PLEXURE

2017/2018 Interim Report

For the six months ended 30 September 2017

Chairman's review

For the 6 Months Ended 30 September 2017

Overview

Plexure offers a next generation Customer Relationship Management (or CRM) solution that enables retailers to engage with customers in real time using connected devices and sensors. We offer a combination of a SaaS software platform and professional services that embrace pre-sale consultancy and post-sale implementation and support. It is an enterprise scale solution that improves the customer experience and optimises retail revenues. Today, we have deployments of this CRM solution in 27 countries.

Performance Highlights

For the six months ended 30 September 2017, total revenue grew 48.8% to $5.4m. During the same period operating revenue grew 54.4% to $5.2m, reflecting the growth in the underlying business.

As we have previously signalled we have also been focussed on streamlining the business. As a result, all expense categories, with the exception of contractors (which increased $10k) and amortisation ($129k) decreased. Operating expenses decreased by 22.9% or $1.7m, to $5.6m.

The combination of increased revenue and decreased costs has resulted in a 92.9% improvement in the bottom line, with a total comprehensive loss of $0.3m for the period, compared to a loss of $3.3m in the prior year.

The improved financial performance means that the operating cash burn for the first 6 months was $0.1m. With the capital raise of $1.9m, the Company finished the period with cash and cash equivalents of $2.4m.

Strategy transition: leveraging the platform

Plexure has been reviewing and refocusing its business during the six months under review. While continual product development and technology improvement will remain an important part of the business, our focus is now on leveraging our unique and advanced technology platform to improve sales and drive adoption of our technology in a range of sectors where it can add value. R&D will remain important, but our platform is sufficiently proven and robust now that we foresee a transition from a start-up phase of the business to a new phase that establishes our technology within the CRM ecosystem of our existing and new customers.

Growth

Whilst we continue to explore new client opportunities, there is still plenty of room for expansion within our existing customer base on a multi-market basis. A tighter sales focus and new business cost control approach has seen us pursue leads predominantly in markets where we already have customer presence and opportunity. This has seen a shift from a US-centric business approach to pursuing sales opportunities from our Auckland head office in markets closer to home in the Asia and Pacific regions, and following our clients' expansion of our services into Europe.

Expenses

As previously discussed we have reduced operating expenses by 22.9% or $1.7m, to $5.6m. Our two major cost categories are wages and salaries and our platform hosting costs, both of which have reduced. Salaries has reduced due to us downsizing, particularly in our overseas operations where costs have decreased by 59.2% or $0.6m. We will in the next 6 months look to grow our overseas presence but will only do so in locations that support our customers and where the revenue justifies it. We have also reduced our New Zealand operations and again will increase this over time but only where the customer demand justifies the expenditure.

Platform hosting has also decreased by 1.6% or $19k. While only a small decrease during the first 6 months we have had increased prices in our underlying Azure costs and more users utilising the platform. By actively managing users and innovating we have been able to reduce cost while maintaining performance. We do note that Azure costs will continue to increase over the next two years.

Cost management remains a focus. We will be required to spend more to grow the business but this expenditure will be well targeted and managed to ensure we meet expected outcomes.

Leadership changes

Plexure is no longer a start-up, and after 5 years we have experienced some change in the management team. Scott Bradley, our Founder and original Chief Executive Officer has moved to a Director role and been replaced by Craig Herbison. Craig is an internationally experienced leader with over 20 years of digital and brand marketing, business transformation, sales and corporate leadership experience. In 2011, he joined the BNZ executive team as its first ever CMO and assumed an expanded role in 2014 running BNZ’s retail, small business and insurance businesses. Craig was also previously a director of Loyalty New Zealand, the operator of Fly Buys in New Zealand.

David Inggs, our founding CTO also announced that he would be leaving at the end of the year upon completion of a customer project. Duanne O’Brien has been appointed to the position of Chief Technology Officer (CTO). Duanne brings considerable experience to Plexure as an accomplished technology leader with over 10 years leading the development of cloud computing and data platforms locally and overseas. Duanne was also part of the founding technology team of Plexure.

Capital and Capital Markets

During the first six months of the year, the Company raised $1.9m of new capital. The Company finished the period with cash and cash equivalents of $2,371k and is currently cashflow positive. At this stage we do not foresee the need to raise additional capital, however as opportunities present themselves we may revisit this.

During the year the Company also renegotiated the terms of its $1.6m of convertible notes with the holders. The original terms of the note were an interest rate of 8% plus the convertible notes were convertible at the option of the holder at a price of $0.28 or they could receive full payment. The original conversion date was 3 November 2017.

All noteholders agreed to the new terms which include extending the conversion date until March 2019 and interest being stopped. In return the convertible note was repriced from $0.28 to $0.12 per share.

Chairman's review

For the 6 Months Ended 30 September 2017

Outlook

During the last 6 months the Company has taken a number of steps to improve the performance of the business and establish a platform for profitable growth in the year ahead.

Existing clients are continuing to re-engage and are consuming more of the Company's products and services. The pursuit of new clients is now more targeted than previously and new business is expected to be a growing percentage of the Company's total revenues as interest in Plexure's offerings continues to be strong.

The change in leadership has gone very smoothly and has been well received by clients and the market.

Our technology platform is proven and performs well at scale and is delivering excellent results for clients. We continue to evolve new platform features and these are proving appealing to clients and are driving revenue growth.

The Directors remain confident about the future prospects for the Company and thank shareholders for their continuing support.

Phil Norman
Chairman

14 November 2017

Statement of Comprehensive Income

For the 6 Months Ended 30 September 2017

	Notes	6 months 30 Sept 2017 Unaudited $'000	6 months 30 Sept 2016 Unaudited $'000
Revenues			
Operating revenue	3	5,168	3,348
Other income	4	192	253
Total revenue & other income		5,360	3,601
Expenses			
Wages & staff costs	6(a)	(1,909)	(2,774)
Contractors		(456)	(446)
Travel costs		(150)	(354)
Office costs		(189)	(256)
Professional costs		(119)	(221)
Board fees		(76)	(89)
Marketing		(20)	(455)
IT costs	6(b)	(1,406)	(1,495)
Other expenses	6(c)	(230)	(241)
Depreciation	7(a)	(53)	(62)
Amortisation	7(b)	(990)	(861)
Operating expenses		(5,598)	(7,254)
Gain on derivative liability	11	373	-
Loss on repricing of Convertible Note	11	(66)	-
Interest expense on Convertible Note	11	(201)	-
Financing expenses		106	-
Net loss before tax		**(132)**	(3,653)
Income tax expense		(63)	-
Net loss after tax for the year attributable to the shareholders of the company		**(195)**	(3,653)
Other comprehensive income			
Exchange difference on translating foreign operations		(63)	36
Total comprehensive loss for the year attributable to the shareholders of the company		**(258)**	(3,617)
Earnings per share			
Basic (loss) per share (cents)		(0.26)	(4.30)
Diluted (loss) per share (cents)		(0.26)	(4.00)

Calculated on a weighted average basis of the number of shares on issue.

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statement of Changes in Equity

For the 6 Months Ended 30 September 2017

	Notes	Share Capital $'000	Foreign Currency Translation Reserve $'000	Share Based Payment Reserve $'000	Accumu-lated Losses $'000	Total Equity $'000
Six months ended 30 September 2016- Unaudited						
Balance at 1 April 2016		21,444	56	970	(15,812)	6,658
Net loss after tax				-	(3,653)	(3,653)
Exchange differences arising on translating foreign operations			36	-		36
Total comprehensive loss			36	-	(3,653)	(3,617)
Transactions with owners						
Issue of share capital		3,223				3,223
Share based payments transfer on exercise						
Recognition of share based payments				40		40
Balance at 30 September 2016		24,667	92	1,010	(19,465)	6,304
Six months ended 30 September 2017- Unaudited						
Balance at 1 April 2017		**24,952**	**65**	**1,078**	**(22,303)**	**3,792**
Net loss after tax					(195)	(195)
Exchange differences arising on translating foreign operations			(63)			(63)
Total comprehensive loss			(63)		(195)	(258)
Transactions with owners						
Issue of share capital	8	1,900				1,900
Share based payments transfer on exercise						
Recognition of share based payments	9			18		18
Balance at 30 September 2017		26,852	2	1,096	(22,498)	5,452

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated Statement of Financial Position

As at 30 September 2017

	Notes	30 Sept 2017 Unaudited $'000	31 Mar 2017 Audited $'000
Asset			
Current assets			
Cash and cash equivalents		2,372	615
Income Tax		14	-
Trade and other receivables		2,603	1,885
		4,989	2,500
Less current liabilities			
Trade and other payables		2,038	1,570
Deferred revenue		1,457	1,149
Income tax payable		-	82
Convertible notes		1,408	1,419
Derivative liability		66	161
Other liabilities			10
		4,969	4,391
Working capital		20	(1,891)
Non-current assets			
Property, plant & equipment	7(a)	169	220
Intangible assets	7(b)	5,244	5,394
Deferred tax		33	86
		5,446	5,700
Non-current liabilities			
Other liabilities		14	17
		14	17
Total net assets		5,452	3,792
Equity			
Share capital	8	26,852	24,952
Share based payment reserve	9	1,096	1,078
Accumulated losses		(22,498)	(22,303)
Foreign currency translation reserve		2	65
Total equity		5,452	3,792

Signed on behalf of the Board by:

Phil Norman
Chairman

Dated: 14 November 2017

Scott Bradley
Director

Dated: 14 November 2017

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

Consolidated Statement of Cash Flows

For the 6 Months Ended 30 September 2017

	Notes	6 months 30 Sept 2017 Unaudited $'000	6 months 30 Sept 2016 Unaudited $'000
Operating activities			
Cash was provided from (applied to):			
Receipts from customers		6,646	3,045
Marketing funding received		175	254
Grants received		-	-
Interest received		1	12
Payment to suppliers & employees		(5,967)	(5,762)
Income tax paid		(108)	(8)
Net cash inflow / (outflow) from operating activities	**10**	747	(2,459)
Investing activities			
Cash was provided from (applied to):			
Purchase of property, plant and equipment	**7(a)**	(4)	(13)
Proceeds from disposals		2	-
Capitalised development costs	**7(b)**	(840)	(1,098)
Net cash outflow from investing activities		(842)	(1,111)
Financing activities			
Cash was provided from (applied to):			
Issue of ordinary shares	**8**	1,900	3369
Share capital raising costs		(50)	(146)
Net cash inflow from financing activities		1,850	3,223
Net increase/(decrease) in cash held		1,755	(347)
Add cash and cash equivalents at start of period		615	2,637
Effect of foreign exchange rate changes on cash		2	36
Cash at bank at end of period		2,372	2,326
Comprised of:			
Cash and short term deposits		2,372	2,326

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to Financial Statements

Accounting Policies and Notes

1. Corporate Information

Corporate Information
The consolidated financial statements of Plexure Group Limited and its subsidiaries (collectively, the Group) for the six months ended 30 September 2017 were authorised for issue in accordance with a resolution of the directors on 11 November 2017.

Plexure Group Limited ("the Company") is a limited company incorporated and domiciled in New Zealand, registered under the Companies Act 1993, and whose shares are publicly traded on the New Zealand Stock Exchange [NZX:PLX]. The registered office is located at Level 3, 104 Quay Street, Auckland, New Zealand.

The principal activity of the Company is the development and deployment of cloud based Customer Relationship Management (or CRM) solution that enables retailers to engage with consumers in real time using connected devices and sensors.

Statement of Compliance
These interim financial statements for the six months ended 30 September 2017 have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand and NZ IAS 34, Interim Financial Reporting. In complying with NZ IAS 34, these interim financial statements also comply with IAS 34 interim financial reporting.

These interim financial statements do not include all the notes of the type normally included in an annual financial report. Accordingly, this report should be read in conjunction with the audited financial statements of Plexure Group Limited and its subsidiaries for the financial year ended 31 March 2017, which have been prepared in accordance with the New Zealand equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

All significant accounting policies have been applied on a basis consistent with those used in the audited financial statements.

Plexure Group Limited is a FMC reporting entity for the purposes of the Financial Markets Conduct Act 2013 and these financial statements comply with that Act.

2. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied unless otherwise stated.

(a) Basis of Preparation
The consolidated financial statements have been prepared in accordance with generally accepted accounting practice in New Zealand (NZ GAAP). For the purposes of complying with NZ GAAP the entity is a for-profit entity.

The consolidated financial statements have been prepared on the basis of historical cost and on a going concern basis. Cost is based on the fair values of the consideration given in exchange for assets.

Accounting policies are selected and applied in a manner that ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

Notes to Financial Statements

A key assumption is that the business is a going concern.

For the six month period ended 30 September 2017, operating revenue grew 54% over the six month period ended 30 September 2016, to $5.3m. The Group recorded a total comprehensive loss of $0.3m for the six month period ended 30 September 2017 (six month period ended 30 September 2016: $3.6m loss) with equity of $5.5m as at 30 September 2017 (as at 30 September 2016: $6.3m). As at 30 September 2016 the Group has cash and cash equivalents of $2.4m (as at 30 September 2016: $2.5m), and the net cash inflow from operating activities for the six month period ended 30 September 2017 was $0.7m (six month period ended 30 September 2016 outflow of $2.5m). The Group raised $1.9m of capital during the six month period ended 30 September 2017.

The Group is currently cash flow positive and has sufficient cash and equivalents to satisfy its going concern requirements.

The consolidated financial statements are presented in New Zealand dollars and all values are rounded to the nearest ($000), except when otherwise indicated. The consolidated financial statements provide comparative information in respect of the previous period.

3 Operating revenue

	6 months ended 30 Sept 2017 $'000	**6 months ended 30 Sept 2016 $'000**
License revenue	1,786	1,999
Deployment and integration revenue	1,245	238
Consulting revenue	943	184
Support fees	1,110	918
Expenses reimbursed revenue	84	9
	5,168	**3,348**

4 Other Income

Interest Received	-	12
Government Grant Income	17	25
Marketing Funding	175	216
	192	**253**

5 Segmental Reporting

The group operated in Australiasia, Asia, North America, Latin America, EMEA during the period. Revenue by location is as follows:

	6 months ended 30 Sept 2017 $'000	**6 months ended 30 Sept 2016 $'000**
Asia	2,998	1,624
Australasia	325	445
North America	478	859
Latin America	643	235
Europe/Middle East	916	438
	5,360	3,601

All material non-current assets are held within New Zealand

Notes to Financial Statements

6(a) Wages & Staff Costs

	6 months 30 Sept 2017 Unaudited $'000	6 months 30 Sept 2016 Unaudited $'000
Salaries (less Capitalised)		
-NZ	1,370	1,249
- Overseas	435	1,067
Benefits		
-NZ	39	109
- Overseas	49	73
Staff Costs	16	276
	1,909	**2,774**
Staff Numbers		
-NZ	30	41
- Overseas	3	11

6(b) IT Costs

Platform Hosting	1,156	1,175
Support and Maintenance	151	160
Licence	83	91
Other IT Expenses	16	69
	1,406	**1,495**

6(c) Other Expenses

Listing Expenses	7	88
Foreign Exchange Loss	87	76
Bad Debts	123	-
Non-Derivatives Interest Expenses	4	8
Bank Fees	9	12
Other	-	57
	230	**241**

7(a) Property, Plant & Equipment

	Leasehold Improvements $'000	Furniture & Fittings $'000	Plant & Equipment $'000	Total $'000
Cost				
As at 1 April 2016	239	59	187	485
Additions	3	-	32	35
As at 31 March 2017	242	59	219	520
Additions	-	-	4	4
Disposal	-	(2)	-	(2)
As at 30 September 2017	242	57	223	522
Amortisation				
As at 1 April 2016	(63)	(18)	(98)	(179)
Depreciation charge for the year	(48)	(6)	(67)	(121)
As at 31 March 2017	(111)	(24)	(165)	(300)
Depreciation charge for the period	(25)	(4)	(24)	(53)
As at 30 September 2017	(136)	(26)	(189)	(353)
Net book value				
As at 31 March 2017 - audited	131	35	54	220
As at 30 September 2017	106	29	34	169

7(b) Intangible Assets

	Core Platform $'000	Mobile Platform $'000	Total $'000
Cost			
As at 1 April 2016	6,262	896	7,158
Additions - internally developed	2,316	121	2,437
As at 31 March 2017	8,578	1,017	9,595
Additions - internally developed	840		840
As at 30 September 2017	9,418	1,017	10,435
Amortisation			
As at 1 April 2016	(1,876)	(512)	(2,388)
Amortisation charge for the year	(1,469)	(344)	(1,813)
As at 31 March 2017	(3,345)	(856)	(4,201)
Amortisation charge for the period	(893)	(97)	(990)
As at 30 September 2017	(4,238)	(953)	(5,191)
Net book value			
As at 31 March 2017 - audited	5,233	161	5,394
As at 30 September 2017	5,180	64	5,244

8 Share capital

All shares are ordinary shares, have been issued as fully paid and have no par value. Fully paid ordinary shares carry one vote per share, carry a right to dividends and a pro-rate share of net assets on a wind up.

	Shares	$'000
Balance as at 31 March 2016	**82,293,920**	**21,444**
Movements during the year		
Shares issued by way of private placement in June 2016	9,160,593	3,223
Shares issued by way of private placement in December 2016	1,250,000	285
Balance as at 31 March 2017	**92,650,513**	**24,952**
Movements during the year		
Shares issued by way of private placement in August 2017	19,000,000	1,900
Balance as at 30 September 2017	**111,650,513**	**26,852**

9 Share based payments

The share based payment reserve is used to record the accumulated value of unexercised share options and vested share rights which have been recognised in the statement of comprehensive income. As at balance date executives, employees and directors have options over 6,413,090 shares (31 March 2017: 8,006,533).

	6 months ended 30th Sept 2017 $'000	6 months ended 30th Sept 2016 $'000
Balance at the beginning of the year	1,078	970
Share based payments	68	108
Write back of share based payment expired	(50)	(68)
	1,096	1,010

10 Reconciliation of Operating Cash Flows

	6 months ended 30th Sept 2017 $'000	6 months ended 30th Sept 2016 $'000
Net loss after tax	(195)	(3,653)
Adjustment for non-cash items		
Amortisation	990	856
Depreciation	53	62
Amortisation of lease inducement	(3)	(31)
Convertible note	(106)	-
Share Based payment expense	18	40
	952	927
Movements in Working Capital		
(Increase) in trade & other receivables	(719)	(665)
Increase in trade payables, tax & accruals	454	1,017
Increase/(decrease) in deferred tax	(53)	-
Increase/(decrease) in deferred revenue	308	(85)
	(10)	267
Net cash inflow/(outflow) from operating activities	747	(2,459)

11. Convertible note

On the 3 February 2017 Plexure Group Limited entered into a convertible debt agreement to issue convertible notes with an aggregated principle value $1.6m (2016: nil) maturing on 3 November 2017. The notes bear 8% interest per annum calculated on a simple basis and are convertible at the option of the holder at a price of $0.28 per share.

On the 30th August 2017 Plexure Group Limited agreed amended terms with the holders of the $1.6m of convertible notes. The key terms of the amendments are as follows:

- The repayment date has been extended from the 3rd November 2017 until the 31st March 2019.
- Interest to date of $97,523.81 to be converted into the face value of the convertible note.
- Interest will stop accruing on the convertible note.
- In return for the above the option has been repriced from 28c to 12c.

The change of terms requires that the old convertible note is extinguished and a new calculation is required.

The convertible note contains a liability at amortised cost and a derivative liability at fair value through the profit and loss.

	$'000
Convertible note opening balance	1,419
Interest	187
Close down of convertible note	(1,606)
	-
Initial recognition of the new convertible note	1,394
Interest to balance date	14
Closing balance	1,408

As at 30 September the carrying value of the derivative liability is as follows:

	$'000
Derivative liability opening balance	161
Close down of derivative liability	(161)
	-
Initial recognition of the new derivative liability	278
Fair value of derivative through the profit and loss	(212)
Closing balance	66

The fair value of the derivative liability has been determined using the Black Scholes model and is a level 3 valuation in the Fair Value Hierarchy. The main assumptions used in this valuation are:

Risk free rate	1.93%
Volatility	50%
Exercise price	0.12 cents per share

12 Operating lease commitments - Group as lessee

Within one year	122	369
After one year but not more than five years	22	336
	144	705

13 Contingencies

There were no material contingent assets or contingent liabilities at 31 March 2017 (2016:$Nil)

13 Events after Balance Date

On the 17th October 2017, Plexure appointed Brian Russell as director. Brian has 27 years of experience in global technology commercialisation, venture financing and innovation, with 16 years abroad in Europe and America. He was the founder and CEO of Zephyr Technology Corp (acquired by Covidien COV: NYSE in 2014), a global leader in wearable sensors. His experience includes venture capital, strategic financing and strategic relationships with organisations such as Under Armour, 3M, Motorola, NASA and US Defense Department.

Directory

As at 30 September 2017

Company Number	244518
NZ Business Number	9429039937803
Directors	Phil Norman – Chairman Scott Bradley Tim Cook Sharon Hunter Brian Russell (appointed 17th October 2017)
Registered Office	Level 3, 104 Quay Street Britomart Auckland
Postal Address	PO Box 90722 Victoria Street West Auckland
Share Registrar	Computershare Investor Services Limited Private Bag 92119 Auckland Phone: 09 488 8700 Fax: 09 488 8787
Auditors	Deloitte Limited Private Bag 115033 Shortland Street Auckland
Bankers	ASB Bank PO Box 35 Shortland Street Auckland
Solicitors	Bell Gully PO Box 1291 Wellington
Website	www.plexure.com