ANNUAL REPORT

31 March 2016

9 Spokes International Limited
and subsidiary companies

Contents

Registered Office:	Level 3, 32 Market Place Viaduct Harbour Auckland 1010 New Zealand
Company Number:	3538758
Business Number:	9429030957862
Directors:	Adrian David Grant (Chairman) Mark Anthony Estall Paul Joseph Reynolds Thomas Power Wendy Webb
Investment Banks:	First NZ Capital Limited 29 Albert St, Auckland 1010, New Zealand Foster Stockbrokers Level 25, 52 Martin Place Sydney, NSW 2000, Australia
Solicitors:	Bird & Bird Lawyers Level 11, 68 Pitt Street Sydney, NSW 2000, Australia Simmonds Stewart Level 4 4 Vulcan Lane Auckland 1140, New Zealand
Banks:	ASB Bank Limited P.O. Box 35 Shortland Street Auckland 1140 ANZ Bank (New Zealand) Limited PO Box 6334 Wellesley St Auckland 1141, New Zealand
Auditors:	PricewaterhouseCoopers 188 Quay Street Private Bag 92162 Auckland 1142, New Zealand

Directors' Report

The Directors present the 9 Spokes International Limited Annual Report ("the Company") and its subsidiaries (altogether "the Group"), incorporating the Consolidated Financial Statements for the year ended 31 March 2016.

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.

Directors

The Directors in office at 31 March 2016 were:
Adrian David Grant
Mark Anthony Estall
Paul Joseph Reynolds
Thomas Power
Wendy Webb

Entries recorded in the interests register

The Company maintains an Interests Register in accordance with the Companies Act 1993. The following are particulars of entries made in the Interests Register for the period 1 April 2015 to 31 March 2016:

Director/Entity	Relationship
Adrian David Grant	
Umbrellar Limited, provides hosting and domain names	Director & Shareholder
Serviced Offices Limited, provides office rental space	Director & Shareholder
Franc Holdings Limited	Director & Shareholder
Mark Anthony Estall	
Te Arai Coast Lodge Limited, provides consultancy services	Director & Shareholder
Waiere Limited, provides consultancy services	Director & Shareholder

M & M No.2 Limited	Director & Shareholder
Franc Holdings Limited	Director & Shareholder
Thomas Power	
Social Power (Surrey) Limited	Director & Shareholder
Wendy Webb	
Kestrel Corporate Advisory Inc	Director & Shareholder

Shareholdings of Directors at 31 March 2016

	2016 Shares	2015 Shares
Adrian David Grant [1]	66,680,150	7,726,001
Mark Anthony Estall [2]	66,754,863	7,700,668
Paul Joseph Reynolds	4,423,625	240,611
Thomas Power [3]	1,843,784	128,222
Wendy Webb [4]	1,006,673	-

1. Shares held individually and as a beneficiary of Holland Park Capital Trust and 50% of shares held by Franc Holdings Limited
2. Shares held as a beneficiary of M & M No.2 Limited and 50% of shares held by Franc Holdings Limited.
3. Shares held individually and as a beneficiary of Social Power (Surrey) Limited.
4. Shares held as a beneficiary of Kestrel Corporate Advisory Inc.

Directors' remuneration

The remuneration receivable by Directors in office during the financial year ended 31 March 2016 was as follows:

	Directors Fees $'000	Contract for services $'000
Adrian David Grant	-	48
Mark Anthony Estall[1]	-	240
Paul Joseph Reynolds	80	113
Thomas Power	50	137
Wendy Webb	50	46
	180	584

1. Services provided through Waiere Limited

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Employee Remuneration

The number of employees or former employees, not being directors of the Group, who received remuneration and other benefits in their capacity as employees, the value of which exceeds $100,000 for the year ended 31 March 2016 is set out below:

	2016	2015
$100,000 - $109,999	1	-
$110,000 - $119,999	2	-
$120,000 - $129,999	2	-
$130,000 - $139,999	1	1
$150,000 - $159,999	1	-
$180,000 - $189,999	-	1
$200,000 - $209,999	1	-
$210,000 - $219,999	1	2
$240,000 - $249,999	1	-

Donations

The total number of donations made by the Group during the year ended 31 March 2016 was $nil.

Approval of Annual Report

Approved for and on behalf of the Board of Directors on 4 May 2016

Adrian Grant

Director

Mark Estall

Director

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Independent Auditors' Report

to the shareholders of 9 Spokes International Limited

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of 9 Spokes International Limited ("the Company") on pages 8 to 34, which comprise the consolidated statement of financial position as at 31 March 2016, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Group. The Group comprises the Company and the entities it controlled at 31 March 2016 or from time to time during the financial year.

Directors' Responsibility for the Consolidated Financial Statements

The Directors are responsible on behalf of the Company for the preparation and fair presentation of these consolidated financial statements in accordance with New Zealand Equivalents to International Financial Reporting Standards and for such internal controls as the Directors determine are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider the internal controls relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the overall presentation of the consolidated financial statements.

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

We are independent of the Group. Our firm carries out other services for the Group in the areas of other assurance and tax services. The provision of these other services has not impaired our independence.

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Independent Auditors' Report

9 Spokes International Limited

Opinion

In our opinion, the consolidated financial statements on pages 8 to 34 present fairly, in all material respects, the financial position of the Group as at 31 March 2016, and its financial performance and cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards.

Emphasis of Matter

Without modifying our opinion, we draw attention to note 2 in the financial statements which discloses that the Group has incurred a loss during the year ended 31 March 2016 and that losses are forecast to continue. Note 2 also explains that the Group will be unable to fund the forecast losses from its current cash position without additional capital or an increase in revenue. If the Group is unable to raise additional capital or increase revenue, then this indicates that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern.

The financial statements do not include adjustments that would result if the Group was unable to continue as a going concern.

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body, in accordance with the Companies Act 1993. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditors' 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.

PricewaterhouseCoopers

Chartered Accountants   Auckland
4 May 2016

	Notes	2016 $'000	2015 $'000
Revenue	3	**710**	**97**
Expenses:			
Research and Development expenses	4	(3,407)	(3,104)
Administrative expenses	4	(2,868)	(3,583)
Operating loss		**(5,565)**	**(6,590)**
Net finance income		13	29
Net loss before income tax		**(5,552)**	**(6,561)**
Income tax benefit	7	140	-
Net loss from continuing operations		**(5,412)**	**(6,561)**
Other comprehensive income		-	-
Total comprehensive loss attributable to shareholders		**(5,412)**	**(6,561)**
Earnings per share			
Basic and diluted loss per share	10	($0.02)	($0.03)

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

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	Notes	Share capital $'000	Share based payments reserve $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Total $'000
Balance as at 1 April 2014		**853**	**-**	**-**	**(839)**	**14**
Proceeds from shares issued	8	5,709	-	-	-	5,709
Share issue costs	8	-	(375)	-	-	(375)
Share based payments	8	-	843	-	-	843
Total comprehensive loss for the year		-	-		(6,561)	(6,561)
Reserve arising on conversion of foreign currency subsidiary		-	-	-	-	-
Balance as at 31 March 2015		**6,562**	**468**	**-**	**(7,400)**	**(370)**
Proceeds from shares issued	8	6,342	-	-	-	6,342
Share issue costs	8	(161)	(230)	-	-	(391)
Share based payments	8	-	702	-	-	702
Total comprehensive loss for the year		-	-	-	(5,412)	(5,412)
Share option expense	6	-	31	-	-	31
Reserve arising on conversion of foreign currency subsidiary		-	-	-	-	-
Balance as at 31 March 2016		**12,743**	**971**	**-**	**(12,812)**	**902**

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

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	Notes	2016 $'000	2015 $'000
Assets			
Non-current assets			
Property, plant and equipment	11	96	17
Non-current assets		**96**	**17**
Current assets			
Trade, other receivables, work in progress and prepayments	12	744	235
Cash and cash equivalents		3,381	718
Current assets		**4,125**	**953**
Total Assets		**4,221**	**970**
Equity			
Share capital	8	12,743	6,562
Share based payments reserve	8	971	468
Accumulated losses		(12,812)	(7,400)
Equity attributable to the owners of the company		**902**	**(370)**
Total equity / (deficit)		**902**	**(370)**
Current liabilities			
Trade & other payables	14	1,458	1,014
Deferred revenue		1,861	326
Current liabilities		**3,319**	**1,340**
Total Liabilities		**3,319**	**1,340**
Total equity and liabilities		**4,221**	**970**

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

	Notes	2016 $'000	2015 $'000
Cash flows from operating activities			
Cash receipts from customers		2,260	375
Cash payments to employees and suppliers		(5,693)	(5,671)
		(3,433)	(5,296)
Interest received		13	28
Income tax paid		-	(10)
Net cash from operating activities	13	**(3,420)**	**(5,278)**
Cash flows from investing activities			
Acquisition of property, plant and equipment	11	(97)	(21)
Net cash from investing activities		**(97)**	**(21)**
Net cash from financing activities			
Net proceeds from the issue of equity instruments		6,180	5,709
Net cash from financing activities		**6,180**	**5,709**
Net change in cash and cash equivalents		**2,663**	**410**
Cash and cash equivalents at beginning of the year		718	308
Cash and cash equivalents at end of the year		**3,381**	**718**

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

1. General information

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

9 Spokes is a limited liability company incorporated in New Zealand. The registered office of the Company is Level 3, 32 Market Place, Viaduct Harbour, Auckland 1010, New Zealand.

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.

The financial statements were authorised for use by the Board of Directors on 4 May 2016.

2. Summary of significant accounting policies

These are the financial statements for the Group for the year ended 31 March 2016.

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.

Basis of preparation

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 $5.4 million during the year ended 31 March 2016. Management are forecasting for these losses to continue. The Group will be unable to fund the losses from the current cash position of the Group without additional capital or an increase in revenue. This 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 will need to raise additional funds, which the Board plans to do through the issue of further equity capital. Forecasts and cash flows are maintained by management to enable the Board to determine the funding needs sufficient to meet the Group's future operating requirements.

The Board is aware that funding beyond the current levels will be required and is planning to raise further equity capital in 2016 through an initial public offer ("IPO") on the Australian Stock Exchange to raise between A$15 million and A$25 million. At the minimum IPO subscription level the forecasts anticipate that this will provide sufficient cash for at least the next 12 months from the date of signing these financial statements.

If additional equity cannot be raised the Group would be unable to continue its planned development and growth. However, the Board are of the view this is unlikely. Following a series of pre-IPO roadshows with potential investors in Australia, New Zealand, Hong Kong and Singapore the Group has received interest in the IPO to indicate it will achieve its maximum subscription target. If in the unlikely circumstance the IPO did not go ahead, the Group would be required to raise further capital privately and depending on the amount raised, review the extent of its development plan, reduce costs and focus of existing contracts. The Board believes this can be achieved and consider it is appropriate to continue to adopt the going concern basis in preparing these financial statements.

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

a) 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.

b) Historical cost convention

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

c) Use of estimates and judgements

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

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

Critical accounting policies and estimates in the year include the expensing of research and development expenses, refer to note 2(l) and the non-recognition of deferred tax, refer note 2(q).

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

d) Change in accounting policies

There have been no changes in accounting policies.

e) Consolidation of subsidiaries

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.

f) Financial assets

Classification

The Group's only financial assets 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.

g) 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 a 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 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 indicate 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 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.

h) Foreign currency

Functional and presentation currency

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

Foreign currency transactions

Transactions in foreign currencies are translated to the functional 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.

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.

i) 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.

j) 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.

k) Property, plant and equipment

Recognition and measurement

Items of 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.

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 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.

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

Plant and equipment	3-5 years
Fixtures and fittings	5-10 years

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

l) Research and development

Research expenditure is recognised as an expense as 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, and capitalised borrowing costs.

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

m) Employee benefits

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.

n) Revenue

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for services rendered, excluding sales taxes, 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 and development 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 and development fees received prior to the commencement of the continuing services are treated as deferred revenue.

Licensing revenue from the right to access 9 Spokes systems (software as a service) is recognised 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 3rd party business software applications less the portion of the fee payable to the 3rd party. Revenue is recognised as the services are provided to the customers. Unbilled revenue at year end is recognised in the Consolidated Statement of Financial Position as accrued income and included within trade and other receivables.

o) Contract 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.

p) Share based payments

At times the Group issues shares and options to suppliers and directors as part of their compensation.

The fair value of the services received in exchange for the issuance of shares and options is recognised as an expense over the vesting period, or immediately if there are no vesting conditions. The total amount to be expensed is determined by reference to the fair value of the options granted:

i. including any market performance conditions (for example, an entity's share price);
ii. excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
iii. including the impact of any non-vesting conditions (for example, the requirement for employees to save).

When the options are exercised, the Group issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

Equity settled share based compensation

The Company operates an equity settled, share based incentive plan, under which the Company issues share options to employees, directors and key partners as consideration as an incentive to remain with the Company. The total amount to be expensed is determined by reference to the fair value of the options granted.

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.

The fair value of the options granted is measured using the Black-Scholes valuation model, taking into account the terms and conditions upon which the options are granted. When options are exercised, the Company issues new shares and the amount in the share options reserve relating to those options, together with the exercise price paid by the employee, is transferred to share capital.

q) Income 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.

Effective from the 31 March 2016 year the Company can "cash out" tax losses relating to research and development expenditure if various requirements are met. The Inland Revenue provides a tax credit at 28% (the current company tax rate) of the amount of tax losses cashed out. The maximum cashed out tax loss for the 31 March 2016 year is $500,000, resulting in a tax credit of $140,000 the Company is able to access. This tax credit is repayable by the Company to Inland Revenue if certain events occur, such as a greater than 90% change in the shareholding in the Company measured from a period commencing on the first day of the relevant income year, or a sale of the relevant intellectual property by the Company. The amount of any tax credit to be repaid to Inland Revenue is the balance of the tax credit initially provided by Inland Revenue reduced by subsequent income tax payments made by the Company. The $140,000 tax credit has been recognised as an income tax credit (refer to Note 7) on the basis it is probable that Inland Revenue will pay this amount to the Company.

r) 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 2016.

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. NZ IFRS 9 requires financial assets to be classified into two measurement categories: those measured as fair value, and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the NZ IAS 39 requirements. The main change is that, in cases where fair value option is taken for financial liabilities, the part of fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The new hedge accounting model more closely aligns hedge accounting with risk management activities undertaken by companies when hedging their financial and non-financial risks. NZ IFRS 9 introduces a new expected credit loss model for calculating the impairment of financial assets. This standard is effective for reporting periods beginning on or after 1 January 2018. The Company is yet to assess NZ IFRS9's full impact.

NZ IFRS 15 – Revenue from contracts with customers (effective for annual periods beginning on or after 1 January 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 yet to assess NZ IFRS 15's full impact. The Group will apply this standard from 1 April 2018.

NZ IFRS 16: Leases (effective for annual periods beginning on or after 1 January 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 standard is effective for accounting periods beginning on or after 1 January 2019. Early adoption is permitted but only in conjunction with NZ IFRS 15, 'Revenue from Contracts with Customers'.

3. Revenue

	2016	2015
	$'000	$'000
Implementation revenue	353	94
Subscription revenue	5	3
Other revenue	352	-
Total revenue	**710**	**97**

Segment

The Group operates in one business segment, providing online solutions for businesses. Revenue was sourced from the following countries:

Australia		
Fees received	33	423
Movement in deferred revenue	326	(326)
Total recognised revenue from Australia	**359**	**97**
United Kingdom		
Fees received	2,212	-
Movement in deferred revenue	(1,861)	-
Total recognised revenue from the United Kingdom	**351**	**-**

The Group had deferred revenue as at 31 March 2016 of $1,861,000 (2015: $326,000).

4. Expenses by nature

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

Research and development expenditure

	2016	2015
	$'000	$'000
Research and development expense	3,387	2,920
Design expense	20	184
Total research and development expenditure	**3,407**	**3,104**

Administration expenditure

	Notes	2016 $'000	2015 $'000
Depreciation expense	11	18	7
Directors fees		180	70
Directors sign-on bonus		-	420
Remuneration of auditors	5	93	41
IPO related expenses		252	-
Other expenses		2,325	3,045
Total administration expenditure		**2,868**	**3,583**

5. Remuneration of auditors

	2016 $'000	2015 $'000
Audit of financial statements		
Audit of financial statements - PwC	56	27
Other services performed by PwC		
Tax compliance services	16	14
IPO Investigating Accountant's role	21	-
Total fees paid and payable to auditor	**93**	**41**

6. Employee benefit expense

	2016 $'000	2015 $'000
Wages and salaries	2,160	1,143
Share option expense	31	-
Other benefits	46	25
Total employee benefit expenses	**2,237**	**1,168**

Employee benefit expenses have been allocated between research and development expenditure and administration expenditure.

7. Income Tax

	2016	2015
	$'000	$'000
Current tax expense		
R&D tax credit	(140)	-
Total current tax benefit	**(140)**	**-**
Deferred tax expense		
Origination of temporary timing differences	(26)	(20)
Tax deduction of research & development expenditure deferred	(848)	(752)
Tax losses	(352)	(1,026)
Deferred tax assets not recognised	1,226	1,798
Total deferred tax	**-**	**-**
Tax expense/ (benefit)	**(140)**	**-**

The Group has registered for the R&D tax loss credit regime, recently introduced in New Zealand tax legislation, whereby unlisted entities can convert the tax effect of up to $500,000 of tax losses into cash ($140,000). Some or all of this tax credit would need to be repaid to Inland Revenue if shareholder continuity falls below 10% or if the intellectual property associated with that R&D spend is sold. Any repayment of the tax credit would be reduced by the amount of income tax paid by the company.

The Group has tax losses available to carry forward of $4,865,980 (2015: $3,331,176) subject to shareholder continuity being maintained. Confirmation of the tax loss amount is subject to future shareholder continuity calculations. The Group has deferred Research & Development deductions of $6,436,414 (2015: $3,407,652). The deferred tax assets have not been recognised as it is uncertain whether the Group will maintain shareholder continuity or when it will generate taxable profits.

There are no imputation credits.

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Reconciliation of effective tax rate

	2016	2015
	$'000	$'000
Loss before income tax	(5,552)	(6,561)
Prima facie taxation at 28% (2015: 28%)	(1,555)	(1,837)
Expenses not deductible for tax purposes	189	39
Deferred tax assets not recognised		
Temporary timing differences	26	20
Research & development expenditure	848	752
Tax losses not recognised	352	1,026
Tax expense/ (benefit)	**(140)**	-

8. Equity instruments

Share capital

	2016 $'000	2016 Shares (000's)	*2016 Options (000's)*	2015 $'000	2015 Shares (000's)	*2015 Options (000's)*
Share capital as at beginning of the year	**6,562**	**30,328**	***5,242***	**853**	**24,066**	-
Shares issued for cash at 80 cents per share	200	250	-	2,215	2,768	-
Shares and options issued for cash at $1 per share	13	-	*94*	3,494	3,494	*5,242*
Shares issued for cash at $1.20 per share	3,779	3,149	-	-	-	-
Subdivision of shares and options	-	218,285	*34,530*	-	-	-
Shares issued for cash at AUD $0.15 per share (NZD $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	**12,743**	**266,744**	***39,866***	**6,562**	**30,328**	***5,242***

Share based payments reserve

	2016 $'000	2016 Shares (000's)	*2016 Options (000's)*	2015 $'000	2015 Shares (000's)	*2015 Options (000's)*
Share based payments as at beginning of the year	468	904	*350*	-	-	-
Shares issued for services at 80 cents per share	15	19	-	241	302	-
Shares issued for services at $1 per share	36	36	*54*	602	602	*350*
Shares issued for services at $1.20 per share	484	403	-	-	-	-
Employee share options	-	-	*251*	-	-	-
Subdivision of shares and options	-	8,816	*4,243*	-	-	-
Shares issued for services at $0.1606 per share	167	1,041	-	-	-	-
Share option expense	31	-	-	-	-	-
Share issue costs	(230)	-	-	(375)	-	-
Share based payments at the end of the year	**971**	**11,219**	***4,898***	**468**	**904**	***350***
Total equity instruments	**13,714**	**277,963**	***44,764***	**7,030**	**31,232**	**5,592**

Share issue transaction costs during the year of $391,289 (2015: $374,869) 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 subdivision of shares and options. For each existing share and option, 6.472 additional shares and options were issued for nil consideration.

The additional shares and options issued are:

	Shares issued for cash	Shares issued from share based payments	Shareholder options from shares issued for cash	Shareholder options from shares issued from share based payments	Employee options on issue
	000's	000's	000's	000's	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

9. Share options

Share Options

In 2015 the Group undertook an equity raise, designated Series A2, with shares offered at $1 per share. The offer also included the following option to each subscriber of the Series A2 offer. For every two $1 ordinary shares subscribed for, the investor receives:

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.

Employee Share Options

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.

There were 292,374 options issued in December 2015 at a fair value of 0.61 each. One employee left prior to 31 March 2016, which meant 41,319 options were cancelled. The outstanding options were split at a ratio of 1:7472 at the time of the share split, so that for each existing option an additional

6.472 options were granted. As a result there were 1,875,882 options granted and unvested at 31 March 2016 (post-split fair value 0.08 each).

The weighted average fair value of these options was estimated as $0.08 (post-split) under the Black Scholes valuation model resulting in a charge to the profit or loss of $30,966 in the year ended 31 March 2016. The significant inputs into the model were a share price of $0.16 at the grant date, exercise price $0.16, volatility of 50%, no dividend, expected option life of seven years and the risk free interest rate at the date of issue.

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

Vesting Month	Expiry Month	Exercise Price	March 2016 No of options (000's) (1)	March 2015 No of Options (000's) (1)
Vested	Sep 2017	$0.18	28,593	27,855
Vested	Sep 2017	$0.22	14,296	13,927
Dec 2016	Dec 2025	$0.16	625	-
Dec 2017	Dec 2025	$0.16	625	-
Dec 2018	Dec 2025	$0.16	625	-
			44,764	41,782

1. *Incorporating share split 6.472 for 1*

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

	March 2016		March 2015	
	Weighted average exercise price (pre-share split/post share split) $ per share	Options (000's)	Weighted average exercise price $ per share	Options (000's)
Balance at beginning of year	$1.45	5,592	-	-
Issued	$1.35/$0.18	98	$1.35	3,728
Issued	$1.65/$0.22	49	$1.65	1,864
Issued	$1.20/$0.1606	292	n/a	-
Lapsed	$1.20/$0.1606	(41)	n/a	-
Share split 6.472 for 1	n/a	38,774	n/a	-
	$0.19	44,764	$1.45	5,592

There are 44,764,469 options exercisable when vested as at 31 March 2016 (2015: 5,591,871).

10. 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 EPS or increase the loss per share from continuing operations.

	2016 (000's) (1)	2015 (000's) (1)
Loss after income tax attributable to shareholders	($5,412)	($6,561)
Ordinary number of shares	277,963	233,369
Weighted average number of shares on issue (after share-split)	251,898	208,859
Basic and diluted loss per share	($0.02)	($0.03)

1. *Incorporating share split 6.472 for 1*

11. Property, plant and equipment

	Plant & equipment $'000	Total $'000
Cost		
Balance as at 1 April 2014	4	4
Additions	21	21
Balance as at 31 March 2015	**25**	**25**
Additions	97	97
Balance as at 31 March 2016	**122**	**122**
Depreciation		
Balance as at 1 April 2014	1	1
Depreciation for the year	7	7
Balance as at 31 March 2015	**8**	**8**
Depreciation for the year	18	18
Balance as at 31 March 2016	**26**	**26**
Carrying amount		
As at 31 March 2015	**17**	**17**
As at 31 March 2016	**96**	**96**

12. Trade, other receivables, work in progress and prepayments

	2016 $'000	2015 $'000
Trade receivables	6	32
Contract work-in-progress	301	-
IPO related costs deferred	83	-
Prepayments	112	-
Other receivables	242	203
Total trade, other receivables, work in progress and prepayments	**744**	**235**

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

	2016 $'000	2015 $'000
Loss after income tax	**(5,412)**	**(6,561)**
Non-cash items:		
Depreciation	18	7
Share based payments	472	589
Share option expense	31	-
Changes in working capital:		
Increase/(decrease) in trade and other payables	445	421
Increase/(decrease) in deferred revenue	1,535	326
Decrease/(increase) in trade and other receivables	(509)	(60)
Net cash flow from operating activities	**(3,420)**	**(5,278)**

14. Trade and other payables

	2016 $'000	2015 $'000
Trade and other payables due to related parties (note 20)	142	290
Other trade payables	564	219
Other creditors and accruals	482	399
Employee entitlements	270	106
Total current trade and other payables	1,458	1,014

15. Financial instruments

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 $3,489,000 (31 March 2015: $953,000). 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.

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.

Concentration of credit risk

The Group does not have any significant concentrations of credit risk apart from its deposits with large and reputable banks.

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 and the British pound. Policy is to require the Group to manage foreign exchange risk against its functional currency (New Zealand dollar).

Cash flow and fair value interest rate risk

The Group's interest rate risk will arise through exposure to funds on deposit and in future periods it is probable that interest rate risk will also arise through borrowings as the Group gears its operation. Any such borrowings raised at variable interest rates expose the Group to cash flow interest rate risk.

The Group takes on exposure to the effects of fluctuations in prevailing levels of market interest rates on its financial position and cash flows. Interest costs may increase as a result of such changes. They may reduce or create losses in the event that unexpected movements arise. The current impact of interest rate fluctuations is deemed immaterial.

Credit facilities

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

Fair values

The fair value of the Group's assets and liabilities is considered approximately equal to their carrying amount. The Group has no "financial assets or liabilities at fair value through the profit or loss", no "held to maturity investments" and no "available for sale financial instruments". Accordingly, information on the fair value hierarchy is not required.

16. Subsidiary companies

The Group had the following subsidiaries as at 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	App reseller	100%
9 Spokes UK Limited	United Kingdom	App reseller	100%
9 Spokes Nominees No 1 Limited	New Zealand	Trustee shareholder	100%
9 Spokes Knowledge Limited	New Zealand	Holder of provisional patent	100%
9 Spokes Trustee Limited	New Zealand	Non-trading	100%

9 Spokes Nominees No 1 Limited acts as a bare trustee holding shares on behalf of investors in 9 Spokes International Limited.

Ultimate holding company

There is no ultimate holding company.

17. Commitments

Capital commitments

The Group had no capital commitments as at 31 March 2016 (2015: Nil).

Lease commitments – Group as lease

The Group has entered into leases and license agreements on certain premises. Future minimum rentals payable under non-cancellable agreements as at 31 March:

	2016	2015
	$'000	$'000
Not later than 1 year	243	-
	243	**-**

18. Contingencies

The Group had no contingent liabilities or contingent assets as at 31 March 2016 (2015: Nil).

19. Key management personnel

Total key management compensation comprised salaries and contractor fees for the year of $890,281 (2015: $821,333) and share option expense of $19,948 (2015: nil).

20. Related party transactions

As at balance date, the directors of the Company held 51% of the share capital of the Company (2015: 51%).

Transactions with the following related parties during the year

Name of related party	Nature of relationship	Transaction	Settled in cash or equity	2016 $'000	2015 $'000
Adrian Grant	Director	Consulting services	Cash	48	48
		Other expenses	Cash	-	21
Kestrel Corporate Advisory Inc	Director	Directors sign-on bonus	Equity	-	120
		Directors fees	Cash	25	-
		Directors fees	Equity	25	-
		Consulting services	Cash	21	
		Consulting services	Equity	17	-
Paul Reynolds	Director	Consulting services	Cash	44	15
		Consulting services	Equity	68	31
		Directors fees	Cash	27	15
		Directors fees	Equity	53	30
		Directors sign-on bonus	Equity	-	200
Serviced Offices Limited	Common Shareholder	Rental	Cash	-	65
Social Power (Surrey) Limited	Director	Consulting services	Cash	29	25
		Consulting services	Equity	109	50
		Directors fees	Cash	17	8
		Directors fees	Equity	33	17
Te Arai Coast Lodge Limited	Common Shareholder	Consulting services	Cash	-	240
Waiere Limited	Common Shareholder	Consulting services	Cash	240	-
Thomas Power	Director	Directors sign-on bonus	Equity	-	100
Umbrellar Limited	Common Shareholder	Internet/Hosting	Cash	10	39
				766	1,024

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.

Amounts owed by the Group to related parties were:

Name of related party	Nature of relationship	Balance type	2016 $'000	2015 $'000
Adrian Grant	Director	Trade & other payables	8	8
Umbrellar Limited (Previously Digiweb New Zealand Limited)	Common Shareholder	Trade & other payables	-	6
Paul Reynolds	Director	Trade & other payables	35	10
Social Power (Surrey) limited	Director	Trade & other payables	29	54
Te Arai Coast Lodge Limited	Common Shareholder	Trade & other payables	-	92
Waiere Limited	Common Shareholder	Trade & other payables	46	-
Kestrel Corporate Advisory Inc	Director	Trade & other payables	24	120
			142	290

21. Share based payments

During the year the Group received services from directors and suppliers where payment was settled by the issue of ordinary shares. The value of services is measured as the fair value of the shares issued. The fair value of the shares is 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 (1)	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**

(1) Relates to prior financial year but shares not issued until June 2015

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

In the previous year (2015), the Group received services from directors and suppliers where payment was settled by the issue of ordinary shares:

Expenditure	Value of service $'000	Settled in shares $'000	Share Price $	Number of shares (000's)	Number of options (000's)
Suppliers and consultants					
Share issue costs	141	141	0.80	177	-
Share issue costs	233	233	1.00	233	350
Consultancy	100	100	0.80	125	-
Directors					
Directors fees	25	25	1.00	25	-
Directors sign on bonus	300	300	1.00	300	-
Directors Consultancy	44	44	1.00	44	-
Total Share based payments	**843**	**843**		**904**	**350**

22. Events after the reporting period

Capital raising

The Group has announced that it will apply for an Initial Public Offering of securities on the Australian Stock Exchange during 2016.

Major contract signed

In April 2016 the Company signed a major channel licence agreement with a supplier of banking and insurance products and services.