A\$0.016 to raise up to an additional A\$696,000. The rights issue and placement was completed on 24 May 2019.

### Settlement of short-term loan

On completion of the offer on 24 May 2019, the short-term loan (note 14) including interest to that date and exit fees were discharged by the payment of \$2.32 million and the issue of 80.1 million shares at the Offer price. This repaid the outstanding amount and the lenders' security was released.

There have been no other reportable events arising after the end of the reporting period.

**06**

# **GOVERNANCE & DISCLOSURE**

## 1. Board of Directors and sub-committees

The Directors in office at the date of this Annual Report were:

Name	Position	Date appointed to the board
Adrian Grant	Executive Director, Founder and Chief Operating Officer	17 August 2017
Mark Estall	Executive Director, Founder and Chief Executive Officer	19 September 2011
Paul Reynolds	Non-Executive Chairman	10 September 2014
Thomas Power	Non-Executive Director	7 October 2014

Independent, non-executive Director, Wendy Webb resigned from the Board on 21 September 2018.

### a) Board meetings

The Board met formally 24 times during the financial year ended 31 March 2019. Normally the board would meet up to 10 times a year during which the board considers key financial and operational information as well as matters of strategic importance. Additional meetings were held during the year ended 31 March 2019 to consider matters relating to capital raising and the short-term loan.

Name	Position	Number of meetings eligible to attend	Number of meetings attended
Paul Reynolds	Non-Executive Chairman	24	23
Adrian Grant	Executive Director and Chief Executive Officer	24	21
Mark Estall	Executive Director and Chief Strategy Officer	24	21
Thomas Power	Non-Executive Director	24	24
Wendy Webb	Independent Non-Executive Director	9	7

### b) Board committees

The Board currently has two committees to perform certain functions of the Board and to provide the Board with recommendations and advice: the Audit and Risk Committee and the Remuneration and Nomination Committee. The Charters of each committee are available on the Company's web site at <https://www.9spokes.com/hubs/investors/corporate-governance/>

### c) Audit and Risk Committee

The role of the Audit and Risk Committee is to assist the Board to meet its oversight responsibilities in relation to the Company's financial reporting systems, the systems of internal control and risk management and internal and external audit functions. In fulfilling these roles, the Audit and Risk Committee is responsible for maintaining free and open communication between the Board, management and auditors.

The Audit and Risk Committee provides advice to the Board and reports on the status and management of the risks to the Company. The purpose of the committee's risk management process is to assist the

Board in relation to risk management policies, procedures and systems and ensure that risks are identified, assessed and appropriately managed.

During the financial year, the Audit and Risk Committee met once to review the results prior to the release of the Interim Financial Statements for the 6 months ended 30 September 2018. Other matters were dealt with either at Board Meetings or through direct communications with Committee members. The members of the Committee at the date of this Annual Report are Paul Reynolds (acting Chairman) and Thomas Power.

#### d) Remuneration and Nomination Committee

The role of the Remuneration and Nomination Committee is to review and make recommendations to the Board on remuneration packages and policies related to the Directors and senior executives and to ensure that the remuneration policies and practices are consistent with the **Group's** strategic goals and human resources objectives. The Remuneration and Nomination Committee is also responsible for reviewing and making recommendations in relation to the composition and performance of the Board and its Committees and ensuring that adequate succession plans are in place (including for the recruitment and appointment of Directors and senior management). Independent advice will be sought where appropriate.

The Remuneration and Nomination Committee did not meet specifically during this financial year as all relevant matters were dealt with either at Board Meetings or through direct communications between the Committee members. These included changes to the executive team and remuneration matters. The members of the Committee at the date of this Annual Report were Paul Reynolds (Chairman) and Thomas Power

## 2. Shareholdings of Directors

	2019 Shares	2018 Shares
Adrian Grant	66,680,151	66,680,151
Mark Estall	66,754,863	66,754,863
Paul Reynolds	4,423,625	4,423,625
Thomas Power	1,843,784	1,843,784

### 3. Entries recorded in the **Directors'** Interests Register

The following are entries made in the Interests Register as at 31 March 2019:

Director/Entity	Relationship
Adrian Grant	
Aminoex Property Fund No 1 Limited	Director & Shareholder
DWDA Holdings Limited	Shareholder
Franc Holdings Limited	Director & Shareholder
Mark Estall	
9 Spokes Australia Pty Limited	Director
9 Spokes Knowledge Limited	Director
9 Spokes Trustee Limited	Director
9 Spokes UK Limited	Director
9 Spokes US Holdings Limited	Director
9 Spokes Canada Limited	Director
9 Spokes US, Inc.	Director
Franc Holdings Limited	Director & Shareholder
M & M No.1 Limited	Director & Shareholder
M & M No.2 Limited	Director & Shareholder
Te Arai Coast Lodge Limited	Director & Shareholder
Waipere Limited	Director & Shareholder
Paul Reynolds	
9 Spokes UK Limited	Director
<b>Computershare Limited</b>	<b>Independent Non-executive Director</b>
Tightline Advisory Limited	Director & Shareholder
Volant Partners Limited (dissolved 2 April 2019)	Director & Chairman
XConnect Global Networks Limited	Director
Thomas Power	
Digital Entrepreneur Limited	Director & Shareholder
Electric Dog Limited	Director & Shareholder
SA Vortex Limited	Director & Shareholder
Social Power (Surrey) Limited	Director & Shareholder
Teamblockchain Limited	Director & Shareholder
The Business Café Limited	Director & Shareholder

### 4. Donations

The total value of donations made by the Group during the year ended 31 March 2019 was \$140 (2018: \$1,103)



## 5. Directors' remuneration

The remuneration receivable by Directors in office during the financial year ended 31 March 2019 was:

	Directors' fees \$'000	Employment remuneration \$'000	Consultancy services \$'000	Share based payments \$'000
Adrian Grant	-	262	-	-
Mark Estall	-	296	-	-
Paul Reynolds	78	-	18	-
Thomas Power	40	-	96	-
Wendy Webb	39	-	23	-
	157	558	137	-

## 6. Employee Remuneration

The number of employees or former employees, not being Directors of the Group, who received remuneration and other benefits in their capacity as employees, the value of which exceeds \$100,000 is set out below:

	2019 Number	2018 Number
\$100,000 - \$109,999	10	5
\$110,000 - \$119,999	2	4
\$120,000 - \$129,999	6	9
\$130,000 - \$139,999	2	2
\$140,000 - \$149,999	3	6
\$150,000 - \$159,999	1	3
\$160,000 - \$169,999	-	1
\$170,000 - \$179,999	1	-
\$180,000 - \$189,999	1	1
\$190,000 - \$199,999	1	-
\$210,000 - \$219,999	1	-
\$230,000 - \$239,999	-	1
\$250,000 - \$259,999	2	1
\$260,000 - \$269,999	1	-
\$270,000 - \$279,999	1	1
\$280,000 - \$289,999	1	1
\$290,000 - \$299,999	1	-
\$330,000 - \$339,999	-	1
\$380,000 - \$389,999	-	1
\$410,000 - \$419,999	-	1

The following information is current as at 30 May 2019 and is included for the benefit of shareholders and for compliance with the Australian Securities Exchange (ASX) Listing Rules. The information includes shareholdings following the recent rights issue and placement completed on 24 May 2019.

## 1. Corporate Governance Statement

In accordance with ASX Listing Rule 4.10.3, a copy of the Company's Corporate Governance Statement can be obtained on the Company's website: <https://www.9spokes.com/investors>.

## 2. Substantial Holders

The *Financial Markets Conduct Act 2013* (NZ) (FMCA) includes substantial holder disclosure requirements for persons with a 5% or more holding in a New Zealand listed company. These requirements are similar to those under the *Corporations Act 2001* (Cth) (Corporations Act), which is applicable in Australia. However, the FMCA requirements are not applicable to the Company because the Company is not listed on a New Zealand Exchange. Furthermore, Chapter 6C of the Corporations Act does not apply to the Company. However, the Company is nevertheless aware of the following information regarding substantial shareholdings in the Company:

Substantial Holder (Consolidated)	Associates	Number of Ordinary Shares	Voting Power
Mark Estall	M & M No. 2 Limited Franc Holdings Limited	82,064,998	8.65%
Adrian Grant	Adrian David Grant & AJ Trustee Services Limited <Holland Park Capital A/C> Franc Holdings Limited	81,990,286	8.64%
Associates		Number of Ordinary Shares	Voting Power
Harrogate Trustee Limited <Brandywine A/C>		72,866,826	7.68%
Citicorp Nominees Pty Limited		62,601,822	6.60%
M & M No. 2 Limited		51,444,727	5.42%
Adrian David Grant & AJ Trustee Services Limited <Holland Park Capital A/C>		51,312,727	5.41%

### 3. Number of Holders in each Class of Equity Security

Class of Equity Security	Number of Holders
Fully Paid Ordinary Shares (quoted)	1,637
Options over Fully Paid Ordinary Shares (unquoted)	See paragraph 13 below

### 4. Voting Rights Attaching to each Class

The voting rights attaching to the fully paid ordinary shares is that each share is entitled to one vote when a poll is called, otherwise each member present (or represented by their proxy, attorney or other representative) has one vote on a show of hands.

No voting rights attach to any of the options over the fully paid ordinary shares.

### 5. Distribution Schedules

#### a) Ordinary Shares

The distribution schedule for fully paid ordinary shares is as follows:

Holdings Ranges	Holders	Total Units	%
1-1,000	23	4,249	0.00%
1,001-5,000	45	178,254	0.02%
5,001-10,000	123	1,047,103	0.11%
10,001-100,000	798	34,994,953	3.68%
100,001-9,999,999,999	648	912,668,229	96.18%
<b>Totals</b>	<b>1,637</b>	<b>948,892,788</b>	<b>100.00%</b>

#### b) Unquoted Share Options

IPO Advisors Share Options:

The distribution schedule for options over fully paid ordinary shares issued to advisors in relation to the Company's IPO (the details of which are set out in the Company's Replacement Prospectus dated 17 May 2016) , each with an exercise price of AU\$0.20, is as follows:

Holdings Ranges	Holders	Total Units	%
1-1,000	0	0	0.00%
1,001-5,000	0	0	0.00%
5,001-10,000	0	0	0.00%
10,001-100,000	0	0	0.00%
100,001-99,999,999,999	4	8,750,000	100.00%
<b>Totals</b>	<b>4</b>	<b>8,750,000</b>	<b>100.00%</b>

None of the options issued under the IPO Advisors Share Options Scheme have vested.

#### Pre-IPO Employee Share Options:

Originally issued in December 2015, the distribution schedule for options over fully paid ordinary shares issued to employees, under the Pre-IPO Employee Share Option Scheme (the details of which are set out in the Company's Replacement Prospectus dated 17 May 2016), is as follows:

Holdings Ranges	Holders	Total Units	%
1-1,000	0	0	0.00%
1,001-5,000	0	0	0.00%
5,001-10,000	0	0	0.00%
10,001-100,000	2	119,545	7.80%
100,001-99,999,999,999	3	1,413,463	92.20%
<b>Totals</b>	<b>5</b>	<b>1,533,008</b>	<b>100.00%</b>

All options have vested.

#### Current Employee Share Options:

Originally issued in August 2017, the distribution schedule for options over fully paid ordinary shares issued to employees under the Company's current ESOP, each with an exercise price of AU\$0.20, is as follows:

Holdings Ranges	Holders	Total Units	%
1-1,000	0	0	0.00%
1,001-5,000	0	0	0.00%
5,001-10,000	2	11,463	0.92%
10,001-100,000	14	421,597	33.71%
100,001-99,999,999,999	5	817,534	65.37%
<b>Totals</b>	<b>21</b>	<b>1,250,594</b>	<b>100.00%</b>

All the options issued in August 2017 vested on issue.

#### Non-Executive Directors (NEDs) Share Options:

Originally issued in September 2017, the distribution schedule for options over fully paid ordinary shares issued to NEDs under the Company's ESOP (the details of which are set out in the Explanatory Memorandum attached to the Company's Notice of Annual Meeting of Shareholders dated 28 August 2017) is as follows:

Holdings Ranges	Holders	Total Units	%
1-1,000	0	0	0.00%
1,001-5,000	0	0	0.00%
5,001-10,000	0	0	0.00%
10,001-100,000	0	0	0.00%
100,001-99,999,999,999	2	1,143,413	100.00%
<b>Totals</b>	<b>2</b>	<b>1,143,413</b>	<b>100.00%</b>

None of the options issued under the Non-Executive Directors (NEDs) Share Options Scheme have vested.

## 6. Marketable Securities

The number of holders holding less than a marketable parcel (i.e. the value of a parcel that is less than AU\$500) of the Company's main class of securities (fully paid ordinary shares), based on the closing market price of AU\$0.017 as at 30 May 2018 was 503.

## 7. 20 Largest Holders

As at 30 May 2019, the names of the 20 largest holders of fully paid ordinary shares, the number of those shares held, and the percentage of capital held, is as follows:

Holder name	Number of shares	% holding
Harrogate Trustee Limited <Brandywine A/C>	72,866,826	7.68%
Citicorp Nominees Pty Limited	62,601,822	6.60%
M & M No.2 Limited	51,444,727	5.42%
Adrian David Grant & AJ Trustee Services Limited <Holland Park Capital A/C>	51,312,727	5.41%
G&S Capital Limited	37,617,886	3.96%
Sekots Group Limited	32,029,452	3.38%
Franc Holdings Limited	30,620,271	3.23%
Custodial Services Limited <Beneficiaries Holding A/C>	25,082,457	2.64%
Mr Bin Liu	17,635,376	1.86%
Optimum Holdings Limited	17,572,440	1.85%
J P Morgan Nominees Australia Pty Limited	16,352,592	1.72%
Brendan Paul Roberts & ML Trustees 3287 Limited <Brendan Roberts Invest A/C>	14,779,609	1.56%
North of The River Investments Pty Ltd	12,500,000	1.32%
MGL Corp Pty Ltd	9,673,584	1.02%
Rubi Holdings Pty Ltd <John Rubino Super Fund A/C>	9,374,972	0.99%
Tappenden Holdings Limited	8,572,349	0.90%
IBT Holdings Pty Ltd <IBT Holdings Pty Ltd Fam A/C>	7,447,876	0.78%
Upsky Equity Pty Ltd <Upsky Investment A/C>	6,705,374	0.71%
Mr Adam Stuart Davey <The Davey Investment A/C>	6,278,419	0.66%
Sargon Ct Pty Ltd <VP Capital Fund I>	6,250,000	0.66%

## 8. Company Secretary

For the purposes of the ASX Listing Rules, the Company Secretary is currently Neil Hopkins, who also acts as the Company's Chief Financial Officer.

## 9. Address

The Company's principal administrative office is:  
 Level 4, AECOM House, 8 Mahuhu Crescent, Auckland, 1010, New Zealand

The Company's registered office in Australia is:  
Level 22, 19 Martin Place, Sydney, NSW, 2000

The Company does not have a contact telephone number in either New Zealand or Australia. The Company is contactable at [investors@9spokes.com](mailto:investors@9spokes.com).

## 10. Register of Securities

The register of securities is held at the following address:

Boardroom Pty Limited,  
Level 12, 225 George Street, NSW, 2000, Australia  
Telephone: +61 1300 737 760

## 11. Stock Exchanges

The Company's securities are not quoted on any stock exchange other than the ASX.

## 12. Restricted Securities

None of the Company's securities are currently restricted.

## 13. Unquoted Securities

The following unquoted securities are on issue:

Class	Number of Holders	Number on Issue
A - Options over Ordinary Shares <sup>1</sup>	4	8,750,000
B - Options over Ordinary Shares <sup>2</sup>	5	1,533,008
C - Options over Ordinary Shares <sup>3</sup>	21	1,250,594
D - Options over Ordinary Shares <sup>4</sup>	2	1,143,413

Foster Stockbroking Nominees Pty Limited holds 5,400,000 of the Class A Options (IPO Advisors Share Options).

- 1 IPO Advisors Share Options: exercise price AU\$0.20
- 2 Pre-IPO Employee Share Options: exercise price is NZ\$0.16.
- 3 Options issued to Employees under ESOP: exercise price AU\$0.20
- 4 NEDs Options under the ESOP: exercise price AU\$0.225

## 14. Review of Operations

A review of the operations and activities of the Company for the year ended 31 March 2019 is provided in the Chairman's report and Chief Executive's report sections of this Annual Report.

---

## 15. Buy-Back

There is no current on-market buy-back being conducted by the Company.

## 16. Further Information

The Company is incorporated in New Zealand.

The Company is not subject to Chapters 6, 6A, 6B and 6C of the Corporations Act dealing with the acquisition of its shares (including substantial holdings and takeovers).

In general, securities in the Company can be transferred freely, with restrictions or limitations applying only in relation to takeovers, overseas investment and competition. Limitations on the acquisition of the securities imposed by the law in which the Company is incorporated (New Zealand) are as follows:

- The New Zealand Takeovers Code and the FMCA prescribe a general 20% threshold under which a person is prevented from increasing the percentage of voting rights held or controlled by them in excess of that threshold or from becoming the holder or controller of an increased percentage of voting rights if they already hold or control more than 20% of the voting rights, subject to some exceptions. Under the New Zealand Takeovers Code, compulsory acquisitions are also permitted by persons who hold or control 90% or more of the voting rights in the Company.
- Generally, the consent of the New Zealand Overseas Investment Office is required where an overseas person acquires shares in the Company that amount to more than 25% of the total shares issued by the Company, or if the person already holds 25% or more of the shares, the acquisition increases such holding and the value of the shares, or of the Company's and its subsidiaries' assets, exceeds \$100 million.
- Under the *Commerce Act 1986* (NZ), a person may be prevented from acquiring shares in the Company if the acquisition would have, or would be likely to have, the effect of substantially lessening competition in the market.

---

Registered Office	Level 4, AECOM House 8 Mahuhu Crescent Auckland 1010, New Zealand
New Zealand Company Number	3538758
New Zealand Business Number	9429030957862
Australian Registered Business Number	610 518 075
Directors	Paul Reynolds (Chairman) Adrian Grant Mark Estall Thomas Power
Australian Lawyers	Bird & Bird Lawyers Level 11, 68 Pitt Street Sydney, NSW 2000, Australia
New Zealand Lawyers	Webb Henderson Level 3, 110 Customs Street West Auckland 1010 New Zealand
Group Auditors	PricewaterhouseCoopers 188 Quay Street Private Bag 92162 Auckland 1142, New Zealand
Share Registrar	Boardroom Pty Limited Level 12, 225 George Street Sydney, NSW 2000, Australia
ASX	<b>The Company's ordinary shares are listed on the ASX, under ASX code ASX:9SP</b>
Website	<a href="http://www.9spokes.com">www.9spokes.com</a>



Blank Page

