

2 July 2020

Mr Ivan Tatkovich  
Adviser, Listings Compliance  
ASX Compliance Pty Limited  
20 Bridge Street  
SYDNEY NSW 2000

By email only: [ivan.tatkovich@asx.com.au](mailto:ivan.tatkovich@asx.com.au)

Dear Mr Tatkovich,

**9 Spokes International Limited ('9SP'): Response to queries regarding Financial Report**

Thank you for your letter of yesterday's date. Please see below in response to each of your questions relating to the consolidated financial statements of 9SP for the financial year ended 31 March 2020 issued on 29 June 2020 (**Financial Report**).

**1. Is 9SP able to confirm that in the directors' opinion the Financial Report:**

**a. complies with the relevant accounting standards?**

Answer: 9SP confirms that in the directors' opinion the Financial Report complies with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS), as appropriate for for-profit entities.

**b. gives a true and fair view of 9SP's financial performance and position?**

Answer: 9SP confirms that in the directors' opinion the Financial Report provides a true and fair view of the financial performance of 9SP for the financial year ended 31 March 2020 and financial position of 9SP as at 31 March 2020.

**2. ASX notes that the auditor was unable to obtain sufficient appropriate audit evidence to form an opinion as to whether the going concern assumption used by 9SP in preparing the Financial Report was appropriate.**

**In light of the above:**

**a. What evidence was provided to the auditor regarding 9SP's use of the going concern assumption in preparing the Financial Report?**

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Answer: 9SP provided the auditor with a number of materials regarding the use of the going concern assumption in preparing the Financial Report. Without limitation, 9SP provided the auditor with material that expressed management's views on the assumption, together with certain financial models that presented forecasted revenues, expenditures and cash. This allowed the auditor to conduct its sensitivity analysis. In addition, the auditor also had opportunities to speak with the Chief Executive and the Chair of the Audit and Risk Committee.

- b. Please elaborate on the reasons as to why the auditor was unable to obtain sufficient appropriate audit evidence regarding 9SP's use of the going concern assumption (see sub-paragraph A(ii) above).**

Answer: As set out in the Financial Report and the auditor's report of 29 June 2020, 9SP is required to generate additional revenue or raise further capital to remain a going concern for the 12 months from the date of approving the financial statements.

9SP understands that, in the auditor's view, 9SP was unable to provide it with the following evidence to allow it to consider whether the going concern assumption was appropriate:

- i. additional forecast revenue in circumstances where negotiations were still progressing with potential customers and have been in progress for an extended period of time; and
- ii. details of formal plans for 9SP to raise additional capital.

- c. On what basis do the directors consider that 9SP is a going concern and that it was appropriate to use the going concern assumption in preparing the Financial Report?**

Answer: The directors consider 9SP is a going concern, including because of the following:

- i. the existing revenue streams 9SP receives from certain long-term contracts with its clients. Please refer to notes to the Financial Report titled 'Long-term contracts not yet fulfilled' in which 9SP reported contracts from license fees not as yet fulfilled as at 31 March 2020 of NZ\$11.7m against NZ\$4.0m as at 31 March 2019;
- ii. confidence in 9SP's ability to negotiate and enter into new contracts with banking partners and financial institutions with whom we are already in negotiation; and
- iii. confidence in 9SP's ability to raise additional capital.

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**3. What was 9SP's cash balance at 30 June 2020?**

Answer: The cash balance at 30 June 2020 was NZ\$4.23 million.

**4. Please provide details of 9SP's current projections of its cash expenditure (outflows) for operating activities and for investing activities for:**

**a. the September 2020 quarter**

Answer: Based on current estimates, 9SP projects the following:

- Operating activities cash expenditure: NZ \$3.44 million (including the repayment of the wage subsidy referred to below)
- Investing activities cash expenditure: NZ \$Nil

**b. the December 2020 quarter**

Answer: Based on current estimates, 9SP projects the following:

- Operating activities cash expenditure: NZ \$3.14 million
- Investing activities cash expenditure: NZ \$Nil

**Please also advise when 9SP is required to refund the New Zealand government COVID-19 wage subsidy of NZ\$243,000 which was received in the March 2020 quarter (see Note 15 to the Financial Report).**

Answer: 9SP expects to refund the wage subsidy by no later than 31 July 2020.

**5. Does 9SP consider that its financial condition is sufficient to warrant continued listing on ASX under Listing Rule 12.2? In answering this question, please explain the basis for 9SP's conclusion.**

Answer: Yes, 9SP considers that its financial condition is sufficient to warrant continued listing on ASX under Listing Rule 12.2. 9SP, consistently with the preparation of its Financial Report on a going concern basis, has the intention and ability to continue its operations for the foreseeable future. As set out in the Financial Statements, management and the directors of 9SP are confident that, as the need arises, 9SP will be able to raise additional capital. In particular, 9SP notes that it has successfully been able to raise capital in the past to meet its short-term capital requirements.

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- 6. If the answer to question 5 above is 'no', please explain what steps 9SP has taken, or proposes to take, to warrant continued listing on ASX under Listing Rule 12.2.**

Answer: Not applicable.

- 7. What steps, if any, does 9SP intend to take to obtain an unqualified and unmodified audit opinion with regards to its future financial statements?**

Answer: 9SP continues to develop business and channel opportunities, while exercising effective cost management. 9SP believes that this, together with its continued research and development in relation to its platform, will assist with achieving 9SP's aim of ultimately being cash flow positive.

- 8. In relation to the Financial Report, did the Board receive the CFO and CEO declaration, as described in Recommendation 4.2 (see paragraph C above)?**

Answer: Yes.

- 9. If the answer to Question 8 above is 'no', why did the Board not receive the CEO and CFO declaration as described in Recommendation 4.2?**

Answer: Not applicable.

- 10. What enquiries did the Board make of management to satisfy itself that the financial records of 9SP have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of 9SP?**

Answer: Board enquiries were principally conducted through the Audit and Risk Committee (ARC) that met three times during the audit process. Management papers were provided and presented to the ARC on key accounting matters and disclosures, including material on the matter of the directors making the going concern assumption in relation to the preparation of the Financial Report.

- 11. Commenting specifically on the auditor's disclaimer of opinion, does the board consider that 9SP has a sound system of risk management and internal control which is operating effectively? In answering this question, please explain the basis for 9SP's conclusion.**

Answer: Yes, the board of 9SP considers that it has a sound system regarding risk management and internal control which is operating effectively. As noted above, the auditor's disclaimer of opinion relates to the inability of the auditor to form an opinion as to whether the use of a going concern assumption in the preparation of the Financial Report was appropriate. As noted above, 9SP has the intention and ability to continue its operations for the foreseeable future and the directors of 9SP are confident that as the need arises, 9SP will be able to raise additional capital. 9SP is managing its future short to medium term cash outflows in an appropriate risk management context, including by adopting a conservative approach to its cash flow forecasting.

- 12. Please confirm that 9SP is complying with the Listing Rules and, in particular, Listing Rule 3.1.**

Answer: 9SP is in compliance with the Listing Rules and, in particular, Listing Rule 3.1.

- 13. Please confirm that 9SP's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of 9SP with delegated authority from the board to respond to ASX on disclosure matters.**

Answer: This response has been authorised by the Chief Executive Officer of 9SP who has delegated authority from the board of 9SP to respond to ASX on disclosure matters.

Yours sincerely,



Melisa Beight  
General Counsel & Company Secretary  
**9 Spokes International Limited**

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1 July 2020

Reference: 20012

Ms Melisa Beight  
Company Secretary  
9 Spokes International Limited  
Level 4  
8 Mahuhu Crescent  
Auckland 1010 New Zealand

By email

Dear Ms Beight

### 9 Spokes International Limited ('9SP'): Queries regarding Financial Report

ASX Limited ('ASX') refers to:

- A. 9SP's audited financial statements for the financial year ended 31 March 2020 ('Financial Report'), which formed part of its annual report, lodged on the ASX Market Announcements Platform ('MAP') on 29 June 2020.

ASX notes that the Independent Auditor's Report attached to the Financial Report ('Auditor's Report') contains a disclaimer of opinion (see sub-paragraph A(i) below) together with the basis for the disclaimer of opinion (see sub-paragraph A(ii) below) (emphasis added):

(i) **'Disclaimer of opinion**

*... We do not express an opinion on the accompanying consolidated financial statements of the Group. Because of the significance of the matter described in the Basis for disclaimer of opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.'*

(ii) **'Basis for Disclaimer of Opinion**

*As described in note 2(c) to the consolidated financial statements, the Group incurred a net loss of \$4.9 million and had a net operating cash outflow of \$2.6 million for the year ended 31 March 2020. The Group had available cash of \$4.7 million as at 31 March 2020. The Group forecasts that it has sufficient funds available to continue operations for a five month period from the date these consolidated financial statements are authorised. The Group will need to secure either new revenue opportunities or raise additional capital to continue operations beyond this period.*

*Due to the level of uncertainty associated with forecasting the Group's future cash flows, especially relating to the securing of new revenue opportunities, and the absence of formal and advanced capital raising activity, we were unable to obtain sufficient appropriate audit evidence to enable us to form an opinion as to whether the use of going concern assumption in the preparation of the consolidated financial statements is appropriate. As a result of these matters, we were unable to determine whether any adjustments are necessary to the amounts recorded in the consolidated statement of financial position and the consequential impact on the consolidated statement of comprehensive income and the consolidated statement of changes in equity.'*

ASX also notes that the Directors' Report (on page 13) states:

*'The Board of Directors has pleasure in presenting the financial statements for 9 Spokes International Limited for the year ended 31 March 2020.'*

*The financial statements presented are signed for and on behalf of the Board and were authorised for issue on 29 June 2020.'*

- C. 9SP's Corporate Governance Statement dated 29 June 2020 lodged together with 9SP's Appendix 4G on MAP on 29 June 2020 ('Corporate Governance Statement'), which provides confirmation that 9SP complies with recommendation 4.2 of the Corporate Governance Principles and Recommendation (4<sup>th</sup> edition) ('Recommendation 4.2'), which states:

*'The board of a listed entity should, before it approves the entity's financial statements for a financial period, receive from its CEO and CFO a declaration that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.'*

- D. Listing Rule 12.2 which states:

*'An entity's financial condition (including operating results) must, in ASX's opinion, be adequate to warrant the continued quotation of its securities and its continued listing.'*

- E. Listing Rule 19.11A which states:

*'If a listing rule requires an entity to give ASX accounts, the following rules apply.'*

- (a) *If the entity controls an entity within the meaning of section 50AA of the Corporations Act or is the holding company of an entity, required by any law, regulation, rule or accounting standard, or if ASX requires, the accounts must be consolidated accounts.*
- (b) *The accounts must be prepared to Australian accounting standards. If the entity is a foreign entity the accounts may be prepared to other standards agreed by ASX.*
- (c) *If the listing rule requires audited accounts, the audit must be conducted in accordance with Australian auditing standards by a registered company auditor. If the entity is a foreign entity, the audit may be conducted in accordance with other standards agreed by ASX and may be conducted by an overseas equivalent of a registered company auditor.*
- (d) *If the listing rule requires accounts to be reviewed, the review must be conducted in accordance with Australian auditing standards. If the entity is a foreign entity, the review may be conducted in accordance with other standards agreed by ASX ...*
- (e) *If there is a directors' declaration that relates to the accounts, the directors' declaration must be given to ASX with the accounts.*
- (f) *If there is a directors' report that relates to the period covered by the accounts, the directors' report must be given to ASX with the accounts.'*

### Questions and Request for Information

In light of the information contained in the Financial Report and the Auditor's Report, and the application of the Listing Rules stated above, please respond separately to each of the following questions and requests for information:

1. Is 9SP able to confirm that in the directors' opinion the Financial Report:
  - (a) complies with the relevant accounting standards?
  - (b) gives a true and fair view of 9SP's financial performance and position?

2. ASX notes that the auditor was unable to obtain sufficient appropriate audit evidence to form an opinion as to whether the going concern assumption used by 9SP in preparing the Financial Report was appropriate.

In light of the above:

- (a) What evidence was provided to the auditor regarding 9SP's use of the going concern assumption in preparing the Financial Report?
  - (b) Please elaborate on the reasons as to why the auditor was unable to obtain sufficient appropriate audit evidence regarding 9SP's use of the going concern assumption (see sub-paragraph A(ii) above).
  - (c) On what basis do the directors consider that 9SP is a going concern and that it was appropriate to use the going concern assumption in preparing the Financial Report?
3. What was 9SP's cash balance at 30 June 2020?
  4. Please provide details of 9SP's current projections of its cash expenditure (outflows) for operating activities and for investing activities for:
    - a) the September 2020 quarter; and
    - b) the December 2020 quarter.

Please also advise when 9SP is required to refund the New Zealand government COVID-19 wage subsidy of NZ\$243,000 which was received in the March 2020 quarter (see Note 15 to the Financial Report).

5. Does 9SP consider that its financial condition is sufficient to warrant continued listing on ASX under Listing Rule 12.2? In answering this question, please explain the basis for 9SP's conclusion.
6. If the answer to question 5 above is 'no', please explain what steps 9SP has taken, or proposes to take, to warrant continued listing on ASX under Listing Rule 12.2.
7. What steps, if any, does 9SP intend to take to obtain an unqualified and unmodified audit opinion with regards to its future financial statements?
8. In relation to the Financial Report, did the Board receive the CFO and CEO declaration, as described in Recommendation 4.2 (see paragraph C above)?
9. If the answer to Question 8 above is 'no', why did the Board not receive the CEO and CFO declaration as described in Recommendation 4.2?
10. What enquiries did the Board make of management to satisfy itself that the financial records of 9SP have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of 9SP?
11. Commenting specifically on the auditor's disclaimer of opinion, does the board consider that 9SP has a sound system of risk management and internal control which is operating effectively? In answering this question, please explain the basis for 9SP's conclusion.
12. Please confirm that 9SP is complying with the Listing Rules and, in particular, Listing Rule 3.1.
13. Please confirm that 9SP's responses to the questions above have been authorised and approved under its published continuous disclosure policy or otherwise by its board or an officer of 9SP with delegated authority from the board to respond to ASX on disclosure matters.

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### **When and where to send your response**

This request is made under Listing Rule 18.7. Unless the information is required immediately under Listing Rule 3.1, a response is requested as soon as reasonably possible and, in any event by no later than **9:30am AEST on Thursday, 9 July 2020**.

Any response should be sent to me by return email. It should not be sent to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform. Accordingly, 9SP's response should address each question separately and be in a format suitable for release to the market.

### **Release of correspondence**

ASX reserves the right to release a copy of this letter, your response and any other related correspondence between us to the market under Listing Rule 18.7A.

### **Enquiries**

If you have any queries regarding any of the above, please contact me.

Regards

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**Ivan Tatkovich**  
Adviser, Listings Compliance (Sydney)