

ASX: 9SP

ASX Release

31 May 2018

Appendix 4E – Preliminary Final Report 9 Spokes International Limited Year ended 31 March 2018

In accordance with Listing Rule 4.3A, please find attached the Appendix 4E Preliminary Final Report for the year ended 31 March 2018 including a review of the financial year and the Financial Statements.

Yours faithfully



Neil Hopkins

Company Secretary and Chief Financial Officer

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About 9 Spokes

The 9 Spokes smart dashboard enables SMEs to connect their software to one dynamic interface - giving them a clear overview of their business. It allows management and advisors to access data and new metrics across key areas, from any device at any time. With these insights, it's easier to make the big and small decisions to manage and grow a business.

Businesses can integrate their supported software into the dashboard as well as choose from a selection of recommended and accredited apps to suit their industry.

The smart dashboard from 9 Spokes is available as a direct model to small businesses and as a white labelled platform that Banking Partners can offer to their SME customer base.

Find out more at www.9spokes.com

Appendix 4E Preliminary Final Report

9 Spokes International Limited (ASX:9SP) (“9 Spokes” or “the Company”), ABN 610 518 075, presents its Appendix 4E report for the year ended 31 March 2018, incorporating results for the previous corresponding year ended 31 March 2017.

This report includes consolidated Financial Statements of 9 Spokes and its subsidiaries (“the Group”)

Results for announcement to the market

	12 months ended 31 March 2018 NZ\$'000	12 months ended 31 March 2017 NZ\$'000	Amount Change NZ\$'000	Change %
Revenue from operating activities	6,678	1,163	5,515	474%
Loss from ordinary activities after tax and net loss for the period, attributable to members	(17,366)	(14,061)	(3,305)	24%
Basic and diluted loss per share (cents)	(4.0)	(4.0)		
Net tangible assets per security (cents per share)	1.1	2.7		

Detailed results are presented in the attached Financial Statements

Commentary on the Results

A commentary of the results is included in the attached review of the financial year.

Dividends or Distributions

There were no dividends or distributions for the year ended 31 March 2018.

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

There were no entities over which control has been gained or lost during the year ended 31 March 2018.

Details of associates and joint venture entities

The Company has no associates or joint venture entities at 31 March 2018.

Accounting Standards

9 Spokes International Limited is incorporated in New Zealand. The 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.

Audit Status

This report is based on financial statements that are in the process of being audited. Subject to completion of the audit it is likely that the independent auditor’s report will include an emphasis of matter related to going concern, this is consistent with that reported in the Company’s previous Financial Statements. An update on this is provided on page 7 of this release.

Year in review

9 Spokes' aim is to have a meaningful impact on empowering a significant share of the hundreds of millions of small to medium-sized enterprises globally to be more successful in everything they do. We do that by providing a business app marketplace to enable them to select the right software to run their business; we provide a dashboard to give them a single view of the live performance of their business. We are rapidly moving towards providing small to medium businesses with insights and actions to enable them to act with confidence in the decisions they make.

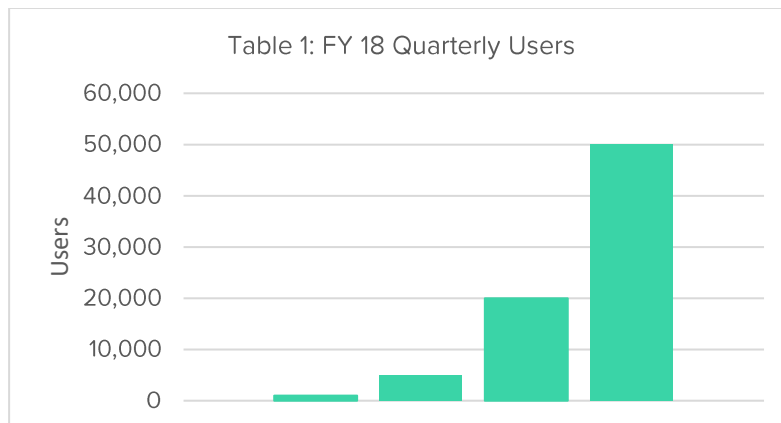
We made the decision to focus on the provision of white-label solutions for major banks as we believe it is the most effective means of rapidly accessing SME's globally and leveraging what we see as very clear opportunities for significant growth. This year, our partnerships with major banks expanded from Barclays (our first banking partner) to include both the Royal Bank of Canada and the Bank of New Zealand (BNZ). In support of this approach we have invested in building a robust alliance programme with key global consultants and integrators to the banking sector, resulting in a more broad range and geography of potential banking partners.

We learned from our experience to focus more specifically on core major banks who have the resources and incentive to drive SME platform adoption. Consequently, we carried out an agreed withdrawal from an unprofitable white label relationship during the year.

The strategic focus on providing banks with a compelling SME offer has been strengthened by the wider societal requirements for greater data clarity and integrity, and regulatory introductions such as Open Banking (CMA9 in the UK and PSD2 in wider Europe) and the Global Data Protection Regulation (GDPR). As these strands have come together over the past 12 months, 9 Spokes finds itself in a strong position to utilise its API-based technology to provide banks with solutions that provide their SME customers with multi-account visibility and transaction capability.

Operationally, we have made strong gains this year. All the metrics we track as critical indicators to our growth showed solid improvements:

- Revenue growth was up 474% year on year, to \$6.7 million
- We achieved our Annual Recurring Revenue (ARR) target of \$6m, a 100% year-on-year increase
- Our user base grew 50-fold from 1,000 users to 50,000 by the end of the financial year (see Table 1).



With progressively good results and the emergence of solid progress both in our own brand (9spokes.com), and with our banking partnerships, we go into our 2019 financial year with confidence.

Finally, we'd like to extend a huge thanks to our shareholders, team, enterprise customers, users and partners for getting us to this juncture. We are extremely grateful to our shareholders who have supported us; we recognise the prevailing share price has been disappointing and that shareholder support has not yet translated into the value that we as a company would like to have demonstrated in return. On the back of the global regulatory trends that we detailed earlier, we believe that these intersect our vision and belief in our ability to deliver significant business progress and in return, shareholder value.

We will share with you more exciting announcements over the course of the year ahead as we continue to grow a world-class company.

Review of Financials

Revenue

Total annual revenue increased by 474% year on year, to \$6.7 million (2017: \$1.2 million). Growth was achieved with increased revenue from enterprise customers, a result of our focus on enterprise customer acquisitions.

The major portion of enterprise customer revenue is derived from recurring platform access license fees charged to enterprise channel customers which has increased by \$3.3 million year on year.

Implementation revenue, from third party enterprise customers for the deployment of 9 Spokes' systems increased by \$1.4 million year on year.

Implementation fees are recognised as revenue, once a system is deployed, equally over the initial term of the agreement with the enterprise customer. The portion of implementation revenue received, but not recognised is shown as deferred revenue in the Statement of Financial Position, amounting to \$3.3

million at 31 March 2018 (2017: \$4.0 million). This deferred amount will be recognised in future financial years.

Total revenue for the year also includes an additional \$0.8 million (2017: Nil) of Other operating income from government grants (see below) and consultancy services for strategy workshops and proof of concepts, connected with new business opportunities.

With the successful signing of the BNZ in the last quarter of the year, the Group achieved its target of \$6 million Annual Recurring Revenue (ARR) by 31 March 2018 (2017: \$3 million). ARR represents annualised recurring revenue derived from enterprise channel customers.

Government Grants

During the year 9 Spokes was recognised by Callaghan Innovation, a Crown entity of New Zealand, who approved a Growth Grant to fund 20% of the Group's expected New Zealand-based research and development (R&D) spend over three years. This grant is in addition to the approval for \$600,000 of co-funding over three years granted by New Zealand Trade & Enterprise, to support expansion into North America. Total grant income recognised this year was \$0.5 million (2017: Nil).

Expenditure

This was the first financial year of full operations to support and grow our enterprise customer business and this is reflected in the 55% year on year increase in operating expenditure, with the largest portion of costs continuing to be in people, accounting for 53% of total expenditure (2017: 56%). We continued to develop our resources and skill sets particularly in product management, product development, marketing and new channel business.

The average staff numbers for the year were 102 (2017: 76), though headcount reduced to 92 by 31 March 2018 (2017: 79). During the second half of the year we undertook a reorganisation of operations with a reduction of staff in certain areas, placing a greater focus on product development and engineering, and customer engagement. Additional new product development staff have further been funded through the Callaghan R&D grant.

A focus on new business enterprise customer growth has seen the initialisation of regional hubs and the hiring of new sales and marketing personnel in the UK and Canada. There has also been an increase in travel with a 29% increase in international travel from New Zealand reflecting the priority given to seeking new business opportunities in Europe, North America and Asia. This investment has seen an improvement in our new business pipeline.

Growth in users and engagement follows an increase in marketing activities. Marketing spend was up \$1.6 million, 182% on last year with spend directed at user on-boarding and engagement across both

the direct and enterprise customer channel platforms. With a drive towards data driven marketing and automation, the monthly cost of user acquisition by the end of the year has fallen 76% compared to the beginning of the year.

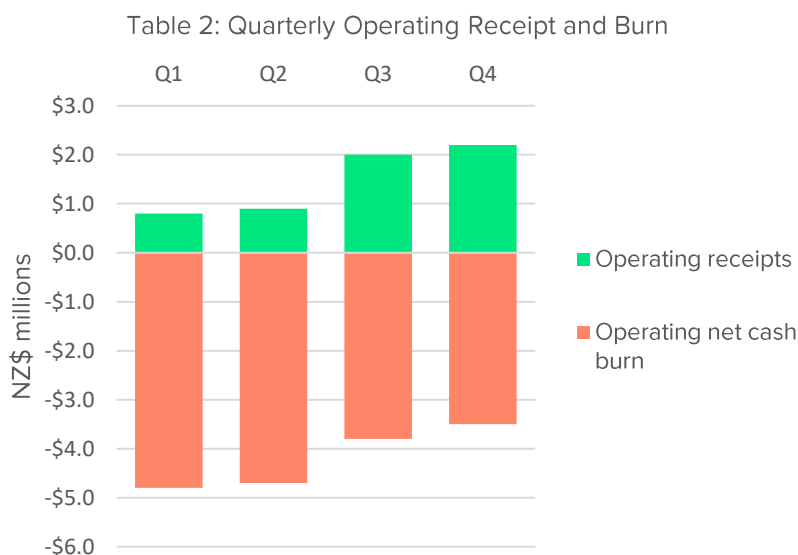
Cash flows

With new enterprise customers on board, annual operating cash receipts grew by 101% year on year. This growth differs from revenue growth, primarily due to the accounting treatment of Implementation fees which are recognised differently from implementation receipts. Receipt growth by quarter, during the year is shown in Table 2 (below).

Net cash outflows from operating activities for the year were \$16.6 million (2017: \$13.2 million).

As the Company has been reporting to the market in our Quarterly Reports, the improved revenue receipts and reduction in costs, particularly during the second half of the year as a result of the Company reorganisation, resulted in lower net cash operating outflows quarter on quarter from \$4.8 million in quarter 1 to \$3.5 million in quarter 4.

9 Spokes had \$8.3 million of cash and cash equivalents and term deposits at 31 March 2018 (2017:\$13.4 million).




Funding

The financial statements included in this Preliminary Final Report have been prepared on the going concern basis, which assumes that the Group will continue its operations for the foreseeable future.

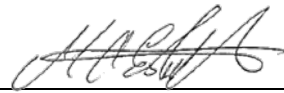
The Group incurred a net loss of \$17.4 million for the year ended 31 March 2018 and at balance date had available cash of \$8.3 million.

Management and the Board are developing plans to meet the Group's funding requirements. The Group considers that it will be able to access funds through a number of different sources. The Group is focused on finalising these plans and will provide an update to the market once they are sufficiently developed.

On behalf of the board, 31 May 2018



Paul Reynolds
Chairman



Mark Estall
CEO Founder

9 Spokes International Limited
Preliminary Final Report
Financial Statements
Year ended 31 March 2018

9 Spokes International Limited - ABN 610 518 075
Preliminary Final Report
Consolidated Statement of Comprehensive Income
For the year ended 31 March 2018

	Notes	2018 \$'000	2017 \$'000
Revenue:			
Operating revenue	1 (a)	5,866	1,162
Other operating income	1 (b)	812	1
Total revenue		6,678	1,163
Expenses:			
Operational expenses	2 (a)	(6,778)	(4,081)
Research and development expenses	2 (b)	(4,144)	(2,894)
Administration expenses	2 (c)	(13,128)	(8,572)
Total expenses		(24,050)	(15,547)
Operating loss		(17,372)	(14,384)
Net finance income		306	344
Net loss before income tax		(17,066)	(14,040)
Income tax (expense) / benefit	4	(125)	4
Net loss from continuing operations		(17,191)	(14,036)
Other comprehensive income:			
Translation of international subsidiaries		(175)	(25)
Total comprehensive loss attributable to shareholders		(17,366)	(14,061)
Loss per share			
Basic and diluted loss per share	11	(\$0.04)	(\$0.04)

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

9 Spokes International Limited - ABN 610 518 075
Preliminary Final Report
Consolidated Statement of Changes in Equity
For the year ended 31 March 2018

	Notes	Share capital \$'000	Share based payments reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance as at 1 April 2016		12,743	971	-	(12,812)	902
Proceeds from shares issued at IPO	9	26,169	-	-	-	26,169
Share option expense	10	-	687	-	-	687
Costs of capital raise	9	(2,767)	-	-	-	(2,767)
Reserve arising on conversion of foreign currency subsidiary		-	-	(25)	-	(25)
Net loss for the year		-	-	-	(14,036)	(14,036)
Balance as at 31 March 2017		36,145	1,658	(25)	(26,848)	10,930
Proceeds from shares issued	9	12,955	-	-	-	12,955
Share option expense	10	-	180	-	-	180
Costs of capital raise	9	(1,012)	-	-	-	(1,012)
Reclassification of previously expensed amounts from share based payments	9	940	(940)	-	-	-
Reserve arising on conversion of foreign currency subsidiary		-	-	(175)	-	(175)
Net loss for the year		-	-	-	(17,191)	(17,191)
Balance as at 31 March 2018		49,028	898	(200)	(44,039)	5,687

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

9 Spokes International Limited - ABN 610 518 075
Preliminary Final Report
Consolidated Statement of Financial Position
For the year ended 31 March 2018

	Notes	2018 \$'000	2017 \$'000
Assets			
Non-current assets			
Property, plant and equipment	5	480	535
Total non-current assets		480	535
Current assets			
Cash and cash equivalents	6	7,297	7,484
Term deposits with maturities of more than three months		1,000	5,900
Trade and other receivables	7	2,077	1,278
Capitalised work in progress		660	1,073
Total current assets		11,034	15,735
Total assets		11,514	16,270
Equity			
Share capital	9	49,028	36,145
Share based payments reserve	10	898	1,658
Foreign currency translation reserve		(200)	(25)
Accumulated losses		(44,039)	(26,848)
Equity attributable to the owners of the company		5,687	10,930
Total equity		5,687	10,930
Current liabilities			
Trade and other payables	8	2,551	1,377
Deferred revenue		3,276	3,963
Total current liabilities		5,827	5,340
Total equity and liabilities		11,514	16,270

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

9 Spokes International Limited - ABN 610 518 075
Preliminary Final Report
Consolidated Statement of Cash Flows
For the year ended 31 March 2018

	Notes	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts from customers		5,227	2,595
Receipts from government grants		312	-
Payments to employees and suppliers		(22,445)	(16,212)
		(16,906)	(13,617)
Interest received		323	293
Income tax credit received		-	144
Net cash flows from operating activities	12	(16,583)	(13,180)
Cash flows from investing activities			
Purchase of property, plant and equipment		(183)	(442)
Transfer of term deposits		4,900	(5,900)
Net cash flows from investing activities		4,717	(6,342)
Cash flows from financing activities			
Proceeds from the issue of share capital	9	12,955	26,542
Costs of raising capital		(992)	(2,767)
Net cash flows from financing activities		11,963	23,775
Net change in cash and cash equivalents		97	4,253
Cash and cash equivalents at the beginning of the year		7,484	3,381
Foreign exchange loss on cash and cash equivalents		(284)	(150)
Cash and cash equivalents at the end of the year	6	7,297	7,484

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

1. Revenue

a) Operating revenue

	2018	2017
	\$'000	\$'000
Implementation revenue	1,732	339
Platform access revenue	4,134	823
Total operating revenue	5,866	1,162

b) Other operating income

	2018	2017
	\$'000	\$'000
Government grants	520	-
Other income	292	1
Total other operating income	812	1

2. Expenses by nature

a) Operational expenses

	Note	2018	2017
		\$'000	\$'000
Employee benefit expenses	3	4,509	2,217
Platform hosting		1,480	1,401
Third party contractors		323	105
Other operational expenses		466	358
Total operational expenses		6,778	4,081

b) Research and development expenses

	Note	2018 \$'000	2017 \$'000
Employee benefit expenses	3	2,650	2,673
Third party contractors		493	443
Depreciation expense		52	24
Other research and development expenses		536	526
Capitalisation of expenditure as work in progress		(265)	(850)
Amortisation of previously capitalised work in progress expenditure		678	78
Total research and development expenses		4,144	2,894

c) Administration expenses

	Notes	2018 \$'000	2017 \$'000
Depreciation expense		130	55
Directors' fees		344	301
Directors' consultancy services		304	134
Directors' IPO services		-	115
Remuneration of auditors		176	275
Expensed costs of capital raises		169	383
Employee benefit expenses	3	5,474	3,804
Marketing expenses		2,510	889
Travel		1,206	803
Professional, rent, office and other administration expenses		2,815	1,813
Total administration expenses		13,128	8,572

3. Employee benefit expenses

	Note	2018 \$'000	2017 \$'000
Wages and salaries		12,046	8,393
Share option expense	10	180	68
Other benefits		407	233
Total employee benefit expenses		12,633	8,694

Employee benefit expenses have been split between operational, research and development, and administration expenses as follows:

Operational expenses	2 (a)	4,509	2,217
Research and development expenses	2 (b)	2,436	2,132
Research and development capitalised as work in progress	2 (b)	214	541
Administration expenses	2 (c)	5,474	3,804
Total employee benefit expenses		12,633	8,694

4. Income and Deferred Tax

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

	2018 \$'000	2017 \$'000
Current tax (expense) / benefit	(125)	4
Total current tax (expense) / benefit	(125)	4
Deferred tax expense		
Origination of temporary timing differences	(42)	(24)
Tax income / (deduction) of research and development expenses deferred (net of income)	482	(216)
Tax losses	(4,955)	(3,513)
Deferred tax assets not recognised	4,515	3,753
Total deferred tax	-	-
Total income tax (expense) / benefit	(125)	4

The Group has tax losses available to carry forward of \$27.1 million (2017: \$12.8 million) subject to shareholder continuity being maintained. The Group has deferred research and development deductions of \$5.5 million (2017: \$7.2 million), after offsetting related revenue. The deferred tax assets have not been recognised as it is uncertain whether the Group will maintain shareholder continuity or when it will generate taxable profits.

Reconciliation of effective tax rate:

	2018 \$'000	2017 \$'000
Loss before income tax	(17,066)	(14,040)
Prima facie taxation at 28% (2017: 28%)	(4,778)	(3,931)
Expenses not deductible for tax purposes	138	182
Deferred tax assets not recognised:		
Temporary timing differences	42	24
Research and development expenses (recognised) / deferred (net of income)	(482)	216
Total losses not recognised	4,955	3,513
Total income tax (expense) / benefit	(125)	4

5. Property, plant and equipment

	2018 Office and computer equipment \$'000	2018 Leasehold improve- ments \$'000	2018 Total \$'000	2017 Office and computer equipment \$'000	2017 Leasehold improve- ments \$'000	2017 Total \$'000
Carrying amount at start of year	210	325	535	96	-	96
Additions	111	22	133	204	328	532
Disposals	(9)	-	(9)	(19)	-	(19)
Depreciation expense	(96)	(86)	(182)	(76)	(3)	(79)
Depreciation on disposals	3	-	3	5	-	5
Carrying amount at end of year	219	261	480	210	325	535
At cost	409	350	759	307	328	635
Accumulated depreciation	190	89	279	97	3	100

6. Cash and cash equivalents

	2018	2017
	\$'000	\$'000
Cash at bank	1,266	866
Term deposits with maturities of three months or less	6,031	6,618
Total cash and cash equivalents	7,297	7,484

7. Trade and other receivables

	2018	2017
	\$'000	\$'000
Trade receivables	1,083	665
Prepayments and accrued income	690	406
Other receivables	304	207
Total trade and other receivables	2,077	1,278

8. Trade and other payables

	2018	2017
	\$'000	\$'000
Trade payables	838	366
Other creditors and accruals	1,396	938
Deferred rent	317	73
Total trade and other payables	2,551	1,377

9. Share capital

	2018	2018	2018	2017	2017	2017
	\$'000	Shares 000's	Options 000's	\$'000	Shares 000's	Options 000's
Share capital at beginning of the year	36,145	391,744	39,866	12,743	266,744	39,866
Shares issued for cash at A\$0.20 per share (\$0.21)	-	-	-	26,169	125,000	-
Shares issued for cash at A\$0.13 per share (\$0.14)	12,955	92,308	-	-	-	-
Costs of capital raises	(1,012)	-	-	(2,767)	-	-
Expired shareholder options	-	-	(39,866)	-	-	-
Reclassification of previously expensed amounts from share based payments (for shares issued)	940	-	-	-	-	-
Share capital at the end of the year	49,028	484,052	-	36,145	391,744	39,866

10. Share based payments

	Note	2018 \$'000	2017 \$'000
Share based payments reserve at beginning of the year		1,658	971
Reclassification of previously expensed amounts to share capital		(940)	-
Pre-IPO employee share options (a)		27	68
IPO advisory share options (b)		-	619
Employee ESOPs (c) (i)		109	-
NEDs ESOPs (c) (ii)		44	-
Total share option expense	3	180	687
Share based payments reserve at the end of the year		898	1,658

9 Spokes International Limited - ABN 610 518 075
Preliminary Final Report
Notes to the Consolidated Financial Statements
For the year ended 31 March 2018

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

<i>Exercise price</i>	Pre-IPO employee share options Dec 2015 <i>NZ\$0.16</i>	IPO advisor share options Jan 2016 <i>AU\$0.20</i>	Employee ESOPs Aug 2017 <i>AU\$0.20</i>	NEDs ESOPs Sep 2017 <i>AU\$0.225</i>	Total '000's	Weighted average exercise price \$ per option
	'000's	'000's	'000's	'000's		
Balance outstanding at 1 April 2016	1,875	-	-	-	1,875	0.16
Granted	-	8,750	-	-	8,750	0.21
Forfeited	(90)	-	-	-	(90)	0.16
Balance outstanding at 31 March 2017	1,785	8,750	-	-	10,535	0.20
Balance exercisable at 31 March 2017	595	-	-	-	595	0.16
Granted	-	-	2,721	1,713	4,434	0.23
Forfeited	(252)	-	(1,006)	-	(1,258)	0.21
Balance outstanding at 31 March 2018	1,533	8,750	1,715	1,713	13,711	0.21
Balance exercisable at 31 March 2018	1,022	-	1,715	1,713	4,450	0.22

11. Loss per share

	2018 000's	2017 000's
Total comprehensive loss attributable to shareholders	(\$17,366)	(\$14,061)
Ordinary number of shares	495,271	402,963
Weighted average number of shares on issue	462,039	397,521
Basic and diluted loss per share	(\$0.04)	(\$0.04)

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

	2018	2017
	\$'000	\$'000
Loss after income tax	(17,191)	(14,036)
Non-cash items:		
Depreciation expense	182	79
Share based payments	-	619
Share option expense	180	68
Foreign exchange loss / (gain) on monetary assets	104	(237)
Changes in working capital:		
Increase / (decrease) in trade and other payables	1,215	(168)
(Decrease) / increase in deferred revenue	(686)	2,102
(Increase) in trade and other receivables	(799)	(835)
Decrease / (increase) in capitalised work in progress	412	(772)
Net cash flow from operating activities	(16,583)	(13,180)

13. Consolidation

The Group had the following subsidiaries as at 31 March 2018:

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

9 Spokes Asia Pte Limited, was incorporated in Singapore on 2 April 2018. 9 Spokes Asia Pte Limited is 100% owned by 9 Spokes International Limited.

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

14. Commitments

Capital commitments

The Group had no capital commitments as at 31 March 2018 (2017: Nil).

Lease commitments

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

	2018 \$'000	2017 \$'000
Not later than one year	1,221	712
Later than one year and no later than five years	1,985	1,947
Total lease commitments	3,206	2,659

15. Contingencies

As at 31 March 2018, the Group had a lease premise guarantee to the value of \$831,000 for the operating lease for the premises, held by ASB Bank Limited, this replaced the guarantee previously held at 31 March 2017 of \$404,000.