9SPOKES

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Know more.

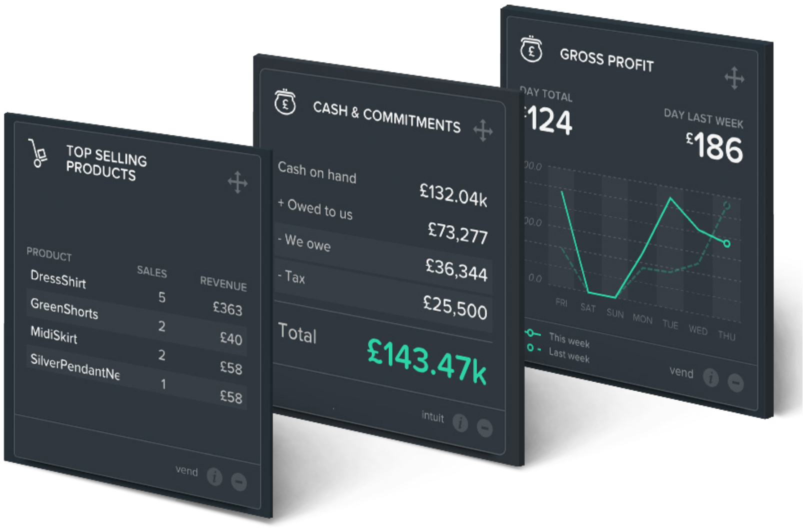
ANNUAL REPORT
31 MARCH 2017

9 Spokes International Limited
and subsidiary companies

www.9spokes.com

9 Spokes International Limited
ARBN 610 518 075


ASX


TOP SELLING PRODUCTS
PRODUCT
SALES
REVENUE
DressShirt 5 £363
GreenShorts 2 £40
MidiSkirt 2 £58
SilverPendantNe 1 £58
vend
CASH & COMMITMENTS
Cash on hand £132.04k
+ Owed to us £73,277
- We owe £36,344
- Tax £25,500
Total £143.47k
intuit
GROSS PROFIT
DAY TOTAL
DAY LAST WEEK
£186
FRI SAT SUN MON TUE WED THU
This week
Last week
vend


TheStartupVan
WE ♥ LONDON


9SPOKES
BUSINESS GROWTH
277%
319%
TWITTER FOLLOWING
57
GROSS PROFIT
£11,040
CASH & COMMITMENTS
£3.33m
£391.07k
-£385.05k
£1.24m
Total £2.86m
CASH POSITION AND COVERAGE
DAYS TO PAY
121
-20
MONEY OWED
£115.56k
£1.24m
MONEY OWED & MONEY OWING
£115.56k
£386.87k


The smart dashboard for business clarity.
Meet 9 Spokes.
The powerful new tool for small businesses that
turns your business data into simple insight

Contents

9SPOKES
WORKING TODAY
WEBSITE TRAFFIC
1,777
6m 18s
MONEY OWED & MONEY OWING
£780
£41,661
CASH & COMMITMENTS
Total
£86,550
FACEBOOK FOLLOWING
1.0k
TOP SELLING PRODUCTS
SALES BY WEEK
£2,600
£3,360
GROSS PROFIT
£86
£154

Highlights Timeline

NOVEMBER
Signed channel agreement with Barclays Bank

JUNE
Raised A$25 million from IPO on ASX

APRIL
Signed channel agreement with Suncorp

2016

NOV DEC JAN FEB MAR APR MAY JUN JUL

APRIL
Opened London office

Propel by Deloitte.

JULY
Deloitte UK partners with 9 Spokes

AUGUST
Initiated business development for North American market

NOVEMBER
Deloitte UK dashboard live

NOVEMBER
9 Spokes Direct Platform live in UK

DECEMBER
Barclays dashboard live

DECEMBER
Suncorp dashboard live

2017

JANUARY
Successful co-marketing campaign with key App partner

MARCH
First user adoption milestone of more than 1,000 users

AUG SEP OCT NOV DEC JAN FEB MAR

Chairman and CEO's Report

For the year ended 31 March 2017

PAUL REYNOLDS
Chairman

MARK ESTALL
CEO

THE DIRECTORS ARE PLEASED TO PRESENT THE ANNUAL REPORT FOR 9 SPOKES INTERNATIONAL LIMITED ("THE COMPANY" OR "9 SPOKES") AND ITS SUBSIDIARIES (TOGETHER "THE GROUP"), INCORPORATING THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2017.

THE YEAR IN REVIEW

9 Spokes provides an online, Software-as-a-Service application platform and store allowing businesses to access a wide-range of third-party applications and online services to meet their needs for core business activities such as accounting, inventory management, booking and scheduling. The 9 Spokes platform uses data from these applications to present customers with at-a-glance metrics that monitor and help manage business performance.

The global SME market for online applications is currently worth in excess of US$40 billion and 9 Spokes has identified a clear opportunity to simplify the buying approach and greatly enhance the usefulness of online applications by extracting and combining the data from multiple applications to give customers better tools with which to run their business.

The Company's proposition has attracted strong interest from major international financial institutions, such as Barclays Bank in the United Kingdom, who have launched the service as a white-label offering to their own small to medium enterprise customer base (SME's). Consequently, 9 Spokes offers services direct to SME's (9 Spokes Direct) and also through white-label channel partners.

As an early stage company, 9 Spokes faces the normal challenges of agility, innovation, competition and growth but we also believe we are particularly characterised by a maturity of approach in sales, technology, service and operations that satisfies the demanding needs of major corporate channel partners.

The Group's major achievement over the past 12 months has been to successfully transition from being a start-up with a well-regarded – but still conceptual - proposition for our target market to one supporting live operations in multiple international markets and in partnership with leading, blue-chip, organisations in their respective marketplaces. The two key building blocks for this have been the IPO and successful capital raise, and a disciplined growth in the company's scale and operations.

THE IPO

An Initial Public Offering ("IPO") was undertaken successfully on the Australian Stock Exchange (ASX), on 9 June 2016. The decision to proceed with a public listing relatively early in the Company's life was made partly in order to better meet the due diligence and compliance requirements of the potential major channel partners, a strategic choice that we feel has borne real benefits in the continuing strong interest being shown in us by large institutions in Europe, The Americas and Asia.

A total of 125 million new shares were issued at A$0.20 per share, raising A$25 million. The work and due diligence to complete the IPO dominated the first quarter of our financial year, but was completed successfully and in a relatively short space of time with minimum disruption to the core business.

Proceeds from the Offer are being used to undertake software and technical development of the 9 Spokes Platform, to conduct infrastructure development to support the 9 Spokes databases, to engage in product development by enhancing the functional features of the 9 Spokes products, to engage in business and market development by expanding the 9 Spokes business into new territories, and to provide working capital.

BUILDING OPERATIONS AND COMMENCEMENT OF MARKETING

The headline deliveries over the year have been:

- Detailed build, development and launch – on time - of white label platforms tailored to each of the three channel partners; Barclays, Suncorp and Propel by Deloitte.
- Development, build and launch of 9 Spokes Direct in the UK.
- Creating a company and structure for live operations, with a strong talent pool of skilled employees and relocation to a new Auckland Head Office.
- Establishing an office and customer operations in the United Kingdom.
- Live operations in the United Kingdom and Australasia.
- Initial business development traction in the North American and Asian markets.
- Initial direct and partner marketing campaigns and good early signs of customer adoption.

The Company delivered on its implementation milestones with Barclays, Suncorp and Propel by Deloitte Channels as well as our UK 9 Spokes Direct Platform, all four platforms going live by 2nd January 2017. Each Channel represented lengthy, complex technology projects with large, established enterprise partners. Pleasingly, Channel partners have been complimentary of the Group's professionalism and expertise. 9 Spokes is now well-established for future channel engagements.

During the financial year, we signalled our intention to enter the North American market and as deployment for the existing channels neared completion we moved our focus to business development mainly in North America. We have again set the bar high by targeting the largest banks in the region and we are encouraged by the reception and positive engagement experienced to date from banks in North America. Some of these opportunities have entered promising deep-engagement discussions. We are also pursuing further opportunities in the Australasian and Asian markets with detailed engagement also taking place.

During February 2017, the Company was pleased to announce it had passed a milestone of more than 1,000 users. We were encouraged by this early adoption and by the trajectory subsequently, and we look forward to updating the market during the June quarter. We have been introducing a new technology proposition to our small business users with little awareness of the 9 Spokes brand and limited promotional activity to date. Marketing has focused strongly on online channels and social media for lead generation, coupled with more traditional activities targeting small businesses at trade and App Partner shows and events. We have also begun assisting our Channel Partners with their go-to-market tactics and collateral, and assisting in developing digital campaigns.

9 Spokes is proud to be working with a collection of world-class online software applications on the platform. The 9 Spokes smart dashboard allows management and advisors to access a wide range of data and metrics across key areas, from any device at any time. This gives a clear overview of their business and with these insights it's easier to make the big decisions to either manage or grow a business. 9 Spokes is working with a collection of strong global and regional brands. In addition to accounting applications, the platform offers point of sale, human resources, customer management, inventory and productivity apps. The international reach of many of these applications allows 9 Spokes to leverage off existing partnerships when launching into new territories, such as the North American market.

This year 9 Spokes attended its first events; QuickBooks Connect, Accountex, The Business Show and Sage Summit in the United Kingdom, with further events planned for coming quarters. The Company has also undertaken a number of co-marketing activities including those with accounting software, QuickBooks, and global expense management application, Expensify. 9 Spokes is planning co-marketing activities with several of its other App partners from within its digital ecosystem. The imminent launch of a new Partner Marketing feature set, will greatly enhance the Company's ability to conduct co-marketing initiatives with its App partners.

There has been a substantial investment in operations this year with the growth in in-house capability and knowledge pool. We have looked to build in-house capability replacing outsourced contractual resources so we build and control the development of business intellectual property. We have created a cross functional multi skilled technology resource that enabled the build and implementation of the 4 platforms during the year. This gives significant technical capacity to serve existing channels, enhance the platform further and deploy to additional channels.

With multiple channels now online, the company has put in place a robust technology infrastructure including the deployment of 4 datacentres, provided through partner IBM/Softlayer to support our channels and operations in the United Kingdom and Australia. These centres function as a global network, providing security of data, scalability and effective redundancy.

The transition to live operations during the year has required the company to more than treble in size. Anticipating the stresses and changes that such growth can bring we have worked hard to create a set of scalable and agile company structures and processes which we feel will bring strong benefits to our operations in the months and years ahead. We have focused on hiring internationally experienced and highly capable executives, managers and staff, to create a world class talent pool who we feel will be able to support future strong growth. Average headcount during the year ended 31 March 2017 was 76 staff compared to 20 staff during the previous financial year. Of this number, approximately 60% were engaged in operations and research and development (2016: 54%).

At the beginning of the year we established an office in London to support Channel Partners in the United Kingdom and the launch of 9 Spokes Direct in the UK.

In February 2017, the Company moved to a new Head Office in Auckland having reached capacity of its existing offices. These modern offices provide a base to meet current requirements and allow flexibility to expand over the coming years. The improved working environment has led to a noticeable enhancement in the vibrancy and dynamic of operations.

FINANCIAL RESULTS

The Group's total operating loss after tax for the year ended 31 March 2017 was $14.0 million (2016: $5.4 million). These financial statements are presented in New Zealand dollars unless otherwise stated.

REVENUE

Total revenue for the year recognised in the Statement of Comprehensive Income was $1.2 million (2016: $0.7 million). This amount excludes $2.1 million (2016: $1.5 million) of implementation revenue deferred to future accounting periods, which when included means the Group invoiced $3.3 million (2016: $2.2 million), an increase of 50% year on year.

Implementation revenue

The Group invoiced $2.4 million of third party channel implementation revenue during the year ended 31 March 2017 (2016: $1.9 million). The Group's policy is to defer recognition of implementation revenue until a channel goes live, after which revenue will be released on a straight-line basis over the term of the channel agreements. During the second half of the financial year, all existing channel deployments (Barclays, Suncorp and Propel by Deloitte) went live so accordingly $0.3 million of implementation revenue has been recognised in the Statement of Comprehensive Income.

Total deferred implementation revenue disclosed in the Statement of Financial Position at 31 March 2017 was $4.0 million (2016: $1.9 million).

Licensing revenue

Licensing revenue charged to third party channels is derived from the right to access 9 Spokes systems developed for the channel. Licensing revenue of $0.8 million (2016: Nil) has been charged since the Barclays, Suncorp and Propel by Deloitte channels went live.

EXPENSES

The Group presents expenses under the categories of operational expenditure, research and development (R&D) expenditure, and administrative expenditure.

Reflected in operational and R&D expenses is the Group's continuing investment in technical and related staff including software developers, architects, analysts, infrastructure engineers and data experts to support the technical, infrastructure and new product developments mentioned in the IPO Prospectus. There has been a substantial growth of technical talent in these areas, with total employee costs for the year ended 31 March 2017 amounting to $5.4 million (2016: $2.4 million) and accounting for around 57% of total staff employment costs.

Total research and development expenditure for the year including salaries, operational costs and overheads amounts to $3.8 million (2016: $2.8 million). Of this, $0.9 million of spend, relating to channel implementation, has been deferred as capital work in progress (2016: $0.3 million), resulting in a net expense recorded in the Statement of Comprehensive Income of $2.9 million (2016: $2.5 million). Deferred capital work in progress is being expensed on a systematic basis from the channels go live date.

The other main item of operational expenditure which has increased this financial year is data-hosting costs of $1.4 million (2016: $0.3 million). New data-hosting environments were launched during the year in Australia and Europe to host our channel and small business customers.

Administrative expenses for the year ended 31 March 2017 were $8.1 million (2016: $2.3 million). Employee benefit expenses relating to the growth in marketing, customer and channel services, administration and the executives amount to $4.1 million (2016: $1.2 million). There was also a considerable increase in marketing activity during the year of $0.9 million (2016: $0.03 million) primarily following the launch of the 9 Spokes Direct and Channel platforms.

The total cost of the IPO was $3.5 million (predominantly broker fees and commissions, legal and accounting fees, and the fair value of share options issued to advisors). Of this total, $3.2 million was incurred in the year to 31 March 2017, with $2.8 million of the total IPO costs being offset against share capital.

CASH FLOW

Net cash outflows from operating activities for the year ended 31 March 2017 were $13.2 million (2016: $3.4 million) and at 31 March 2017, the Group had $13.4 million of cash equivalents and term deposits (2016: $3.4 million).

OUTLOOK

This year has been one of major milestones, particularly achieving the deployment of four platforms into the market and the acquisition of new small business users to these platforms.

With the start of the new financial year we are seeing encouraging development with our new business activities in North America, Australasia and Asia. Recent progress with North American opportunities indicates the potential for formalisation of one or more of these channel deals. One of our Asia based opportunities has already progressed in a short period to an accelerated proof of concept. We have also seen an acceleration of user adoption supported by an increasing number of marketing campaigns with both 9 Spokes Direct and Channels Partners.

We would like to thank our fellow Directors, management, staff, Channel Partners, App Partners and suppliers for their significant contribution in helping the business achieve its milestones over the past year and establishing the business for ongoing growth. Finally, we would like to thank our shareholders for their ongoing support over the past 12 months. We believe that following the successful deployment and corresponding user adoption, the next financial year will be the most exciting yet with growth from existing channel partners and the promise of significant new channel partners to come.

Approved for and on behalf of the Board of Directors on 31 May 2017.

PAUL REYNOLDS

Chairman

MARK ESTALL

CEO

Independent Auditors' Report

For the year ended 31 March 2017

Independent auditor's report

To the shareholders of 9 Spokes International Limited

The consolidated financial statements comprise:

- the statement of financial position as at 31 March 2017;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the 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 2017, 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 other assurance in relation to the investigating accountant's report for the Group's prospectus, tax compliance, tax consulting, and preparation of a remuneration policy and remuneration market report. 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 in the financial statements, which discloses that the Group has incurred a loss of $14 million during the year ended 31 March 2017 and that losses are forecast to continue. The Group will be unable to fund these forecast losses from its current cash position without additional capital. As stated in note 2, these events or conditions, along with other matters as set forth in Note 2, 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.

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Our audit approach

Overview

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

Overall group materiality: $280,000, which represents 2% of the loss before tax.

We applied a standard benchmark approach to determining materiality that is normally applied to a profit orientated business.

We chose the loss before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is currently measured by users, and is a generally accepted benchmark.

We agreed with the Audit and Risk Committee that we would report to them misstatements identified during our audit above $28,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

We have two key audit matters:

- revenue recognition of implementation fees, and
- measurement and recognition of research and development costs.

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. All audit procedures were conducted by the Group audit team.

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, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition of implementation fees The Group's revenue is largely derived from system implementation fees charged to customers. The recognition of revenue is dependent on the terms of the underlying contract with the customer and, specifically, the performance obligations within the contract. These terms and obligations are unique to each contract which presents a challenge to ensure that the revenue recognition policy is correctly applied to each arrangement. In some cases fees must be deferred and recognised as revenue over the period of the hosting service. In other cases there may be immediate performance obligations that allow revenue to be recognised sooner. The terms can complex and there may be some judgement required in applying the revenue recognition criteria to particular contracts. The Group's revenue accounting policy is set out in note 4 of the financial statements. At 31 March 2017 the Group recorded deferred income on its balance sheet of $4.0 million and had recognised revenue of $0.3 million from implementation fees during the year.	Our audit procedures included obtaining an understanding of the processes and controls by which management and the Directors ensure implementation fees are recognised in accordance with the accounting standards and the Group's revenue recognition policy. We read all the customer contracts and discussed the technical objectives, performance obligations and the commercial factors of these arrangements with the Head of Delivery and other management staff. We have confirmed the performance obligations have been met for the implementation fees to be billed. We obtained a detailed listing of implementation fees received on all the contracts and the portion of revenue recognised at 31 March 2017 and tested the revenue calculations by agreeing a sample back to contracts. In determining the timing of revenue recognition, the critical factors we considered were the presence or absence of performance obligations, including any particular delivered asset or outcome at the end of the implementation phase, and whether the developed system would be hosted by the Group or by the customer. We also considered whether, commercially, the implementation and service periods of these contracts are mutually independent, or whether they should be considered together. We obtained written communication from significant customers which confirmed the 'go live' dates used as the basis of revenue recognition. No issues were identified in revenue recognition from our testing.

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Key audit matter	How our audit addressed the key audit matter
Measurement and recognition of research and development costs The research and development accounting policy is contained in note 5 of the financial statements. The Group incurred $3.8 million of development costs during the year. Of this amount, $2.9 million was expensed as research and development and $0.9 million was capitalised as it directly related to channel implementation projects (recognised as contract work in progress). There were no development costs capitalised. *Measurement* There is judgement involved in allocating staff time, and therefore staff costs, to particular research and development projects because there is currently no day-to-day system to track staff time by project. On a regular basis an estimate of staff time by project has been made by management using the Development team's project management system and their knowledge of projects undertaken during the period. In addition, judgement is required in determining what proportion of overhead costs are directly attributable to research and development activities. Overhead costs are allocated to research and development activities if they are directly attributable and are then allocated based on the proportion of staff costs spent on research and development activities. *Recognition* Costs incurred in relation to channel implementation projects are immediately capitalised until the channel system 'goes live', at which point they are then amortised over the expected period of the hosting service. In relation to other costs there is judgement in determining whether particular activities meet the definitions 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. If costs do not meet the definitions of "research" and/or "development" they are expensed as other operating expenses. In order to determine whether to capitalise development costs, management assess the capitalisation criteria for each project in accordance with the Group's accounting policy. At 31 March 2017 they determined that there was no certainty of funding or future economic benefits from the development projects, and they concluded that none of the costs should be capitalised.	Our audit procedures included obtaining an understanding of the processes and controls over the recognition of research and development costs and we discussed the nature of the research and development work undertaken during the year with the Head of Delivery and other management staff. *Measurement* We tested, on a sample basis, that the payroll information and contractor costs, recorded as research and development costs, did relate to employees that were involved in research or development work. We ensured that the calculations of staff time attributable to certain projects were accurate, based on the projects undertaken during that period. We tested the reasonableness of the overhead cost allocation calculations to ensure there was a rational basis for the allocation process. *Recognition* On a sample basis we validated the activities that members of the Development team were working on through discussions with individual team members. We discussed the nature of the work being undertaken and ensured that they met the definitions of "research" and "development" as defined by the accounting standards. We also ensured that the timelines were consistent with our understanding of the status of the projects included in our sample. We discussed management's assessment that the capitalisation criteria had not been met, and therefore why it was appropriate to expense all development costs. The discussions included challenging their assessment of the certainty of funding and the certainty of future economic benefits. In light of our audit work over forecast cash flows and the likelihood of future economic benefits given the current limited track record of signing end-users for the "9 Spokes Direct" platform that is not associated with a channel, we agree with management's decision to expense the development costs.

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, and will 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, except that not all other information was available to us at the date of signing.

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. The Directors rationale for adopting the going concern basis in preparing these financial statements is detailed in note 2.

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://xrb.govt.nz/Site/Auditing_Assurance_Standards/Current_Standards/Page1.aspx

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:

PricewaterhouseCoopers

Chartered Accountants   Auckland
31 May 2017

Financial Statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2017

	Notes	2017 $'000	2016 $'000
Revenue	4	**1,163**	**710**
Expenses:			
Operational expenses	5	(4,516)	(1,483)
Research and development expenses	5	(2,894)	(2,450)
Administrative expenses	5	(8,137)	(2,342)
Operating loss		**(14,384)**	**(5,565)**
Net finance income		344	13
Net loss before income tax		**(14,040)**	**(5,552)**
Income tax benefit	8	4	140
Net loss from continuing operations		**(14,036)**	**(5,412)**
Other comprehensive income			
Translation of international subsidiaries		(25)	-
Total comprehensive loss attributable to shareholders		**(14,061)**	**(5,412)**
Earnings per share			
Basic and diluted loss per share	15	($0.04)	($0.02)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Notes	Share capital	Share based payments reserve	Foreign currency translation reserve	Accumulated losses	Total
		$'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance as at 1 April 2015		**6,562**	**468**	**-**	**(7,400)**	**(370)**
Proceeds from shares issued	13	6,342	-	-	-	6,342
Share issue costs	13, 14	(161)	(230)	-	-	(391)
Share based payments	14	-	702	-	-	702
Net loss for the year		-	-	-	(5,412)	(5,412)
Share option expense	14	-	31	-	-	31
Balance as at 31 March 2016		**12,743**	**971**	**-**	**(12,812)**	**902**
Proceeds from shares issued	13	26,169	-	-	-	26,169
Capitalised IPO costs	13	(2,767)	-	-	-	(2,767)
Reserve arising on conversion of foreign currency subsidiary		-	-	(25)	-	(25)
Net loss for the year		-	-	-	(14,036)	(14,036)
Share option expense	14	-	687	-	-	687
Balance as at 31 March 2017		**36,145**	**1,658**	**(25)**	**(26,848)**	**10,930**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2017

	Notes	2017 $'000	2016 $'000
Assets			
Non-current assets			
Property, plant and equipment	9	535	96
Total non-current assets		**535**	**96**
Current assets			
Cash and cash equivalents	10	7,484	3,381
Term deposits with maturities of more than three months		5,900	-
Trade, other receivables and prepayments	11	1,278	443
Capital work in progress	11	1,073	301
Total current assets		**15,735**	**4,125**
Total assets		**16,270**	**4,221**
Equity			
Share capital	13	36,145	12,743
Share based payments reserve	14	1,658	971
Foreign currency translation reserve		(25)	-
Accumulated losses		(26,848)	(12,812)
Equity attributable to the owners of the company		**10,930**	**902**
Total equity		**10,930**	**902**
Current liabilities			
Trade and other payables	12	1,377	1,458
Deferred revenue	4	3,963	1,861
Total current liabilities		**5,340**	**3,319**
Total liabilities		**5,340**	**3,319**
Total equity and liabilities		**16,270**	**4,221**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2017

	Notes	2017 $'000	2016 $'000
Cash flows from operating activities			
Cash receipts from customers		2,595	2,260
Cash payments to employees and suppliers		(16,212)	(5,693)
		(13,617)	(3,433)
Interest received		293	13
Income tax credit received		144	-
Net cash flows from operating activities	16	**(13,180)**	**(3,420)**
Cash flows from investing activities			
Purchase of property, plant and equipment		(442)	(97)
Transfer to term deposits		(5,900)	-
Net cash flows from investing activities		**(6,342)**	**(97)**
Cash flows from financing activities			
Net proceeds from the issue of share capital		26,542	6,180
IPO costs		(2,767)	-
Net cash flows from financing activities		**23,775**	**6,180**
Net change in cash and cash equivalents		**4,253**	**2,663**
Cash and cash equivalents at beginning of the year		3,381	718
Foreign exchange loss on cash and cash equivalents		(150)	-
Cash and cash equivalents at end of the year	10	**7,484**	**3,381**

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Statements 31 March 2017

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 31 May 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These are the financial statements for the Group for the year ended 31 March 2017.

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.

(b) Going concern

The financial statements have been prepared on the 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 a net loss of $14.0 million and net cash outflows from operating activities of $13.2 million during the year ended 31 March 2017. Management are forecasting losses to continue for the foreseeable future, which the Group will be unable to fund from the current cash position without additional capital or an increase in revenue.

This position indicates the existence of 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.

In order to fund the continuing development and growth of the business, the Group needs to raise additional funds in the next 12 months. The Company is listed on the Australian Stock Exchange (ASX:9SP) which greatly enhances the Company's access to capital and is expected to be the source of additional funds.

The Board and Management maintain regular communications with the investing community through written and face to face communications and based on feedback from market participants we are of the view that there is sufficient support for the Company to enable it to raise further capital to meet its funding needs.

Detailed monthly forecast cash flows are maintained by management on a rolling twelve month basis to enable the Board to continually determine the funding needs sufficient to meet the Group's future operating requirements and to plan for additional fund raising.

The Company is currently engaged in several new business opportunities in North America, Australasia and Asia. The Board recognises there is no certainty that business development projects will come to fruition, but recent progress suggests there is potential for one or more of these opportunities to become formal channel partners in the future. In addition, user adoption is accelerating with a number of marketing campaigns with both 9 Spokes Direct and third party channels underway during the first quarter of the new financial year.

If, in the unlikely circumstance, additional equity cannot be raised in the market, the Group would be required to raise further capital through alternative sources and depending on the amount raised, review the extent of its development plan, reduce costs and focus on existing business.

The Board and Management believe the Group will be able to raise sufficient funds to support its growth and consider it appropriate to continue to adopt the going concern basis in preparing these financial statements.

(c) Statutory base

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.

(d) Historical cost convention

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

(e) 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 include the expensing of research and development costs (refer to note 5 and for the non-recognition of deferred tax, see note 8).

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.

(f) Change in accounting policies

There have been no changes in accounting policies.

There has been a reclassification of expenses from research and development to administrative expenses for the year ended 31 March 2016 to align with the current presentation. The amount of the reclassification is $957,000. This has not affected the reported loss or any other aspect of the financial statements for that year.

(g) 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 and functional currency.

Foreign currency transactions

Transactions in foreign currencies are translated to the functional currency of the Group 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.

(h) Standards, interpretations and amendments to published standards

There are no new accounting standards or amendments to existing standards that have been adopted by the Group for the year ended 31 March 2017.

The following accounting standards and amendments to existing standards are not yet effective and have not been early adopted by the Group:

NZ IFRS 9 – Financial instruments (effective for annual periods beginning on or after 1 January 2018)

NZ IFRS 9, 'Financial instruments', was issued in September 2014 as a complete version of the standard. NZ IFRS 9 replaces the parts of NZ IAS 39 that relate to the classification and measurement of financial instruments, hedge accounting and impairment. This standard will be effective for the Group from 1 April 2018. The Group is yet to assess the full impact of NZ IFRS 9.

NZ IFRS 15 – Revenue from contracts with customers (effective for the Group from 1 April 2018)

NZ IFRS 15 addresses recognition of revenue from contracts with customers. It replaces the current revenue recognition guidance in NZ IAS 18 Revenue and NZ IAS 11 Construction Contracts and is applicable to all entities with revenue. It sets out a 5 step model for revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The Group has considered the treatment of its current material revenue contracts under NZ IFRS 15. There will be no material change to the current accounting treatment for these contracts when NZ IFRS 15 is adopted.

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

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

3. SEGMENT INFORMATION

Operating segment information

The Group operates in one business operating segment, providing an online, Software-as-a-Service application platform and store allowing a business to access a range of online services.

The Chief Executive Officer and members of the executive team are the Group's chief operating decision makers. They have determined that based on the information they use for the purposes of allocating resources and assessing performance, the Group itself forms a single operating segment.

Geographical segment information

Revenue was sourced from the following geographical locations:

	2017 $'000	2016 $'000
United Kingdom	969	351
Australia	194	359
Total revenue	**1,163**	**710**

4. REVENUE

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered, excluding sales taxes, GST, VAT, rebates and discounts. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the Group; and when specific criteria have been met for each of the Group's activities, as described below:

Sales of services – implementation and licensing revenue

Implementation fees are received from third parties for the deployment of bespoke 9 Spokes systems. As the Group maintains ownership of the developed system, and the Group has an obligation to provide continuing services to the third party related to the completed bespoke 9 Spokes system, these fees are recognised as revenue over the expected period that the Group will provide the services.

Implementation fees received prior to the commencement of the continuing services are treated as deferred revenue, and released as revenue on a straight-line basis over the expected initial term of the service.

Licensing revenue from the right to access 9 Spokes systems (software as a service) is recognised monthly, on a straight-line basis, over the expected licence period.

Sales of services - subscription revenue

Subscription revenue comprises the recurring monthly fees from customers who subscribe to online third party business software applications less the portion of the fee payable to the third party. Subscription revenue is recognised as the services are provided to the customers. Unbilled subscription revenue at year end is recognised in the Consolidated Statement of Financial Position as accrued income and included within trade and other receivables.

	2017 $'000	2016 $'000
Implementation revenue	339	353
Licence revenue	823	-
Other revenue	1	357
Total revenue	**1,163**	**710**

Deferred implementation revenue

	2017 $'000	2016 $'000
Fees invoiced	2,441	1,888
Less amount deferred	(2,102)	(1,535)
Total revenue	**339**	**353**

The Group had deferred implementation revenue as at 31 March 2017 of $4.0 million (2016: $1.9 million).

5. EXPENSES BY NATURE

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

Operational expenditure

	Note	2017 $'000	2016 $'000
Employee benefit expenses	7	2,322	1,030
Platform hosting		1,401	261
Other operational expenses		793	192
Total operational expenditure		**4,516**	**1,483**

Operational expenses are shown separately from administrative expenses, as these costs represent infrastructure and technical support not relating to research and development.

Research and development expenditure

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 they meet the recognition criteria:

a. it is technically feasible to complete the software product so that it will be available for use;

b. management intends to complete the software product and use or sell it;

c. there is an ability to use or sell the software product;

d. it can be demonstrated how the software product will generate probable future economic benefits;

e. adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and

f. the expenditure attributable to the software product during its development can be reliably measured.

The expenditure capitalised includes direct labour, external contractors and overhead costs that are directly attributable to preparing the asset for its intended use.

Development costs recognised as assets are amortised over their estimated useful lives.

	Notes	2017 $'000	2016 $'000
Employee benefit expenses	7	3,116	1,394
Other research and development expenses		664	1,357
Capitalised work in progress		(886)	(301)
Total research and development expenditure		**2,894**	**2,450**

WIP is amortised on a systematic basis over the channels initial licence terms. Total WIP at 31 March 2017 was $1.1 million (2016: $0.3 million).

Administrative expenditure

	Notes	2017 $'000	2016 $'000
Depreciation expense	9	79	18
Directors' fees		301	180
Directors' consultancy services		134	296
Directors' IPO services		115	-
Remuneration of auditors	6	275	123
Expensed IPO costs		454	252
Employee benefit expenses	7	4,078	1,215
Marketing expenses		878	32
Other administrative expenses		1,823	226
Total administrative expenditure		**8,137**	**2,342**

6. REMUNERATION OF AUDITORS

	2017 $'000	2016 $'000
Audit and review of financial statements by PwC		
Audit of the annual financial statements – current year	56	56
Audit of the annual financial statements – previous years	31	-
Review of the half year financial statements	22	-
One-off fees for the audit of the financial statements	8	30
Extended assurance controls testing	5	-
Other services performed by PwC		
Tax compliance services	15	16
IPO Investigating Accountant's role	97	21
Remuneration policy advice	22	-
Other tax advice	45	-
Total fees paid and payable to auditor	**301**	**123**
Administrative expenses	275	123
Capitalised IPO costs	26	-
Total fees paid and payable to auditor	**301**	**123**

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 has considered the increase in non-audit fees in the current year and note that these largely relate to the Investigating Accountant's work performed as part of the IPO. This work is commonly performed by a company's audit firm and in this instance, it was performed by a team separate from the audit team.

The Committee also notes that the increase in audit fees in the current year include fees for the review of the half year financial statements, which was not required in the previous year.

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

Liabilities for wages and salaries, including non-monetary benefits, annual leave, and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

The liability for employee entitlements is carried at the present value of the estimated future cash flows.

	Note	2017	2016
		$'000	$'000
Wages and salaries		8,393	2,161
Third party contractors		822	1,401
Share option expense	14	68	31
Other benefits		233	46
Total employee benefit expenses		**9,516**	**3,639**
Employee benefit expenses have been allocated between operational, research and development and administrative expenditure as follows:			
Operational expenses		2,322	1,030
Research and development expenses		2,468	1,209
Research and development capitalised as work in progress		648	185
Administrative expenses		4,078	1,215
Total employee benefit expenses		**9,516**	**3,639**

8. INCOME AND DEFERRED TAX

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.

	2017 $'000	2016 $'000
Current tax benefit		
R&D tax credit	-	140
Resident with-holding tax credit	4	-
Total current tax benefit	**4**	**140**
Deferred tax expense		
Origination of temporary timing differences	(24)	(26)
Tax deduction of research and development expenditure deferred	(216)	(848)
Tax losses	(3,513)	(352)
Deferred tax assets not recognised	3,753	1,226
Total deferred tax	**-**	**-**
Total tax benefit	**4**	**140**

The Group has tax losses available to carry forward of $12.8 million (2016: $4.9 million) subject to shareholder continuity being maintained. The Group has deferred research and development deductions of $7.2 million (2016: $6.4 million). 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.

At 31 March 2016, there were unrecognised tax losses of $4.9 million. As a result of the shareholding changes from the IPO the shareholder continuity for the carry forward of tax losses was breached on 9 June 2016 and tax losses held at 31 March 2015 of $3.3 million were no longer available to the Group. The benefit of the tax losses had not previously been recognised in the Group's financial statements, therefore there is no balance sheet or profit or loss impact. The availability of the deferred research and development deductions have not been affected by the change in shareholding.

The tax benefit of $140,000 arising in 2016 derives from the R&D tax loss credit regime, introduced into New Zealand tax legislation in the previous financial year. This amount was paid to the Group in October 2016. The Group is no longer able to qualify for this credit as a result of its listing on a public stock exchange.

There are no imputation credits available to the Group.

Reconciliation of effective tax rate

	2017 $'000	2016 $'000
Loss before income tax	(14,040)	(5,552)
Prima facie taxation at 28% (2016: 28%)	(3,931)	(1,555)
Expenses not deductible for tax purposes	182	189
Deferred tax assets not recognised:		
Temporary timing differences	24	26
Research and development expenditure	216	848
Total losses not recognised	3,513	632
Total tax benefit	**4**	**140**

9. PROPERTY, PLANT AND EQUIPMENT

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset.

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. These costs are subsequently depreciated over the lease term.

Any gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Depreciation

For property, plant and equipment, depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

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.

	Office and computer equipment	**Leasehold improvements**	**Total**
	$'000	**$'000**	**$'000**
Cost			
Balance as at 1 April 2015	25	-	25
Additions	97	-	97
Cost as at 31 March 2016	**122**	**-**	**122**
Additions	204	328	532
Disposals	(19)	-	(19)
Cost as at 31 March 2017	**307**	**328**	**635**
Accumulated depreciation			
Balance as at 1 April 2015	(8)	-	(8)
Depreciation for the year	(18)	-	(18)
Accumulated depreciation as at 31 March 2016	**(26)**	**-**	**(26)**
Depreciation for the year	(76)	(3)	(79)
Depreciation on disposals	5	-	5
Accumulated depreciation as at 31 March 2017	**(97)**	**(3)**	**(100)**
Carrying amount			
As at 31 March 2016	**96**	**-**	**96**
As at 31 March 2017	**210**	**325**	**535**

10. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

	2017 $'000	2016 $'000
Cash at bank	866	3,381
Term deposits with maturities of three months or less	6,618	-
Total cash and cash equivalents	**7,484**	**3,381**

11. TRADE, OTHER RECEIVABLES, CAPITAL WORK IN PROGRESS AND PREPAYMENTS

Capital work in progress

Identifiable costs incurred in fulfilling a contract with a customer are capitalised as an asset and amortised on a systematic basis that is consistent with the provision of the services.

	2017 $'000	2016 $'000
Trade receivables	665	6
IPO related costs deferred	-	83
Prepayments	406	112
Other receivables	207	242
Total trade, other receivables and prepayments	**1,278**	**443**
Capital work in progress	1,073	301
Total trade, other receivables, capital work in progress and prepayments	**2,351**	**744**

12. TRADE AND OTHER PAYABLES

	Note	2017 $'000	2016 $'000
Trade and other payables due to related parties	22	41	142
Other trade payables		325	564
Other creditors and accruals		995	482
Employee entitlements		16	270
Total trade and other payables		**1,377**	**1,458**

13. SHARE CAPITAL

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.

Share options entitlements are outlined in Note 14.

Share options are classified as equity because the holder has the option to acquire a fixed number of shares in exchange.

	2017 $'000	2017 Shares '000's	*2017* *Options '000's*	2016 $'000	2016 Shares '000's	*2016* *Options '000's*
Share capital as at beginning of the year	12,743	266,744	*39,866*	6,562	30,328	*5,242*
Shares issued for cash at A$0.20 per share ($0.21)	26,169	125,000	-	-	-	-
Capitalised IPO costs	(2,767)	-	-	-	-	-
Shares issued for cash at 80 cents per share	-	-	-	200	250	-
Options issued for cash at $1 per share	-	-	-	13	-	*94*
Shares issued for cash at $1.20 per share	-	-	-	3,779	3,149	-
Effect of the share split	-	-	-	-	218,285	*34,530*
Shares issued for cash at A$0.15 per share ($0.16)	-	-	-	2,340	14,667	-
Shares issued for cash at $0.1606 per share	-	-	-	10	65	-
Share issue costs paid in cash	-	-	-	(161)	-	-
Share capital at the end of the year	**36,145**	**391,744**	***39,866***	**12,743**	**266,744**	***39,866***

Share issue transaction costs during the year of $2.8 million (2016: $0.4 million) have been netted off against the amount recognised in equity.

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.

In December 2015, the Company undertook a share split. For each existing share and option, 6.472 additional shares and options were issued for nil consideration. Accordingly, the exercise price of options was adjusted, the options originally priced at NZ$1.35 are now priced at NZ$0.18 and the options originally price at NZ$1.65 are now priced at NZ$0.22 (ASX Announcement August 2016).

The additional shares and options issued were:

	Shares issued for cash '000's	Shares issued from share based payments '000's	Shareholder options from shares issued for cash '000's	Shareholder options from shares issued from share based payments '000's	Employee options on issue '000's
Number of existing shares and options before the split	33,727	1,362	5,336	404	251
Subdivision of shares and options issued	218,285	8,816	34,530	2,618	1,625

The capital structure of the Group consists of equity, raised by the issue of ordinary shares in the Company. The Group manages its capital to ensure the entities in the Group are 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.

14. SHARE OPTIONS

Share based payments reserve

	Note	2017 $'000	2017 Shares '000's	*2017* *Options '000's*	2016 $'000	2016 Shares '000's	*2016* *Options '000's*
Share based payments at beginning of the year		971	11,219	*4,898*	468	904	*350*
Shares issued for services at 80 cents per share		-	-	-	15	19	-
Shares issued for services at $1 per share		-	-	-	36	36	*54*
Shares issued for services at $1.20 per share		-	-	-	484	403	-
Employee share options		-	-	*(90)*	-	-	*251*
IPO Advisor options		619	-	*8,750*	-	-	-
Effect of the share split		-	-	-	-	8,816	*4,243*
Shares issued for services at $0.1606 per share		-	-	-	167	1,041	-
Share option expense	7	68	-	-	31	-	-
Share issue costs		-	-	-	(230)	-	-
Share based payments at the end of the year		**1,658**	**11,219**	***13,558***	**971**	**11,219**	***4,898***

No share based payments were made during the year ended 31 March 2017.

During the previous year, the Group received services from directors and suppliers where payment was settled by the issue of ordinary shares. The value of services was measured as the fair value of the shares issued. The fair value of the shares was based on the prices paid for equivalent shares by non-employee third parties at around the same time.

Expenditure	Value of service $'000	Settled in shares $'000	Share price $	Number of shares '000's
Suppliers and consultants				
Share issue costs	5	5	1.00	5
Share issue costs	109	109	1.20	91
Share issue costs	117	117	0.16	729
Consultancy	15	15	0.80	19
Consultancy	31	31	1.00	31
Directors				
Directors' fees	82	82	1.20	68
Directors' fees	30	30	0.16	187
Directors' sign on bonus	120	120	1.20	100
Directors' consultancy	173	173	1.20	144
Directors' consultancy	20	20	0.16	125
Total share based payments	**702**	**702**		**1,499**

There were no restrictions or vesting conditions on shares or options issued for settlement.

Shareholder pre IPO share options

In 2014, the Group undertook an equity raise, designated Series A2, with shares offered at $1 per share. The offer also included the following options to each subscriber of the Series A2 offer. For every two $1 ordinary shares subscribed for, the investor received:

a) two options, each granting the right to acquire one ordinary share, at an exercise price of $1.35 per share on or before 30 September 2017; and

b) one option, granting the right to acquire one ordinary share, at an exercise price of $1.65 per share on or before 30 September 2017.

Contingent shareholder claim regarding pre IPO share options

In its Replacement Prospectus dated 17 May 2016, the Company advised in section 14.13 that an existing shareholder had made a claim regarding their entitlement to acquire further unquoted options over ordinary shares (Options) in the capital of 9 Spokes.

Section 14.13 of the Replacement Prospectus highlighted that on the basis that this claim is assessed to have merit, the Company may promptly thereafter issue up to 2,942,100 new Options with an exercise price of A$0.20 to that existing shareholder to resolve their claim, in which case this may be dilutive to shareholders. 9 Spokes advised that it was currently assessing the merit of that claim in good faith.

The Company has now concluded its good faith investigation into the merit of the claim and has determined that the claim does not have merit. No Options have been issued to the relevant shareholder.

Options issued to IPO Advisors

In June 2016, the Group issued additional options to its advisors over an aggregate 8,750,000 shares, at an exercise price of A$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 A$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 A$0.20 (30 day VWAP Price) on or before the date that is two years after the date the Company listed 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 A$0.066 under the Black Scholes valuation model resulting in a charge to the Company of A$579,375 ($618,711). The significant inputs into the model were a share price of A$0.20 at the grant date, exercise price A$0.30, volatility of 50%, no dividend, expected option life of three years and a risk-free interest rate of 2.51%.

Employee share options – Pre IPO

The fair value 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 statement of comprehensive income, with a corresponding adjustment to equity.

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 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. At 31 March 2017, there were 1,190,810 options granted and unvested.

Employee share options – Current ESOP

Effective from 10 May 2016, the Company adopted a new employee share option plan (Current ESOP) which replaces the Pre IPO employee share option scheme. As at the date of issuing these financial statements, no options have been issued under the Current ESOP. However, any future issues of options to employees will be pursuant to the terms of the Current ESOP.

The Current ESOP has no impact on the Pre IPO employee share options.

Key provisions of the Current ESOP include:

- the options are to vest in accordance with the employee's letter of offer;
- the expiry date of the options will be as set out in the employee's letter of offer; and
- 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 otherwise determines.

Share options outstanding at the end of the financial years have the following expiry dates, vesting dates and exercise prices:

Vesting Conditions	Expiry month	Exercise price	31 March 2017 No of options '000's[1]	31 March 2016 No of options '000's[1]
Vested	Sep 2017	$0.18	28,593	28,593
Vested	Sep 2017	$0.22	14,296	14,296
Vested	Dec 2025	$0.16	595	625
Vested Dec 2017	Dec 2025	$0.16	595	625
Vested Dec 2018	Dec 2025	$0.16	595	625
Vested	Jun 2019	$0.21	8,750	-
Balance at end of year			**53,424**	**44,764**

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

	31 March 2017		31 March 2016	
	Weighted average exercise price $ per share	Options '000's	Weighted average exercise price (pre-share split/ post share split) $ per share	Options '000's
Balance at beginning of year	$0.19	44,764	$1.45	5,592
Issued	$0.21	8,750	$1.35/$0.18	98
Issued	-	-	$1.65/$0.22	49
Issued	-	-	$1.20/$0.1606	292
Lapsed	$1.20/$0.1606	(90)	$1.20/$0.1606	(41)
Share split 6.472 for 1	-	-	n/a	38,774
Balance at end of year	**$0.19**	**53,424**	**$0.19**	**44,764**

1. Incorporating share split 6.472:1

15. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit 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 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 from continuing operations.

	2017 '000's[1]	2016 '000's[1]
Total comprehensive loss attributable to shareholders	($14,061)	($5,412)
Ordinary number of shares	402,963	277,963
Weighted average number of shares on issue (after share-split)	397,521	251,898
Basic and diluted loss per share	**($0.04)**	**($0.02)**

The potential shares are anti-dilutive in nature. The diluted loss per share is therefore the same as the undiluted loss per share; ($0.04) and ($0.02) for the respective periods.

16. RECONCILIATION OF REPORTED LOSS AFTER TAXATION WITH CASH FLOWS FROM OPERATING ACTIVITIES

	2017 $'000	2016 $'000
Loss after income tax	**(14,036)**	**(5,412)**
Non-cash items:		
Depreciation	79	18
Share based payments	619	472
Share option expense	68	31
Foreign exchange gain on monetary assets	(237)	-
Changes in working capital:		
(Decrease)/increase in trade and other payables	(168)	445
Increase in deferred revenue	2,102	1,535
Increase in trade and other receivables	(835)	(208)
Increase in capital work in progress	(772)	(301)
Net cash flow from operating activities	**(13,180)**	**(3,420)**

1. Incorporating share split 6.472:1

17. FINANCIAL INSTRUMENTS

Financial assets

Classification

The Group's only financial assets comprise cash and cash equivalents and trade and other receivables and are classified as loans and receivables, determined at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the balance sheet.

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

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that a loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For the loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit and loss.

There has been no impairment of financial assets and there were no past due not impaired financial assets as at 31 March 2017.

Credit risk

Financial instruments which potentially subject the Group to credit risk, principally consists of bank balances and receivables, the maximum potential exposure to credit risk is $13.4 million (2016: $3.5 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 any guarantees or collateral and has no securities registered against it. The Group does not have any significant concentrations of credit risk apart from its deposits with large and reputable banks.

Liquidity risk

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.

At 31 March 2017, 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, US dollar and the British pound. 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 is outlined below in New Zealand dollars:

	31 March 2017			31 March 2016		
	AUD	**GBP**	**USD**	**AUD**	**GBP**	**USD**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Cash and cash equivalents	123	627	-	1,102	1,635	-
Trade, other receivables and prepayments	81	725	64	13	61	18
Trade and other payables	(140)	(1,633)	(191)	(221)	(5)	(46)
Total foreign currency exposure from financial instruments	**64**	**(281)**	**(127)**	**894**	**1,691**	**(28)**

As at 31 March, a movement of 10% in the New Zealand dollar would impact the net loss before income tax as detailed in the table below:

	10% decrease		10% increase	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Impact on net loss before income tax:				
Balances in AUD (net)	(6)	(89)	6	89
Balances in GBP (net)	28	(169)	(28)	169
Balances in USD (net)	13	3	(13)	(3)

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 2017 (2016: Nil).

Credit facilities

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

Fair values

The fair value of the Group's financial assets and liabilities is considered approximately equal to their carrying amount. The Group has no assets or liabilities that are measured at fair value. Accordingly, information on the fair value hierarchy is not required.

18. CONSOLIDATION

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 on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Group companies

The results and financial position of all the 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:

a) 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;

b) 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

c) all resulting exchange differences are recognised in other comprehensive income.

The Group had the following subsidiaries as at 31 March 2017 (no change from 31 March 2016):

Name	Country of incorporation and place of business	Nature of business	Proportion of ordinary shares directly held by parent (%)
9 Spokes Australia Pty Limited	Australia	Trading operation	100%
9 Spokes UK Limited	United Kingdom	Trading operation	100%
9 Spokes US Holdings Limited	New Zealand	Holding Company	100%
9 Spokes Knowledge Limited	New Zealand	Holder of provisional patent	100%
9 Spokes Trustee Limited	New Zealand	Non-trading	100%

Ultimate holding company

There is no ultimate holding company.

19. COMMITMENTS

Capital commitments

The Group had no capital commitments as at 31 March 2017 (2016: Nil).

Lease commitments

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

	2017 $'000	2016 $'000
Not later than one year	712	243
Later than one year and no later than five years	1,947	-
Total lease commitments	**2,659**	**243**

In November 2016, the Company signed an Agreement to Lease commencing 1 February 2017. The lease is on a 6-year term with an option to cancel the lease after 4 years, at 31 January 2021.

In May 2017, the Company exercised the Option to take the additional lease space on the current floor. The lease commitments noted above does not include the cost of this Option – which results in an additional commitment of $1.2 million at 31 March 2017.

20. CONTINGENCIES

As at 31 March 2017, the Group had a $404,000 lease premise guarantee for the operating lease for the premises, held by ASB Bank Limited (2016: Nil).

21. KEY MANAGEMENT PERSONNEL

Total key management compensation comprised salaries and contractor fees for the year of $2.0 million (2016: $0.89 million) and share option expense of $0.04 million (2016: $0.02 million).

22. RELATED PARTY TRANSACTIONS AND BALANCES

As at balance date, the Directors of the Company held 18.4% of the share capital of the Company (2016: 51%).

Transactions with the following related parties during the year:

Name of related party	Nature of relationship	Transaction	Settled in cash or equity	2017 $'000	2016 $'000
Adrian Grant	Director (resigned on 9 May 2016)	Consulting services	Cash	4	48
		Other	Cash	8	-
Kestrel Corporate Advisory, Inc.[1]	Director	Directors' fees	Cash	86	25
		Directors' fees	Equity	-	25
		Consulting services	Cash	97	21
		Consulting services	Equity	-	17
		Other	Cash	9	-
Paul Reynolds	Director	Directors' fees	Cash	141	27
		Directors' fees	Equity	-	53
		Consulting services	Cash	73	44
		Consulting services	Equity	-	68
		Other expenses	Cash	2	-
Social Power (Surrey) Limited[2]	Director	Directors' fees	Cash	74	-
		Consulting services	Cash	79	29
		Consulting services	Equity	-	109
		Other	Cash	20	-
Te Arai Coast Lodge Limited[3]	Common Shareholder	Other services	Cash	2	-
Waiere Limited[3]	Common Shareholder	Consulting services	Cash	-	240
Thomas Power	Director	Directors' fees	Cash	-	17
		Directors' fees	Equity	-	33
Umbrellar Limited[4]	Common Shareholder	Internet/ Hosting	Cash	-	10
Total transactions with related parties				**595**	**766**

Amounts owed by the Group to related parties were:

Name of related party	Nature of relationship	Balance Type	2017 $'000	2016 $'000
Adrian Grant	Director (resigned on 9 May 2016)	Trade and other payables	-	8
Kestrel Corporate Advisory, Inc.	Director	Trade and other payables	8	24
Paul Reynolds	Director	Trade and other payables	13	35
Social Power (Surrey) Limited	Director	Trade and other payables	20	29
Waiere Limited	Common Shareholder	Trade and other payables	-	46
Amounts owed to related parties			**41**	**142**

23. EVENTS AFTER THE REPORTING PERIOD

With the exception of the Lease Option exercised in May 2017 (refer Note 19), there have been no other reportable events arising after the end of the reporting period.

1. Non-executive Director, Wendy Webb is a Director and shareholder of Kestrel Corporate Advisory, Inc.
2. Non-executive Director, Thomas Power is a Director and shareholder of Social Power (Surrey) Limited.
3. Executive Director, Mark Estall is a Director and shareholder of Te Arai Coast Lodge Limited and Waiere Limited.
4. Former company Director, Adrian Grant (resigned on 9 May 2016) was a Director of Umbrellar Limited (resigned on 31 December 2016).

Statutory Information

1. NATURE OF THE BUSINESS

9 Spokes has developed an online, Software-as-a-Service application platform and store allowing a business to access a range of online services made available on a Software-as-a-Service basis by third party vendors. The 9 Spokes platform targeting small medium enterprises (SME's), incorporates a dashboard which takes data from third party services and among other things, provides a graphical snapshot of the status of that business. Each business may allow access to the 9 Spokes platform for its employees and representatives and in addition may grant access to third party technical and business specialists, such as accountants. 9 Spokes also develops and licences bespoke versions of the platform for third party channels, which provides the features of the platform and store to channel customers.

2. 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
Paul Reynolds	Non-Executive Chairman	10 September 2014
Wendy Webb	Independent Non-Executive Director	18 March 2015
Thomas Power	Non-Executive Director	7 October 2014
Mark Estall	Executive Director and Chief Executive Officer	19 September 2011

Board meetings

The Board met formally eleven times during the financial year ended 31 March 2017. In addition, there were separate meetings of the Board Committees. At each meeting the Board considers key financial and operational information as well as matters of strategic importance.

Name	Position	Number of meetings eligible to attend	Number of meetings attended
Paul Reynolds	Non-Executive Chairman	11	11
Wendy Webb	Independent Non-Executive Director	11	11
Thomas Power	Non-Executive Director	11	11
Mark Estall	Executive Director and Chief Executive Officer	11	10
Adrian Grant	Executive Director (resigned 9 May 2016)	1	0

Adrian Grant joined the Board on 6 December 2011 and resigned on 9 May 2016.

Board committees

Following the IPO in June 2016, the Board established 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/

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, itself, 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.

Since the IPO, up to the end of the financial year, the Audit and Risk Committee have met twice. The members of the committee at the date of this Annual Report were:

Name	Position	Number of meetings eligible to attend	Number of meetings attended
Wendy Webb	Chairwoman	2	2
Paul Reynolds	Member	2	2
Thomas Power	Member	2	2

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 Company'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.

Since the IPO, up to the end of the financial year, the Remuneration and Nomination Committee have met twice. The members of the committee at the date of this Annual Report were:

Name	Position	Number of meetings eligible to attend	Number of meetings attended
Paul Reynolds	Chairman	2	2
Wendy Webb	Member	2	2
Thomas Power	Member	2	2

3. ENTRIES RECORDED IN THE DIRECTORS' INTERESTS REGISTER

The following are entries made in the Interests Register as at 31 March 2017:

Director/Entity	Relationship
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
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
Waiere Limited	Director & Shareholder
Paul Reynolds	
eircom Holdco S.A.	Non-executive Director
eircom Holdings Ireland Limited	Non-executive Director
Tightline Advisory Limited	Director & Chairman
Volant Partners Limited	Director
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
Wendy Webb	
ABM Industries Inc.	Non-executive Director
Kestrel Corporate Advisory, Inc.	Director & Shareholder

4. SHAREHOLDINGS OF DIRECTORS

	2017 Shares	2016 Shares
Mark Estall	66,754,863	66,754,863
Paul Reynolds	4,423,625	4,423,625
Thomas Power	1,843,784	1,843,784
Wendy Webb	1,006,673	1,006,673

Additional Information For Publicly Listed Companies

As at 31 May 2017

THE FOLLOWING INFORMATION IS CURRENT AS AT 31 MAY 2017 AND IS INCLUDED FOR THE BENEFIT OF SHAREHOLDERS AND FOR COMPLIANCE WITH THE AUSTRALIAN SECURITIES EXCHANGE (ASX) LISTING RULES

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	Associates	Number of Ordinary Shares	Voting Power
Mark Estall	M & M No. 2 Limited Franc Holdings Limited	82,064,998	20.37%
Adrian Grant	Adrian David Grant & AJ Trustee Services Limited <Holland Park Capital A/C> Franc Holdings Limited	81,990,286	20.35%
M & M No. 2 Limited	N/A	51,444,727	12.77%
Adrian David Grant & AJ Trustee Services Limited <Holland Park Capital A/C>	N/A	51,312,727	12.73%
Franc Holdings Limited	N/A	30,620,271	7.60%
Harrogate Trustee Limited <Brandywine A/C>	N/A	29,218,972	7.25%

3. NUMBER OF HOLDERS IN EACH CLASS OF EQUITY SECURITY

Class of Equity Security	Number of Holders
Fully Paid Ordinary Shares (quoted)	993
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	11	2,328	0.00%
1,001-5,000	67	268,784	0.07%
5,001-10,000	128	1,106,864	0.27%
10,001-100,000	546	23,035,278	5.72%
100,001-99,999,999,999	241	378,550,240	93.94%
Totals	**993**	**402,963,494**	100.00%

b) Shares Options

The distribution schedule for options over fully paid ordinary shares with an exercise price of A$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%
Totals	**4**	**8,750,000**	100.00%

The distribution schedule for options over fully paid ordinary shares with an exercise price of NZ$0.18 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	7	385,945	1.35%
100,001-99,999,999,999	28	28,206,456	98.65%
Totals	**35**	**28,592,401**	100.00%

The distribution schedule for options over fully paid ordinary shares with an exercise price of NZ$0.22 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	14	846,765	5.92%
100,001-99,999,999,999	21	13,449,421	94.08%
Totals	**35**	**14,296,186**	100.00%

The distribution schedule for options over fully paid ordinary shares issued, vested but not exercised, under an Employee Share Option Scheme 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	13,838	2.32%
10,001-100,000	8	145,696	24.47%
100,001-99,999,999,999	2	435,871	73.21%
Totals	**12**	**595,405**	100.00%

The distribution schedule for options over fully paid ordinary shares issued, under an Employee Share Option Scheme 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	9	372,755	20.87%
100,001-99,999,999,999	3	1,413,463	79.13%
Totals	**12**	**1,786,218**	100.00%

As at 31 May 2017, 595,405 options have vested. None of these options have been exercised.

6. MARKETABLE SECURITIES

The number of holders holding less than a marketable parcel (i.e. the value of a parcel that is less than $500) of the Company's main class of securities (fully paid ordinary shares), based on the closing market price of A$0.14 as at 31 May 2017 is 3,571.

7. 20 LARGEST HOLDERS

As at 31 May 2017, the names of the 20 largest holders of fully paid ordinary shares, the number of those shares each holder holds, and the percentage of capital that each holder holds, is as follows:

Holder name	Number of shares	% holding
M & M No.2 Limited	51,444,727	12.77%
Adrian David Grant & AJ Trustee Services Limited <Holland Park Capital A/C>	51,312,727	12.73%
Franc Holdings Limited	30,620,271	7.60%
Harrogate Trustee Limited <Brandywine A/C>	29,218,972	7.25%
UBS Nominees Pty Limited <Tp00014 15 A/C>	18,997,963	4.71%
Brendan Paul Roberts & MI Trustees 3287 Limited <Brendan Roberts Invest A/C>	14,779,609	3.67%
UBS Nominees Pty Limited	10,009,400	2.48%
Tappenden Holdings Limited	8,572,349	2.13%
Aminoex Trustee Limited & RDP Trustees Limited <Aminoex Capital A/C>	8,239,128	2.04%
National Nominees Limited	8,075,000	2.00%
Citicorp Nominees Pty Limited	5,216,263	1.29%
First NZ Capital Securities Limited	4,543,471	1.13%
Paul Joseph Reynolds	4,423,625	1.10%
Forsyth Barr Custodians Limited <Forsyth Barr Limited-Nominee A/C>	4,322,464	1.07%
JP Morgan Nominees Australia Limited	4,319,890	1.07%
CSB Partners Limited	4,230,414	1.05%
J&A Lake Investments Limited <Lake Family A/C>	3,583,003	0.89%
Michael Jeremy Thomas Stokes & Anna Victoria Stokes <Stokes Investment A/C>	3,450,316	0.86%
BNP Paribas Noms. Pty Limited <DRP>	3,450,000	0.86%
G&S Capital Limited	3,353,060	0.83%

8. COMPANY SECRETARY

For the purposes of the ASX Listing Rules, the Company Secretary is currently Mr 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.

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

The following fully paid ordinary shares are restricted until the dates specified below:

Number of Shares	Last Day of Restriction
182,830,279	9 June 2018

In addition, 11,433,771 unquoted options over fully paid ordinary shares are restricted until 9 June 2018.

13. UNQUOTED SECURITIES

The following unquoted securities are on issue:

Class	Number of Holders	Number on Issue
A: Options over Ordinary Shares[1]	4	8,750,000
B: Options over Ordinary Shares[2]	35	28,592,401
C: Options over Ordinary Shares[3]	35	14,296,186
D: Options over Ordinary Shares[4]	12	1,786,218

Foster Stockbroking Nominees Pty Limited holds 5,400,000 of the nominal Class A Options.
Harrogate Trustee Limited holds 14,944,000 of the nominal Class B Options.
Harrogate Trustee Limited also holds 7,472,000 of the nominal Class C Options.

14. REVIEW OF OPERATIONS

A review of the operations and activities of the Company is provided in the Chairman and CEO section of this Annual Report.

15. BUY-BACK

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

1. Exercise price is A$0.20.
2. Exercise price is NZD$0.18.
3. Exercise price is NZD$0.22.
4. These options were granted under an Employee Share Option Scheme. The estimated exercise price is NZ$0.16.

16. BUSINESS OBJECTIVES

Business objectives remain in line with those set out in the Company's Replacement Prospectus dated 17 May 2016. Progress to meet these objectives is provided in the Chairman and CEO section of this Annual Report.

17. 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 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 NZD$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.

Company Directory

COMPANY DIRECTORY

Registered Office:	Level 4, AECOM House 8 Mahuhu Crescent Auckland 1010 New Zealand
Company Number:	3538758
Business Number:	9429030957862
Australian Registered Business Number:	610 518 075
Directors:	Paul Reynolds (Chairman) Mark Estall Thomas Power Wendy Webb
Australian Lawyers:	Bird & Bird Lawyers Level 11, 68 Pitt Street Sydney, NSW 2000, Australia
New Zealand Lawyers	Simmonds Stewart Level 4, 4 Vulcan Lane Auckland 1140, New Zealand
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	The Company's ordinary shares are listed on the ASX under ASX code, ASX:9SP
Website	www.9spokes.com