ASX: 9SP

ASX Announcement
30 November 2018

Appendix 4D and Condensed Interim Financial Statements

9 Spokes International Limited

30 September 2018

In accordance with Listing Rule 4.2A, please find attached the Appendix 4D and Condensed Interim Financial Statements for the half year ended 30 September 2018.

It is recommended that these half year reports be read in conjunction with the Annual Report for the year ended 31 March 2018 and any public announcements made by the company during the half year.

Yours faithfully

Neil Hopkins
Company Secretary and Chief Financial Officer

About 9 Spokes
9 Spokes is a tracking tool designed to help SMEs enhance their performance and be their best business self. It collates and sorts the SME's data, so they can more easily see their progress against the things that matter most to their business.

SMEs can connect their cloud software to 9 Spokes to get a comprehensive picture of their business performance through a single smart dashboard—so it's easier to make the big and small decisions required to manage and grow their business effectively. As well connecting their existing supported software to the dashboard, businesses can choose from a selection of other recommended and accredited apps to suit their industry.

9 Spokes is provided under a direct model to small businesses and as a white labelled platform allowing key Banking Partners to offer 9 Spokes to their SME customers under their own brand.

Find out more at **www.9spokes.com**

9 Spokes International Limited (ASX:9SP) ("9 Spokes" or "the Company"), ABN 610 518 075, presents its Appendix 4D report for the half year ended 30 September 2018, incorporating results for the previous corresponding half year ended 30 September 2017.

Results for announcement to the market

	6 months ended 30 September 2018 (unaudited) NZ$'000	6 months ended 30 September 2017 (unaudited) NZ$'000	Amount Change NZ$'000	% Change
Revenue	**4,958**	**2,269**	**2,689**	**119%**
Operating loss	(4,981)	(10,604)	5,623	-53%
Loss before income tax	(4,947)	(10,439)	5,492	-53%
Net loss after income tax	**(4,952)**	**(10,564)**	**5,612**	**-53%**

Net tangible asset per security

	30 September 2018 (unaudited) NZ$'000	30 September 2017 (unaudited) NZ$'000
Net tangible assets per security	0.001	0.026

Condensed Interim Financial Statements

The information provided in this Appendix 4D is taken from the attached Condensed Interim Financial Statements of the Company for the financial half year ended 30 September 2018.

Commentary on the results are contained in the Condensed Interim Financial Statements and accompanying Directors' Report. These financial statements are presented in New Zealand dollars unless otherwise stated.

The Condensed Interim Financial Statement have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ("NZ GAAP"). They comply with the New Zealand International

Accounting Standard, NZ IAS 34 *Interim Financial Reporting*. The Interim Financial Statements are subject to independent review completed by PricewaterhouseCoopers (PwC).

Consistent with the previous full year financial statements, the Independent Review Report contains a disclaimer of conclusion, as PwC were unable to obtain sufficient appropriate evidence to form a conclusion on the Condensed Interim Financial Statements. A copy of the Independent Review Report and the basis of the conclusion is included on pages 5 to 6 of the attached Condensed Interim Financial Statements .

Dividends or Distributions

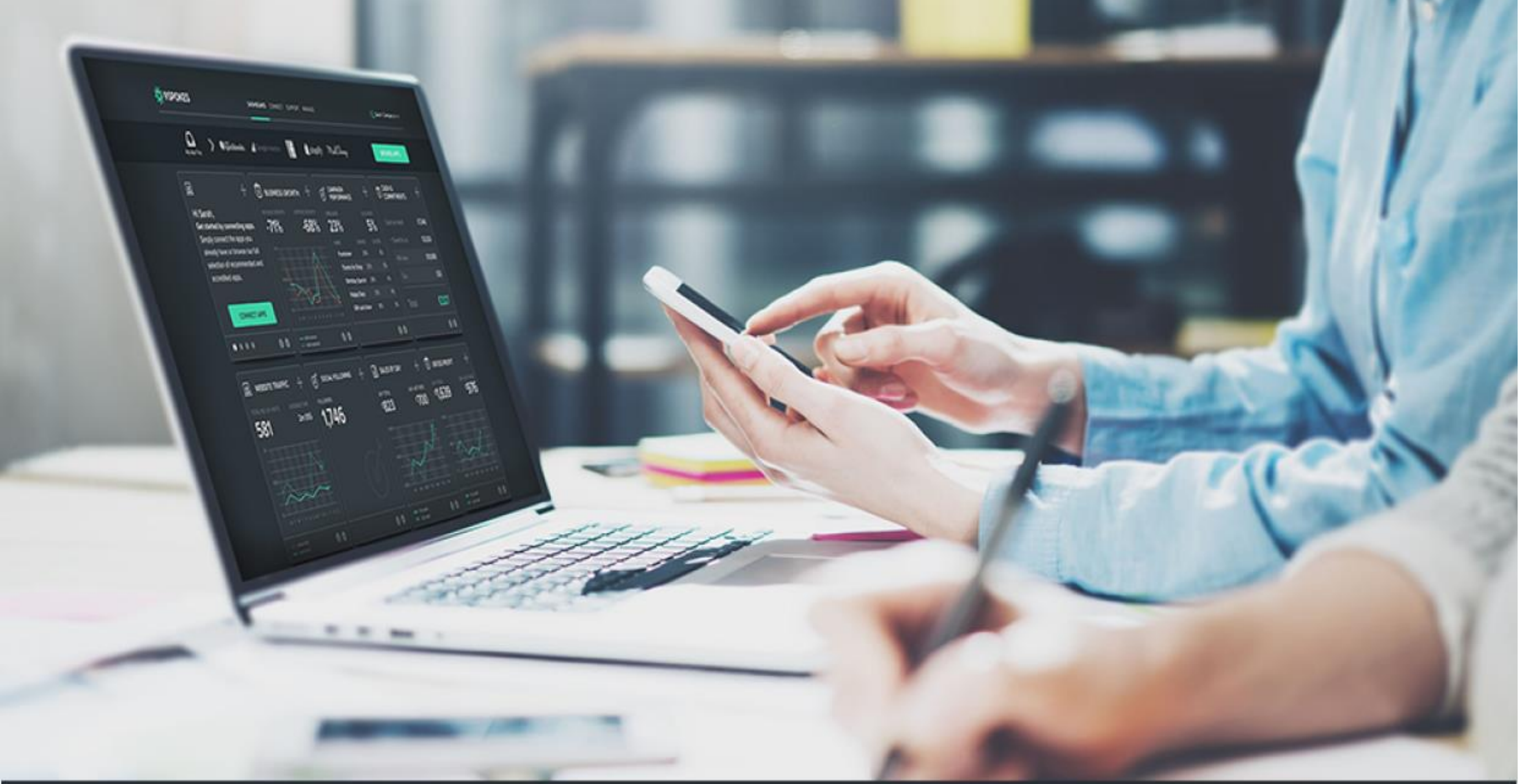
There were no dividends or distributions.

Details of entities over which control has been gained or lost during the period

There were no entities over which control has been gained or lost during the half year ended 30 September 2018.

Details of associates and joint venture entities

The company has no associates or joint venture entities.



9 Spokes International Limited
and subsidiary companies

Condensed Interim Financial Statements
For the 6 months ended 30 September 2018

	Page

The Directors are pleased to present the condensed interim financial statements of 9 Spokes International Limited (the "Company" of "9 Spokes") and its subsidiaries (altogether "the Group") for the 6 months ended 30 September 2018.

These financial statements should be read in conjunction with the Group's Annual Report for the year ended 31 March 2018, issued on 29 June 2018.

Review of Operations

Enterprise customers and new business development

During the past 6 months, the Company has continued to develop new Enterprise Channel Customer opportunities across all regions. Following the announcement in March 2018 that the Company signed a platform agreement with the Bank of New Zealand, 9 Spokes announced a further contract signed with OCBC bank in Singapore in August 2018. Business development is progressing particularly in North America and Europe with opportunities at an advanced stage of negotiation.

By managing the cost base in line with current expenditure levels, if the Group closes some of these opportunities, it will substantially reduce the cost-revenue deficit over the next 12 months, with the potential for the Group to achieve cash flow break even.

We expect to be in a position to announce further progress in the March quarter.

Product development

Progress has been made in several key areas:

- Delivery of new data functionality for Enterprise Channel Customers so we can extract more data from their API powering more widgets. The result is that we integrated to Enterprise Channel Customers much faster than we have done before.
- Continued development of Open Banking capability supporting both PSD2 and CMA9 requirements which will enable 9 Spokes to integrate bank accounts within the platform from multiple banks.
- Internal delivery and beta testing of the 9 Spokes native app (initially for iOS) that will deliver the experience on mobile devices. 9 Spokes has also successfully completed integrations enabling the 9 Spokes platform to be a part of a bank's customer mobile application.
- Released of a new REST API service layer during the quarter. The APIs provide the foundation for mobile apps and support scenarios where banks prefer to write their own user interface or embed the 9 Spokes services into their existing product offerings.

9 Spokes has also made significant progress towards the containerisation of the platform and migration of infrastructure to public cloud. This provides greater flexibility to operate within any cloud environment supported by the Company's bank customers. Implementation of the platforms for BNZ and OCBC Bank are both progressing to schedule, with delivery on time in the December 2018 quarter.

Marketing

During the period we redirected marketing activities to focus resources on developing the user journey and improving engagement. User numbers at 30 September 2018 were 69,000 compared to 20,000 at September 2017.

Marketing resources are also being increasingly directed to support the Company's bank customers and development of Enterprise sales opportunities. Most notably, during the September Quarter, 9 Spokes concluded a Marketing-as-a-Service agreement with a customer for a fixed term and as a result is now successfully generating monthly revenue and supporting the customer with go-to-market development and launch activities.

Financial results of operation

The Group's operating loss after tax for the 6 months ended 30 September 2018 was $5.0 million - down from $10.6 million for the same period last year - a reduction of 53% which reflects both an increase in revenues and reduced costs.

Revenue

Total revenue for the 6 months ended 30 September 2018 was $4.9 million (2017: $2.3 million) an increase of 113% over the same period last year.

Platform Access Revenue was $2.7 million (2017: $1.5m), Implementation revenue was $1.7 million (2017: $0.7 million), which included $0.6 million of revenue recognised early following cancellation of the contract with RBC. Other operating income, mainly from government grants was $0.5 million (2017: $0.1 million).

Expenses

With a strong focus on cost reduction this year, total expenses have reduced by $2.9 million, 22% compared to the same period last year. The main areas of cost reduction have been employee costs, marketing, hosting and travel.

Total employee benefit expense has fallen by $1.0 million, 15% compared with the same period last year. Headcount at 30 September 2018 was 82 (2017: 109) while average headcount during the last 6 months was 92, reducing from 103 in the same period last year. Reductions have occurred within Operational, Sales, Marketing and Administration areas, reflecting an alignment of the business to meet current requirements. R&D development staff costs increased during the first quarter, with the growth in the development team funded through the NZ Government Callaghan Growth Grant.

Marketing spend has decreased by $1.1 million, down 78% compared to the same period last year reflecting the focus on utilising internal resources on user engagement and engagement. There has been a greater focus on developing the user journey and improving engagement rather than user acquisition. Hosting costs have declined by 31% compared to the same period last year as we commenced migration to the public cloud during this financial year. Travel expenditure is down 40% compared to the same period last year.

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Cash Flow

Net cash outflows from operating activities for the 6 months ended 30 September 2018 were $6.5 million (2017: $9.7 million) and at 30 September 2018, the Group had $1.6 million of cash and cash equivalents (including term deposits). Of this amount $0.4 million is restricted cash held as a guarantee by the bank for the operating lease on the Auckland offices.

Capital Raise and Funding facility

As disclosed in the September 2018 Quarterly Activity Report and Appendix 4C, the Company had expected to announce the outcome of its capital raise discussions with potential strategic investors during November. Discussions have as yet not concluded, and Management and the Board continue to be actively engaged in detailed discussions with potential investors. The Company will provide an update on the progress of the capital raising programme as soon as it is in a position to do so.

As announced on 17 October 2018, the Company has entered into a short-term funding facility intended to provide the Company with working capital to allow time to conclude its current strategic capital raising activity. A total sum of NZ$2.5 million (plus fees and interest) may be drawable under the facility. At the date of this report, the Company has drawn down $500,000 of the facility.

Directors

The following persons held office as directors of 9 Spokes International Limited during the 6 months ended 30 September 2018 and up to the date of this report:

Paul Reynolds (Chairman)
Wendy Webb (Resigned 21 September 2018)
Thomas Power
Mark Estall
Adrian Grant

On behalf of the board,

Paul Reynolds	Mark Estall
Chairman	Founder & CEO

Independent review report

To the shareholders of 9 Spokes International Limited

Report on the condensed interim financial statements

We were engaged to review the accompanying condensed interim financial statements ("financial statements") of 9 Spokes International Limited ("the Company") and its controlled entities ("the Group") on pages 7 to 22, which comprise the condensed consolidated statement of financial position as at 30 September 2018, and the condensed consolidated statement of comprehensive income, the condensed consolidated statement of changes in equity and the condensed consolidated statement of cash flows for the six month period ended on that date, and selected explanatory notes.

Directors' responsibility for the condensed interim financial statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of these financial statements in accordance with International Accounting Standard 34 *Interim Financial Reporting* (IAS 34) and New Zealand Equivalent to International Accounting Standard 34 *Interim Financial Reporting* (NZ IAS 34) and for such internal control as the Directors determine is necessary to enable the preparation of interim financial statements that are free from material misstatement, whether due to fraud or error.

Our responsibility

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. However, because of the matters described in the *Basis for disclaimer of conclusion* paragraphs, we were not able to obtain sufficient appropriate evidence for expressing a conclusion on the financial statements.

We are independent of the Group. Our firm carries out other services for the Group in the areas of tax compliance, tax consulting, 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.

Basis for disclaimer of conclusion

As described in note 2(a) to the financial statements, the Group has incurred a net loss after tax of $5.0 million and had net cash outflows from operating of $6.5 million for the six month period ended 30 September 2018, and at balance date had available cash of $1.6 million of which $0.4 million is restricted as security for the building lease. Note 2(a) describes the Group's plans to address this situation by improving operational cash flows and obtaining further funding from short-term funders, strategic investors and/or the market within the necessary time frame. The note highlights that the requirements to meet the drawdown conditions in the existing short-term funding facility, and the Company's ability to obtain sufficient additional funding within the next three months and secure additional on-going revenue are material uncertainties that may cast significant doubt about the Group's ability to continue as a going concern.

The Group is negotiating contracts with potential customers and has improved operational performance with a lower cost base. The Company has entered into a short term funding facility intended to provide the Company with working capital to approximately February 2019 to allow time to conclude its capital raising activity. Negotiations with potential short-term financiers and strategic investors are also on-going and an expression of interest letter has been signed by one party, however at this stage no commitments have been made by these parties and there is limited time available to secure these commitments. As a result of these uncertainties we were not able to obtain sufficient appropriate evidence to enable us to express a conclusion as to whether the going concern assumption is appropriate and therefore whether any adjustments are necessary to the amounts recorded in the condensed consolidated statement of financial position and the consequential impact on the condensed consolidated statement of comprehensive income and the condensed consolidated statement of changes in equity.

Disclaimer of conclusion

Due to the significance of the matters described in the *Basis for disclaimer of conclusion* paragraphs, we were unable to obtain sufficient appropriate evidence to form a conclusion on the accompanying financial statements. Accordingly, we do not express a conclusion on these financial statements.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in our review 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 shareholders, as a body, for our review procedures, for this report, or for the conclusion we have formed.

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
30 November 2018

Auckland

	Notes	6 months ended 30 September 2018 $'000	6 months ended 30 September 2017 $'000
Revenue:			
Operating revenue	5	4,447	2,200
Other operating income	5	511	69
Total revenue		**4,958**	**2,269**
Expenses:			
Operational expenses	6	(1,916)	(3,246)
Research and development expenses	6	(2,623)	(1,945)
Sales, marketing and administration expenses	6	(5,401)	(7,682)
Total expenses		**(9,939)**	**(12,873)**
Operating loss		**(4,981)**	**(10,604)**
Net finance income		35	165
Net loss before income tax		**(4,947)**	**(10,439)**
Income tax expense		(5)	(125)
Net loss from continuing operations		**(4,952)**	**(10,564)**
Other comprehensive income:			
Translation of international subsidiaries		(73)	152
Total comprehensive loss attributable to shareholders		**(5,025)**	**(10,412)**
Loss per share			
Basic and diluted loss per share		($0.01)	($0.02)

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes to the interim financial statements.

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	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	12,955	-	-	-	12,955
Share option expense	-	171	-	-	171
Costs of capital raise	(993)	-	-	-	(993)
Reserve arising on conversion of foreign currency subsidiary	-	-	152	-	152
Net loss for the period	-	-	-	(10,564)	(10,564)
Balance as at 30 September 2017	**48,107**	**1,829**	**127**	**(37,412)**	**12,651**
Balance as at 1 April 2018	**49,028**	**898**	**(200)**	**(44,039)**	**5,687**
Share option expense	-	6	-	-	6
Costs of capital raise	(44)	-	-	-	(44)
Reserve arising on conversion of foreign currency subsidiary	-	-	(73)	-	(73)
Net loss for the period	-	-	-	(4,952)	(4,952)
Balance as at 30 September 2018	**48,984**	**904**	**(273)**	**(48,991)**	**624**

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes to the interim financial statements.

	Notes	30 September 2018 $'000	30 September 2017 $'000	31 March 2018 $'000
Assets				
Non-current assets				
Property, plant and equipment		427	541	480
Contract assets	6	89	399	258
Total non-current assets		**516**	**940**	**738**
Current assets				
Cash and cash equivalents		1,562	11,654	7,297
Term deposits with maturities of more than three months		-	4,000	1,000
Trade and other receivables		2,087	1,490	2,077
Contract assets	6	376	589	402
Total current assets		**4,025**	**17,733**	**10,776**
Total assets		**4,541**	**18,673**	**11,514**
Equity				
Share capital		48,984	48,107	49,028
Share based payments reserve		904	1,829	898
Foreign currency translation reserve		(273)	127	(200)
Accumulated losses		(48,991)	(37,412)	(44,039)
Equity attributable to the owners of the company		**624**	**12,651**	**5,687**
Total equity		**624**	**12,651**	**5,687**
Non-current liabilities				
Deferred revenue	5	451	1,884	1,481
Total non-current liabilities		**451**	**1,884**	**1,481**
Current liabilities				
Trade and other payables		1,968	2,591	2,551
Deferred revenue	5	1,498	1,547	1,795
Total current liabilities		**3,466**	**4,138**	**4,346**
Total equity and liabilities		**4,541**	**18,673**	**11,514**

The Condensed Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes to the interim financial statements.

	Notes	6 months ended 30 September 2018 $'000	6 months ended 30 September 2017 $'000
Cash flows from operating activities			
Receipts from customers		3,154	1,533
Receipts from government grants		540	-
Payments to employees and suppliers		(10,292)	(11,353)
		(6,599)	**(9,820)**
Interest received		78	159
Interest paid		(5)	-
Net cash flows from operating activities	7	**(6,526)**	**(9,661)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(69)	(166)
Transfer from term deposits		1,000	1,900
Net cash flows from investing activities		**931**	**1,734**
Cash flows from financing activities			
Proceeds from the issue of share capital		-	12,955
Costs of raising capital		(63)	(993)
Net cash flows from financing activities		**(63)**	**11,962**
Net change in cash and cash equivalents		**(5,658)**	**4,035**
Cash and cash equivalents at beginning of the period		7,297	7,484
Foreign exchange (loss) / gain on cash and cash equivalents		(77)	135
Cash and cash equivalents at end of the period	9	**1,562**	**11,654**

The Condensed Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes to the interim financial statements.

1. General information

These condensed interim 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.

9 Spokes current operations do not follow a seasonal or cyclical pattern.

The condensed interim financial statements were authorised for use by the Board of Directors on 30 November 2018.

2. Basis of preparation

These are the condensed interim financial statements for the Group for the six months ended 30 September 2018.

These interim financial statements have been prepared in accordance with New Zealand generally accepted accounting practice (NZ GAAP). They comply with NZ IAS 34: Interim Financial Reporting and with International Accounting Standard 34 (IAS 34).

These condensed interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the audited financial statements for the year ended 31 March 2018, which have been prepared in accordance with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS), and any public announcements made by 9 Spokes International Limited during the interim reporting period. The auditor's report on the financial statements for the year ended 31 March 2018 contained a disclaimer of opinion regarding the Group's ability to continue as a going concern.

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The condensed interim financial statements are presented in New Zealand dollars, unless otherwise stated, which is the Company's and Group's functional and presentational currency.

The Group is designated as a profit-oriented entity.

The Group has adopted External Reporting Board Standard A1 "Accounting Standards Framework (For-profit Entities Update)" ("XRB A1"). XRB A1 establishes a for-profit tier structure and outlines which suite of accounting standards entities in different tiers must follow. The Group is a Tier 1 entity.
All significant accounting policies have been applied on a basis consistent with those used in the audited financial statements of 9 Spokes International Limited for the year ended 31 March 2018. The only exception is the adoption of new or amended standards as set out in note 2 (b) below.

a. Going concern

The condensed interim financial statements have been prepared on a going concern basis which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future.

The Group incurred an operating loss after tax of $5.0 million for the 6 months ended 30 September 2018 and at balance date had available cash of $1.6 million. The loss for the six months was down from $10.6 million for the same period last year - a reduction of 53% from increasing revenues and reduced costs. Costs have reduced by $2.9 million, 22% compared to the same period last year with reductions in employee costs, marketing, hosting and travel. The net cash outflows from operating activities were $6.5 million during the 6-month period.

These results reflect an improvement in operational performance with a lower cost base and capacity that aligns the business to continue to serve customers and work on current opportunities.

While the Group continues to incur losses, without additional funding or an increase in revenue beyond current assumptions, the Group will be unable to fund its losses from the current cash position.

Management and the Board continue to engage with a number of parties to fund the business both in the short term through a bridge facility and through the proposed capital raise with strategic parties. This together with the advanced stage of contract negotiations with potential new Enterprise Channels and the significantly reduced cost base of the Company is expected to allow the Company to move to a cash flow break-even position.

Negotiations to raise additional funding from strategic investors have taken longer than expected but, at the date of issue of these condensed interim financial statements, potential strategic investors continue to signal interest in participating and one party has signed an expression of interest. The Group has therefore been discussing short-term funding facilities with other parties intended to provide working capital to allow time to conclude negotiations with potential strategic investors.

The Company has entered into a short-term funding facility under which up to NZ$2.5 million (plus fees and interest) may be drawable and which could provide the Group with sufficient cash to meet current reduced expenditures through to the end of February.

Discussions are also underway with additional potential parties to support the short-term funding requirements and to help the Company while it focuses on closing the capital raise and concluding negotiations with new Enterprise Channels.

The requirements to meet the draw down conditions in the existing short-term funding facility, and the Company's ability to obtain sufficient additional funding within the next three months and secure additional on-going revenue indicate material uncertainties 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 their discussions and negotiations with the potential customers, strategic investors and short-term funders, Management and the Board believe the Group will be able to raise sufficient funds in the necessary time to support the current operations, close new business opportunities and move towards a cash flow break-even position within the next 12 months. Therefore, they consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

b. Changes in accounting policies

New accounting standards adopted by the Group

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 5 on Revenue and the adoption of NZ IFRS 9 in 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

NZ IFRS 9, Financial Instruments, as it relates to the Group, replaces the provisions of 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 condensed interim financial statements.

Impact of standards issued but not yet adopted by the Group

NZ IFRS 16 Leases: 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 undertake a detailed assessment of the impact of NZ IFRS 16. However, based on the Group's preliminary assessment, 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. The impact on net assets and net loss/profit is not expected to be material.

Reclassifications in prior period

Certain expenses for the six months ended 30 September 2017 have been reclassified between operational expenses and sales, marketing and administration to ensure consistency in the presentation of expenditure. The amount of the reclassification was $8,000 for the six months ended 30 September 2017.

The basis of calculation of the research and development expenditure was reviewed at 31 March 2018, resulting in a reclassification of research and development expenditure for the six months ended 30 September 2017 to operational expenses of $286,000 and from sales, marketing and administration expenses of $94,000.

Contract assets and deferred revenue in the Condensed Consolidated Statement of Financial Position comparative periods have been corrected to disclose the non-current portions.

The above reclassifications have not affected the reported operating loss or any other aspects of the financial statements for the comparative period.

3. Significant changes in the current reporting period

There have been no other significant events or transactions affecting the financial position and performance of the Group during the six months to 30 September 2018 that have not otherwise been reported elsewhere in these Condensed Consolidated Interim Financial Statements.

4. Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. 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, the Chief Operating Officer and the Chief Financial Officer.

The chief operating decision makers have determined that the business operates as a single business operating segment.

5. Revenue

a. Operating revenue

	6 months ended 30 September 2018 $'000	6 months ended 30 September 2017 $'000
Implementation revenue	1,652	741
Platform access revenue	2,725	1,459
Other revenue from enterprise customers	70	-
Total operating revenue	**4,447**	**2,200**

Implementation fees are received from third party enterprise customers for the deployment of 9 Spokes' systems. As the Group maintains ownership of the developed system and has an obligation to provide continuing services to the enterprise customer, these fees are recognised as revenue in the Condensed Statement of Comprehensive Income, once the system has been deployed, equally over the expected initial term of the service.

Implementation fees received prior to deployment are treated as deferred revenue. The Group had deferred implementation revenue as at 30 September 2018 of $2.0 million (30 September 2017: $3.4 million, 31 March 2018: $3.3 million).

Following the cancellation of the contract with the Royal Bank of Canada in August 2018, $632,000 of deferred implementation fees were released to the Statement of Comprehensive Income.

b. Other operating income

	6 months ended 30 September 2018 $'000	6 months ended 30 September 2017 $'000
Government grants	492	-
Other income	19	69
Total other operating income	**511**	**69**

NZ IFRS 15: Revenue from Contracts with Customers

Impact of adoption:

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.

Process and policy:

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 table below provides further information on the application of NZ IFRS 15 across the two main segments in the Group. The segments detailed below represent 89% of the Group's total revenue for the six months ended 30 September 2018.

Revenue Type	Description	Key Judgements	Outcome	Timing of Revenue Recognition
Implementation Revenue	Deployment of 9 Spokes' 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 spokes' platform	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.
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 condensed interim 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.

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.

6. Expenses by nature

The Group operates in one business segment, providing online solutions for businesses, with costs predominately incurred in New Zealand.

a. Operational expenses

	6 months ended 30 September 2018 $'000	6 months ended 30 September 2017 $'000
Employee benefit expenses	1,258	2,088
Platform hosting	505	729
Third party contractors	10	292
Other operational expenses	143	137
Total operational expenses	**1,916**	**3,246**

b. Research and development expenses

	6 months ended 30 September 2018 $'000	6 months ended 30 September 2017 $'000
Employee benefit expenses	1,678	1,147
Third party contractors	316	407
Depreciation expense	32	22
Other research and development expenses	401	284
Capitalisation of contract assets	(31)	(147)
Amortisation of previously capitalised contract assets	227	232
Total research and development expenses	**2,623**	**1,945**

Contract assets are amortised on a systematic basis over the third party enterprise customers initial licence terms. Total contract assets at 30 September 2018 is $0.4 million (30 September 2017: $1.0 million, 31 March 2018: $0.7 million).

c. Sales, marketing and administration expenses

	Notes	6 months ended 30 September 2018 $'000	6 months ended 30 September 2017 $'000
Depreciation expense		62	64
Directors' fees	10	143	172
Directors' consultancy services	10	108	132
Employee benefit expenses		2,602	3,289
Marketing expenses		310	1,439
Travel		385	644
Professional, audit, rent, office running costs and other administration expenses		1,119	1,942
Expensed costs of capital fundraising activity		673	60
Total sales, marketing and administration expenses		**5,401**	**7,682**

7. Reconciliation of reported loss after taxation with cash flows from operating activities

	6 months ended 30 September 2018 $'000	6 months ended 30 September 2017 $'000
Loss after income tax	**(4,952)**	**(10,564)**
Non-cash items:		
Depreciation expense	94	86
Share option expense	6	171
Foreign exchange loss on monetary assets	1	17
Changes in working capital:		
(Decrease) / increase in trade and other payables	(533)	1,215
Decrease in deferred revenue	(1,327)	(532)
Increase in trade and other receivables	(10)	(139)
Decrease in contract assets	195	85
Net cash flow from operating activities	**(6,526)**	**(9,661)**

8. Lease Commitments

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

	30 September 2018 $'000	30 September 2017 $'000
Not later than one year	1,099	1,090
Later than one year and no later than five years	1,498	2,462
Total lease commitments	**2,597**	**3,552**

On 31 October 2018, the Company signed a Deed of Partial Surrender of Lease related to the Head Office premises to surrender a portion of the lease back to the landlord, effective 1 November 2018. The effect of this is to reduce the total lease commitments as at 30 September 2018 by $769,000. There was no cost associated with signing this Deed.

9. Contingencies / Restricted Cash

As at 30 September 2018, the Group had a lease premise guarantee to the value of $831,000 for the operating lease for the premises, held by ASB Bank Limited (30 September 2017: $831,000). This amount of the Group's cash balance was restricted and unable to be used for other purposes.

As disclosed in note 8, the Group signed a Deed of Partial Surrender of Lease on 31 October 2018, which reduced the lease premise guarantee and restricted cash to $424,000.

10. Related party transactions and balances

a. Transactions with the following related parties during the period

Name of related party	Nature of relationship	Transaction	6 months ended 30 September 2018 $'000	6 months ended 30 September 2017 $'000
Kestrel Corporate Advisory, Inc.[1]	Director (resigned 21 September 2018)	Directors' fees	39	48
		Consulting services	23	24
		Share based payments - ESOP	-	15
Mark Estall	Director & CEO	Advances	-	(20)
Mint Recruitment Limited [2]	Family Member of Director	Recruitment services	130	-
Paul Reynolds	Director	Directors' fees	71	84
		Consulting services	-	31
		Share based payments - ESOP	-	19
Tightline Advisory [3]	Director	Consulting services	27	-
Social Power (Surrey) Limited [4]	Director	Directors' fees	33	40
		Consulting services	58	121
		Share based payments - ESOP	-	12

1. Non-executive Director, Wendy Webb is a Director and shareholder of Kestrel Corporate Advisory, Inc. Wendy resigned from the Board on 21 September 2018.
2. A member of Executive Director, Adrian Grant's, family is a Director and shareholder of Mint Recruitment Limited. Although there was an overall drive to reduce staff costs during the first half, in the June quarter we had a requirement to recruit 12 developers and, to save recruitment costs, we decided to utilise the professional services of a family member of an Executive Director. This resulted in an overall saving of approximately $160,000 compared to market rates.
3. Non-executive Director, Paul Reynolds is a Director and shareholder of Tightline Advisory.
4. Non-executive Director, Thomas Power is a Director and shareholder of Social Power (Surrey) Limited.

b. Amounts owed by the Group to / (from) related parties were:

Name of related party	Nature of relationship	Balance Type	30 September 2018 $'000	30 September 2017 $'000	31 March 2018 $'000
Kestrel Corporate Advisory, Inc.	Director (resigned 21 September 2018)	Trade and other payables	-	9	28
Mark Estall	Director	Trade, other receivables and prepayments	-	(20)	-
Mint Recruitment Limited	Family Member of Director	Trade and other payables	-	-	50
Paul Reynolds	Director	Trade and other payables	-	14	36
Social Power (Surrey) Limited	Director	Trade and other payables	-	49	51
Thomas Power	Director	Trade and other payables	2	-	-
Net amounts owed to related parties			**2**	**52**	**165**

11. Events after the reporting period

The following reportable events have arisen since the end of the reporting period:

a. Short term funding facility

As reported to the Australian Securities Exchange on 17 October 2018, the Company entered into a short-term funding facility intended to provide the Company with working capital to allow time to conclude its strategic capital raising. A total sum of $2.5 million may be drawable under this facility. The key terms of the bridge facility are:

- The interest rate is 6.5% per annum until 31 December 2018, and 12% after that date.
- A completion and work fee is payable. The costs of the facility are consistent with the nature and purpose of the facility.
- Advances are secured by way of a general security agreement over the material assets of the Company and New Zealand subsidiaries.

The loan expires on 1 January 2020, though it may be extended or may have to be repaid earlier if there is a successful capital raise. In certain circumstances, the loan may be converted into ordinary shares at the discretion of the lenders at the prevailing market price of the shares or the price paid by the strategic investors.

The amount drawn down at the date of approval of these condensed interim financial statements is $500,000.

b. Partial Surrender of Head Office Lease

As outlined in Notes 8 the Company signed a Deed of Partial Surrender of Lease related to the Head Office premises to surrender a portion of the lease back to the landlord, effective 1 November 2018.