

ASX: 9SP
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Appendix 4E – Preliminary Final Report 9 Spokes International Limited Year ended 31 March 2021

In accordance with Listing Rule 4.3A, please find attached the **Appendix 4E Preliminary Final Report** for the year ended 31 March 2021.



Yours faithfully,

Neil Hopkins
Company Secretary

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About 9Spokes

9Spokes is an open data platform. We provide a robust infrastructure on which to build brilliant business experiences – transforming permissioned data into information, and information into knowledge. We empower businesses to better manage their performance and enable developers to harness our data, information, and knowledge sets to build great apps to support businesses – small, local, and large. 9Spokes brings businesses, financial institutions, developers, and data together to share the benefits of open data.

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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 2021, incorporating results for the previous corresponding year ended 31 March 2020.

This report includes consolidated Financial Statements of 9 Spokes and its subsidiaries (“the Group”). All financial information included in this report is presented in New Zealand dollars, unless otherwise stated, which is the Company’s functional currency.

Results for announcement to the market

	2021 \$'000	2020 \$'000	Change \$'000	Change %
Income from operating activities	6,598	6,859	(261)	-4%
Loss from ordinary activities after tax and net loss for the period, attributable to members	(5,095)	(4,881)	(214)	-4%

Commentary on the Results

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

Dividends or Distributions

There were no dividends or distributions for the year ended 31 March 2021.

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

On 1 September 2020 a new wholly owned subsidiary 9 Spokes Operations Limited was incorporated in New Zealand. There were no other entities over which control has been gained or lost during the year.

Details of associates and joint venture entities

The Company has no associates or joint venture entities at 31 March 2021.

Earnings per share and net tangible assets per security

	2021	2020
Basic and diluted earnings per share	(\$0.0037)	(\$0.0100)
Net tangible assets per security	\$0.4792	\$0.1725

Accounting Standards

9 Spokes is incorporated in New Zealand. The Consolidated Financial Statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (“NZ 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

The Consolidated Financial Statements have been audited and contain an unqualified audit opinion with an emphasis of matter in respect of going concern. The audit report accompanies the Annual Report.

Financial Performance

Revenue

Total income for the year was \$6.6 million (2020: \$6.9 million). Our reported revenues comprise of implementation fees, annual platform license fees, development fees, and other revenue. Implementation fees are invoiced and receipted at the time of deployment and are then recognised over the initial term of a bank partner's contract. For the year ended 31 March 2021, recognised implementation revenue was \$1.0 million (2020: \$1.6 million); deferred implementation fee revenue was \$1.5 million (2020: \$2.5 million). Platform access revenue for the year was \$4.2 million (2020: \$4.0 million).

Strengthening of the NZD has impacted the revenue recognised during the year ended 31 March 2021. To reduce the flow on effects of this on the cash position, we have utilised the natural hedge available within the Group by making foreign currency payments from cash receipts in the corresponding currency where possible.

The Group generated revenue of \$0.5 million (2020: \$0.2 million) from additional services provided to existing bank partners and development revenue. Grant income received of \$0.7 million (2020 \$0.9 million) came mainly from Callaghan Innovation, a Crown entity of New Zealand, for research and development expenditure.

Expenditure

Total expenditure for the year ended 31 March 2021 was \$11.6 million (2020: \$11.1 million). Baseline expenditure has remained unchanged. The increase in expenditure is a result of foreign currency revaluations. Cost management and control continue to be a key objective with items such as rent reviewed and adjusted to reflect the post-COVID-19 working world.

Cash flow

Annual net cash outflows from operations were \$5.2 million (2020: \$2.6 million). The Group had a 33% decrease in receipts from banking partners and government grants. Payments to employees and suppliers reduced by \$381,000 year-on-year. This was largely due to the strengthening NZD. The decrease in receipts from banking partners was chiefly due to no implementation fees being received in the year ended 31 March 2021. Grant income was down due to a reduction in the claims made under the Callaghan Innovation grant due to a temporary shift in focus from research and development to refinement of our current offerings and new app integrations.

The cash flow from financing activities includes the successful capital raise completed in September and October, which resulted in net cash received of \$9.9 million.

Cash and bank as at 31 March 2021 were \$8.8 million (2020: \$4.7 million).



		2021	2020
	Notes	\$'000	\$'000
Income			
Operating revenue	1a	5,728	5,882
Other operating income	1b	870	977
Total income		6,598	6,859
Expenses			
Operating expenses	2a	(1,960)	(1,181)
Research and development expenses	2b	(3,123)	(4,259)
Sales, marketing and administration expenses	2c	(6,473)	(5,720)
Total expenses		(11,556)	(11,160)
Finance income and expense			
Finance income	3	40	604
Finance expense	3	(177)	(1,184)
Net loss before income tax		(5,095)	(4,881)
Income tax		-	-
Net loss for the period		(5,095)	(4,881)
Other comprehensive income			
Items that may be reclassified to profit or loss			
Foreign exchange translation of international subsidiaries		146	(200)
Other comprehensive income for the period		146	(200)
Total comprehensive income attributable to shareholders		(4,949)	(5,081)
Earnings per share			
Basic and diluted earnings per share	12	(\$0.0037)	(\$0.0100)

The above statement should be read in conjunction with the accompanying notes.



	Notes	Share capital \$'000	Share based payments reserve \$'000	Foreign currency translation reserve \$'000	Accumulated losses \$'000	Total \$'000
Balance as at 1 April 2020		59,523	906	(343)	(57,950)	2,136
Proceeds from shares issued	10	10,827	-	-	-	10,827
Costs of capital raise	10	(960)	-	-	-	(960)
Share option expense	11	-	102	-	-	102
Total contributions by and distributions to owners		9,867	102	-	-	9,969
Other comprehensive income - foreign currency translation		-	-	146	-	146
Net loss for the period		-	-	-	(5,095)	(5,095)
Total comprehensive income for the period		-	-	146	(5,095)	(4,949)
Balance as at 31 March 2021		69,390	1,008	(197)	(63,045)	7,156
Balance as at 1 April 2019		48,984	906	(143)	(53,069)	(3,322)
Proceeds from shares issued		10,470	-	-	-	10,470
Costs of capital raise		(1,287)	-	-	-	(1,287)
Shares issued in settlement of short-term loan		1,356	-	-	-	1,356
Total contributions by and distributions to owners		10,539	-	-	-	10,539
Other comprehensive income - foreign currency translation		-	-	(200)	-	(200)
Net loss for the period		-	-	-	(4,881)	(4,881)
Total comprehensive income for the period		-	-	(200)	(4,881)	(5,081)
Balance as at 31 March 2020		59,523	906	(343)	(57,950)	2,136

The above statement should be read in conjunction with the accompanying notes.



		2021	Restated
	Notes	\$'000	2020
			\$'000
Assets			
Non-current assets			
Property, plant and equipment	6	98	206
Right of use asset	7	541	1,398
Finance lease receivables	7	468	-
Total non-current assets		1,107	1,604
Current assets			
Cash and cash equivalents	4	8,841	4,688
Trade and other receivables	5	1,331	1,056
Finance lease receivables	7	443	-
Contract assets	1a	63	50
Total current assets		10,678	5,774
Total assets		11,785	7,378
Equity			
Share capital	10	69,390	59,523
Share based payments reserve	18	1,008	906
Foreign currency translation reserve		(197)	(343)
Accumulated losses		(63,045)	(57,950)
Total equity		7,156	2,136
Non-current liabilities			
Provision for make good	7	60	60
Lease liabilities	7	963	1,112
Contract liabilities	1a	554	1,490
Total non-current liabilities		1,577	2,662
Current liabilities			
Trade and other payables	8	1,174	1,107
Lease liabilities	7	708	486
Contract liabilities	1a	1,170	987
Total current liabilities		3,052	2,580
Total equity and liabilities		11,785	7,378

The above statement should be read in conjunction with the accompanying notes.



	Notes	2021 \$'000	Restated 2020 \$'000
Cash flows from operating activities			
Receipts from customers		5,104	7,427
Receipts from Government grants		826	1,423
Payments to employees and suppliers		(10,945)	(11,326)
Interest received		7	15
Interest on net investment in lease		9	-
Interest paid		(6)	(8)
Lease interest paid		(168)	(133)
Net cash (outflows) from operating activities		(5,173)	(2,602)
Cash flows from investing activities			
Purchase of property, plant and equipment		(25)	-
Disposal of property, plant and equipment		4	-
Net cash inflows from investing activities		(21)	-
Cash flows from financing activities			
Proceeds from the issue of share capital	10	10,827	10,470
Costs of raising capital	10	(960)	(1,280)
Repayment of short-term loan		-	(2,321)
Payment of principal portion of lease liability		(484)	(500)
Net cash inflows from financing activities		9,383	6,369
Net change in cash and cash equivalents		4,189	3,767
Cash and cash equivalents at beginning of the period		4,668	935
Foreign exchange gain / (loss) on cash and cash equivalents		(16)	(34)
Cash and cash equivalents at end of the period		8,841	4,668



1. Revenue

a. Operating revenue from contracts with customers

	2021	2020
	\$'000	\$'000
Implementation revenue	977	1,646
Platform access revenue	4,245	4,011
Development revenue	316	-
Other revenue from customers	190	225
Total operating revenue	5,728	5,882

Contract assets

During the implementation process the Group incurs costs directly related to fulfilling its obligations in the contract and expects to recover these costs against implementation revenue. These costs are capitalised as contract assets on the Consolidated Statement of Financial Position and amortised on a straight-line basis over the same period that the implementation revenues are recognised. The Group had contract assets as at 31 March 2021 of \$0.06 million (2020: \$0.05 million). \$0.03 million of costs included in the contract assets as at 31 March 2020 was recognised in the Consolidated Statement of Profit or Loss for the year ended 31 March 2021.

Contract liabilities

Implementation and platform access fees received prior to deployment of the 9 Spokes system are recognised in the Consolidated Statement of Financial Position as contract liabilities. The Group had contract liabilities as at 31 March 2021 of \$1.7 million (2020: \$2.5 million). \$1.0 million of implementation revenue included in contract liabilities at 31 March 2020 was recognised in the Consolidated Statement of Profit or Loss for the year ended 31 March 2021.



b. Other operating income

	2021	2020
	\$'000	\$'000
Government grants	707	930
Other income	163	47
Total other operating income	870	977

2. Expenses by nature

a. Operational expenses

	2021	2020
	\$'000	\$'000
Employee benefit expenses	1,130	731
Other operating expenses	43	-
Platform hosting and tools	522	325
Third party contractors	265	125
Total operating expenses	1,960	1,181

b. Research and development expenses

	Notes	2021	2020
		\$'000	\$'000
Amortisation of previously capitalised contract assets	5b	28	426
Depreciation expense		245	378
Employee benefit expenses		2,327	2,670
Other research and development expenses		408	527
Third party contractors		115	258
Total research and development expenses		3,123	4,259



c. Sales, marketing and administration expenses

	2021 \$'000	2020 \$'000
Depreciation expense	344	317
Directors' consultancy services	20	5
Directors' fees	394	272
Remuneration of auditors	176	247
Employee benefit expenses	3,399	3,526
Foreign exchange loss / (gain)	327	(224)
Marketing expenses	221	175
Professional, office costs and other administration expenses	1,398	1,000
Short term lease rental	165	160
Travel	29	402
Total sales, marketing and administration expenses	6,473	5,720

3. Finance income and expense

	Notes	2021 \$'000	2020 \$'000
Finance income			
Fair value gain on loan conversion option	9	-	585
Interest on short term bank deposits		31	19
Interest on finance lease receivable		9	-
Total finance income		40	604

		2021 \$'000	2020 \$'000
Finance expense			
Finance expense on short term loan		-	1,040
Interest on lease liabilities	7	168	133
Finance interest		9	11
Total finance expense		177	1,184



4. Cash and bank

	2021 \$'000	Restated 2020 \$'000
Cash at bank	4,841	1,668
Term deposits with maturities of three months or less	4,000	3,000
Total cash and bank	8,841	4,668

5. Trade and other receivables

	2021 \$'000	Restated 2020 \$'000
Trade receivables	377	166
Prepayments	188	100
Accrued income	222	315
Lease guarantee	432	425
Other receivables	112	50
Total trade and other receivables	1,331	1,056

6. Property, plant and equipment

	2021 Office and computer equipment \$'000	2021 Leasehold improve- ments \$'000	2021 Total \$'000	2020 Office and computer equipment \$'000	2020 Leasehold improve- ments \$'000	2020 Total \$'000
Carrying amount at start of the year	104	102	206	157	189	346
Additions	29	-	29	-	-	-
Disposals	(17)	-	(17)	(27)	-	(27)
Depreciation expense	(28)	(92)	(120)	(52)	(87)	(139)
Depreciation on disposals	-	-	-	26	-	26
Carrying amount at end of the year	88	10	98	104	102	206



At cost at the end of the year	417	383	800	405	383	788
Accumulated depreciation at the end of the year	(329)	(373)	(702)	(301)	(281)	(582)
Carrying amount at end of the year	88	10	98	104	102	206

7. Right of use assets and lease liabilities

The Group has identified three contracts containing leases:

- leased office premises in Auckland, New Zealand, 6-year term
- leased office premises in Auckland, New Zealand, 3-year term
- leased office premises in London, United Kingdom, 1-year term.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Lease as a lessee

Right of use assets

Leased assets are measured at cost comprising the initial measurement of lease liability less any lease incentives received and make good provisions. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease term.

Key movements during the period, relating to right of use assets are presented below:

	2021	2020
	\$'000	\$'000
Opening balance	1,398	-
Additions due to first-time adoption of NZ IFRS 16	-	1,043
Remeasurement during the year	-	911
Additions during the year	556	-
Derecognition of subleased asset	(945)	-
Depreciation expense	(468)	(556)
Closing balance	541	1,398



Remeasurement

During the year ended 31 March 2020 the Group adjusted its estimate related to the term of the lease, which was a direct result of not exercising an early termination clause with regards to the Auckland lease premises. As this was a change in accounting estimate, it was applied prospectively and resulted in an increase of the lease liability of \$0.9 million with corresponding increase in the cost of the right of use asset.

Lease liabilities

Under NZ IFRS 16: Leases, the Group is required to recognise lease liabilities for contracts identified as containing a lease, except when the lease is for 12 months or less or the underlying asset is of low value. Payments associated with short-term leases have been recognised on a straight-line basis as an expense in the Consolidated Statement of Profit or Loss. The expense relating to short-term leases for the year ended 31 March 2021 was \$0.2 million (2020: \$0.2 million).

Lease liabilities are initially measured at the present value of the remaining lease payments, which include:

- fixed payments less any incentives receivable, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

In assessing the discount rate, the Group first considered whether there was an inherent rate present in the lease. As there was no inherent rate, the lease payments are discounted using the Group's incremental borrowing rate, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions. For recognition of the lease liabilities in February 2021 an incremental borrowing rate of 5.5% has been applied. Subsequently the carrying value of the liability is adjusted to reflect interest and lease payments made.

The maturity of the lease liabilities is as follows:

	2021 \$'000	2020 \$'000
Less than one year	708	486
One to five years	963	1,112
Total lease liabilities	1,671	1,598



Key movements during the period, relating to lease liability are presented below:

	2021 \$'000	2020 \$'000
Opening balance as at 1 April	1,598	-
Recognition due to first-time adoption of NZ IFRS 16	-	1,187
Remeasurement during the year	-	911
Additional leases entered into during the year	556	-
Interest expense	168	133
Repayments	(651)	(633)
Closing balance as at 31 March	1,671	1,598

Make good provision

The Company is required, at the expiry of the lease, to make good on the condition of its leased premises. The provision is based on estimates obtained from third-parties for the expected work required.

Finance lease as a lessor

	2021 \$'000	2020 \$'000
Current	443	-
Non-current	468	-
Total lease receivable	911	-

During the year, the Group has sub-leased buildings that have been presented as part of a right of use asset. When assets are leased out customers under a finance lease, the present value of the minimum lease payment is recognised as a receivable. Lease income is recognised over the term of the lease using the net investment method, which reflects an actuarial periodic rate of return.

An assets' carting amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit and loss component of the Consolidated Statement of Profit or Loss.



8. Trade and other payables

	2021	2020
	\$'000	\$'000
Trade payables	254	136
Other payables and accruals	872	728
Other deferred income	48	243
Total trade and other payables	1,174	1,107

9. Short-term loan and fair value of conversion option

Items presented with A\$ represent Australian dollars.

During the year ended 31 March 2019, the Company entered into a short-term funding facility to provide the Company with working capital to allow time to conclude a capital raise.

The terms of the facility included a conversion option, which entitled the lenders to convert any portion of the loan to ordinary shares, which under certain conditions could be exercised at a discount to the current market price of the shares. As a result, at 31 March 2019, the loan was accounted for as two separate components, pure debt portion and the loan conversion option.

Settlement of the short-term loan

Following completion of an entitlement offer and placement on 24 May 2019 (note 17), the loan including fees and interest was settled on that date, discharged by the payment of \$2.3 million and the issue of 80.1 million shares at the offer price of A\$0.016 per share. This repaid the outstanding amount and the lenders security was released.

Finance expense of the debt portion

The finance expense is made up of interest plus completion and work fees over the life of the loan. The finance expense is accounted for using the amortised cost basis method and recognised in the Consolidated Statement of Profit or Loss as finance expense on short-term loan.

Derivative conversion option

On the date of settlement of the loan, the lenders opted to exercise a portion of the loan at the offer price of A\$0.016 per share. There was no discount on the issue of these shares, so the conversion option was not exercised. As a result, the fair value of the conversion option was revalued to \$nil and recognised in the Consolidated Statement of Profit or Loss as fair value gain on loan conversion option.



10. Share capital

Items presented with A\$ represent Australian dollars.

On 28 August 2020, the Company announced a successful capital raise of A\$10.0 million via placement to sophisticated and institutional investors through the issue of 277.8 million new ordinary shares at an issue price of A\$0.036 per share.

The placement was completed in two tranches:

- Tranche 1, completed on 4 September 2020 and consisting of 166.0 million shares issued within the Company's placement capacity,
- Tranche 2, completed on 1 October 2020 and consisting of a further 111.8 million shares at additional capacity, following Shareholder approval at the Annual Meeting of Shareholders held on 25th September 2020.

	Notes	Share capital \$'000	Authorised, issued and fully paid shares 000's
Balance at 1 April 2020		59,523	1,215,560
Shares issued for cash at A\$0.036 per share (\$0.039)		10,827	277,778
Costs of capital raise		(960)	-
Balance at 31 March 2021		69,390	1,493,338
Balance as at 1 April 2019		48,984	495,271
Shares issued for cash at A\$0.016 per share (\$0.017)		6,310	373,548
Shares issued for cash at A\$0.015 per share (\$0.016)		4,160	266,667
Shares issued as partial settlement of short term loan at A\$0.016 (\$0.017)	16	1,356	80,074
Costs of capital raise		(1,287)	-
Balance at 30 September 2019		59,523	1,215,560

The Company holds one class of ordinary shares, the shares have no par value. There are no restrictions on the distribution of dividends, nor the repayment of capital. All shares have equal dividend and voting rights and upon winding up rank equally with regards to the Company's residual assets.



11. Share-based payments

Items presented with A\$ represent Australian dollars.

	Note	2021 \$'000	2020 \$'000
Share-based payments reserve at the beginning of the year		906	906
Share option expense			
CEO Options (October 2020)		35	-
Employee Options (March 2021)		67	-
Total share option expense	7	102	0
Share-based payments reserve at the end of the year		1,008	906

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

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

12. Earnings per share

	2021 '000	2020 '000
Total loss attributable to shareholders	(\$5,095)	(\$4,881)
Ordinary number of shares	1,493,338	1,215,559
Weighted average number of shares on issue	1,365,998	921,198
Basic and diluted earnings per share	(\$0.0037)	(\$0.0053)