

PLEXUS



safer performance | leak-proof | reduced costs

ANNUAL REPORT
2023

POS-GRIP®

PROPRIETARY METHOD OF FRICTION GRIP ENGINEERING

Plexus HG® technology, is a simple scientific method of design for metal interface seals, used to permanently contain METHANE GAS in wellheads, throughout the life of a producing well.

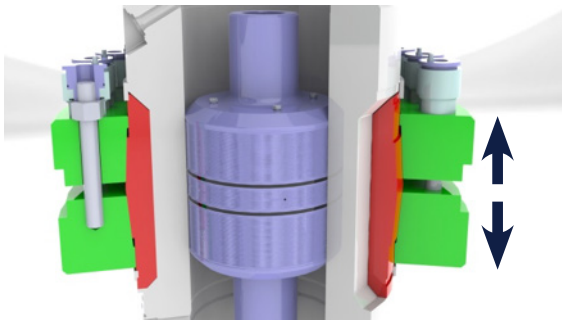
The seal system comprises of multiple integral radiused bump rings, which interact directly with the wellhead bore, to halve the number of leak paths past the annulus, using a series of redundant gallery seals. A preload above yield is carefully delivered and recorded by the externally controlled horizontal deflection of the housing wall against solid hanger bodies, thereby equally distributing perimeter stress, in compliance with the principles of Hertzian Stress Theory (HST).

The system stays permanently rigid, guarantees life-cycle integrity and is maintenance-free, using re-usable components. By matching materials at the seal interface, bi-metallic corrosion is prevented and multiple metal seals are used to anticipate the pace of chemical degradation, throughout field-life.

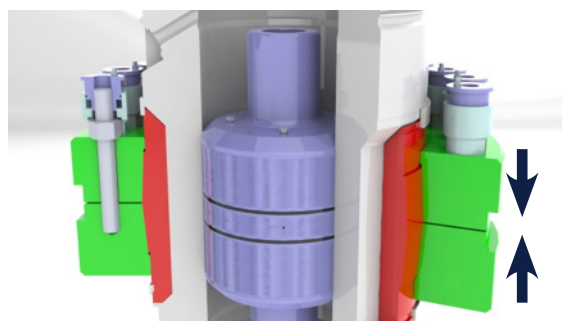


POS-GRIP

“HG” Production Wellhead prepared for installation



POS-GRIP in OPEN Position



POS-GRIP in CLOSED Position

POS-GRIP APPLICATIONS

Wellheads

Production wellheads, both surface and subsea have all benefitted from POS-GRIP. Casing and tubing hangers can be gripped, but POS-GRIP can also be used to support wearbushings, BOP test tools and seal sleeves.

Connectors

POS-GRIP is ideal for high integrity, low fatigue connector applications. Wellhead connectors, riser connectors, subsea jumper connectors, pipeline connectors, and even vessel mooring connectors can benefit from the simplicity of POS-GRIP.

Metal-to-metal sealing

Wellheads and connectors can both benefit from the direct contact created when the POS-GRIP metal to metal HG® seal is activated.

Financial and Operational Overview

Financial Summary

- Sales revenue £1,487k (2022: £2,306k)
- Adjusted EBITDA £2,451k loss (2022: £2,780k loss) (page 10)
- Operating loss £4,261k (2022: £4,291k)
- Loss before tax £4,228k (2022: £5,556k)
- Loss after tax £4,015k (2022: £7,457k)
- Basic loss per share 4.00p (2022: 7.42p loss)
- Cash and cash equivalents of £1,449k (2022: £5,840k)
- Bank borrowing of nil (2022: £3,958k relating to a drawn down Lombard facility)
- The Group has no funds invested in financial assets (2022: £101k)
- Convertible loan notes of £1,550k issued in the year (2022: nil)

Operational Overview

Revenue streams are derived from the direct rental and sale of Plexus products together with the licencing of the Plexus' POS-GRIP® method of friction-grip engineering technology to third parties, including SLB (previously Schlumberger). The strategy is to establish the Company's proprietary and patented leak-proof wellhead systems, applications and specialist engineering solutions across the oil and gas industry, whilst helping to meet ESG and net zero goals by offering 'through the BOP' (Blow out Preventer) wellhead designs, and leak-proof seals capable of maintaining their integrity for the life of the well thereby avoiding costs associated with maintenance and well shut ins.

- September 2022 – shortlisted in the 'Environmental Sustainability Innovation' and 'Significant Contribution to the Industry' categories of the Offshore Network's OWI Global Awards.
- October 2022 – raised £1.55m through the issue of Convertible Loan Notes ('CLN') to Ben van Bilderbeek, CEO of Plexus, and Jeff Thrall, Non-executive Chairman of Plexus – proceeds to be used for working capital purposes as the Group seeks to capitalise on the pipeline of opportunities arising within its target markets.
- February 2023 – agreed the sale of leasehold interest along with associated leasehold liabilities of Burnside House, a building surplus to requirements in Aberdeen for a consideration of £1.05m in cash.
- March 2023 – secured a c.£5m contract for the rental of proprietary POS-GRIP "HG®" wellhead equipment and sealing technology for a specialised project application to be deployed over 12 months.
- May 2023 – SLB exercised its option to extend its non-exclusive licence agreement with Plexus for an additional six years effective from 10 November 2023, and confirmed that its testing programme was progressing well.

Post period end

- August 2023 – contract value of the major rental contract announced on 6 March 2023 increased materially from c.£5m to c.£8m.
- September 2023 – entered into loan agreements with a total value of £700,000 with Ben van Bilderbeek related entities – funding to be used to provide additional working capital for the Group as Plexus continues to invest in rental wellhead equipment inventory, the special project contract and pursues a growing pipeline of opportunities and potential orders.
- September 2023 – successful completion of Oceaneering Plug and Abandonment ('P&A') campaign originally announced in June 2022. Plexus Mud Containment System used sequentially on four different wells generated revenues of £850,000, a 70% increase on initial estimates.
- October 2023 – successful placing of 2,750,000 Treasury Shares raising £549,230 gross proceeds further strengthening the balance sheet and helping to underpin future expansion plans.
- October 2023 – contract for a P&A project secured through licensor SLB for the rental of Exact adjustable wellhead system and Centric Mudline tooling for a leading North Sea operator with a value of c. £100,000.
- November 2023 – contract with a value of c. £175,000 awarded by Neptune Energy UK for the rental of Exact adjustable wellhead system and Centric Mudline Suspension equipment to allow the permanent abandonment of a UK North Sea well.

Chief Executive Ben Van Bilderbeek said:

“During the year to 30th June 2023, the Group made a loss before tax of £4.23m compared to a loss in the prior year of £5.56m. Although revenues were lower than the prior year, the board’s focus on reversing these losses and the decisions taken as part of the revised strategy has begun to have a positive impact with significantly increased revenues and a return to profitability anticipated for the 2023/24 financial year. Current activities are centred around our re-entry into the drilling from Jack-up rigs exploration rental wellhead business, sale of surface production wellheads and the provision of special solutions and applications to operators, for example in the Plug and Abandonment (‘P&A’) market sector. At the same time, we are developing our licensee relationship with SLB where we have licenced certain surface production wellhead IP and technology.

Looking at the macroeconomic and oil and gas (‘O&G’) sector backdrop, the clock is ticking as the world looks to achieve its 2030-2050 net zero goals. While the shift from an established fossil-fuel intensive hydrocarbon-based energy system to one that will focus on renewables and nuclear is irrefutably the right path forward, at the same time reality must prevail as it is becoming increasingly clear that O&G will for decades continue to play a key role in the energy mix until various complex cost and infrastructure challenges are overcome, including the establishment of robust and reliable critical supply chains. Importantly, natural gas is recognised as the key transition hydrocarbon, and Plexus’ proprietary wellhead and HG[®] seal designs have a unique role to play in terms of their capability of delivering leak-proof performance and solutions for the smaller molecules and higher pressure and temperatures associated with gas exploration and production drilling. Emphasising the gas opportunity, the CEO of Baker Hughes in an interview with the Financial Times earlier this month declared that there is a long lifeline for natural gas and LNG and went one step further when he said that: “If you look at affordability, security and sustainability, natural gas and LNG is not just a transition fuel but a destination fuel”.

BP believes that investment in O&G production will be needed for the next 30 years to avoid energy shortages and fluctuating prices, while the International Energy Agency (‘IEA’) suggests that although oil, gas and coal are on course to hit a peak in the next few years, having held a circa 80% share of the global energy mix for decades, they will continue to be just above 60% of the mix by 2050. The IEA’s Oil 2023 report forecasts demand to grow to 105.7mn barrels per day in 2028 – a new global high, and 6% more than 2022 levels. Sentiment in the sector is therefore becoming more positive with Wood Mackenzie predicting that offshore exploration and drilling activity will grow 20% by 2025.

At the same time as O&G demand remains strong, there are clear signs of intensifying pressure to decarbonise, and the O&G industry is inevitably coming under increased scrutiny to drastically reduce its future carbon emissions. Consequently, it is now readily understood that whilst O&G production and consumption continues, it needs to be as green as possible in terms of reduced emissions (which are often unintentional leaks), especially regarding methane which is so much more harmful to the environment than CO₂.

The US is leading this charge: Administrator Michael Regan at the Environmental Protection Agency (‘EPA’) recently said that no O&G infrastructure was “getting out of jail free” under pending methane rules. Meanwhile, California is looking to pass legislation that will require companies to report carbon emissions from supply chains or risk being excluded from the market; this mandate is the first of its kind in the US, but other states and countries are likely to follow suit. Such legislation according to reports seek to use consumer protection, racketeering, product liability and other laws to seek damages to pay for climate related costs. The product liability category is particularly relevant for Plexus as we believe that our leak-proof wellhead equipment seals can perform in a way that conventional equipment and seals cannot for scientifically verifiable reasons, thereby protecting both the environment and the operator.

Plexus has always argued and continues to argue that leak prevention is so much more effective than after the event questionable leak ‘cures’, and I must believe that at some stage where an E&P company is faced with the choice between specifying a conventional wellhead design with leak history, versus a proven design with no leak history that our time will come. A further incentive for such developments apart from O&G companies simply being motivated to do the ‘right thing’ by selecting equipment that can help deliver emission reduction, are powerful pending financial incentives such as President Joe Biden’s Inflation Reduction Act which will introduce a charge of \$900 USD per tonne of methane emitted in 2024, rising to \$1,500 USD per tonne in 2026.

Bearing in mind that our proven long term leak-proof metal sealing technology for gas service wellheads has been around for many years, it begs the question as to why preventing leaks from wellhead annular seals has not been made a priority, and why the focus continues to be on monitoring and cure rather than prevention?

Our explanation is simple, and twofold:

1. Historically, I believe that the O&G industry has been conditioned to ‘accept’ that all wellhead systems have a point at which internal annular seals fail and that the need to re-energise seals is considered an unavoidable aspect of regular field maintenance requirements rather than being seen as a design flaw.
2. In the early days, the focus on hydrocarbon exploration and production was on oil and as such, the equipment was designed for oil, which has larger molecules and is easier to contain than gas. Therefore, because conventional gas wellhead equipment evolved rather than was designed with a leak-proof purpose in mind, the compromises that have always existed I believe have now become maintenance items, and therefore continue today.

Consequently, although over the years we have worked on some very exciting, extreme wellhead pressure and temperature contracts and specialised projects, our technology has not yet broken into the volume mainstream.

However, with the support of various forward-thinking international conglomerates, which recognise the value and unique capabilities of our technology, including SLB (previously Schlumberger), and with market sentiment moving in our favour as companies look for new ideas and opportunities to cut carbon emissions, I believe that Plexus will benefit accordingly.

Positively, Plexus’ traditional home market, the North Sea, is beginning to see a revival after a severe downturn around 2015 which massively impacted the wider industry and Plexus, as we had been dependant on exploration drilling activity. While the UK Continental Shelf (‘UKCS’) is perhaps inevitably facing a “natural long-term decline” as suggested by Offshore Energies UK director Mike Tholen, awareness is growing that if it isn’t replenished with exploration activity, the UK will have no choice but to increase its reliance on imports, which in turn is a threat to the UK’s energy security. This will further exacerbate the emissions issue given O&G production closer to home is a far greener option than shipping products such as liquified natural gas (‘LNG’) from across the Atlantic.

Accordingly, in July 2023, the UK Government committed to granting 100 plus new licences to extract O&G from the North Sea and bolster its energy security. In September 2023, Britain’s largest undeveloped oil field, Rosebank, was approved for drilling by the government regulator with production scheduled to begin by 2027, which is a strong indication of the change in sentiment. Furthermore, in October 2023 it was announced that a further twenty-seven licences for O&G production have been granted, and Energy Secretary Claire Coutinho could not have put it better when she said, “As recognised by the independent Climate Change Committee, we’ll continue to need O&G over the coming decades as we deliver net zero. It’s therefore common sense to reduce our reliance on foreign imports and use our own supply – it’s better for our economy, the environment and our energy security”. Having re-entered the Jack-up exploration rental wellhead market with SLB equipment and sales support, we are well positioned to support such opportunities, in addition to the sale of production wellheads, P&A and special projects where unique POS-GRIP solutions can be developed.

We have also been looking at options to apply our patented method of friction-grip engineering to other decarbonising emerging industries such as carbon capture and storage (‘CCS’), hydrogen, geothermal and offshore wind engineering challenges. In line with this, our R&D team based in Aberdeen continue to design and develop new products that support the needs of existing and potential customers.

Another key target market is global offshore decommissioning. Valued at US\$5.25 billion in 2021, this sector is forecast to grow at a CAGR of 7.6% to \$10.07 billion in 2030 (source: Polaris Market Research). With around 2,100 North Sea wells expected to be decommissioned over the next decade – around 200 per year – at an average cost of £7.8m per well, it is hardly surprising that a third of the spend is in Europe. Once again, the market is being driven by the rising focus on initiatives to lower climate-warming emissions.

With this background, we were delighted to have won a purchase order for P&A equipment and services from Oceaneering International Services Limited at the end of the last financial year (June 2022). This successful project, which generated revenue of circa £850,000 for Plexus during the 2023 calendar year, was approximately 70% higher than original estimates. We envisage that this successful project will lead to other similar work in the North Sea and internationally both with Oceaneering and other customers. Indeed post period end we announced two P&A related projects in the North Sea involving the rental of our Exact adjustable wellhead system, the most recent being for Neptune Energy UK announced in November 2023.

In summary, our Company’s future success remains our key focus. At the same time we can help to address society’s demands for O&G operators to be responsible players through the supply of our unique technology which can contribute to achieving emission reduction targets, As a major shareholder in Plexus my interests are clearly aligned

with all our shareholders, and my confidence in the future was evidenced during the year by my provision of a £1.5m convertible loan, and a £700,000 loan. Although there is still some debate about the extent of the impact humanity has on global warming, the current 1.5-degree centigrade cap will be bolstered by better technology, and in this respect I have no doubt that Plexus' proprietary POS-GRIP IP and its wellhead equipment designs will achieve the recognition they deserve, and I look forward to reporting further progress over the coming months.

Summary of Results for the year ended 30 June 2023

	2023	2022
	£'000	£'000
Revenue	1,487	2,306
Adjusted EBITDA (page 10)	(2,451)	(2,780)
Operating Loss	(4,261)	(4,291)
Loss before taxation	(4,228)	(5,556)
Loss after taxation	(4,015)	(7,457)
Basic loss per share (pence)	(4.00p)	(7.42p)
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Chairman's Statement

Overview

Plexus is a technology and engineering driven business centred on the rental and sale of wellhead equipment for exploration and production O&G drilling and P&A markets. Historically, the industry has developed over many decades what Plexus terms conventional wellhead design and sealing solutions, and in many parts of the world the lowest technical requirement available at the cheapest price prevails when it comes to equipment selection and tender outcomes. Conversely, Plexus has always pushed for ways to significantly enhance the safety and performance of products offered and which we maintain result in a significantly improved value proposition for the end user, especially when considered over the life of a well where expensive remedial work and shut ins leading to lost production are concerned.

With strong and in many cases regulatory demands being made on the industry to reduce or avoid completely methane emissions, the main component of natural gas, leak-proof wellhead performance should be increasingly demanded, and we believe that this lies behind the recognition we have received from licensees for our technology. Plexus' proprietary products are invariably protected by patented IP, such as POS-GRIP technology applications and "HG" metal-to-metal seals. The Company has demonstrated over many years that its products and technology perform over a wide range of products and applications whilst at the same time delivering green ESG and net zero compliant features in relation to being "through the BOP" and most importantly offering leak-proof sealing throughout the life of a well.

As well as supporting licensees where the goal is to deploy the Plexus technology on a worldwide basis in markets that Plexus is best placed to reach through its licensee partners, the Company continues to pursue surface and subsea wellhead opportunities organically. In addition to this, Plexus is now gaining traction in the pursuit of rental opportunities in the Jack-up exploration wellhead business following a licensing deal with SLB, which enables Plexus to offer both Exact exploration wellhead and Centric mudline suspension systems.

Business progress

The Group's revenues decreased in the 12 months to 30 June 2023 to £1.49m (2022: £2.31m), with a reduced loss before tax of £4.23m compared to loss of £5.56m in the prior year. Importantly, £3.64m of revenues are included in deferred income and will be recognised in the 2023/24 financial year.

The global outlook for growth in O&G activities is now stronger than it has been for many years resulting in a pickup in activity across our core markets – exploration drilling, development wells and the P&A market. In the North Sea, where the reduction in activity was particularly pronounced over the past few years, the higher O&G prices, and the growing support for O&G development over the longer term as part of a more realistic net zero transition timetable, have resulted in a number of orders and increased tender opportunities.

The most significant contract win was the special project announced in March 2023 to supply POS-GRIP "HG" wellhead system and sealing technology for a specialised subsea application. The value of this contract was increased post year end from c.£5m to c.£8m in August 2023, which indicates the importance of the project and the capabilities of our uniquely enabling technology. Such projects are not routine business, and given the success in delivering this equipment, management believe this will further enhance the reputation and reach of the Company and should help with securing more standard and routine work amongst the other operators involved.

A major order from Oceaneering for P&A work was completed during the year, with Plexus products delivering uniquely enabling methods of safely abandoning old wells. The project was successfully completed with both the equipment and the Plexus project team performing well, and the contract delivering significantly more revenue than originally anticipated with a final value of c.£850,000. The Plexus products used in this project, together with Plexus' other equipment suitable for P&A work whether from floating vessels or Jack-up rigs, will hopefully see an increase in similar project work arising.

The August 2021 Exact Adjustable Wellhead licence agreement with SLB enabled Plexus' to re-enter the Jack-up exploration rental wellhead market with the proven Exact and Centric wellhead and mudline suspension products. Since then, much work has gone on improving the product range and investing capital in building an initial rental wellhead inventory. This agreement has now started to generate sales opportunities with two contracts announced in October and November 2023, which use Exact wellhead equipment and associated tools. The rental package is highly versatile and can be deployed in several applications from Jack-up rigs, including P&A work, exploration and appraisal wells, and pre-drilling of production wells, and we are excited about creating this opportunity to

Chairman's Statement continued

capitalise on the strong reputation that we had built up in the rental exploration wellhead equipment sector prior to selling the previous division to TFMC in 2018.

With Plexus established reputation in Jack-up exploration drilling and mudline suspension systems, alongside having knowledge of a number of the legacy wells in the North Sea and worldwide, there is plenty of scope for gaining contracts in this growing space over the coming years as they are now being considered for re-entry and permanent decommissioning.

The Company's 49% investment in its associate company Kincardine Manufacturing Services Limited ("KMS") was deemed to be non-core during the year. As a result, a £0.7m loan arrangement was entered into with Ben van Bilderbeek related entities as announced in September 2023, which at the same time granted two option arrangements whereby the loan can be converted into 70% of Plexus' 49% shareholding in KMS, with a second option for the balance of 30% of the 49% shareholding for an additional £0.3m. Assuming the two options are exercised then it is believed that the £1m of additional funds are better deployed within Plexus and to support current growth plans. Although KMS experienced an upturn in business following the end of the Covid-19 pandemic, dividends have continued not to be declared which further supported the decision to potentially monetise the Plexus KMS shareholding. In the period, Plexus' share of KMS' profits led to a credit of £0.18m to the statement of comprehensive income. As required under IAS36 an impairment review was undertaken, which concluded that no impairment charge was required. At the reporting date the investment in KMS has been reallocated under IFRS 5 to current asset and has been presented as asset held for sale.

Plexus' family of proprietary intellectual property ("IP") continues to underpin the value and potential of the business as evidenced by the ongoing development of products and associated equipment which have enabled the c. £8m special project announced during the year, together with innovative P&A solutions contract wins. The IP suite consists of a mix of patents, confidential test results and analysis methods, as well as field experience and importantly in-depth product know-how which cannot be easily replicated. A key over riding feature of our Plexus HG seal designs is their ability to provide leak-proof performance solutions, and this capability was recognised by the LSE in 2021 with the accreditation of the Green Economy Mark. Although product patents do expire over time, ongoing R&D and proprietary technical innovations continue to protect Plexus and licenced products. In addition, new Method Patents for POS-GRIP are ongoing, and are anticipated to give Plexus and its licensees further protection of the POS-GRIP method for another 20 years in the UK and worldwide.

Staff

On behalf of the Board, I would once again like to thank all our employees for their dedication and hard work during the year. Although it was another challenging period as evidenced by the financial results, I am confident that the anticipated increase in exploration and production drilling activity which we are already beginning to see the benefits of in the current year will be positive for our staff, and for future employment opportunities within Plexus.

Outlook

As governments worldwide look to deliver clean transitions away from hydrocarbons, there has been a tightening of climate policies clamping down on O&G practices which is forcing the industry into change. While there has undoubtedly been a level of 'greenwashing,' ultimately the industry is now moving in the right direction, with new sustainable methods and equipment being encouraged, developed and employed to address regulatory demands for emissions reductions, particularly in relation to methane.

In conjunction with these important developments, there is a growing realisation that demand for O&G will, as Mike Sommers, the President, and CEO of the American Petroleum Institute, recently wrote in a letter to the Financial Times "... remain massive for decades to come". Furthermore, Mr. Sommers wrote that the "... proper focus should therefore be on smart policies that focus on innovations to produce that energy cleaner, safer and more efficiently." We see POS-GRIP as falling clearly into the innovation category.

Chairman's Statement continued

We see such developments, including the drive to reduce emissions throughout the supply chain, as opening a new chapter in Plexus' story, particularly as I believe our technology has been several steps ahead of the rest of the industry having delivered leak-proof wellhead integrity solutions for over 20 years including its HG wellhead metal annular seals.

With our experienced team of engineers and service personnel based in Aberdeen, and a growing range of products that offer multiple benefits and advantages to the O&G industry in terms of improved safety, functionality, and cost and time savings, Plexus is well positioned for growth. This includes organic growth in the UK, specialised projects in the exploration rental and surface production wellhead sectors, growing P&A activities, and opportunities across the wider global market through licencing partnerships such as the SLB licence (recently extended for a further six years).

Specifically in the UK, it is now being recognised that the reliance on imported gas, such as from the US and Qatar and the resultant implications for energy security is something that urgently needs addressing. Such considerations were brought into sharp focus with the terrorist attack on Israel in October, and it is no coincidence that the CEO of Baker Hughes in a recent interview with the Financial Times said that he sees geopolitical risks being at their highest level in half a century. However, encouragingly for the North Sea, Andy Brooks the NSTA Director of New Ventures recently stated that: "Oil and gas currently meets three-quarters of the UK's energy needs and projections suggest they will both play an important role in the energy mix for decades to come", a premise that is supported by the UK having a significant volume of unsanctioned, discovered resources as well as a wealth of infrastructure. For these reasons we believe there are clear growth prospects in the UKCS and the ECS for 'closer to home' new wells and associated leak-proof solutions, as well as opportunities arising in alternative energy markets and applications, and Plexus expects to be able to benefit accordingly.

In closing, I would like to take this opportunity to thank the Board, management team and staff for their continued hard work and support over the course of the year. I look forward to working with them all in the year ahead, as we focus on delivering on our overriding objective which remains to generate increasing value for all our shareholders.

J Jeffrey Thrall

Non-Executive Chairman

28 November 2023

Strategic Report

Principal Activity

The Group markets oil and gas industry wellhead and associated equipment that utilises its patented friction grip method of engineering known as POS-GRIP Technology. This involves squeezing one tubular member against another within the elastic range to effect gripping between the components and can also set metal-to-metal seals, known as “HG”[®] Seal Technology. This superior method of load support and sealing for wellheads offers several important and unique advantages to operators, particularly for HP/HT surface and subsea production applications, P&A and special applications, and can include improved technical leak-proof performance, improved integrity of metal-to-metal seals, significant installation time savings, reduced operating and maintenance costs and enhanced safety.

The Company has developed a range of products based on this technology, and is focused on pursuing surface production, P&A, subsea and geothermal wellhead opportunities, as well as connectors and the subsea market. Plexus has also re-entered the rental exploration wellhead from Jack-up rigs market through a licence arrangement with SLB for Exact adjustable wellhead systems and Centric Mudline tooling and this is the main focus for Plexus over the coming years and where Plexus’ past reputation and success in this market can be leveraged.

In addition to Plexus’ organic activities, the Company pursues licencing opportunities and is supporting SLB, with a POS-GRIP “HG” wellhead licence, a non-exclusive licence for the development of conventional and unconventional oil and gas surface production wellheads. SLB is carrying out a testing programme, which is near completion, based around its own wellhead designs incorporating the POS-GRIP method; after some delays, SLB is expected to commercialise new products developed with the technology in the coming months.

Business review

A review of the development and performance during the year consistent with the size and complexity of the business together with commentary on future developments including the main trends and factors likely to affect the business is given in the Chairman’s Statement on page 6. Where guidelines make reference to the provision of key performance indicators, the directors are of the opinion certain financial and non-financial indicators included in the highlights on page 1, and the Directors’ Report on page 20 meet this requirement. The Directors have provided a description of the principal risks and uncertainties facing the Group on page 14.

Financial Results

Statement of Comprehensive Income

Revenue

Revenue for the year was £1,487k, a decrease from £2,306k in the previous year. Importantly, deferred income includes £3,637k of revenues that will be recognised in the following financial year.

Margin

Gross margin increased to 73.1% (compared to 64.7% in the previous year). The increase in margin is largely driven by higher margins achieved on rental incomes which make up a higher proportion of sales income in the current year compared to the prior year.

Overhead expenses

Administrative expenses have decreased compared to the prior year with expenditure of £5,348k (2022: £5,784k).

Continuing salary and benefit costs remain the largest component of administrative expenses at £2,930k compared to £2,863k in the prior year.

Non-recurring item

The statement of comprehensive income includes a fair value adjustment on an asset, which was held for sale, of £50k, relating to the write-down in a building’s value to its fair value prior to its sale in February 2023.

Loss Before Tax

Loss before tax of £4,228k compared to a loss in the prior year of £5,556k.

Strategic Report continued

Adjusted EBITDA

The Directors use, amongst other things, Adjusted EBITDA on continuing operations as a non-GAAP measure to assess the Group's financial performance. The Directors consider Adjusted EBITDA on continuing operations, which approximates the operational cash generated by, or used in the business, to be the most appropriate measure of the underlying financial performance of the Group in the period.

Adjusted EBITDA on continuing operations for the year was a loss of £2,451k, compared to a loss of £2,780k in the previous year. Adjusted EBITDA on continuing operations is calculated as follows:

	2023 £'000	2022 £'000
Operating loss	(4,261)	(4,291)
Add back:		
–Depreciation	307	449
–Amortisation	1,253	1,230
Share in profit of associate	182	111
Fair value adjustment on financial assets	(1)	(513)
Impairment charge on associate undertaking	–	109
Other income	69	125
Adjusted EBITDA on continuing operations	<u>(2,451)</u>	<u>(2,780)</u>

Tax

The Group shows a total income tax credit of £213k for the year compared to a tax credit of £1,901k for the prior year.

Investments

In December 2018, Plexus acquired a 49% shareholding in Kincardine Manufacturing Services Limited (“KMS”), for a consideration of £735k plus associated legal fees of £50k. At the year-end, a share in profit of associate of £182k (2022: profit £111k) has been recognised. No dividends were declared or received. Following an impairment review no impairment charge was recognised in the year (2022: £109k). The investment in KMS meets the criteria outlined in IFRS 5 and has been reallocated as an asset held for sale.

EPS

The Group reports basic loss per share of 4.00p compared to a loss per share of 7.42p in the prior year.

Statement of Financial Position

Intangible Assets and Intellectual Property (“IP”)

The net book value of intangible assets was £8,731k, a decrease of 5% from £9,165k last year. This movement represents investment of £516k less the annual amortisation charge of £950k.

Plexus owns an extensive range of IP which includes many registered patents and trademarks across a number of jurisdictions, and actively works to develop and protect new methods and applications. In addition to registered IP, Plexus has developed over many years a vast body of specialist know-how in relation to the POS-GRIP friction grip method of engineering and related activities. Plexus is also currently pursuing the registration of Method Patents, which would further extend the scope of current patent protections.

The loss in the year and the market capitalisation of the Company being less than the carrying value of the assets are indicators of impairment. Following a thorough review, including a discounted cashflow model which has included cashflows for 20 years, the Directors have concluded no impairment of IP is required. Therefore, the Directors consider the current carrying values to be appropriate.

Strategic Report continued

Research and Development (“R&D”)

R&D expenditure including patents increased from £447k in 2022 to £516k in 2023. Continued investment in R&D demonstrates the Group is protecting, developing, and broadening the range of proprietary POS-GRIP friction-grip method of engineering applications, related IP, and Plexus products.

Tangible Assets

The net book value of property, plant and equipment including items at the year-end was £1,404k compared to £821k last year. Capital expenditure on tangible assets increased to £890k compared to £253k in the prior year.

Cash and Cash Equivalents

Net cash at the year-end was £1,449k (cash and cash equivalents of £1,449k with no bank borrowings) compared to net cash of £1,882k (cash and cash equivalents of £5,840k less the bank Lombard facility of £3,958k) in the prior year, reflecting a net cash outflow for the year of £433k

The decrease in bank borrowing represents full repayment of the bank Lombard facility which had a balance of £3.96m at 30 June 2022.

It should also be noted that the Group has financial asset investments with a value of £nil (2022: £0.10m) at the reporting date.

The expected future cash inflows and the cash balances held are anticipated to be adequate to meet current on-going working capital, capital expenditure, R&D, and project related commitments.

Dividends

The Company has not paid any dividends in the year and does not propose to pay a final dividend at this time. Whilst the Company remains committed to distributing dividends to its shareholders when appropriate, the Directors believe that it is prudent to suspend the payment of dividends in light of the ongoing capital and operational requirements of the business.

Operations

Progress has continued during the year with the Company’s strategy to build a portfolio of revenue streams based on its POS-GRIP technology and associated products and services.

The Company’s primary focus continues to be the marketing of its POS-GRIP-enabled products and supporting licensees of the technology, as well as the re-entry to the rental exploration market with its non-POS-GRIP equipment designs. Plexus continues to supply surface production wellheads and is also pursuing supplemental business opportunities relating to well abandonment and decommissioning, which are anticipated to be growth areas as the world’s older producing oil and gas fields, such as in the North Sea, come to the end of their lives.

Plexus continued to invest in R&D during the year, with significant focus on optimising the Exact rental exploration wellhead product range for the current market, and also to complete product development and testing required for the Oceaneering decommissioning work and the forthcoming specialised project. R&D remains an important operational activity and further develops the value of our IP and ability to extend the range of applications of POS-GRIP technology. Innovation in the oil and gas industry continues to be an essential part of developing both cost saving initiatives and ever safer drilling methods, particularly in relation to greener leak-proof technologies and equipment, and the Board is confident that Plexus can continue to play an important role in delivering such solutions whilst raising wellhead standards to a level that conventional technology cannot reach, such as passing test standards equivalent to those used for premium couplings.

Staff at the end of June 2023 (excluding non-executive directors) comprised of 36 employees, including 1 international employee, with a weighted average total of 36 in the current year and 35 in the prior year.

Staff development remains a significant focus with the completion of a comprehensive evaluation and revision of the in-house training modules to ensure they continue to provide the necessary underpinning knowledge and skills which is required of those fulfilling technical roles.

The Company continues to maintain the OPITO accreditation for its competency management system, with continual developments and improvements to the process, ensuring a robust assessment of employees in safety-critical roles.

Strategic Report continued

Health and Safety continues to be a pivotal part of the business and remains at the centre of everything we do. Plexus remains fully committed to continually improving safety standards and the safety culture across the business. This is reflected in the business being once again lost time injury (“LTI”) free this year. Plexus has now passed its eighth anniversary of this milestone in September 2023.

Plexus continues to comply with the requirements of the API Q1/ISO 9001 and ISO 45001 standards to include the retention of both API 6A and 17D Licences. These accreditations demonstrate Plexus’ capability and determination to operate under the highest standards. Post period end API conducted an audit with 1 minor finding, resulting in Plexus retaining their accreditation.

The IT Department provides technology leadership for Plexus, including governance, information security, software development and expertise in deploying modern information technologies to improve company efficiency. Plexus has continued to develop its in-house systems to ensure the Group is able to react swiftly to changing market requirements, and constantly review the Company’s IT infrastructure. No significant IT infrastructure projects were undertaken in the year.

Strategy and Future Developments

Technology

Plexus’ proprietary POS-GRIP technology involves applying compressive force to the outside of a wellhead or pipe, to flex it inwards. As the bore of the vessel moves inwards, it makes contact with an inner pipe (or hanger) on the inside. Sufficient contact force is generated to hold the inner member in place through friction between the two components, whilst at the same time creating a superior metal-to-metal seal. There are numerous advantages associated with being able to connect two tubular members without the need for threads or rotation. The Company’s strategy is primarily focused on delivering the highest standard of wellhead and associated Plexus products design for the upstream oil and gas markets around the world. These have already proved to be uniquely advantageous in terms of safety features, operational efficiency, and cost savings, especially for HP/HT applications. The Company is now focused on replicating this past success in the exploration drilling from Jack-up rigs sector, as well as other wellhead and related markets including surface production, subsea, plug & abandonment, gas storage and geothermal, together with other initiatives such as a POS-GRIP Crown Plugs and POS-GRIP Lateral Trees. Plexus’ re-entry into the exploration rental wellhead for the Jack-up drilling market will be built on non-POS-GRIP technology but with specific benefits and features including “through the BOP” safety features.

POS-GRIP wellhead designs deliver many advantages over conventional “slip and seal” and “mandrel hanger” wellhead technologies for surface exploration and land and platform production applications. These include larger metal-to-metal “HG” seal contact areas, virtual elimination of movement between parts, fewer components, simplified design and assembly, enhanced corrosion resistance, simpler manufacture, long term integrity, annulus management, and reduced installation and maintenance costs. Plexus’ HG seals offer leak preventative capabilities for the life of the well which is a key consideration when addressing Net Zero and ESG responsibilities, especially where methane emissions are concerned.

Plexus’ POS-GRIP enabled product suite also includes the innovative Python® Subsea Wellhead as well as the POS-SET Connector® for use in the growing decommissioning market. We believe the Python subsea wellhead has tremendous potential as it can eliminate the need for wear bushings, pack-offs, lock-rings, and lockdown sleeves, whilst delivering instant rigid lock-down in all directions, and is fully reversible for ease of workover, side-tracking, or abandonment. These design simplifications and features not only reduce the risk of installation problems and safety issues, they also significantly reduce installation time and the number of trips that are needed such that it has been independently estimated that over ten days of time savings per well can be achieved in deep-water under certain conditions which, depending on water depth, Plexus estimates could result in a saving of over \$10m for the operator. The POS-SET Connector, which is designed to re-connect to bare conductor pipe for well re-entry or permanent abandonment operations, creates a solid connection with reliable sealing directly against the pipe, and retains bend and load capabilities at 80% of pipe strength. The Directors believe that such features mean that Plexus’ wellhead equipment sets and delivers a superior standard. Apart from the operational time savings and related safety benefits, at an engineering level the Company has demonstrated that its technology can raise and even exceed the integrity of wellhead testing and sealing to that of premium couplings, which supports its claim that wellheads no longer need to be the weak link in the well architecture chain.

POS-GRIP friction-grip technology has wide ranging applications both within and outside the oil and gas industry. As POS-GRIP is a method of engineering as opposed to a product in its own right, there is an opportunity for the technology to improve the performance of conventional products. The Company will look to integrate POS-GRIP so that the range of benefits, together with “HG” metal-to-metal sealing can be realised organically or in conjunction with partners, including licensees. In line with this strategy, in November 2020 Plexus entered into a licence agreement with Cameron International Limited, which grants the Schlumberger (‘SLB’) group company a non-exclusive licence to use the POS-GRIP and HG[®] metal-to-metal seal method of wellhead engineering for the development of conventional and unconventional oil and gas surface production wellheads. The scope of this licence was further expanded in December 2021, and subsequently in May 2023 was extended for a further period of six years. SLB continues to make good progress with the engineering and testing programme of their new wellhead design which will incorporate Plexus technology. The programme has taken longer than originally anticipated, and therefore marketing and sales activity by SLB to its customers should begin in the first half of 2024 calendar year.

In addition to POS-GRIP Technology, Plexus is now re-entering the Jack-up exploration rental wellhead market with SLB’s Exact and Centric wellhead and mudline suspension products. These products are tried and tested, and well suited to the exploration market as they are “through the BOP” products which deliver crucial time savings and safety benefits over conventional wellhead products. As the exploration market rebounds in the North Sea, especially following the recent issue of new licence, as well as internationally, these products, combined with Plexus’ experience and reputation in this sector means that we are well placed to win a significant share of the work now beginning to be planned, and where the Company is seeing a number of contract opportunities arise.

Business Model and Markets

The Company is proprietary technology driven and its extensive patent protected IP and many years’ worth of specialist know-how has been successfully deployed in hundreds of wells around the world. Its superior performance, safety and operational advantages led to the Company becoming established initially as a leading equipment and services provider to the niche Jack-up exploration rental wellhead market. The Directors believe that this success can over time be replicated and extended to the wider and much larger energy sectors including surface production, subsea, geothermal, and fracking applications based on its POS-GRIP technology. In addition to this there is a surge in interest in subsurface storage wells for gas, CO₂, and hydrogen, for which POS-GRIP technology is also ideally placed to address the need for leak-proof equipment designs.

Plexus has a good reputation for offering the agility and customer focus required to succeed in the Jack-up exploration rental wellhead market, and so the licence agreement with SLB to allow Plexus to re-enter this market with field proven products is welcome and is anticipated to see an addition to revenues as global exploration activity increases. Importantly SLB are also referring potential order enquiries to Plexus which is a further route to market.

An emerging market sector where Plexus’ technology is beginning to gain traction is ‘special solutions’ where the Company’s innovative IP and product designs and applications can prove uniquely beneficial. A key special project contract of this nature was announced in March 2023 with a value of c. £5m and was subsequently increased by a further c. £3m in August 2023, and may increase further.

Strategy

Plexus’ long-term goal is to establish POS-GRIP technology as a new industry standard for wellhead and metal sealing designs, whilst continuing to develop new Plexus products, which can also offer multiple benefits and advantages to the industry in terms of improved safety, functionality, and cost and time savings. An example of such extensions for POS-GRIP technology is the Company’s connector technology, which is ideal for high integrity, low fatigue applications. The Directors believe wellhead connectors, riser connectors, subsea jumper connectors, pipeline connectors, tether tensioners and even vessel mooring connectors can all benefit from the simplicity of the POS-GRIP method of engineering.

The Company has taken on the SLB Exact adjustable wellhead and Centric mudline suspension products. It has been necessary to invest time and money into building an initial rental inventory to create capacity to meet anticipated demand. This has resulted in initial orders for P&A and decommissioning work associated with this equipment. We expect that the increase in activity and revenue from this business will be positive and will also allow Plexus to re-engage with customers at the exploration stage, which then has the potential to lead to follow on production and subsea opportunities.

As the world and the oil and gas industry strives to implement a range of ESG compliant initiatives, particularly in relation to achieving net zero, Plexus believes that its technology can make a valuable contribution in terms of its leak-proof sealing capabilities, and its ‘through the BOP’ wellhead designs.

Key Performance Indicators

The Directors monitor the performance of the Group by reference to certain financial and non-financial key performance indicators. The financial indicators include revenue, adjusted EBITDA, profit and loss, earnings per share, cash balances, and working capital resources and requirements. The analysis of these is included in the financial results section of this report. Non-financial indicators include Health and Safety statistics, R&D activity, equipment utilisation rates, geographical diversity of revenues and customers, the level of ongoing customer interest and support, geopolitical considerations such as emissions concerns and awareness, effectiveness of various research and development initiatives, for example, in relation to new patent activity and inventions, and appropriate employee headcount numbers and turnover rates. The non-financial key performance indicators are included within the strategic report on page 9.

Principal Risks and Risk Management

There are a number of potential risks and uncertainties that could have an impact on the Group’s performance which include the following.

(a) Political, legal, and environmental risks

Plexus aims to participate in a global market where the exploration and production of oil and gas reserves, and even the access to those reserves can be adversely impacted by changes in political, operational, and environmental circumstances. This has for example been evidenced by the impact of the war in Ukraine, ongoing Russian sanctions, and the recent terrorist activity against Israel. The current global political and environmental landscape, particularly in relation to climate change issues and net zero goals, and the relentless plan to move away from hydrocarbons to, for example renewables, continues to demonstrate how any combination of such factors can generate risks and uncertainties that can undermine commercial opportunities and trading conditions. Some risks are of course unforeseen, and one such significant risk took the form of the global pandemic caused by COVID-19 which materialised in 2020 and where its social and economic impact continues to be felt today. Although Plexus has taken all reasonable steps to mitigate the effects of this risk, both economic and to the health and well-being of our employees, customers, and suppliers by complying with legislation and taking measures to ensure business continuity, the negative impact has clearly been felt. Such risks also extend to legal and regulatory issues, and it is important to understand that these can change at short notice. For example, ongoing and future changes to oil and gas industry windfall taxes may have an adverse impact on investment levels, as of course does a country’s decision-making process in relation to granting new exploration and production drilling opportunities. To help address and balance such risks, the Group where possible seeks to broaden its geographic footprint and customer base, as well as actively looking to forge commercial relationships with large industry players, and potential licences.

The Company continues to closely monitor the potential impact and risks of the UK’s exit (“Brexit”) from the European Union (“EU”). This includes assessing and monitoring the potential impact of the introduction of trade tariffs and the potential supply chain disruption that could result from increased customs checks at borders and related matters which are being indicated for 2024. Plexus has an IP-led business model, which provides it with operational flexibility and the ability to respond to and mitigate some of the potential impacts of the different scenarios resulting from the UK’s exit from the EU. In the meantime, Plexus has amongst other activities obtained an Economic Operator Registration and Identification (“EORI”) number to enable the Company to continue to import and export with the EU.

(b) Oil and Gas Sector Trends

It is readily understood that the world continues to move away from coal as part of the COP21 as well as the COP26 and COP 27 pronouncements, together with other climate change objectives in relation to the ongoing need to urgently reduce CO₂ and CH₄ (methane) emissions. Importantly legislation is now beginning to be introduced which can impose large fines on companies that do not control their emissions, particularly methane and such developments logically suggest that E&P operators should be more interested than ever before in preventative leak solutions rather than temporary ‘cures.’ However, the commercial and environmental dynamics between traditional hydrocarbons in terms of coal, oil and gas is not the only trend to consider.

New technologies, particularly in relation to renewables such as wind and solar, alternative energies and developments such as the increasing use of electric vehicles and corresponding improvements in battery storage life, and wave energy, could all in the future prove very disruptive to the traditional oil and gas industry and the corresponding demand for exploration and production equipment and services. However, it is also now clearly recognised that the world will continue to need hydrocarbons as an energy and materials source, and in particular gas for decades to come, and indeed currently global demand for hydrocarbons is forecast to continue to grow for the foreseeable future. It should be noted that the adverse climate change impact of methane compared to CO₂ is now better understood by environmentalists, regulators and the oil and gas industry and that it is essential that methane wellhead leaks are prevented whenever and wherever possible. The impending Methane Emissions Reduction Act in the US and similar legislation being progressed in Europe demonstrate regulations are increasingly becoming more stringent.

(c) Technology

Having originally proved the superior qualities of POS-GRIP technology within the Jack-up rental wellhead exploration market which culminated in the sale of that business to FMC Technologies Limited, a subsidiary of TechnipFMC (Paris:FTI, NYSE:FTI) (jointly “TFMC”), in early 2018, the Company has focused on establishing its technology and equipment in other markets including surface production wellheads, subsea and de-commissioning, both organically and through licence partners. Plexus has since re-entered the rental exploration wellhead market with non-POS-GRIP designed equipment following a licence agreement with SLB in August 2021. Further, in November 2020 Plexus entered into a licence agreement with Cameron International Limited, which grants the SLB group company a non-exclusive licence to use the POS-GRIP and HG[®] metal-to-metal seal method of wellhead engineering for the development of conventional and unconventional oil and gas surface production wellheads. The scope of this licence was further expanded in December 2021, and was subsequently extended by a further six years in May 2023.

(d) Competitive risk

The Group operates in highly competitive markets and often competes directly with large multi-national corporations who have greater resources and are more established, and who are more resilient to extended adverse trading conditions. This risk has become more concentrated over recent years as a result of the large oil service company competitors and the target customer base becoming even larger and more influential through a series of mergers and acquisitions. The major oil service and equipment company consolidations have therefore magnified such issues as competitors reduce in number but increase in size, influence, and reach. Unforeseen product innovation or technical advances by competitors could adversely affect the Group, and lead to a slower take up of the Group’s proprietary technology. To mitigate this risk, Plexus has an active R&D programme, and maintains an extensive suite of patents and trademarks, and actively continues to develop and improve its IP, including adding to its existing extensive ‘know-how’ to ensure that it continues to be able to offer unique superior wellhead design solutions.

(e) Operational

Plexus, like many other oil service companies, had to make significant reductions in its workforce numbers over the past few years as a result of a volatile oil price and market challenges and a corresponding reduction in drilling activity and related levels of capex spend. These adverse trading conditions were magnified since early 2020 by the Covid-19 pandemic, which in turn coincided with an acceleration in the world’s clearly expressed desire to reduce its dependence on hydrocarbons, particularly following the start of the war in Ukraine in February 2022. However, there are now encouraging signs of a global pick up in drilling activity, although it is possible that the industry and Plexus could experience difficulties in rehiring past or new employees and which could deprive Plexus of the key personnel necessary for expanding operational activities, as well as R&D initiatives, at the rate that may be required. To help mitigate this risk, Plexus has developed effective recruitment and training procedures, which combined with the appeal of working in a company with unique technology and engineering solutions will hopefully help to mitigate such risks. In addition, there are signs that certain pressure groups such as Just Stop Oil and Extinction Rebellion are increasing their level of activity, and this may also impact on oil and gas investment and drilling activities, at least in the West.

(f) Going Concern, liquidity, and finance requirements

In an economic and global geopolitical climate that in many ways remains uncertain, it has become increasingly possible for potential sources of finance to be closed to businesses for a variety of reasons that have not historically been an issue. Some of these may even relate to the lender itself in terms of its own capital ratios and lending capacity where financial pressures and constraints can apply. Also, Plexus' smaller market cap can be a negative factor if consideration is given to raising additional funds in the public markets. Furthermore, a number of large and influential institutions have actively divested oil and gas investments and declared that further investments and funding will not be made available for oil and gas projects as a result of climate change concerns and as part of the move to net zero. Positively however there are signs that the capital markets are once again opening up to oil services companies should raising capital be necessary. The Group undertakes cashflow forecasting throughout the year to ensure the going-concern assumption is still appropriate. The recent raising of funds from convertible loans, and the sale of Treasury shares is an example of this and helps to ensure the Group has adequate working capital headroom to see it through the next 12 months. However as disclosed in note 1b the group is reliant on raising additional funding, an event that was indicated at the time the convertible loan arrangements were entered into in October 2022, and there can be no certainty regarding the timing and quantum of future funding and therefore this indicates a material uncertainty which may cast significant doubt regarding the Group's ability to continue as a going concern.

(g) Credit

The main credit risk is attributable to trade receivables. Where the Group's customers are large international oil and gas companies the risk of non-payment is significantly reduced, and therefore is more likely to be related to client satisfaction and potentially in a volatile world trade sanction issue. Where smaller independent oil and gas companies are concerned, credit risk can be a factor. Customer payments can potentially involve extended periods of time especially from countries where exchange control regulations can delay the transfer of funds outside those countries. As Plexus begins to establish international licensee relationships there may be instances whereby certain capital and royalty payments could be due some way into the future and as such greater credit risk than exists under normal payment terms could apply. The Group's exposure to credit risk is monitored continuously, and to date its collections record has been extremely reliable.

(h) Risk assessment

The Board has established an on-going process for identifying, evaluating, and managing the more significant risk areas faced by the Group. One of the Board's control documents is a detailed "Risks assessment & management document," which categorises risks in terms of – business (including IT), compliance, finance, cash, debtors, fixed assets, other debtors/prepayments, creditors, legal, and personnel. These risks are assessed and updated as and when appropriate and can be associated with a variety of internal and external sources including regulatory requirements, disruption to information systems including cyber-crime, control breakdowns and social, ethical, environmental and health and safety issues.

(i) COVID-19

Although the regulations around COVID-19 were relaxed in 2022, Plexus continues to place the health and safety of its employees as its highest priority and in line with this has implemented various protocols. The Board continuously monitors the situation, should Government guidance change.

Section 172 Statement

This section serves as the section 172 statement and should be read in conjunction with the full Strategic Report and the Corporate Governance Report. Section 172 of the Companies Act 2006 requires directors to take into consideration the interests of stakeholders in their decision making. The Directors continue to have regard to the interests of the Company's employees and other stakeholders, including shareholders, customers and suppliers, Licence Partners and the community and environment, through positive engagement and when making decisions. Acting in good faith and fairly between members, the Directors consider what is most likely to promote the success of the Company for its members in the long term and to protect the reputation of the Company.

Shareholders

Plexus seeks to develop an investor base of long-term shareholders that are aligned to our strategy, whether institutional or private retail investors. By communicating our strategy and objectives, we seek to maintain continued support from our investor base. Such opportunities have been made more challenging by the financial performance of Plexus over the past few years, and the resultant decline in the size of the market cap of the business. However, now that positive news flow is beginning to be generated the Directors believe that a fresh approach can be made to the investment community both to existing and new potential shareholders in conjunction with its advisors. Important issues include financial stability and the strength of the balance sheet, and protecting and strengthening the value of our intellectual property. Engagement with shareholders is a key element to this objective and methods of engagement are detailed in the Corporate Governance Report on pages 23 to 35, although over the past years, as a result of the Covid pandemic's impact on working practices, such interactions in common with many other businesses have lessened. Encouragingly there are signs that "normal" interaction levels will begin to reassert themselves. During the year, the Finance Director supported by other members of the executive team, the Company's broker, and the Investor Relations advisor, engaged where possible with investors by email, presentations, direct conversations, and ad-hoc meetings. The Company also continues to update its website to provide investors and other stakeholders with access to information about the Company. The website includes details of the LSE "Green Economy Mark" status, which was awarded in July 2021, and associated NetZero commentary. During the year, several key decisions were made by the Board, including the raising of funds through the issue of £1.55m of Convertible Loan Notes; the sale of a leasehold interest along with associated leasehold liabilities for £1m cash and post year the entering into loan agreements with a total of £700k. All of these fund-raising related decisions are aimed at increasing shareholder value.

Employees

The Group's UK staff are engaged by the Company's subsidiary Plexus Ocean Systems Limited based in Aberdeen, Scotland. Being a relatively small company with just over 30 employees largely operating in one location, there is a high level of visibility regarding employee engagement and satisfaction. The Company is engaged with a specialist firm of benefits advisers who can offer a comprehensive service to employees as well as to the Company. The Company consults with employees on matters of competency, training, and health and safety as detailed in the Corporate Governance Report on pages 23 to 35. During the year, the Company successfully achieved eight continuous years with no Lost Time Incidents (LTI's) and this successful safety culture has continued beyond that anniversary to the date of writing.

Customers and Suppliers

The Company is committed to acting ethically and with integrity in all business dealings and relationships. Fostering good business relationships with key stakeholders including customers and suppliers is important to the Company's success. The Board seeks to implement and enforce effective systems and controls to ensure its supply chain is maintaining the highest standard of business conduct in line with best practice including in relation to anti-bribery and modern slavery.

Licence Partners

The Company engages with Licence Partners in a way that follows the same principles as those applied to relationships with other customers and suppliers. Additionally, the Company engages with its Licence Partners to support their efforts to achieve commercial success by holding as and when required technical workshops, technical training, and data transfer. Following the announcement in November 2020 of entering into a non-exclusive surface

Strategic Report continued

wellhead licencing agreement with Cameron (SLB) and the extension of this agreement in December 2021, regular Teams meetings and occasional face to face meetings have been held as part of the process of transferring Plexus' relevant IP so that Cameron can design and develop its own low-cost wellhead with POS-GRIP technology inside. In May 2023 SLB exercised its option to extend its non-exclusive licence agreement with Plexus for an additional six years effective from November 2023.

Community and Environment

The Company has minimal environmental impact in the localities in which it operates. This clearly helps the Company meet its corporate objectives in this regard but is never taken for granted. In the year under review, the Company met its target for waste management and in general continues to operate in a manner that is open, honest, and socially responsible.

G Stevens

Director

28 November 2023

Board of Directors

Jerome Jeffrey Thrall BBA MBA (aged 74), Non-Executive Chairman

Jeff joined Thrall Enterprises, Inc. (“TEI”), a family-owned holding company headquartered in Chicago, USA, in 1980 as vice president of corporate development of TEI’s subsidiary, Nazdar Company, a manufacturer and distributor of ink jet, screen printing, flexo inks and supplies. Jeff was named President of TEI in 1995. Prior to joining TEI, Jeff’s professional career included a number of appointments in investment banking, commercial lending, and administration.

Bernard Herman van Bilderbeek BSc M. Eng (aged 75), Chief Executive

Ben founded the Plexus business in 1986. He has over 40 years’ experience in the industry in both engineering and management roles, and previously held senior positions with Vetco Offshore Industries, Dril-Quip, and Ingram Cactus. Following a career at Vetco, where Ben rose to the position of General Manager of UK Engineering, he went on to found his own oil and gas consultancy company, VBC Consultants, in 1982. During this time, his clients included Amoco, Marathon Oil, FMC Corporation and Dril-Quip. In 1986, Ben founded Plexus and went on to merge the wellhead division of his company with Ingram Cactus where he became President Eastern Hemisphere. In 1996 Ben regained the Plexus Ocean Systems Limited name through which POS-GRIP technology was invented and then developed and commercialised for the oil services wellhead equipment market.

Graham Paul Stevens BA (Hons) (aged 65), Finance Director

Graham has been at Plexus since 2005 and has broad experience in financial, corporate, and operational management within both public and private companies including J Sainsbury plc, BSM Group Limited, Sketchley Group plc, and Fii Group plc. He has been involved in a range of industries as a director, investor, and advisor, and overseen a number of acquisitions and disposals, as well as the implementation of turn around and growth strategies. Graham was, until its sale to Betsson AB in 2017, a non-executive director of Netplay TV PLC, the AIM listed largest UK interactive TV gaming company. He was previously a non-executive director of NRX Global Inc. (now NRX AssetHub part of HubHead Corp)) an Asset Management solutions provider used by leading partners and companies in asset intensive industries, including oil and gas.

Craig Francis Bryce Hendrie M. Eng (Oxon) (aged 50), Technical Director

After gaining a master’s degree in engineering science from the University of Oxford, Craig began his career with ICI plc in 1996 as a machines engineer. He joined Plexus in 1998 and was instrumental in the development, testing and analysis of the original POS-GRIP products. As Technical Director, Craig is responsible for overseeing new technology and concept development, product testing and analysis, as well as pursuing new applications for POS-GRIP technology both internally and externally.

Charles Edward Jones BSc M. Eng (Age 64), Non-Executive Director

Charles has over 30 years of senior management and Board experience in the energy sector. In 2007, Charles was CEO of Houston-based Forum Oilfield Technology, a global oilfield products company which he successfully merged with three other companies in 2010 to create Forum Energy Technologies (NYSE: FET) and where he remained as President until 2013. Prior to Forum, Charles was COO of privately owned Hydril Company LP, where he played a leading role in the US based drilling and downhole products company’s IPO in 2000 and subsequent sale for US\$2.1 billion. Before joining Hydril, Charles served as Director of Subsea Businesses for Cooper Cameron Corporation where he developed the global subsea production business. Charles is a former Chairman of the Petroleum Equipment Suppliers Association, a Distinguished Alumni of the Cullen College of Engineering at the University of Houston and graduate of the Advanced Management Program at Harvard Business School.

Kunming Liu (Aged 46), Non-Executive Director

Kunming has over 20 years’ experience in corporate finance and financial accounting. She currently holds the position of Vice President and Chief Administrator of HITIC Energy, an emerging oil and gas development company based in Canada, which is a subsidiary of Jereh Oilfield Services Group, a multi-billion-dollar Chinese oil services provider. Prior to this, Ms Liu was the Financial Director of Jereh Energy Services Corporation, a wholly owned subsidiary of Jereh. Additionally, Ms Liu holds a major in financial accounting from Shandong Cadres Institute of Economics and Management in China.

Directors' Report

The directors present their annual report together with the audited financial statements for the year ended 30 June 2023.

Directors who served during the year

J. Jeffrey Thrall
Ben van Bilderbeek
Graham Stevens
Craig Hendrie
Charles Edward Jones
Kunming Liu

Research and development

The Group actively engages in various on-going research and development initiatives designed to expand and develop the range of commercial applications deriving from its proprietary technology, including an in-house R&D engineering team. For the year, R&D expenditure including capitalised wage and salary costs totalled £0.52m (2022: £0.45m).

Results and dividends

The results for the year show a loss before taxation of £4.23m (2022: loss £5.56m) and is set out on page 47. The directors do not recommend the payment of a final dividend for the year ended 30 June 2023 (2022: nil).

Corporate governance

This is the subject of a separate report set out on page 23. This is an expanded report following the adoption of the Quoted Companies Alliance Corporate Governance Code in line with the AIM Rules of the London Stock Exchange that require all AIM-listed companies to adopt a recognised corporate governance code against which they must comply or explain why there is any divergence in complying with that code.

Related party transactions

Details of related party transactions are set out in Note 29 in the financial statements.

Financial instruments and risk management

The Group maintains a commercial objective of contracting in sterling whenever possible. In circumstances where this is not possible, the Group converts foreign currency balances into sterling on receipt so far as they will not be used for future payments in the foreign currency. The Group maintains risk management policies which are set out in more detail in Note 25 to the accounts.

Streamlined Energy and Carbon Reporting Summary

The Group is below the threshold to report on its Greenhouse gas emissions and energy consumption.

Subsequent events

In September 2023 Plexus entered into a £200,000 loan with the Company's CEO, Ben van Bilderbeek, and a £500,000 loan with Plexus Property International Limited ("PPI"), a company owned and controlled by OFM Limited a company in turn controlled by the van Bilderbeek family and related trusts. The Loans accrue interest at a rate of 8 per cent per annum and the balance, plus any interest accrued, is repayable after 12 months. Alongside the loan agreements, the Company has also entered into Primary and Secondary call option agreements with Ben van Bilderbeek and PPI. These option agreements provide the Lenders with the right to exercise an option to have their portion of the Loans repaid in shares owned by Plexus Ocean Systems Limited in Kincardine Manufacturing Services Limited, a precision engineering company in which Plexus holds a 49% interest following an investment in December 2018

In October 2023 Plexus sold 2,750,000 of the shares held in treasury at an average price of 19.97 pence per share, which raised gross proceeds of £549,230.

Going concern

The directors, having made appropriate enquiries, believe that the Group will continue in operational existence for the foreseeable future and it is appropriate to continue to adopt the going concern basis in preparing the financial statements. As disclosed in note 1 (b) the group is reliant on raising additional funding, an event that was indicated at the time the convertible loan arrangements were entered into in October 2022 and there can be no certainty

Directors' Report continued

regarding the timing and quantum of future funding and therefore this indicates a material uncertainty which may cast significant doubt regarding the Group's ability to continue as a going concern.

Directors' interests

The directors who served during the year and to the date of this report are listed below.

The interests of the directors who held office during the year in the shares of the Company at 30 June 2023 were as follows:

	Number of Ordinary Shares of 1p each 2020	Number of Ordinary Shares of 1p each 2021
J. Jeffrey Thrall ¹	44,307,513	44,307,513
Ben van Bilderbeek ²	58,077,461	58,077,461
Graham Stevens	15,100	15,100
Craig Hendrie	12,600	12,600
Charles Edward Jones	–	–
Kunming Liu	–	–

1. J. Jeffrey Thrall has an indirect beneficial interest in a company which controls 32.477% of Mutual Holdings Limited. The number of Ordinary shares held by Mutual Holdings Limited in the Company at 30 June 2023 was 42,700,001 (2022: 42,700,001). Additionally, J. Jeffrey Thrall has both a direct and an indirect beneficial interest in Thrall Enterprises Inc., a company which holds 1,591,512 Ordinary shares in the Company, and he holds 16,000 Ordinary shares directly.
2. Ben van Bilderbeek is settlor of a trust which controls 59.962% of the shares of Mutual Holdings Limited and the entire issued share capital of OFM Investment Limited. At 30 June 2023, Mutual Holdings Limited held 42,700,001 shares and OFM Investment Limited held 15,069,767. Additionally, Ben van Bilderbeek holds 307,693 Ordinary shares directly.

Retirement and re-election of Directors

Mr Stevens and Mr Jones will retire by rotation at the Annual General Meeting ("AGM") and, being eligible, will offer themselves for re-election.

Substantial shareholdings and interests in Shares

At the date of this Annual Report the Company is aware of the following shareholdings in excess of 3% of the Company's issued ordinary share capital:

Shareholder	Shares Held	% In Issue share capital
Mutual Holdings Limited	42,700,001	41.38%
OFM Investment Limited	15,069,767	14.60%
Hargreaves Lansdown Nominees Limited	11,916,318	11.55%
Vidacos Nominees Limited	5,251,837	5.09%
Interactive Investor Services Nominees Limited	4,816,555	4.67%
Jereh International (Hong Kong) Co. Ltd	4,468,537	4.33%
HSDL Nominees Limited	4,219,188	4.09%
CGWL Nominees Limited	3,908,857	3.79%

Executive 2005 Share Option Scheme and Non-Executive 2005 Share Option Scheme

Details of the Executive and Non-Executive Schemes in addition to details of the directors' remuneration can be found in the Remuneration Committee Report on page 38.

Directors' Report continued

Plexus is a non-discriminatory employer, which aims to eliminate unfair discrimination, harassment, victimisation, and bullying. The Group is committed to ensuring that all individuals are treated fairly, with respect and are valued irrespective of disability, race, gender, health, social class, sexual preference, marital status, nationality, religion, employment status, age or membership or non-membership of a trade union.

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Annual General Meeting

The AGM of the Company will be held on 22 December 2023. The Notice convening the meeting may be found on the Company's website www.plexusplc.com under the Investors tab.

The Notice comprises the resolutions that will be proposed at the Annual General Meeting.

Your attention is drawn to the Notes on each of these resolutions at the foot of the Notice and to the Notes generally.

Auditors

Crowe U.K. LLP has indicated its willingness to be reappointed as statutory auditor. In accordance with Section 489 of the Act, two resolutions for the re-appointment of Crowe U.K. LLP as auditor of the Company and authorising the directors to determine its remuneration will be proposed at the forthcoming AGM.

Company number

The Company is registered in England and Wales under Company Number 03322928.

G Stevens

Director

28 November 2023

Corporate Governance

Chairman's Introduction

Plexus' long-term goal is to establish POS-GRIP friction grip technology as a superior industry standard for wellhead and metal sealing systems, whilst continuing to develop a range of POS-GRIP based products, which can also offer multiple benefits and advantages to the industry in terms of improved safety, functionality, and cost and time savings. Key to this is the Board working to ensure the Company is managed for the long-term benefit of all shareholders, by effective and efficient decision making which may only happen where a culture of corporate governance is engendered.

Plexus remains committed to a culture built on its objectives of developing the products described above for the stated purposes, and its strategic aims and business model are consistent with that culture. The Board promotes a healthy culture within the business by actively encouraging a collegiate manner of working amongst all staff. It monitors and assesses the culture from time to time through contact as appropriate with staff at all levels which it is able to do because of the relatively small number of staff Plexus employs. The Board also has the benefit if required of feedback from the annual personal development appraisal reviews which all staff are required to complete.

The Board has adopted the Quoted Companies Alliance Corporate Governance Code in line with the AIM Rules of the London Stock Exchange that require all AIM companies to adopt a recognised corporate governance code against which they must comply or explain why there is any divergence in complying with that code. The Board considers Plexus complies in all material respects with the principles of the QCA Corporate Governance Code although as indicated in the summary below, the adoption of certain informal procedures rather than formal procedures to reflect the size of the Company and the composition of the Board, does not constitute full compliance in all respects. The disclosures made within the principles comprising the QCA Corporate Governance Code are anticipated to evolve over time.

Principle 1: Establish a strategy and business model which promotes long-term value for shareholders

Plexus has developed a range of products and applications based on its patent-protected POS-GRIP friction-grip method of wellhead engineering. The Company is focused on commercialising this technology and equipment in a range of sectors including surface production wellheads, subsea and de-commissioning, both organically and through licence partners. In line with this strategy, in November 2020 Plexus entered into a licence agreement with Cameron International Limited, which granted the SLB group company a non-exclusive licence to use the POS-GRIP and HG metal-to-metal seal method of wellhead engineering for the development of conventional and unconventional oil and gas surface wellheads. The scope of this licence was extended in December 2021, and in May 2023 SLB exercised its option to extend the licence agreement for an additional six years effective from November 2023.

In August 2021 Plexus took the opportunity to re-enter the exploration rental wellhead market from Jack-up rigs market which it had previously been successful in before selling the division (with the exception of Russia and the CIS) to TechnipFMC in February 2018. This activity is being built around non-POS-GRIP technology with bespoke Plexus design features, and "through the BOP" for enhanced safety. Shortly after the beginning of the conflict in Ukraine, all licensed activities in Russia and the CIS were suspended indefinitely.

Since it was established, Plexus has focused on being an innovative, IP-led company mainly built around its proprietary POS-GRIP technology. POS-GRIP was designed to address limitations associated with conventional wellhead technology particularly regarding long-term metal sealing and has subsequently raised standards for HP/HT wellhead applications. POS-GRIP enables Plexus to provide operators with superior solutions, offering unique safety and operational advantages, while at the same time delivering significant time and cost savings on the surface and, the Board in due course anticipates moving into the subsea sector. Plexus has successfully raised wellhead test standards to equal or exceed those of premium couplings and there are numerous applications and products beyond Jack-up exploration drilling which the Board believes could benefit from the POS-GRIP method of engineering now and in the future.

The Company has, over many years, invested, and indeed continues to invest in R&D and IP development and areas and applications outside of Jack-up exploration wellheads, including in addition to surface production and subsea wellhead equipment, proprietary connector technology. This suite of new products and applications has grown significantly and includes: the Python Subsea Wellhead (a new standard for subsea wellheads – where a JIP was supported by BG, Royal Dutch Shell, Wintershall, Maersk, Total, Tullow Oil, Eni, Senergy, and Oil States

Corporate Governance continued

Industries Inc); the development of the POS-SET Connector® (“POS-SET”) product for the growing de-commissioning and abandonment market; development of HP/HT dual marine barrier risers to provide an efficient, safe and cost-effective solution for use on Jack-up rigs; an innovative HP/HT Tie-Back connector product and a Well Tree product. Plexus is also assessing opportunities in geothermal drilling and for gas storage.

Prior to the sale of the POS-GRIP Jack-up rental wellhead business to TFMC, Plexus successfully expanded its focus as part of its strategy to raise the awareness of its superior technology with contracts extending to Asia, Australia, China, Egypt, Middle East, Russia, and West Africa from the UKCS, and in the process became a supplier to a wide customer base, including blue-chip customers. An Asian business hub was established to increase the supply of POS-GRIP wellhead equipment and services to the Australian, Brunei, Indonesian, Malaysian, Thai, and Singaporean oil and gas exploration and production markets. Strategic licence agreements were pursued, including in 2016 with Gusar, and Konar, two independent Russian oil and gas equipment manufacturers, for the rental, manufacture, and servicing of Plexus’ Jack-up drilling exploration wellhead equipment into the Russian Federation and the other CIS states’ oil and gas markets. The licencing relationship with Gusar is outside of the business activities that were sold to TFMC. However, as noted above, all activities in Russia and the CIS have been suspended indefinitely following the start of the war in Ukraine.

The Company continues to face a number of key challenges although the combination, nature, and scale of these continues to ebb and flow. For example, although the previously volatile oil price had been stabilising to a degree it is once again facing a period of uncertainty following recent terrorist activity against the State of Israel. Should there be further polarization between the West, and Russia and China in relation to energy supplies it is likely that additional exploration and production expenditure will be necessary. In addition it must not be forgotten that the ongoing conflict in Ukraine continues to cause Russian oil and gas supply interruptions and sanction driven constraints which have recently been extended by the US, and the need and desire to replace Russian hydrocarbons continues to gain pace whether through alternative means such as LNG, or through renewables and a fast growing interest in nuclear power, especially the possibilities of mini nuclear reactors.

Plexus’ long-term goal is to establish POS-GRIP technology as a superior industry standard for wellhead and leak-free metal sealing designs, whilst continuing to develop new products, which can also offer multiple benefits and advantages to the industry in terms of improved safety, functionality, and cost and time savings. An example of such extensions for POS-GRIP technology is the Company’s connector technology, which is ideal for high integrity, low fatigue applications. The Directors believe wellhead connectors, riser connectors, subsea jumper connectors, pipeline connectors, tether tensioners and even vessel mooring connectors can all benefit from the simplicity of the POS-GRIP method of engineering.

Production wellheads are required for the entire field life, and the size of the market for production wellheads is many times that of Jack-up exploration wells. At the same time as the exploration and production market recovers there is a major shift from coal and even oil to cleaner natural gas production, whether pipeline gas or LNG. This should be a positive trend for Plexus as it is widely recognised that gas leaks are very damaging to the atmosphere in terms of climate change, particularly with regard to the impact of methane on the environment, and therefore the need for superior and reliable long-term metal-to-metal leak-free sealing technology and integrity has never been greater.

In terms of performance, the Board monitors the Group by reference to certain financial and non-financial key performance indicators. The financial indicators include revenue and margins, overhead expenses, EBITDA, profit and loss, earnings per share and both fixed and working capital resources and requirements. Non-financial indicators include Health and Safety statistics, employee welfare, geographical diversity of revenues and customers, geopolitical considerations, effectiveness of various research and development initiatives, for example, in relation to new patent activity and inventions and appropriate employee headcount numbers and turnover rates. The key performance indicators of the Group are currently focused on both financial and non-financial key performance indicators such as cash resources, research and development activities and commercialization objectives, including licencing initiatives. Over time, as financial key performance indicators such as revenue streams become more established it may be that for example licence income rather than sales revenue becomes more relevant.

2: Seek to understand and meet shareholder needs and expectations

The Company remains committed to dialogue and communications with its shareholders to ensure that its strategy, business model and performance are understood by the market, particularly in relation to the capabilities of Company’s proprietary IP and special solutions which Plexus believes are becoming more widely recognised. Understanding what analysts and investors think about Plexus, and helping these audiences understand our business, is part of moving our business forward and we welcome dialogue with the market with the support of our broker

Corporate Governance continued

Cavendish Capital Markets Limited (formerly Cenkos Securities plc) and Investor Relations advisors St Brides Partners. Such communications when and where appropriate include investor presentations, RNS updates, responding to specific phone calls and emails, ad hoc meetings as required and results period meetings, and our regular reporting. The Company also maintains a dedicated email address which investors can use to contact the Company which is displayed on the website together with the Company's address and phone number – <http://www.plexusplc.com/contact-us>

As the Company is too small to have a dedicated investor relations department, the Finance Director is primarily responsible for reviewing communications received from members, and in conjunction as necessary with the CEO and if appropriate the Board, before determining the most appropriate response.

Responses to shareholders are typically sent by email or letter in a timely manner.

Private shareholders

Our AGM is the main forum for dialogue with private shareholders. The Notice of Meeting is sent to shareholders at least 21 days before the meeting. The chairs of the Board and all committees, together with all other Directors, whenever possible attend the AGM and are available to answer questions raised by shareholders. Time is set aside specifically to allow such questions from attending members to any board member. For each vote, the number of proxy votes received for, against and withheld is announced at the meeting. The results of the AGM are subsequently published on the Company's corporate website under the Stock Exchange (RNS) Announcements tab – <https://www.plexusplc.com/rns/>. However, in 2020 and 2021 as a direct result of the Covid-19 pandemic, the Company held "closed" annual general meetings where only a quorum of members was present in a compliant and secure arrangement. The Company returned to holding a regular AGM in 2022.

Institutional shareholders

The Directors where possible seek to build relationships with institutional shareholders, as well as long term private investors who continue to remain supportive of the Company and its strategy. Shareholder relations are managed primarily by the CEO and Finance Director, and supported by the Technical Director, as appropriate. The CEO and Finance Director make presentations as and when required to institutional shareholders and analysts following the release of the full-year and half-year results.

The Board as a whole is kept informed as necessary of the views and concerns of major shareholders and is aware that a number of investors and sources of finance have actively begun to move away from investing in oil and gas related companies. However, the Board believes that as the Company's technology can claim to be greener than conventional wellhead designs in terms of its leak-proof sealing capabilities, that a case can be made for investing in the technology not just on superior technology grounds, but also on green ones. In addition, there are signs that the capital markets are beginning to open up to the oil and gas sector. Any significant investment reports from analysts are also circulated to the Board. The Non-Executive Chairman and Non-Executive Directors are available to meet with major shareholders if required to discuss issues of importance to them.

3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

In December 2021 Plexus entered into an expanded licencing agreement with SLB, and in August 2021 re-entered the exploration wellhead market in conjunction with SLB by way of a licence. Despite Plexus' strategy continuing to evolve around such different ways of exploiting its proprietary POS-GRIP IP, the key stakeholders (both internal and external) and the way we engage with them has not changed. Stakeholders continue to consist of shareholders, employees, suppliers, customers, licensees, and advisers.

Engaging with all our stakeholders as constructively as possible is important to Plexus, and we understand that good relations and sound business practices and principles all contribute to helping make a business a success. Feedback from shareholders is responded to where possible through interaction via letters, emails, phone calls, meetings, and the AGM.

Where necessary the Board is updated on stakeholder engagement feedback should any issues arise, to stay abreast of stakeholder insights into what matters most to them and our business, and to enable the Board to understand and consider such issues in relevant decision-making. Aside from our shareholders, suppliers and customers, our employees are one of our most important stakeholder groups, and the Board monitors relevant employee issues through regular operating company operations reports.

Employees

Plexus is a non-discriminatory employer which aims to eliminate unfair discrimination, harassment, victimisation and bullying. The Group is committed to ensuring that all individuals are treated fairly, with respect and are valued irrespective of disability, race, gender, health, social class, sexual preference, marital status, nationality, religion, employment status, age or membership or non-membership of a trade union.

Staff and staff development continues to be important to the Group. To achieve this, the Group operates in-house training and accredited competency programmes ensure that necessary skill levels are maintained.

Additionally, competency across the business has continued to evolve and broaden; particularly within workshop and office-based staff areas. The workshop competency system has been developed under the OPITO standards with a view to being accredited by OPITO. The office-based competency system has been developed under the OPITO standard as it is a concise system that supports the requirements of ISO9001:2015, for which Plexus has received and retains APIQR certification.

Importantly Health and Safety is an operational area for employee stakeholders where Plexus remains fully committed to delivering the highest practical safety standards in everything we do. The Group continues to maintain a positive safety culture which is aligned with our Company Safety Values and are pleased to report our HSE culture remains strong across the business, and this is reflected by our LTCF and TRCF percentages both being zero, with no major findings during our most recent LRQA certification surveillance audits set against the ISO 45001:2018 standard.

Suppliers

The Plexus business model has been built around the conscious decision of not having its own manufacturing facilities, and thereby avoids incurring fixed overheads associated with such activities. This means that manufacturing is sub-contracted to carefully selected and assessed manufacturers and machine shops who must operate to prescribed high standards and requirements for delivering Plexus' products' high-quality threshold levels. Such relationships are of course important to Plexus and tend to be of a long-term nature reflecting the professional manner in which business is conducted.

Customers

We continue to seek opportunities for continual improvement regarding our relationships with customers, and our Business Management System complies with the ISO 45001 standard, demonstrating our commitment to attain and sustain the highest standards possible and allow us to respond quickly to client demands.

Quality also remains a key focus in the delivery of our products and services demonstrated by the initial accreditation of API Q1 certification in February 2020 along with ISO 45001 certification in January 2022. Both of which are audited circa every two years to ensure Plexus are working to these accreditations.

Modern Slavery

In light of the ongoing activities and resultant human misery that have brought about the Modern Slavery Act 2015, a review of the requirements was carried out and a focus group was formed (HR, Executive Assistant, Contracts & Supply Chain) to create a Business Code of Conduct, Supplier Code of Conduct, Modern Slavery Statement and Whistleblowing procedure suitable for the business needs. Plexus takes such matters seriously, and it is considered good practice that Plexus manages its supply chain in line with the Modern Slavery Act to support the legislative requirement placed on the majority of our clients. In addition, these business tools have proven to be relevant for tendering processes as companies' awareness levels about this pernicious crime increase.

4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

Audit, risk and internal control

Financial controls

The Company has an established framework of internal financial controls. These are reviewed by the Executive Management, the Audit Committee and the Board as part of an ongoing assessment of significant risks by category facing the Company.

The Group continues not to have an internal audit programme due to the small size of the administrative function and the level of Director review and authorisation of transactions.

Corporate Governance continued

The Board is responsible for reviewing and approving overall Company strategy, approving revenue and capital budgets and plans, and for determining the financial structure of the Company including treasury, tax and relevant dividend policy. Monthly results and variances from plans and forecasts are reported to the Board as part of the Board meeting procedures. In addition, the Board has a formal schedule of matters reserved for its decision which includes the setting of Company goals, objectives, budgets and other plans. All directors have access to independent professional advice at the Company's expense, if required, as well as to the advice and services of the company secretary.

The Audit Committee assists the Board in discharging its duties regarding the interim and full year results, financial statements, accounting policies, and operational and financial controls. Duties include:

- (A) to consider and recommend to the Board the approval of the appointment of the external auditors of the Company, the audit fee and other external remuneration of the auditors, and any questions of resignation or dismissal;
- (B) to ensure the independence and objectivity of the external auditors.
- (C) to discuss with the external auditors before each annual audit commences the nature and scope of the audit, and other relevant matters;
- (D) to review the half year and annual financial statements before submission to the Board, focusing particularly on:
 - (1) any changes in accounting policies and practices;
 - (2) major judgmental areas;
 - (3) significant adjustments resulting from the audit;
 - (4) the going concern assumption;
 - (5) compliance with accounting standards; and
 - (6) compliance with legal requirements.
- (E) to discuss problems and reservations arising from final audits, interim reviews or otherwise (if any), and any matters the external auditors may wish to discuss (in the absence of the executive directors where necessary);
- (F) to review management's letter of representation;
- (G) to review the nature and extent of non-audit services provided by the external auditors (if any) and be satisfied that the auditors' independence and objectivity is maintained;
- (H) to keep under review the effectiveness of the Company's internal controls and risk management systems;
- (I) to undertake an annual assessment of internal controls and risk management;
- (J) to review the Company's statement on internal control systems prior to endorsement by the Board;
- (K) to consider the major findings of any internal investigations and management's response;
- (L) to review any internal audit programme and ensure that it is adequately resourced (currently not applicable);
- (M) to consider other topics, as defined by and referred to the Audit Committee by the Board; and
- (N) to review the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action.

Risk assessment & management controls

The Board recognises that maintaining sound controls and discipline is key to managing the downside risks to our plan. The Board has ultimate responsibility for the Group's internal controls and for reviewing their effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place, as summarised and explained below are appropriate for the size, complexity and risk profile of the Group. The principal elements of the Group's internal control system include:

- Management of the day-to-day activities of the Group by the Executive Directors;

Corporate Governance continued

- An organisational structure with defined levels of responsibility, which promotes responsible decision-making and implementation while minimising risks;
- A comprehensive annual budgeting process producing an income statement, balance sheet and cash flow, which are approved by the Board;
- Detailed monthly reporting of performance against budget;
- Control over key areas such as capital expenditure authorisation and banking facilities; and
- The Group continues to review its system of internal control to ensure compliance with best practice, while also having regard to its size and the resources available. As part of such controls the Company maintains a “Risk assessment & management document” which reviews as necessary both financial and non-financial controls areas and risks including Business (including IT); Compliance; Finance; Cash; Debtors; Fixed Assets; Other Debtors/Pre-payments; Creditors; Legal and Personnel. Such risks are assessed and reviewed, and changes made where appropriate. The key elements of the non-financial controls are set out below.

Standards and policies

The Board is committed to maintaining appropriate standards for the Company’s business activities and ensuring that these standards are set out in written policies. Key examples of such standards and policies include the ‘Anti Modern Slavery Policy’ and ‘Employee Code of Conduct’. Operating procedures for control of operations are clearly documented and set out in operation manuals where a key emphasis is on the Company actively assessing and minimising health and safety risks in all areas of the business and educating the workforce to provide as safe a working environment as possible. Managers are responsible for the implementation of these procedures and compliance is monitored.

Approval process

Material contracts are required to be reviewed by a senior Director of the Company and where necessary reviewed by external legal Counsel.

Code of Conduct

Our internal Code of Conduct includes guidance to employees on business integrity, anti-bribery, gifts, intellectual property and design rights.

Legal controls

Contracting with customers that include large international oil companies inevitably requires the entering into at times complex contracts where the need to address such issues as limitation of liability need careful review and negotiation. The Company’s commercial personnel have full access to external legal advice to ensure that appropriate steps are taken to help mitigate the damage that can result from poorly negotiated contracts.

5: Maintain the board as a well-functioning, balanced team led by the chair.

The Board currently comprises the Non-Executive Chairman, J. Jeffrey Thrall; three Executive Directors comprising Ben van Bilderbeek (CEO), Graham Stevens (FD); and Craig Hendrie (Technical Director); and two Non-Executive Directors, Kunming Liu and Charles Jones; and a Company Secretary (non-director) is in attendance at board meetings.

The Audit Committee comprises two Non-Executive Directors, J. Jeffrey Thrall and Charles Jones and is scheduled to meet twice a year. It is the Audit Committee’s role to provide formal and transparent arrangements for considering how to apply financial reporting and internal controls, whilst maintaining an appropriate relationship with the independent auditors of the Group. In order to comply with best practice that at least one member has relevant financial experience, the Chairman of the Board sits on the Audit Committee. The Audit Committee review the Group’s policy on auditor rotation. The current auditors have served for 17 years and there are no current plans to retender.

The Remuneration Committee comprises two Non-Executive Directors, J. Jeffrey Thrall and Charles Jones and meets when required. It is the Remuneration Committee’s role to set remuneration packages for individual Directors. Where necessary the Remuneration Committee obtains advice and research material from external remuneration specialists. There was no requirement for the Remuneration Committee to meet during the year as currently it is not felt appropriate to consider annual reviews or bonus arrangements.

The Board considers that the Non-Executive Directors bring an independent judgement to bear, although it is recognised that factors such as length of service and shareholdings can have an impact. The Board is satisfied that it has a suitable balance between independence on the one hand, and knowledge of the Company on the other, to

Corporate Governance continued

enable it to discharge its duties and responsibilities effectively. In view of the specialist nature of the Company's technology and IP, knowledge gained over time is considered an important part of the non-Executives understanding and therefore contribution to the business.

All Directors are encouraged to apply their independent judgement and to challenge all matters, whether strategic or operational.

During the last financial year eight Board meetings took place (including Board Committee meetings, but excluding meetings of the Audit Committee, and as disclosed above, the Remuneration Committee did not meet during the last financial year), and key Board activities as listed below are included but are not exclusive:

- Discussed strategic priorities
- Discussed the Group's financial strength and strategy, including capital investments, shareholder returns and the dividend policy
- Reviewed the performance of the Company's licensees
- Discussed actual and potential M&A activity
- Discussed the internal risk management and assessment report
- Reviewed feedback where relevant from shareholders post full and half year results

Details of the dates of meetings during the last financial year of the Board, Board Committee, and Audit Committee, together with attendees are set out in the tables below.

All members of the Board are expected to attend all scheduled main Board meetings whenever possible, but for practical purposes, the completion of the interim or full year accounts, or certain corporate transactions are delegated to a committee of the board to which all directors are entitled to attend by whatever practical means possible. The directors receive timely notice of each meeting along with an agenda and supporting papers which they review in advance of each meeting.

Directors' conflicts of interest

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests and if necessary, the relevant Board member will recuse themselves from the matter at hand so as to avoid any conflicts for the individual or the Company.

Executive Directors and Non-Executive Directors are expected to be available in person or virtually, and to have spent sufficient time studying all papers relevant to the regular meetings. Additionally, they are required to similarly attend meetings whenever required where non-routine course of business activity is going on, such as the Board approval of the expanded Licence Agreement with Cameron in November 2021, and the Jack-up Exploration Wellhead Licence Agreements in August 2021 and the recent decision to place a quantity of Treasury Shares.

The executive members of the Board have considered the independence of their non-executive colleagues and have concluded they remain independent in the context that they provide independent oversight of the Company removed from day-to-day operations and constructively challenge the executive members of the Board.

Details of the Directors along with their experience and skills may be found here <https://www.plexusplc.com/board-of-directors/>

	Board	Board	Board	Audit	Board	Board
2022:	18.07.2022	07.09.2022	Committee	Committee	23.11.2022	Committee
			19.10.2022	23.11.2022	23.11.2022	24.11.2022
Jeff Thrall	✓	✓		✓	✓	
Ben van Bilderbeek	✓	✓			✓	
Graham Stevens	✓	✓	✓		✓	✓
Craig Hendrie	✓	✓	✓		✓	✓
Kunming Liu		✓			✓	
Charles Jones	✓	✓		✓	✓	

Corporate Governance continued

2023:	Audit		Board		Board	
	Board 31.01.2023	Committee 23.03.2023	Board 23.03.2023	Committee 24.03.2023	Board 19.07.2023	Board 06.09.2023
Jeff Thrall	✓	✓	✓		✓	✓
Ben van Bilderbeek	✓				✓	✓
Graham Stevens	✓		✓	✓	✓	✓
Craig Hendrie	✓			✓	✓	✓
Kunming Liu	✓		✓		✓	✓
Charles Jones	✓	✓	✓		✓	✓

In addition to the meetings specified above, the directors passed Directors' Resolutions in Writing pursuant to Article 103 of the Company's Articles of Association on the following dates in lieu of meetings being held:

15 February 2023

22 August 2023

28 September 2023

As already disclosed above, the Remuneration Committee did not meet during the last financial year.

6: Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities

The Board is satisfied that, between the Directors, it has an effective and appropriate balance of skills and experience, including in the areas of finance, governance, commercial experience, public markets, oil and gas industry, and international trade. All Directors receive regular and timely information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of Board and Committee meetings. The business reports regularly on its headline performance against its agreed budget, and the Board reviews updates on performance and any significant variances are reviewed at each Board meeting. Directors' Service contracts are available for inspection at the Company's registered office and at the AGM. Further details of the Directors' experience and skills are set out on page 19 of this report.

The Directors are experienced in their own fields, and they act on their own initiative in ensuring they remain up to date in their respective skills where relevant by being members of relevant professional organisations, attending seminars and conferences, attending continuing professional development courses to maintain any current accreditation and approaching the Company to arrange training where and if it is considered appropriate. The Board does not at the current time undertake specific due diligence on or carry out a formal review of an individual Director's skills and training but is comfortable with such experience being appropriate from regular engagement and dialogue with each Director. No such review is anticipated at the current time.

All Directors retire by rotation at regular intervals in accordance with the Company's Articles of Association.

Appointment, removal and re-election of Directors

The Board makes decisions regarding the appointment and removal of Directors. As and when necessary suitable candidates are identified and put forward for consideration and additionally external views are sought, and, if relevant, background checks are undertaken in addition to any regulatory checks that are required. The process is formal and transparent, and consideration is given to what skills the candidate brings to the Board and how they will work and fit in with other Board members. The Company's Articles of Association require that one-third of the Directors must stand for re-election by shareholders annually in rotation and that any new Directors appointed during the year must stand for re-election at the AGM immediately following their appointment. Graham Stevens and Charles Jones will retire by rotation this year, and being eligible, will offer themselves for re-election.

Independent advice

All Directors can take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary, whose role is to consider compliance with primarily the Companies Act 2006 along with all other relevant legislation, the Finance Director, and the Company's nominated adviser.

The Company has not had to engage external advisers to the Board other than its usual professional advisers during the normal course of business.

Corporate Governance continued

The Company out-sources the company secretarial duties and responsibilities to a firm of professional company secretaries, (“the Out-Sourced Provider”), which engagement is overseen by the Finance Director. In addition to the routine company secretarial compliance work, the Out-Sourced Provider fulfils a wide-ranging support role to the FD on matters pertaining to the Companies Act, regulatory matters, transactional support, and ad hoc assistance generally. Its services are also available to any other board director who may wish to make an approach for independent advice which the Out-Sourced Provider strives to deliver in an impartial manner.

7: Evaluate board performance based on clear and relevant objectives, seeking continuous improvement

On an informal basis the Chairman Jeff Thrall and CEO Ben van Bilderbeek monitor the individual contributions of each of the members of the team to ensure that:

- Their contribution is relevant and effective;
- That they are committed;
- Where relevant, they have maintained their independence; and
- The skills of the board members are appropriate for the size and complexity of the Group.

The responsibilities of the Chairman and CEO are summarised below: -

The Chairman’s primary responsibility is to lead the Board effectively and to oversee the adoption, delivery and communication of the Company’s corporate governance model. The Chairman has sufficient separation from the day-to-day business to be able to make independent decisions. The Chairman is also responsible for making sure that the board agenda concentrates on the key issues, both operational and financial, including reviews of the Company’s strategy and its overall implementation.

The CEO is responsible for the delivery of the business model within the timetable agreed by the Board. Keeps the Chairman and Board up to date with operational performance, risks and other issues to ensure that the business remains aligned with the agreed strategy.

Because of the relative size of the Company, the composition of the Board and the level of experience of each Board member, the Company has not adopted a formal board evaluation process although keeps the topic under review and would conduct an assessment of the effectiveness of the whole Board’s performance if it were considered beneficial.

The Board is mindful of the subject of succession planning, although has yet to adopt a formal process. At the present time, any succession planning deemed necessary would be carried out on an ad hoc basis. The Board keeps this subject under review. The Board is aware of the current shareholding structure and the significance of the founder’s shareholding and is always mindful of the need to balance the interests of all shareholders and stakeholders alike.

8: Promote a corporate culture that is based on ethical values and behaviours

The culture of the Group is to treat all of our customers, suppliers, shareholders and staff fairly and with respect and to be responsive and professional in all that we do whilst at all times being aware of the critical nature of the industry we operate in and the importance of monitoring and managing a range of risks that include political, legal, environmental, IP infringement, competitive risk, operational, liquidity and financial requirements, and credit.

The risk assessment of such areas is an ongoing process, and the Board has established a process for identifying, evaluating and managing the more significant risk areas faced by the Group. One of the Board’s control documents is a detailed “Risks assessment & management document” which categorises risks in terms of – Business (including IT), Compliance, Finance, Cash, Debtors, Fixed assets, other Debtors/prepayments, Creditors, Legal, and Personnel. These risks are assessed and updated on a regular basis and can be associated with a variety of internal and external sources including regulatory requirements, disruption to information systems including cyber-crime, control breakdowns and social, ethical, environmental and health and safety issues.

The Company ensures that ethical values and behaviours are recognised and respected by the adoption of appropriate policies which all members of staff are required to read and have ready access e.g., Code of conduct; anti-bribery and corruption policy, HR policy etc.

9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

Board programme

The Board meets regularly during each year and in accordance with its scheduled meeting calendar as listed below and when necessary, considers a formal agenda of reserved matters for its decision.

Companies Act Requirements

1. Approval of interim and final financial statements.
2. Approval of the interim dividend and recommendation of the final dividend.
3. Approval of any significant changes in accounting policies or practices.
4. Appointment or removal of the company secretary.
5. Remuneration of the auditors and recommendations for the appointment or removal of auditors, following recommendation of the Audit Committee.
6. Draft resolutions and corresponding documentation to be put forward to shareholders at a General Meeting.

Stock Exchange/Financial Services Authority

7. Approval of all circulars, listing particulars and announcements.
8. Approval of press releases concerning matters decided by the Board.

Board membership and Board committees

9. Board appointments and removals, the overall remuneration policy and any special terms and conditions attached to the appointment (subject to the recommendations of the Remuneration Committee).
10. Selection and terms of reference of chairman, chief executive and other executive directors.
11. Terms of reference and membership of Board committees.
12. Where applicable, appointment of the senior independent director. None is currently appointed, and the role would be defined appropriate to requirements and circumstances applicable at the time.
13. Succession planning for the Board and senior management.
14. Continuance in office of Directors at the end of their office, where they are due to be re-elected by shareholders in general meeting or at any other time, subject to the law and the director's service contract.
15. Reviewing reports from committees on activities and progress.

Strategy and Management

16. Overall management of the Group.
17. Approval of the Group's long-term objectives and commercial strategy.
18. Approval of the annual Group budgets and any material changes to them.
19. Changes relating to the Group's capital structure, listing or its status as a plc.
20. Oversight of the Group's operations to ensure competent management, sound planning, adequate systems of internal control, adequate accounting and other records are kept, and compliance with statutory and regulatory obligations are achieved.
21. Review of performance against strategy, budgets, business plans and set objectives and implementation of necessary corrective action.
22. Extending the Group's activities into new business or geographic areas or ceasing all or any material part of the Group's business.
23. Changes to the Group's management and control structure.
24. Capital expenditure projects.
25. Material, either by reason of size or strategically such as the granting of licences in relation to the Company's IP, contracts of the Company in the ordinary course of business (defined as the sale and rental of wellhead equipment), above £750,000 for rental equipment, or above £350,000 p.a. for contracts of one year or more.
26. Major investments including the acquisition or disposal of interests of more than 5 percent in the voting shares of any company or the making of any takeover bid.
27. Risk management strategy and review.
28. Treasury policies including foreign currency exposure

Miscellaneous

29. Review of the Company's overall corporate governance arrangements and performance of the board, its committees and the individual directors.
30. Determining 'independence' of the directors.
31. Investor relations management.
32. Major changes in the rules of the company pension scheme.

Corporate Governance continued

33. Major changes in employee share schemes.
34. Formulation of policy regarding charitable donations.
35. Political donations.
36. Approval of the company's principal professional advisers.
37. Litigation of any nature to be notified to the Board and any settlements above £5,000.
38. Internal control arrangements, annual review and statement in the annual report, subject to recommendations of the Audit Committee as appropriate.
39. Directors' & Officers' liability insurance.
40. Approval of the Group's share dealing, code of conduct, health and safety, environmental and corporate social responsibility policies.
41. Approval of third-party guarantees.

Prior to the start of each financial year, a schedule of Key Dates for that year's Board and associated meetings is compiled to align as far as reasonably practicable with the Company's financial calendar, while also ensuring an appropriate spread of meetings across the financial year.

The Key Dates schedule is updated throughout the year as necessary. This may be supplemented by additional meetings as and when required, for example in relation to corporate activity. Alternatively, as had happened on three occasions during the year for practical reasons, the directors passed Directors' Resolutions in Writing pursuant to the Company's Articles of Association without formal meetings being held. The Board and its Committees receive appropriate and timely information prior to each meeting; a formal agenda is produced for each meeting, and Board and Committee papers are distributed several days before meetings take place. Any Director may challenge Company proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Any specific actions arising from such meetings are agreed by the Board or if relevant by a committee, and then followed up by the Company's management.

Roles of the Board, Chairman and Chief Executive Officer

The Board is responsible for the long-term success of the Company. There is a formal schedule of reserved Board matters, and it is responsible for overall Group strategy; approval of major investments (whether Capex or Opex); approval of the annual and interim results; annual budgets; dividend policy; and Board structure. It also monitors the exposure to key business risks. There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the business of the Board and for reviewing appropriate strategic focus and direction. The Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once it has been approved and overseeing the management of the Company through the Executive Team.

All Directors receive regular information on the Group's operational and financial performance. Relevant information is circulated to the Directors in advance of meetings. The business regularly reports on its headline performance against its agreed budget, and the Board reviews updates on performance and any significant variances are reviewed at each Board meeting. Senior executives below Board level attend Board meetings where appropriate to present business updates.

Executive Team

The Executive Team consists of Ben van Bilderbeek (CEO), Graham Stevens (CFO) and Craig Hendrie (Technical Director), with input from the subsidiary company Directors and teams, all of which are full-time staff members and are responsible for the day-to-day management of the Group's businesses and its overall trading, operational and financial performance in fulfilment of that strategy, as well as plans and budgets approved by the Board of Directors. They in conjunction with the Board manage and oversee key risks, and where appropriate management development. Graham Stevens is responsible for overseeing shareholder communications, and Craig Hendrie leads on R&D and engineering development activities. The Chief Executive Officer reports to the plc Board on issues, progress and recommendations for change. The controls applied by the Executive Team to financial and non-financial matters are set out earlier in this document

Board Committees

The Board is supported by the Audit Committee and where necessary the Remuneration Committee. Each committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable each committee to discharge its duties. The duties of the Audit Committee have been outlined in the detail on Principle 4 in this report.

Corporate Governance continued

The overall duties of the Remuneration Committee, which did not meet during the year are determining the policy and all elements of the remuneration of the executive directors of the Company and other senior executives (“the Executives”) of the Group and the duties of the Remuneration Committee are:

- to consider the basic salary paid to the Executives and any recommendations made by the Chairman of the Company for changes to that basic salary
- to consider any bonuses to be paid to the Executives and, in respect of any element of remuneration of an Executive which is performance related, to formulate suitable performance-related criteria and monitor their operation, and to consider any recommendations of the Chairman of the Company regarding bonuses or performance-related remuneration
- to advise on and determine all performance-related formulae relevant to the remuneration of the Directors of the Company and to consider the eligibility of Directors for annual bonuses and benefits under long term incentive schemes
- to administer all aspects of any executive share option scheme operated by or to be established by the Company including but not limited to (subject always to the rules of that scheme and any applicable legal and Stock Exchange requirements):
 - (1) the selection of those eligible Directors of the Company and its subsidiary companies to whom options should be granted
 - (2) the timing of any grant
 - (3) the numbers of shares over which options are to be granted
 - (4) the exercise price at which options are to be granted
 - (5) the imposition of any objective condition which must be complied with before any option may be exercised
- to have regard in the performance of the duties set out in this clause to any published guidelines or recommendations regarding the remuneration of directors of listed companies and formation and operation of share option schemes (in particular the guidelines published by the Association of British Insurers and National Association of Pension Funds) which the Remuneration Committee considers relevant or appropriate
- to consider and make recommendations to the Directors of the Company concerning disclosure of details of remuneration packages and structures in addition to those required by law
- to consider other benefits granted to the Executives and any recommendations of the Chairman of the Company for changes in those benefits
- to consider the pension arrangements applicable to the Executives
- to consider and make recommendations in respect of the terms of the service contracts of the Executives and any proposed changes to these contracts (including, without limitation, any compensation payments, notice periods, or other entitlements under these contracts)
- to consider other matters relating to the remuneration of or terms of employment applicable to the Executives and referred to the Remuneration Committee by the Board

The governance framework is subject to review on an ongoing basis. No changes to the governance framework are currently planned.

10: Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Company communicates with shareholders through Regulatory News Service announcements, the Annual Report and Accounts, full-year and half-year announcements, the Annual General Meeting (AGM), and when required one-to-one meetings with existing or potential institutional new shareholders.

Most day-to-day shareholder interaction and communication is the responsibility of the CEO and the CFO.

A range of corporate information (including all Company announcements) is also available to shareholders, investors, and the public on the Company’s corporate website, www.plexusplc.com

The Board receives when relevant, updates on the views of shareholders through briefings and reports from the Company’s brokers, Cavendish Capital Markets Limited.

The Company communicates with institutional investors through briefings with management. In addition, analysts’ notes and brokers’ briefings are reviewed to achieve a wide understanding of investors’ views.

Regular and open communication is encouraged between all layers of management to ensure that any issues or concerns can be raised.

Corporate Governance continued

The Company announces the results of all votes on resolutions proposed at any general meeting of the members of the Company by releasing a RNS to the London Stock Exchange immediately upon the conclusion of the meeting. It has not had occasion to announce where a significant proportion of votes (e.g., 20% or more of independent votes) has been cast against any particular resolution, although intends to include this information in the future, should such an occasion arise, including a summary of the actions it would take to understand the reasons behind such a voting result. The Company maintains on its website an increasing library of documents including all circulars to shareholders, RNS news releases and historic documents which the Board considers adequate – <https://www.plexusplc.com/aim-rule-26/>

Audit Committee Report

Introduction

This report details how the Audit Committee (“the Committee”) has met its responsibilities under its terms of reference. The Committee is a sub-committee of the Board and has the responsibility for reviewing and, where appropriate, recommending the approval of the Annual Reports and Accounts and interim financial statements by the Board with whom ultimate responsibility for their approval rests. The Committee does not believe it is appropriate to have an internal audit function at this point in time as the Group is relatively small and not sufficiently complex.

Members

The members of the Audit Committee are Jerome Jeffrey Thrall (Chairman) and Charles Jones. The Executive Directors and the external auditors attend the meetings by invitation. The Board considers that the Committee has an appropriate and experienced blend of commercial, financial and industry expertise to enable it to fulfil its duties, and that the Committee Chairman has appropriate recent and relevant financial experience.

Committee Meetings

The Committee met twice during the year to 30 June 2023. One meeting related to the 2021-22 Annual Report and Accounts, and the second meeting was to review and sign off the 2022 Interim Financial Statements. The external auditors attended both meetings.

Role and Responsibilities

The Board has established an Audit Committee and set clear Terms of Reference so as to monitor the integrity of the Group’s financial statements and the effectiveness of the Group’s internal financial controls.

The Terms of Reference are reviewed annually and amended where appropriate. During the year the Committee worked with management, the external auditors, and other members of the senior management team in fulfilling these responsibilities. The Committee considers financial reporting and internal controls. It also reviews the scope and results of the external audit and the independence and objectivity of the auditors. It meets at least twice a year and reviews the interim and annual financial statements before they are submitted for approval by the Board upon its recommendation. The Committee considers annually whether the auditors remain independent for the purposes of the audit and whether a separate internal audit function is required. As referenced above, the Committee does not believe it is appropriate to have an internal audit function at this time.

The Committee report deals with the key duties and areas in which it plays an active role and has responsibility. These duties and areas include the following:

- i) Financial reporting and related primary areas of judgement;
- ii) The external audit process;
- iii) Risk management and internal controls;
- iv) Whistleblowing procedures
- v) Consider and approve the appointment of the external auditors of the Company, the audit fee and other fees for non-audit related services;
- vi) Ensure the independence and objectivity of the external auditors; and
- vii) Review the external auditor’s management representations letter and management’s response.

Annual Report and Accounts

General

The Committee has satisfied itself that the 2022-23 Annual Report and Accounts have been prepared in accordance UK-adopted international accounting standards, are fair, balanced and provide the information necessary for shareholders to assess the Group’s performance, business model and strategy. The Committee reviewed the key risk areas as identified in the Audit Plan document including revenue recognition and management override of controls. The Committee understands that the auditors have followed their procedures for reviewing these risks and have undertaken detailed testing as appropriate.

In preparing the financial statements for the period, the main area requiring the exercise of management judgement, or a high degree of estimation was the valuation, and possible impairment, of intangibles. This was discussed with the auditor. The Committee, having reviewed management’s assessment of impairment, concluded that the relevant value in use was above the carrying value of the assets and hence no impairment provision was required. Further

Audit Committee Report continued

information on the methodology and assumptions used in the valuation of intangible assets and the assessment of impairment thereof is given in notes 1.g and 1.h to the consolidated accounts on page 53, and in the Parent, company accounts on page 80.

Going Concern

The Committee reviewed the going concern paper prepared by management including detailed monthly financial forecasts, which included the twelve months from the date of signing the financial statements for 2022-23 and included related assumptions, risks and opportunities, sensitivities, areas for mitigation and contingency plans. Based on this review, the Committee has a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future, being the period of twelve months from the date of signing the financial statements for 2022-23. Accordingly, the Committee concluded that it is appropriate to adopt the going concern basis in preparing the annual financial statements. The Committee agreed the group is reliant on raising additional funding, an event that was indicated at the time the convertible loan arrangements were entered into in October 2022, and there can be no certainty regarding the timing and quantum of future funding and therefore concur with management's assessment that this indicates a material uncertainty which may cast significant doubt regarding the Group's ability to continue as a going concern and this is adequately disclosed in note 1b.

Internal Control Systems

The Committee ensures that it monitors internal control systems reporting by the auditors and that there are no issues.

Risk Management

The Board has established an on-going process for identifying, evaluating and managing the more significant risk areas faced by the Group. One of the Board's control documents is a detailed "Risks assessment & management document" which categorises risks in terms of – Business (including IT), Compliance, Finance, Cash, Debtors, Fixed Assets, Other debtors/prepayments, Creditors, Legal, and Personnel. These risks are assessed and updated when necessary and can be associated with a variety of internal and external sources including regulatory requirements, disruption to information systems including cyber-crime, control breakdowns and social, ethical, environmental and health and safety issues. Further details on the Principal Risks and Risk Management may be found in the Strategic Report on page 9 of the financial statements.

Board Conduct and Effectiveness Review

As reported in the Corporate Governance section of the financial statements because of the relative size of the Company, the composition of the Board and the level of experience of each Board member, the Company has not adopted a formal whole board evaluation process although keeps the topic under review and would conduct one if it were considered necessary.

The Board is mindful of the subject of succession planning, although has yet to adopt a formal process and, the Company having been in transition since the disposal of the rental wellhead Jack-up business in 2018, any succession planning deemed necessary would be carried out on an ad hoc basis. The Board keeps this subject under review. The Board is aware of the current shareholding structure and the importance of the founder's shareholding and is always mindful of the need to balance the interests of all shareholders and stakeholders alike.

Auditor Independence

The Committee satisfied itself on the auditors' independence. The Group's auditors Crowe UK LLP rotate the audit engagement partner every five years to ensure independence.

Whistleblowing

The Committee had no whistleblowing incidents reported directly or indirectly during the year to 30 June 2023.

The Report of the Audit Committee was approved by a Committee of the Board of Directors on and signed on its behalf by:

Jerome J Thrall

Chairman of the Audit Committee

Remuneration Committee Report

Introduction

Companies trading on AIM are not required to provide a formal remuneration report. However, in line with current best practice this report provides information to enable a greater level of understanding as to how Directors' remuneration is determined.

The Remuneration Committee of the Board is responsible for considering Directors' remuneration packages. The Committee comprises two Non-Executive Directors J. Jeffrey Thrall and Charles Jones. There was no requirement for the Remuneration Committee to meet during the last financial year.

Remuneration policy

The Group's policy is to attract, retain and motivate high calibre executives capable of achieving the Group's objectives. Executive Directors receive salaries, annual bonuses (as and when appropriate), medical cover, and pension scheme contributions.

The Committee determines the policy of the overall remuneration package for Executive Directors and other senior executives. Basic salaries and benefits of all employees are normally reviewed every year, and the Group and the Committee as part of this process may seek advice from external remuneration consultants as and when appropriate. In reviewing salaries, consideration is given to personal performance, the Group's overall performance and external comparative information.

An annual performance or transaction related bonuses may be payable to Executive Directors and senior staff, and when appropriate an exercise is undertaken, again in conjunction where appropriate with external remuneration consultants to look at market comparisons, benchmarks, relative performance as well as consideration of strategic progress in addition to simply financial ones. Comparator group analysis includes oil and gas exploration companies with broadly similar market capitalisations and numbers of employees, as well as oil and gas service companies where, although the market capitalisation range is wide, it is still relevant as these are the sort of companies with which Plexus may compete for talent.

Service contracts

The Executive Directors have service agreements with the Company dated 25 November 2005 subject to termination upon twelve months' notice being given by either party.

Pensions

The Group offers a contributory group stakeholder pension scheme, into which the Group makes matching contributions up to a pre-agreed level of base salary; the scheme is open to Executive Directors and permanent employees. Directors may alternatively choose to have contributions paid into existing personal pension plans, or to receive salary in lieu.

Non-executive Directors

The Non-Executive Chairman, J. Jeffrey Thrall, entered into a Letter of Appointment with the Company dated 25 November 2005 for an initial term through to the first AGM and having been re-elected as a director either party can terminate upon three months' notice being given. The subsequently appointed Non-Executive Directors, Charles Jones and Kunming Liu, entered into their Letters of Appointment with the Company dated 18 September 2014, and 17 December 2015 respectively, and having been re-elected as a director at the first respective AGM following their appointment, are subject to the same termination conditions as those applicable to Mr Thrall.

Remuneration Committee Report continued

Directors' remuneration

Details of Directors' remuneration for the year are set out below:

	Salary & Fees £	Benefits £	Pension £	2023 Total £	2022 Total £
Executive Directors					
Ben van Bilderbeek	324,218	6,514	–	330,732	301,696
Graham Stevens	166,791	19,009	–	185,800	182,519
Craig Hendrie	138,377	1,309	19,857	159,543	159,870
Non-executive Directors					
J Jeffrey Thrall	–	–	–	–	–
Charles Jones	–	–	–	–	–
Kunming Liu	–	–	–	–	–
Total	629,386	26,832	19,857	676,075	644,085

The highest paid director is the Group CEO with total remuneration for the year of £331k (2022: £302K). This compares to the average of all company employees (salaries and benefits plus pension) of £76k (2022: £75k).

Directors' interest in share options

The options and awards have been granted pursuant to the Executive 2005 Share Option Scheme and Non-Executive 2005 Share Option Scheme to the following Directors:

Executive 2005 Share Option Scheme

Name	No of options at 30/06/22 & 30/06/23	Date of Grant	No of Options Vested at 30/06/23	Expiry Date	Exercise Price
B. van Bilderbeek	194,152	09/12/05	194,152	08/12/25	0.59
B. van Bilderbeek	65,902	20/06/07	65,902	19/07/27	0.385
B. van Bilderbeek	332,110	17/12/09	332,110	13/12/29	0.41
B. van Bilderbeek	169,642	25/03/11	169,642	24/03/31	0.60
G. Stevens	138,407	09/12/05	138,407	08/12/25	0.59
G. Stevens	43,177	20/06/07	43,177	19/07/27	0.385
G. Stevens	217,795	17/12/09	217,795	13/12/29	0.41
G. Stevens	101,042	25/03/11	101,042	24/03/31	0.60
C. Hendrie	254,407	09/12/05	254,407	08/12/25	0.59
C. Hendrie	43,177	20/06/07	43,177	19/07/27	0.385
C. Hendrie	217,79	17/12/09	217,79	13/12/29	0.41
C. Hendrie	105,853	25/03/11	105,853	24/03/31	0.60

No executive share options have been granted, lapsed, forfeited or exercised during the years to 30 June 2023 and 2022. No share options have been exercised since 2015.

Remuneration Committee Report continued

Non-executive 2005 Share Option Scheme

Name	No of options at 30/06/22	Lapsed during 23/23	No of options at 30/06/23	Date of Grant	No of Options Vested at 30/06/23	Expiry Date	Exercise Price
J. Thrall	40,169	–	40,169	09/12/05	40,169	08/12/25	0.59

No non-executive share options have been granted, forfeited or exercised during the years to 30 June 2023 and 2022.

No options are expected to lapse at the AGM.

On 9 July 2015 the Board of Plexus approved certain amendments to the rules of the Plexus Holdings plc 2005 Share Option Scheme (the “Plan”) such that the Company is permitted to extend the exercise period for options granted under the Plan by a further ten years. On 9 July 2015 the directors approved an amendment to the rules of the scheme such that the Company is permitted to extend the exercise period for options granted under the scheme by a further ten years. Subsequently on 8 June 2017, 13 December 2019 and 25 March 2021 the Company entered into deeds of amendment with Ben van Bilderbeek, Graham Stevens, Craig Hendrie, and eleven employees in respect of options granted to them on 20 June 2007 and 17 December 2009 and 25 March 2011 under the scheme, to extend the exercise period by ten years, subject to all other terms of the scheme rules.

The lowest mid-market price of the Company’s shares in the year to 30 June 2023 was 1.63p on the 12th and 13th of January 2023. The high price in the period to 30 June 2023 was 4.52p on 6th March 2023. The mid-market price on 30 June 2023 was 2.80p.

The 6-year history of the share price on reporting date (30 June) is as follows, 2023: 2.80p, 2022: 2.80p, 2021: 13.25p, 2020:14.00p, 2019: 40.50p and 2018: 46.90p.

Total staff remuneration costs for the year, as set out in note 5 was £2.93m (2022: £2.86m). This compares to distributions to shareholders of nil (2022: £nil).

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with UK-adopted international accounting standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are further responsible for ensuring that the Strategic Report and the Report of the Directors and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website (www.plexusplc.com). The work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

G Stevens

Director

28 November 2023

Independent Auditor's Report to the Shareholders of Plexus Holdings plc

Opinion

We have audited the financial statements of Plexus Holdings plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 30 June 2023, which comprise:

- the Group statement of comprehensive income for the year ended 30 June 2023;
- the Group and Parent Company statements of financial position as at 30 June 2023;
- the Group and Parent Company statements of changes in equity for the year then ended;
- the Group and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, including significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK-adopted international accounting standards.

In our opinion the financial statements:

- give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2023 and of the Group's loss for the period then ended;
- have been properly prepared in accordance with UK-adopted international accounting standards;
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We draw attention to note 1(b) in the financial statements, which indicates that the Group and Parent Company will require further funding to continue its operations and meet its obligations. As stated in note 1(b), these events or conditions, along with the other matters as set forth in note 1(b), indicate that a material uncertainty exists that may cast significant doubt on the Group's and Parent Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group's and Parent Company's ability to continue to adopt the going concern basis of accounting included

- We obtained management's going concern assessment, which covered a period up to 30 November 2024 and tested the mathematical accuracy of the model;
- We challenged management over the level of certainty over revenues that were included;
- Following this challenge, management prepared a stress-tested scenario that included only currently contracted revenues. This comprised income from the significant contract originally announced to the market in March 2023, and the two contracts announced to the market in October and November 2023.
- The stress test scenario included a requirement to raise funds in order to maintain sufficient cash levels for the going concern period. If this action was not successful, the Group and Parent Company would not have sufficient cash balances to meet their obligations during the going concern period.
- We reviewed the disclosures made in the financial statements relating to going concern and agreed these to be consistent with the assessment and our conclusions

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Independent Auditor's Report to the Shareholders of Plexus Holdings plc

continued

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £200,000 (2022: £275,000), based on 5% percent of Group loss before tax. Materiality for the Parent Company financial statements as a whole was set at £80,000 (2022: £65,000) based on a percentage of loss before tax.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. This is set at £140,000 (2022: £192,500) for the group and £56,000 (2022: £45,500) for the parent.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £10,000 (2022: £13,750). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, assessing whether there was evidence of bias by the directors that may have represented a risk of material misstatement.

The Group and its subsidiaries are accounted for from one central operating location, the Group's registered office. There are two significant components in the Group: the Parent Company and Plexus Ocean Systems Limited. These two entities were subject to full scope audits by ourselves.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We set out below, together with the material uncertainty related to going concern above, those matters we considered to be key audit matters.

This is not a complete list of all risks identified by our audit.

Independent Auditor's Report to the Shareholders of Plexus Holdings plc

continued

Key audit matter

1. Impairment of intangible assets, including goodwill (notes 10 and 11)

The Group carries intangible assets and goodwill at a net book value of £9.5 million (2022: £9.9 million). This balance is primarily represented by intellectual property, patent and other development expenditure.

Management prepare annual impairment calculations to assess the carrying value of intangible assets as set out in the accounting policy in notes 1g and 1h to the financial statements.

The performance of the impairment review requires management to make a number of judgements and assumptions.

As a result, we identified the impairment of intangible assets, including goodwill, as a key audit matter.

2. Carrying value of Parent Company investments in subsidiaries and intercompany receivables (parent company note 5)

The carrying value of investments in subsidiaries in the Parent Company financial statements at 30 June 2023 was £8.3m (2022: £8.3m). Intercompany receivables were fully written off to a value of £nil during the year (2021: intercompany receivables of £7.5m). The value of these investments are almost entirely dependent on the successful trading of the subsidiary Plexus Ocean Systems Limited, utilising the IP included as intangible assets in the Group financial statements.

3. Revenue recognition (notes 1d and 2)

Revenue is recognised in accordance with the accounting policy set out in the financial statements.

The principal income stream during the period was revenue from rental of equipment.

The principal area of risk was considered to be cutoff, being that revenue is recognised in the correct period; and existence, being the judgement that performance obligations have been met and so revenue should be recognised.

How the scope of our audit addressed the key audit matter

- We evaluated, in comparison to the requirements set out in IAS 36, management's assessment (based on value in use) as to whether goodwill or other intangible assets were impaired.
- We challenged, the key estimates included in management's value in use model, including the discount rate and growth rates. This included comparison to external benchmarks.
- Sensitivity analysis was performed by management on the key assumptions such as the discount rate to identify those assumptions to which that the goodwill or intangible asset valuation was highly sensitive.
- We have applied further sensitivities over the discount rate and growth rate and challenged management on the likelihood of such a scenario occurring, and on what remedial actions would be taken.
- We also evaluated whether information existed in relation to the fair value less costs to sell, that would support the recoverable value of the assets.
- We held discussions with management to determine whether indicators of impairment existed in relation to these balances and concurred with their conclusion that an impairment review was required due to the level of year end market capitalisation of the Group in comparison to the investment carrying value.
- In assessing whether impairment was required, our work was substantially the same as described above in the impairment consideration of the intangible assets, as the recoverability of the investment values is closely linked to these assets.
- We assessed that the accounting policy conformed with the requirements of IFRS15 and tested its application to a sample of contracts, including the significant new contract announced to the market in March 2023.
- We performed cut off testing by tracing a sample of transactions pre and post year end to evidence of whether performance obligations had been met, to ensure revenue is being recorded in the correct period.
- A sample of revenue transactions were verified to supporting invoices, delivery confirmation, and traced through to receipt of cash.

Independent Auditor's Report to the Shareholders of Plexus Holdings plc

continued

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

The directors are responsible for the other information contained within the annual report. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report. We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 41, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Independent Auditor's Report to the Shareholders of Plexus Holdings plc

continued

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group, and the procedures in place for ensuring compliance. The most significant regulations identified were compliance with the Companies Act 2006 and the AIM rules. Our work included direct enquiry of the directors, who oversee all legal proceedings, reviewing Board minutes and inspection of correspondence and accreditation renewals.
- We communicated the relevant laws and regulations identified to all members of the engagement team, and remained alert to any indication of noncompliance with laws and regulations, or potential fraud, throughout our audit work.
- As part of our audit planning process we assessed the different areas of the financial statements, including disclosures, for the risk of material misstatement. This included considering the risk of fraud where direct enquiries were made of management and those charged with governance concerning both whether they had any knowledge of actual or suspected fraud and their assessment of the susceptibility of fraud. We considered the risk was greater in areas that involve significant management estimate or judgement. Based on this assessment we designed audit procedures to focus on the key areas of estimation or judgement, this included specific testing of journal transactions, both at the year end and throughout the year.
- We used data analytic techniques to identify any unusual transactions or unexpected relationships, including considering the risk of undisclosed related party transactions.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 members as a body, for our audit work, for this report, or for the opinions we have formed.

John Charlton (Senior Statutory Auditor)

for and on behalf of

Crowe U.K. LLP

Statutory Auditor

55 Ludgate Hill

London

28 November 2023

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2023

	<i>Notes</i>	2023 £'000	2022 £'000
Revenue	2	1,487	2,306
Cost of sales		(400)	(813)
		<hr/>	<hr/>
Gross profit		1,087	1,493
Administrative expenses		(5,348)	(5,784)
		<hr/>	<hr/>
Operating loss	4	(4,261)	(4,291)
Finance income	6	7	164
Finance costs	7	(175)	(640)
Share in profit of associate	13	182	111
Other income		69	125
		<hr/>	<hr/>
Non-recurring item			
Fair-value adjustment on asset held for sale		(50)	(1,025)
		<hr/>	<hr/>
Loss before taxation		(4,228)	(5,556)
Income tax credit / (charge)	8	213	(1,901)
		<hr/>	<hr/>
Loss for year		(4,015)	(7,457)
Other comprehensive income		-	-
		<hr/>	<hr/>
Total comprehensive			
Loss for the year attributable to the owners of the parent		(4,015)	(7,457)
		<hr/>	<hr/>
Loss per share	9		
Basic		(4.00p)	(7.42p)
Diluted		(4.00p)	(7.42p)

Consolidated Statement of Financial Position

at 30 June 2023

	Notes	2023 £'000	2022 £'000
Assets			
Goodwill	10	767	767
Intangible assets	11	8,731	9,165
Property, plant and equipment	14	1,404	821
Financial assets	16	–	101
Investment in associate	13	–	723
Right of use asset	27	638	941
Total non-current assets		11,540	12,518
Asset held for sale	15	905	1,100
Corporation tax	8	153	–
Inventories	17	2,265	1,394
Trade and other receivables	18	2,318	971
Cash and cash equivalents		1,449	5,840
Total current assets		7,090	9,305
Total assets		18,630	21,823
Equity and liabilities			
Called up share capital	20	1,054	1,054
Shares held in treasury	21	(2,500)	(2,500)
Share based payments reserve	22	674	674
Retained earnings		12,292	16,307
Total equity attributable to equity holders of the parent		11,520	15,535
Liabilities			
Convertible loans	26	1,702	–
Lease liabilities	27	428	761
Total non-current liabilities		2,130	761
Trade and other payables	19	4,647	1,245
Lease liabilities	27	333	324
Bank Lombard facility	24	–	3,958
Total current liabilities		4,980	5,527
Total liabilities		7,110	6,288
Total equity and liabilities		18,630	21,823

These financial statements were approved and authorised for issue by the board of directors on 28 November 2023 and were signed on its behalf by:

G Stevens
Director

C Hendrie
Director

Company Number: 03322928

Consolidated Statement of Changes in Equity

for the year ended 30 June 2023

	Called Up Share Capital £'000	Shares Held in Treasury £'000	Share Based Payments Reserve £'000	Retained Earnings £'000	Total £'000
Balance as at 30 June 2021	1,054	(2,500)	674	23,764	22,992
Total comprehensive loss for the year	–	–	–	(7,457)	(7,457)
Balance as at 30 June 2022	1,054	(2,500)	674	16,307	15,535
Total comprehensive loss for the year	–	–	–	(4,015)	(4,015)
Balance as at 30 June 2023	1,054	(2,500)	674	12,292	11,520

Consolidated Statement of Cash Flows

for the year ended 30 June 2023

	2023	2022
<i>Notes</i>	£'000	£'000
Cash flows from operating activities		
Loss before taxation	(4,228)	(5,556)
Adjustments for:		
Depreciation and amortisation charges	1,560	1,679
Redemption premium on convertible loans	152	
Profit on disposal of property, plant and equipment	–	(4)
Share in profit of associate	(182)	(111)
Other income	(69)	(114)
Lease liability re-assessment	–	–
Fair value adjustment on asset held for sale	50	1,025
Impairment of associate	–	109
Fair value adjustment on financial assets	1	513
Investment income	(7)	(164)
Interest expense	23	127
Changes in working capital:		
Increase in inventories	(871)	(819)
(Increase) / decrease in trade and other receivables	(1,347)	80
Increase in trade and other payables	3,401	602
Cash used in operating activities	(1,517)	(2,633)
Income taxes refunded / (paid)	80	(2)
Net cash used in operating activities	(1,437)	(2,635)
Cash flows from investing activities		
Funds divested from financial instruments	102	2,428
Property rental and dilapidations income	50	114
Purchase of intangible assets	(516)	(447)
Purchase of property, plant and equipment	(890)	(253)
Preparation costs for asset held for sale	–	(180)
Proceeds of sale of property, plant and equipment	1,052	3
Interest and investment income received	7	164
Net cash (used) / generated in investing activities	(195)	1,829
Cash flows from financing activities		
(Repayment) / draw down of Lombard facility	(3,958)	1,914
Funds raised from convertible loans	1,550	–
Repayments of lease liabilities	(347)	(347)
Interest paid	(4)	(96)
Net cash (outflow) / inflow from financing activities	(2,759)	1,471
Net (decrease) / increase in cash and cash equivalents	(4,391)	665
Cash and cash equivalents at 1 July 2022	5,840	5,175
Cash and cash equivalents at 30 June 2023	1,449	5,840

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Notes to the Consolidated Financial Statements

1. Summary of significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information.

a. Basis of preparation

The consolidated financial statements have been prepared in accordance with UK-adopted international accounting standards and interpretations issued by the UK Endorsement Board and are in accordance with the Companies Act 2006.

There are a number of standards, amendments to standards, and interpretations which have been issued by the UKEB that are effective in future accounting. The Directors' have assessed the impact of these standards and do not expect any significant impact to the Group on their adoption.

The Group financial statements are presented in sterling and all values are rounded to the nearest thousand pounds except where otherwise indicated.

The financial information has been prepared under the historical cost convention except where fair value adjustments are required.

b. Going concern

At the year end, the Group had cash and cash equivalents of £1.45m, with no bank borrowings. Since the year end the group has raised £0.7m through a loan facility and a further £0.5m from the sale of treasury shares. Both transactions are detailed in note 30. The Group's financial risks and the management of capital risks are set out in Note 25 to the Financial Statements.

After careful enquiry and review of available financial information, including multi-scenario projections and cash flows for the period to 30 November 2024 (which included a severe, but plausible downside scenario), the Directors consider it appropriate to continue to adopt the going concern basis of accounting in the preparation of the consolidated and company financial statements. However, in each scenario noted above, the group is reliant on a future funding event and failure to secure funding would have a material impact on the group. There can be no certainty regarding the timing and quantum of such future funding and therefore this indicates a material uncertainty which may cast significant doubt regarding the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group and the company were unable to continue as a going concern

Notwithstanding the above management are confident regarding the ability of the group to secure a future funding event due its recent successful sale of treasury shares (see note 30) and the current market capitalisation of the group.

c. Basis of consolidation

The Group's financial statements consolidate the financial statements of Plexus Holdings plc and the entities it controls (its subsidiaries) and are drawn up to 30 June each year. Control comprises the power to govern the financial and operating policies of the investee so as to obtain benefit from its activities and is achieved through direct and indirect ownership of voting rights, currently exercisable or convertible potential voting rights. Subsidiaries are consolidated from the date of their acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. The financial statements of subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies. All intercompany balances and transactions, including unrealised profits arising from intra group transactions, have been eliminated in full. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred.

Within twelve months of the date of acquisition of a subsidiary undertaking a re-assessment is made of the fair value of the assets and liabilities acquired in order to assess any provisional values used in initial accounting.

Notes to the Consolidated Financial Statements continued

1. Summary of significant accounting policies (continued)

The financial statements of the Company and its subsidiaries are prepared in sterling (the functional currency), which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Group. Transactions and balances in foreign currencies are converted into sterling in accordance with the principles set forth by IAS 21 (“The Effects of Changes in Foreign Exchange Rates”). Accordingly, transactions and balances have been converted as follows:

- Monetary assets and liabilities – at the rate of exchange applicable at the reporting date; and
- Income and expense items – at exchange rates applicable as of the date of recognition of those items. Exchange gains and losses are recognised in the consolidated statement of comprehensive income.

d. Revenue

Sale of equipment

The Group sells a range of equipment derived from its proprietary technology, spares and ancillary equipment. Revenue from the sale of equipment is recognised when performance obligations are met. This is considered to be on acceptance of the equipment by the customer. Invoicing and subsequent payment follow the transfer of ownership.

Rental income

The Group rents out equipment to customers. Revenue from rental contracts, all of which are short term, is recognised in the statement of comprehensive income on a straight-line basis as the performance obligations are satisfied over time. Rental income is invoiced on a monthly basis. Milestone payments received on rental contracts are recognised as contract liabilities, with recognition of revenue being deferred until performance obligations are met.

Service and engineering income

The Group provides Field Service Technicians to its customers, on daily rate basis. Revenue from service contracts is recognised on a performance basis as work is undertaken. Customers are invoiced following receipt of a signed field service ticket. Engineering work can operate on a similar basis or on a pre-agreed price for a specified scope of work and be invoiced on completion.

Royalty income

The Group has licensing agreements which are subject to royalty payments. Royalty income is recognised under the terms and conditions of the underlying licensing agreement, and revenue is recognised when performance obligations as specified in each royalty agreement are satisfied..

Rebillable income

The Group passes on third party costs to customers at cost plus mark-up where applicable. The level of mark-up is specified in the underlying contract with the customer. Revenue is invoiced and recognised, along with the associated expenditure in the period in which it relates.

e. Cost of sales

Cost of sales includes salary and related costs for service personnel, depreciation, refurbishment costs on rental assets and other costs which are directly attributable to revenue generating projects.

f. Income taxes and deferred taxation

The income tax credit for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax credit is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Notes to the Consolidated Financial Statements continued

1. Summary of significant accounting policies (continued)

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

As set out in note 22 the Group operates a share option scheme. Where the market price of the shares at the year-end exceeds the option price there is a potential tax deduction. This is treated as a deferred tax asset. The portion of the expected future tax deduction which is less than or equal to the associated cumulative IFRS2 charge is recognised in the income statement. The balance of the credit is recognised directly in equity.

g. Goodwill

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable assets acquired) arising on business combinations in respect of acquisitions is capitalised.

Goodwill is not amortised; it is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment at least annually.

Goodwill is monitored by management at the operating segment level. All goodwill has been allocated to the single operating segment, which is considered to be a group of similar cash generating units (CGU's) for impairment purposes.

h. Intangible assets and amortisation

Patents are recorded initially at cost and amortised on a straight-line basis over 20 years which represents the life of the patent. The Group operates a policy of continual patent enhancement in order that technology enhancements and modifications are incorporated within the registered patent, thereby protecting the value of technology advances for a full 20-year period.

Intellectual Property rights are initially recorded at cost and amortised over 20 years on a straight-line basis. The technology defined by the Intellectual Property is believed to be able to generate income streams for the Group for many years; key Intellectual Property is protected by patents; the lowest common denominator in terms of economic life of the intangible assets is the life of the original patents and therefore the life of the Intellectual Property has been matched to the remaining life of the patents protecting it.

Development expenditure is capitalised in respect of development of patentable technology at cost including an allocation of own time when such expenditure is incurred on separately identifiable technology and its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised on a straight-line basis over its useful economic life, which the directors consider to be 20 years.

Computer software is amortised over 2 to 5 years on a straight-line basis.

In all cases the amortisation period represents the expected useful life of the asset.

Amortisation is charged to the Administrative Expenses line of the Statement of Comprehensive Income.

Expenditure on research and development, which does not meet the capitalisation criteria, is written off to the Statement of Comprehensive Income in the period in which it is incurred.

The carrying value of intangible assets is reviewed on an on-going basis by the directors, and where appropriate, provision is made for any indication of impairment in value. Where impairment arises, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, an estimate is made of the recoverable amount of the cash-generating unit to which the asset belongs.

The recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. If the recoverable

Notes to the Consolidated Financial Statements continued

1. Summary of significant accounting policies (continued)

amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Any impairment loss would be recognised immediately in the Statement of Comprehensive Income.

i. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Cost represents the cost of acquisition or construction, including the direct cost of financing the acquisition or construction until the asset comes into use. Depreciation is provided to write off the cost or valuation of property, plant and equipment less the estimated residual value by equal instalments over their estimated useful economic lives as follows:

Buildings	Over the remaining life of the lease on the land on which the building is constructed
Tenant improvements	Over the remaining life of the lease of the relevant building
Equipment	7% – 50% per annum
Motor vehicles	20% per annum

The expected useful lives and residual values of property, plant and equipment are reviewed on an annual basis and, if necessary, changes in useful life or residual value are accounted for prospectively.

The carrying value of property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the Statement of Comprehensive Income in the period the item is derecognised.

IFRS 5 sets out the criteria for designating an asset as held for sale

- Management must be committed to a plan to sell the asset;
- An active program to find a buyer must have been initiated;
- The asset must be actively marketed for sale at a price reasonable to its current fair value;
- The sale is expected to be completed within 1 year from the date of classification;
- Significant changes to the plan are unlikely.

Should the above criteria be met the asset, or group of assets, is reclassified to current assets, at the lower of its carrying amount and its fair value less costs to sell.

j. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the Group's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

k. Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the statement of financial position date and the gains or losses on translation are included in the Statement of Comprehensive Income. The functional currency of the Group is pounds sterling.

l. Leases

Short-term and low value rentals are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

A lessee will be required to recognise assets and liabilities for all leases with a term of more than 12 months (unless the underlying asset is of low value) and is required to present depreciation of leased assets separately from interest on lease liabilities in the consolidated statement of comprehensive income.

The right of use asset is initially measured at cost and is subsequently measured at cost less accumulated depreciation and impairment and adjusted for any amendment to the lease liability. The lease liability is initially

Notes to the Consolidated Financial Statements continued

1. Summary of significant accounting policies (continued)

measured at the present value of the lease payments due at inception, and is subsequently adjusted for lease payments and interest, or any amendment to the lease liability.

The Group has taken the exemptions where applicable for low value and short-term leases. A lessor will continue to classify its leases as operating leases or financing leases, and to account for those two types of leases separately.

m. Inventory

Inventory is stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes all direct costs incurred and attributable production overheads. Net realisable value is based on estimated selling price allowing for all further costs to completion and disposal.

n. Pensions

The Group offers a contributory Group stakeholder pension scheme, into which the Group will make matching contributions up to a pre-agreed level of base salary; the scheme is open to executive directors and permanent employees. Directors may choose to have contributions paid into personal pension plans. Payments to the defined contribution retirement benefit plans are recognised as an expense when the employees have rendered service entitling them to contributions.

o. Classification of financial instruments issued by the Group

In accordance with IAS 32, financial instruments issued by the Group are treated as equity (i.e., forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

p. Share based payments

The Group issues share options to directors and employees, which are measured at fair value at the date of grant. The fair value of the equity settled options determined at the grant date is expensed on a straight-line basis over the vesting period based on an estimate of the number of options that will actually vest. The Group has adopted a Stochastic model to calculate the fair value of options, which enables the Total Shareholder Return (TSR) performance condition attached to the awards to be factored into the fair value calculation.

q. Management of capital

The Group's capital is comprised of share capital, shares held in treasury and retained earnings. (Notes 20 and 21).

The Group's objective when managing capital is to safeguard its ability to continue as a going concern so that it can continue to provide returns to shareholders.

The Group sets the amount of capital in proportion to its assessment of the risks that it faces. The Group manages the capital structure and adjusts it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Group may adjust the value of dividends paid or issue new equity.

Notes to the Consolidated Financial Statements continued

1. Summary of significant accounting policies (continued)

r. Associates

Associates are initially recognized at cost, including any directly attributable acquisition cost. Associates are accounted for using the equity method. Under this method, the investment is initially recognized at cost, and adjustments are made to the carrying amount to reflect the investor's share of the associate's profit or loss and other comprehensive income. Dividends received from associates reduce the carrying amount of the investment. If there is an indication of impairment, the carrying amount of the investment is assessed, and any impairment loss is recognized in the income statement.

s. Convertible loans

Convertible loans are initially recognised at their fair value, which includes any directly attributable transaction costs. The loan notes can be settled in cash, with an additional 20% redemption interest on the principal amount or converted into new shares where the principal amount will be settled at a 20% discount to the share price paid by investors in a qualifying financing event. The 20% is representative of a 25% redemption period that will be accrued over the life of the convertibles.

Should the qualifying event occur causing conversion to shares prior to the maturity date, the carrying amount of the Convertible Loan Note will be derecognised and shares arising on conversion of the notes shall be issued and allotted by the company on the conversion date. The remaining redemption premium will be recognised as a debit to the income statement upon conversion.

t. Significant judgements made by management

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The principal areas in which significant judgements have been made by management are as follows:

- (a) In assessing the intangibles assets for impairment, the directors have applied judgment when preparing projections of future revenues expected to be derived from exploiting the Group's intangible assets in future periods as part of their consideration of impairment. The core technology has proven commercial value, despite the recent trading losses made. The projections for future application are subject to a significant degree of judgement.
- (b) The directors have applied judgement when considering the recognition of a deferred tax asset in relation to future utilisation of trading losses. That recognition is predicated on a judgement in relation to the probable extent that sufficient taxable profit will be available against which the unused tax losses can be utilised. In arriving at that judgement, the directors have adopted modelling based on approved budgets for the next 12 months, and modelling for an additional two years, and applied estimates and assumptions consistent with those set out in note 11 in relation to expectation of future developments, sales models and growth rates.
- (c) Judgement was used to conclude whether the investment in associate met the criteria of IFRS 5 as being held for sale, at the balance sheet date. On the basis the asset is available for sale in its present condition and management were committed to a plan to sell the asset to an identified buyer at an appropriate valuation by December 2023 the asset sale was considered highly probably and the criteria set out in IFRS 5 had been met.

u. Key assumptions and sources of estimation

The life of the Group's Intellectual Property is estimated with reference to the lifespan of the patents which help protect the knowledge and the Group's ability to generate income from it. Changes to these estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of comprehensive income in specific periods.

When measuring goodwill and intangible assets for impairment a range of assumptions are required and these are detailed in the Goodwill and Intangible Asset notes 1g and 1h and note 11 to the financial statements. When reviewing the Intellectual Property ("IP") for impairment a multi scenario model is employed which includes an organic sales model and a licensing model for the two main stands of IP, Conventional and Deepwater. A number of assumptions and judgements are used in the modelling, including assumed growth rates, cost inflation and salary inflation. A sensitivity analysis is applied to the modelling including flexing

Notes to the Consolidated Financial Statements continued

1. Summary of significant accounting policies (continued)

the weight average cost of capital and revenue growth rate. In all scenarios the discounted cash flows are in excess of the carrying values of the IP.

Provisions requiring management estimates and judgements: A provision has been made against slow moving inventory based upon historical experience of the viability of the older parts as technological improvements are made. Changes to these estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of comprehensive income in specific periods.

In forming their assessment of going concern, the Directors prepare budgets and forecasts, which include multi-scenario modelling. The main area of estimation within the modelling is revenue levels. The Directors estimate revenues based on their current expectation from contracted works and other projects considered very likely to proceed. These are sensitised for more severe scenarios, to ensure that the Group has enough cash headroom to ensure the going-concern assumption is appropriate. Refer to going concern disclosure at note 1b.

2. Revenue

	2023 £'000	2022 £'000
By geographical area		
UK	963	1,984
Europe	524	277
Rest of World	–	45
	<u>1,487</u>	<u>2,306</u>

The revenue information above is based on the location of the customer.

	2023 £'000	2022 £'000
By revenue stream		
Rental	589	417
Service	146	167
Sold equipment	540	1,289
Royalty fees	–	277
Rebillables	36	24
Support services and engineering	176	132
	<u>1,487</u>	<u>2,306</u>

Substantially all of the revenue in the current and previous periods derives from the sale, short-term rentals and the provision of services relating to the Group's patent protected equipment.

Notes to the Consolidated Financial Statements continued

3. Segment Reporting

The Group derives revenue from the sale of its POS-GRIP technology and associated products, the rental of equipment utilising the POS-GRIP technology and service income principally derived in assisting with the commissioning and on-going service requirements of our equipment. These income streams are all derived from the utilisation of the technology which the Group believes is its only segment.

Per IFRS 8, the operating segment is based on internal reports about components of the group, which are regularly reviewed and used by the board of directors being the Chief Operating Decision Maker (“CODM”).

All of the Group’s non-current assets are held in the UK.

The following customers each account for more than 10% of the Group’s continuing revenue:

	2023	2022
	£’000	£’000
Customer 1	524	1,471
Customer 2	444	277
Customer 3	235	–
Customer 4	156	–

4. Group operating loss

Loss on ordinary continuing activities before tax taxation is stated after charging/(crediting).

	2023	2022
	£’000	£’000
Depreciation of tangible assets	307	449
Amortisation of intangible assets:		
– Intellectual property rights	238	238
– Research and development	712	687
– Computer software	–	1
– IFRS 16 lease amortisation	303	304
Foreign currency exchange loss	31	15
Gain on disposal of property, plant and equipment	–	4
Directors’ emoluments	676	644
Inventories recognised as expense	108	598
Inventory write down provision	–	–
Auditors’ remuneration:		
Fees payable to the Company’s auditors for:		
The audit of the Company’s annual accounts	22	10
The audit of the Company’s subsidiary pursuant to legislation	30	30
Audit related assurance services	3	3
	<hr/>	<hr/>
Total audit fees	55	43
	<hr/>	<hr/>

Notes to the Consolidated Financial Statements continued

5. Staff numbers and costs

The average number of persons, including executive directors, during the year was:

	2023	2022
	Number	Number
Management	6	6
Technical	26	26
Administrative	7	6
	<u>39</u>	<u>38</u>

The aggregate payroll costs of these persons were as follows:

	2023	2022
	£'000	£'000
Wages and salaries	2,559	2,509
Social security costs	253	239
Pension contributions to defined contribution plans	118	115
	<u>2,930</u>	<u>2,863</u>

Key management are considered to be the Board of Directors and details of Directors' remuneration are given in the remuneration report on page 38 and this forms part of the financial statements.

Other income includes Job Retention Scheme income of £nil (2022: £11k).

6. Finance Income

	2023	2022
	£'000	£'000
Bank interest receivable	3	19
Investment income	1	143
Other interest receivable	3	2
	<u>7</u>	<u>164</u>

7. Finance Costs

	2023	2022
	£'000	£'000
On bank loans and overdraft	–	29
Investment costs	–	67
Redemption premium on convertible loans	152	–
Fair value adjustment on financial assets	1	513
Interest on right of use assets	22	31
	<u>175</u>	<u>640</u>

Notes to the Consolidated Financial Statements continued

8. Income tax credit

(i) The taxation (credit) / charge for the year comprises:

	2023 £'000	2022 £'000
UK Corporation tax:		
Adjustment in respect of prior years	(217)	–
	<u>(217)</u>	<u>–</u>
Foreign tax		
Current tax on income for the year	–	2
	<u>–</u>	<u>2</u>
Total current tax (credit) / charge	<u>(217)</u>	<u>2</u>
Deferred tax:		
Origination and reversal of timing differences	4	(14)
Deferred tax asset write-down	–	(1,866)
Adjustment in respect of prior years	–	(23)
	<u>4</u>	<u>(1,903)</u>
Total deferred tax	<u>4</u>	<u>(1,903)</u>
Total tax credit	<u>(213)</u>	<u>(1,901)</u>

The effective rate of tax is 20.50% (2022: 19%)

(ii) Factors affecting the tax charge on continuing activities for the year

	2023 £'000	2022 £'000
Loss on ordinary activities before tax	(4,228)	(5,784)
Tax on (loss)/profit at standard rate of UK corporation tax of 20.50% (2021: 19%)	(867)	(1,098)
<i>Effects of:</i>		
Fixed asset differences	18	–
Expenses not deductible for tax purposes	133	282
Effect of change in tax rate	(171)	(257)
Tax adjustments on share-based payments		
Adjustments in respect of prior year	(217)	(22)
Foreign tax rates		
Deferred tax asset write-down	–	(1,866)
Deferred tax not recognised	891	1,060
	<u>891</u>	<u>1,060</u>
Total tax credit	<u>(213)</u>	<u>(1,901)</u>

Notes to the Consolidated Financial Statements continued

8. Income tax credit (continued)

<i>(iii) Movement in deferred tax asset balance</i>	2023	2022
	£'000	£'000
Deferred tax asset at beginning of year	–	(1,899)
Debit to Statement of Comprehensive Income	–	1,899
	<u>–</u>	<u>–</u>
Deferred asset at end of year	–	–
	<u>–</u>	<u>–</u>
<i>(iv) Deferred tax asset balance</i>	2023	2022
	£'000	£'000
The deferred tax asset balance is made up of the following items:		
Difference between depreciation and capital allowances	2,055	–
Tax losses	(2,055)	–
	<u>–</u>	<u>–</u>
Deferred tax asset at end of year	–	–
	<u>–</u>	<u>–</u>

As outlined in the accounting policy (note 1f) deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available. The deferred tax asset relates to losses to the value of the deferred tax losses and is reviewed at the end of each reporting period. The Group has previously recognised a deferred tax asset based upon its mid-term forecast profitability. On the basis losses have not been utilised in the current financial year management consider that the probable threshold is not met and have released the asset to the extent there are not sufficient taxable temporary differences. Once this threshold can be demonstrated an asset will be recognised. At 30 June 2023 the Group has tax losses available of £24.5m (2022: £21.5m).

9. Loss per share

	2023	2022
	£'000	£'000
Loss attributable to shareholders	(4,015)	(7,457)
	<u>(4,015)</u>	<u>(7,457)</u>
	Number	Number
Weighted average number of shares in issue	100,435,744	100,435,744
Dilution effects of share schemes	–	–
	<u>100,435,744</u>	<u>100,435,744</u>
Diluted weighted average number of shares in issue	100,435,744	100,435,744
	<u>100,435,744</u>	<u>100,435,744</u>
Loss per share		
Basic Loss per share for continuing operations	(4.00p)	(7.42p)
Diluted Loss per share for continuing operations	(4.00p)	(7.42p)
	<u>(4.00p)</u>	<u>(7.42p)</u>

Basic loss per share is calculated on the results attributable to ordinary shares divided by the weighted average number of shares in issue during the year.

Diluted earnings per share calculations include additional shares to reflect the dilutive effect of share option schemes. As a loss was made on continuing operations for the current year the option schemes are considered to be anti-dilutive.

Notes to the Consolidated Financial Statements continued

10. Goodwill

	£'000
Cost	
As at 30 June 2021, 2022, and 2023	767
	<hr/>
Impairment	
As at 1 July 2021, 2022, and 2023	–
	<hr/>
Net Book Value	
As at 30 June 2022 and 2023	767
	<hr/>

The recoverable amount of goodwill has been determined on a value in use basis and is considered when reviewing the Group's intangible asset for impairment outlined in note 11. These assumptions were determined from the directors' knowledge and experience.

Management have determined the CGUs by identifying separate strands of intellectual property which can be grouped into separate independent cash streams from which revenue is derived from. Note 1g provides information on the Goodwill.

11. Intangible Assets

	Intellectual Property £'000	Patent and Other Development £'000	Computer Software £'000	Total £'000
Cost				
As at 30 June 2021	4,600	13,690	261	18,551
Additions	–	447	–	447
Disposals	–	–	(17)	(17)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2022	4,600	14,137	244	18,981
Additions	–	516	–	516
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2023	4,600	14,653	244	19,497
	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation				
As at 30 June 2021	3,550	5,098	259	8,907
Charge for the year	238	687	1	926
On disposals	–	–	(17)	(17)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2022	3,788	5,785	243	9,816
Charge for the year	238	712	–	950
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2023	4,026	6,497	243	10,766
	<hr/>	<hr/>	<hr/>	<hr/>
Net Book Value				
As at 30 June 2023	574	8,156	1	8,731
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2022	812	8,352	1	9,165
	<hr/>	<hr/>	<hr/>	<hr/>

11. Intangible Assets (continued)

When assessing the carrying value of the Group's assets the key assumptions on which the valuation is based are that:

- Industry acceptance will result in continued growth of the business above long-term industry growth rates. Management considers this to be appropriate for a new technology gaining industry acceptance,
- Prices will rise with inflation,
- Costs, in particular direct costs and staff costs are based on past experiences, and management's knowledge of the industry,

These assumptions were determined from the directors' knowledge and experience.

The value in use calculation is based on cash flow forecasts derived from the most recent financial model information available. Although the Group's technology is proven and has proven commercial value the exploitation of opportunities beyond the rental wellhead exploration equipment services market are at a relatively early stage and the commercialisation process is expected to be a long term one. Based on the level secured income for the next financial year, management expect this will lead to a wider uptake and acceptance of the of the technology. The cash flow forecasts therefore extend to 2043 to ensure the full benefit of all current projects is realised. The rationale for using a timescale up to 2043 with growth projections which increase in the first five years and decline thereafter, is that as time progresses, Plexus expects to gain an increasing foothold in the surface, subsea and other equipment markets, including the recent re-entry into the Jack-up exploration rental wellhead sector. As the Group is starting from a base point of trading the growth rates are expected to be high in the initial years (varying from 50% to 400% depending on the model employed) then in later years where the technology becomes established the expected rate of growth declines (varying from 5% to 10 depending on the model employed).

The key assumptions used in these calculations include discount rate (10.87%), revenue projections, growth rates, expected gross margins and the lifespan of the Group's technology.

Management estimates the discount rates using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the Group and the markets in which it operates. Revenue projections, growth rates, margins and technology lifespans are all estimated based on the latest business models and the most recent discussions with customers, suppliers and other business partners.

Management regularly assesses the sensitivity of the key assumptions, including a sensitivity analysis, and the probability that any of them would change to the degree that the carrying value would exceed the recoverable amount. It would require significant adjustments to key assumptions before the goodwill and other intangibles would be impaired.

Patent and other development costs are internally generated Note 1h provides additional information on intangible assets.

Notes to the Consolidated Financial Statements continued

12. Investments

Included within the consolidated Group accounts are the following subsidiaries and associated undertakings:

Subsidiary/Associated undertaking	Registered office address	Nature of Business	Percentage of Ordinary Shares held
Plexus Ocean Systems Limited	Johnstone House, 52-54 Rose Street, Aberdeen, AB10 1HA	Supply of wellheads and associated equipment for oil and gas drilling	100%
Plexus Limited	Johnstone House, 52-54 Rose Street, Aberdeen, AB10 1HA	Dormant	100%
Plexus Applied Technologies Limited	Highdown House, Yeoman Way, Worthing, West Sussex, United Kingdom, BN99 3HH	Dormant	100%
Plexus Holdings USA Inc.	4265 San Felipe, STE. 1200 Houston, Texas 77027	Investment Holding	100%
Plexus Ocean Systems US. LLC	4265 San Felipe, STE. 1200 Houston, Texas 77027	Investment Holding	100%
Plexus Deepwater Technologies Limited	1999 Bryan Street., STE. 900 Dallas, Texas 75201	Dormant	100%
Plexus Response Services Limited	Caribbean Place, No.1, 1254 Leeward Hwy, TKCA 1ZZ, Turks and Caicos Islands	Dormant	100%
Plexus Subsea International Limited	Caribbean Place, No.1, 1254 Leeward Hwy, TKCA 1ZZ, Turks and Caicos Islands	Commercial exploitation of subsea applications	100%
Plexus Ocean Systems (Malaysia) Sdn Bhd	43-2 Plaza Damansara, Jalan Medan, Setia 1, Bukit Damansara, 50490, KL, Malaysia	Supply of wellheads and associated equipment for oil and gas drilling	100%
Plexus Ocean Systems (Brunei) Sdn Bhd	Simpang 21, Unit 30, Block D, Ground Floor, Gadong Central, Menglait, Jalan Gadong, BE4119, Brunei Darussalam	Supply of wellheads and associated equipment for oil and gas drilling	100%
Plexus Offshore Systems (Singapore) Pte Ltd	111 North Bridge Road #23-05, Peninsula Plaza, Singapore (179098)	Supply of wellheads and associated equipment for oil and gas drilling	100%
Afrotel Corporation Ltd	Caribbean Place, No.1, 1254 Leeward Hwy, TKCA 1ZZ, Turks and Caicos Islands	Dormant	100%
Kincardine Manufacturing Services Limited	Sky House Broomhill Road, Spurryhillock Industrial Estate, Stonehaven, Aberdeenshire, AB39 2NH	Manufacture and machining of fabricated metal products	49%
Plexus Pressure Control Limited	Johnstone House, 52-54 Rose Street, Aberdeen, AB10 1HA	Dormant	100%

The Group's investments are unlisted.

Notes to the Consolidated Financial Statements continued

13. Investment in associate

	£'000
Investment in associate at 30 June 2021	721
Share of profit for the period	111
Impairment of investment	(109)
	<hr/>
Investment in associate at 30 June 2022	723
	<hr/>
Share of profit for the period	182
Reclassified to asset held for sale (note 15)	(905)
	<hr/>
Investment in associate at 30 June 2023	–
	<hr/>

On 14 December 2018 Plexus Ocean Systems Limited acquired a 49% interest in Kincardine Manufacturing Services Limited (“KMS”) for a consideration of £735k plus associated legal fees. KMS are a precision engineering company which serves the oil and gas industry. This is viewed as a long-term strategic investment by Plexus. KMS are based at Sky House, Spurryhillock Industrial Estate, Stonehaven, Aberdeenshire AB39 2NH.

Following the investment Graham Stevens PLC Finance Director was appointed to the board of KMS. The company remains under the control and influence of the 51% majority shareholders.

On 30 June 2023, an impairment review has been undertaken. The investment has been valued using a profit after tax earnings model. This highlighted no impairment charge was required.

Notes to the Consolidated Financial Statements continued

14. Property plant and equipment

	Buildings	Tenant	Equipment	Assets under	Motor	Total
	£'000	Improvements	£'000	construction	vehicles	£'000
		£'000	£'000	£'000	£'000	£'000
Cost						
As at 30 June 2021	3,740	714	5,561	–	17	10,032
Additions	–	130	69	54	–	253
Transfers	–	–	54	(54)	–	–
Reclassified to assets held for sale	(3,055)	–	(3)	–	–	(3,058)
Disposals	–	–	(321)	–	–	(321)
As at 30 June 2022	685	844	5,360	–	17	6,906
Additions	–	15	123	752	–	890
Transfers	–	–	367	(367)	–	–
As at 30 June 2023	685	859	5,850	385	17	7,796
Depreciation						
As at 30 June 2021	1,643	566	4,851	–	11	7,071
Charge for the year	153	40	252	–	4	449
Reclassified to assets held for sale	(1,111)	–	(3)	–	–	(1,114)
On disposals	–	–	(321)	–	–	(321)
As at 30 June 2022	685	606	4,779	–	15	6,085
Charge for the year	–	74	231	–	2	307
As at 30 June 2023	685	680	5,010	–	17	6,392
Net book value						
As at 30 June 2023	–	179	840	385	–	1,404
As at 30 June 2022	–	238	581	–	2	821

The value in use of property, plant and equipment is not materially different from the carrying value.

Notes to the Consolidated Financial Statements continued

15. Asset held for sale

	2023 £'000	2022 £'000
Cost	–	3,058
Accumulated depreciation	–	(1,114)
	<hr/>	<hr/>
Reclassified from investment in associate	905	–
Net book value	–	1,944
Preparation costs	–	172
Cost of sale	–	9
	<hr/>	<hr/>
Fair value adjustment	–	(1,025)
	<hr/>	<hr/>
Fair value	905	1,100
	<hr/>	<hr/>

During the year the Directors were committed to a plan to sell the Group's investment in associate (note 13), this along with the other recognition criteria included within "IFRS 5, Non-current assets held for sale and discontinued operations" including the asset being available for immediate sale in its present condition and the sale is considered to be highly probable meant the asset has been presented as an asset held for sale.

The asset held for sale in the prior year relates to a property that was sold on 28 February 2023 for a consideration of £1.05m. The Group had agreed a sale in principle in the prior year. The building was previously marketed for sale. In line with IFRS5 the asset was held for sale at the lower of its carrying value and fair value. A further fair value adjustment of £50k to reduce the carrying value of the asset to its fair value has been recognised in the current financial year.

16. Financial Assets

	2023 £'000	2022 £'000
Financial instruments held at fair value	–	101
	<hr/>	<hr/>
	–	101
	<hr/>	<hr/>

The financial asset related to cash invested in an investment portfolio, made up of high-yield bonds held at fair value in the statement of financial position. The portfolio was fully divested in the year. Included in the statement of comprehensive income is a write-down in the carrying value of the financial asset of £1k (2022: £513k).

17. Inventories

	2023 £'000	2022 £'000
Raw materials and consumables	505	662
Finished goods and goods for resale	1,760	732
	<hr/>	<hr/>
	2,265	1,394
	<hr/>	<hr/>

Notes to the Consolidated Financial Statements continued

18. Trade and other receivables

	2023 £'000	2022 £'000
Trade receivables	358	336
Prepayments and other amounts	1,960	635
	<u>2,318</u>	<u>971</u>

Trade and other receivables are classified as loans and receivables and are held at amortised cost. The carrying value approximates fair value.

19. Trade and other payables

	2023 £'000	2022 £'000
Trade payables	644	724
Social security and other taxes	81	90
Other payables and accruals	283	325
Contract liabilities	3,638	106
	<u>4,647</u>	<u>1,245</u>

The increase in deferred income over the prior year is due to milestone payments on the significant contract announced in March 2023. The advanced payments are on a short-term rental contract. Revenues will be recognised when the equipment the rental relates to is deployed, which is expected to be in quarter three of following financial year.

20. Share Capital

	2023 £'000	2022 £'000
Authorised:		
Equity: 110,000,000 (2022: 110,000,000) Ordinary shares of 1p each	<u>1,100</u>	<u>1,100</u>
Allotted, called up and fully paid:		
Equity: 105,386,239 (2022: 105,386,239) Ordinary shares of 1p each	<u>1,054</u>	<u>1,054</u>

21. Shares held in treasury

	2023 £'000	2022 £'000
Buyback of shares	<u>2,500</u>	<u>2,500</u>

On 1 February 2019 Plexus Holdings PLC completed the acquisition of 4,950,495 Ordinary Shares beneficially held by LLC Gusar. Following the above transaction, the Company's issued share capital comprises 105,386,239 Ordinary Shares, of which 4,950,495 Ordinary Shares are held in treasury. The Company now has a total of 100,435,744 Ordinary Shares in issue with voting rights. This figure, 100,435,744, should be used by shareholders as the denominator when determining whether they are required to notify their interest in, or a change to their interest in the Company under the Financial Conduct Authority's Disclosure Guidance and Transparency Rules. Post year end Plexus sold 2,750,000 of the treasury shares as outlined in note 30.

Notes to the Consolidated Financial Statements continued

22. Share based payments

Share options have been granted to subscribe for ordinary shares, which are exercisable between 2023 and 2031 at prices ranging from £0.385 to £1.18. At 30 June 2023 there were 3,577,899 options outstanding.

The Company has an unapproved share option scheme for the directors and employees of the Group. Options are exercisable at the quoted mid-market price of the Company's shares on the date of grant. The options may vest in three equal portions, at the end of each of three assessment periods, provided that the option holder is still employed by the Group at vesting date and that the Total Shareholder Return (TSR) performance conditions are satisfied. Options that do not meet the TSR criteria at the first available vesting date may vest at the end of the complete assessment period, provided that the compounded TSR performance is met over the complete assessment period. Vested but unexercised options ordinarily expire on the tenth anniversary of the date of grant. The options are equity settled.

On 9 July 2015, the directors approved an amendment to the rules of the scheme such that the Company is permitted to extend the exercise period for options granted under the scheme by a further ten years. Subsequently on 8 June 2017, 13 December 2019 and 25 March 2021 the Company entered into deeds of amendment with Ben van Bilderbeek, Graham Stevens, Craig Hendrie, and eleven employees in respect of options granted to them on 20 June 2007 and 17 December 2009 and 25 March 2011 under the scheme, to extend the exercise period by ten years, subject to all other terms of the scheme rules.

Details of the share options outstanding during the year are as follows:

	2023		2022	
	No of shares	Weighted Average Exercise Price	No of shares	Weighted Average Exercise Price
Outstanding at the beginning of the period	3,577,899	0.52	3,577,899	0.52
Outstanding at the end of the period	3,577,899	0.52	3,577,899	0.52
Exercisable at the end of the period	3,577,899	0.52	3,577,899	0.52

The Group has recognised an expense in the current year of £nil (2022: £nil) towards equity settled share-based payments.

The weighted average contractual life of the share options outstanding at the end of the period is 5 years 3 months.

23. Reconciliation of net cash flow to movement in net cash/debt

	2023 £'000	2022 £'000
Movement in cash and cash equivalents	(4,391)	665
Repayment / (drawdown) of Lombard facility	3,958	(1,914)
(Decrease) in net cash in year	(433)	(1,249)
Net cash at start of year	1,882	3,131
Net cash at end of year	1,449	1,882

Notes to the Consolidated Financial Statements continued

24. Analysis of net cash

	At beginning of year £'000	Cashflow £'000	At end of year £'000
2023:			
Cash in hand and at bank	5,840	(4,391)	1,449
Bank Lombard facility	(3,958)	3,958	–
Lease Liability	(1,085)	324	(761)
Total	<u>797</u>	<u>(109)</u>	<u>688</u>

A maturity analysis of the Bank Lombard Facility and Lease Liability are included in notes 25 and 27, respectively.

	At beginning of year £'000	Cashflow £'000	At end of year £'000
2022:			
Cash in hand and at bank	5,175	665	5,840
Bank Lombard facility	(2,044)	(1,914)	(3,958)
Lease Liability	(1,401)	316	(1,085)
Total	<u>1,730</u>	<u>(933)</u>	<u>797</u>

25. Financial Instruments and risk management

Treasury management

The Group's activities give rise to a number of different financial risks: market risk (including foreign currency exchange risk and interest rate risk), credit risk and liquidity risk. The Group's management regularly monitors the risks and potential exposures to which the Group is exposed and seeks to take action, where appropriate, to minimise any potential adverse impact on the Group's performance.

Risk management is carried out by Management in line with the Group's Treasury policies. The Group's Treasury policies cover specific areas, such as foreign exchange risk, interest rate risk and investment of excess cash. The Group's policy does not permit entering into speculative trading of financial instruments and this policy has been applied throughout the year.

(a) Market risks

(i) Foreign currency exchange risk

The Group is exposed to foreign exchange risk arising from various currencies. In order to protect the Group's statement of financial position from movements in exchange rates, the Group converts foreign currency balances into sterling on receipt so far as they will not be used for future payments in the foreign currency.

The Group carefully monitors the economic and political situation in the countries in which it operates to ensure appropriate action is taken to minimise any foreign currency exposure.

The Group's main foreign exchange risk relates to movements in the sterling/US dollar and sterling/euro exchange rates. Movements in these rates impact the translation of US dollar and euro denominated net assets. Outstanding debts are in GBP and USD, minimal cash is held in foreign currency. Therefore, the Group has minimal foreign exchange risk for the reporting period.

Notes to the Consolidated Financial Statements continued

25. Financial Instruments and risk management (continued)

(ii) Interest rate risk

The Group has historically financed its operations through a mixture of retained profits and bank borrowings. The Group borrows in sterling at floating rates of interest.

The Group is also exposed to interest rate risk on cash held on deposit. The Group's policy is to maximise the return on cash deposits whilst ensuring that cash is deposited with a financial institution with a credit rating of 'AA' or better.

During the year-end, the Lombard facility was repaid in full, resulting in the Group having no bank borrowings which significantly minimises interest rate risk.

(b) Credit risk

The Group's credit risk primarily relates to its trade receivables. Responsibility for managing credit risks lies with the Company's management.

The Group applies the IFRS 9 simplified approach to measure expected credit losses for all trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the number of days past due. The expected loss rates are based on payment profiles of sales and the corresponding historical credit losses experienced within this period. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The investment portfolio consists of funds invested in high-yield bonds with reputable financial institutions. The Company do not consider the investment portfolio presents a credit risk.

A customer evaluation is typically obtained from an appropriate credit rating agency. Where required, appropriate trade finance instruments such as letters of credit, bonds, guarantees and credit insurance will be used to manage credit risk.

The Group's major customers are typically large companies which have strong credit ratings assigned by international credit rating agencies. Where a customer does not have sufficiently strong credit ratings, alternative forms of security such as the trade finance instruments referred to above may be obtained. The Group's customer base is concentrated on a few major companies.

Management review trade receivables across the Group based on receivable days' calculations to assess performance. There is significant management focus on receivables that are overdue. All receivables are with large corporations with good credit history with which the entity has not experienced any recoverability issues in the past. Individual trade receivables and contract assets are written off when management deem them not to be collectible. A bad debt provision of £277k has been in place since the prior year in relation to LLC Gusar, which cannot currently be settled while current economic sanctions remain in place.

Amounts deposited with banks and other financial institutions also give rise to credit risk. This risk is managed by limiting the aggregate amount of exposure to any such institution by reference to their rating and by regular review of these ratings. The possibility of material loss in this way is considered unlikely.

The currency composition of trade receivables at the year-end was:

	2023 £'000	2022 £'000
Sterling	358	336
	<hr/>	<hr/>
	358	336
	<hr/>	<hr/>

Notes to the Consolidated Financial Statements continued

25. Financial Instruments and risk management (continued)

The ageing of trade receivables at the year-end was:

	2023 £'000	2022 £'000
Not past due	299	333
Past due 0-30 days	59	3
Past due 30+ days	–	–
Past due 120+ days	437	437
Bad debt provision	(437)	(437)
	<u>358</u>	<u>336</u>

(c) Liquidity risk

The Group has historically financed its operations through equity financing and bank borrowings. The Group has continued with its policy of ensuring that there are sufficient funds available to meet the expected funding requirements of the Group's operations and investment opportunities. The Group monitors its liquidity position through cash flow forecasting. Based on the current outlook the Group has sufficient funding in place to meet its future obligations.

		Floating Rates £'000	Non-interest bearing £'000	Book and fair value £'000
30 June 2023				
Cash and liquid resources	– Sterling	1,384	61	1,445
	– US Dollar	–	–	–
	– Malaysian Ringgit	–	4	4
		<u>1,384</u>	<u>65</u>	<u>1,449</u>
30 June 2022				
Cash and liquid resources	– Sterling	5,241	596	5,837
	– US Dollar	–	–	–
	– Malaysian Ringgit	–	3	3
		<u>5,241</u>	<u>599</u>	<u>5,840</u>

At 30 June 2023, the Group had £1,449k of cash.

Cash is categorised as loans and receivables.

The Group has classified its financial instruments into the three levels prescribed under the accounting standards. The definition of the levels is as follows.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Notes to the Consolidated Financial Statements continued

25. Financial Instruments and risk management (continued)

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

Non-current assets (note 16) meet the level 1 criteria and have been recorded in the statement of financial position at fair value. As at 30 June 2023 the fair value of the financial assets held by the Group are £nil (2022: £101k).

The interest rate and currency profiles of the Group's financial liabilities at 30 June 2023 are as follows:

	Floating rates £'000	Non-interest bearing £'000	Book and fair value £'000
30 June 2023			
Bank Lombard facility – Sterling	–	–	–
	<hr/>	<hr/>	<hr/>
30 June 2022			
Bank Lombard facility – Sterling	3,958	–	3,958
	<hr/>	<hr/>	<hr/>
	Due within 1 year £'000	Due between 2–5 years £'000	Due after 5 years £'000
30 June 2023			
Bank Lombard facility – Sterling	–	–	–
	<hr/>	<hr/>	<hr/>
Total	–	–	–
	<hr/>	<hr/>	<hr/>
30 June 2022			
Bank Lombard facility – Sterling	3,958	–	3,958
	<hr/>	<hr/>	<hr/>
Total	3,958	–	3,958
	<hr/>	<hr/>	<hr/>

Bank borrowings are other financial liabilities which are measured at amortised cost. The carrying value approximates fair value.

Notes to the Consolidated Financial Statements continued

26. Convertible loans

	2023 £'000	2022 £'000
Convertible loans issued	1,550	–
Redemption premium	152	–
	<u>1,702</u>	<u>–</u>

In October 2022 Plexus raised £1,550,000 through the issue of 1,550,000 convertible loan notes. The loan notes are non-interest bearing and have a maturity date being 24 months after issue.

The loan notes can be settled in cash, with an additional 20% redemption interest on the principal amount or converted into new shares where the principal amount will be settled at a 20% discount to the share price paid by investors in a qualifying financing even. The 20% discount noted about equates to a 25% premium on the principal amount. Therefore, a redemption premium of £387,500 will be recognised over the two-year term. At the reporting date finance costs include £152k in relation to the accrued redemption premium.

27. Leased Assets and Liabilities

Leased Assets

The Group's leased assets relates to a building. Key movements relating to the lease balance is presented below:

	£'000
As at 30 June 2021	1,245
Amortisation charge	(304)
	<u>941</u>
As at 30 June 2022	941
Amortisation charge	(303)
	<u>638</u>
As at 30 June 2023	<u>638</u>

Leased Liabilities

The maturity of the lease liability is as follows

	2023 £'000	2022 £'000
Less than one year	333	324
One to five years	428	761
	<u>761</u>	<u>1,085</u>
Total lease liability	<u>761</u>	<u>1,085</u>

The total interest expense on lease liabilities and the total cash outflow in the year to 30 June 2023 was £23k and £347k respectively (2022: £31k and £347k).

The borrowing rate applied to the lease liability is 2.5%.

Notes to the Consolidated Financial Statements continued

27. Leased Assets and Liabilities (continued)

Other leases

The Group leases storage facilities, IT equipment and other workshop machinery with terms between 1 month and 2 years. The Group considers these assets to be of low value or short-term in nature. Therefore, no right of use assets and lease liabilities are recognised on these leases.

Expenses recognised relating to short-term leases and leases of low value for the year to June 2023 was £52k and £13k respectively (2022: £53k and £11k).

The Group had a capital commitment of £nil as at 30 June 2023 (2022: £nil).

28. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2023 (2022: £nil).

29. Related Party Transactions

Control

No one party owns a controlling interest in the Company.

Ultimate parent company

There is no ultimate parent company.

During the year, the Group had the following transactions with related parties:

	2023	2022
	£'000	£'000
Purchase of goods and services from Other Related Parties	347	347
Receivables due from Other Related Parties	19	–
Purchases from associate undertaking	50	57

Other related parties were @SIPP (Pension Trustees) Limited, OFM Holdings Limited, Burnside House Limited, and Plexus Properties International Limited. The transactions related to accommodation, rent, and related charges. @SIPP (Pension Trustees) Limited are the trustees of Ben van Bilderbeek's pension fund. OFM Holdings Limited is a trust of which Ben van Bilderbeek's family are beneficiaries. Plexus Properties International Limited is a company under the control of the van Bilderbeek family.

All of these transactions were between either Plexus Ocean Systems Limited, Plexus Ocean Systems International Limited or Burnside House Limited and the relevant related party.

On 28th February 2023 Plexus Ocean System Limited sold the Burnside House Property for a consideration of £1.05m to Burnside House Limited, a private company which has been established for the purpose of the Transaction and is owned by Ben van Bilderbeek, CEO of Plexus, and certain members of Mr van Bilderbeek's family, including his spouse. The terms of the Transaction, including the Consideration, have been reviewed as part of an independent evaluation carried out on behalf of the Board by an external property adviser.

In October 2022, the company raised £1,550k from the issue of convertible loan notes to OFM Investment Limited (an entity connected to the van Bilderbeek family), Ben van Bilderbeek and Jeff Thrall in the following proportions: OFM Investment Limited £1,000k, Ben van Bilderbeek £500k, and Jeff Thrall £50k. The Loan Notes are non-interest bearing, and their 'long stop' maturity date is the second-year anniversary of the date of the Instrument.

Notes to the Consolidated Financial Statements continued

30. Subsequent Event

In September 2023 Plexus entered into a £200,000 loan with the Company's CEO, Ben van Bilderbeek, and a £500,000 loan with Plexus Property International Limited ("PPI"), a company owned and controlled by OFM Limited a company in turn controlled by the van Bilderbeek family and related trusts. The Loans accrue interest at a rate of 8 per cent per annum and the balance, plus any interest accrued, is repayable after 12 months. Alongside the loan agreements, the Company has also entered into Primary and Secondary call option agreements with Ben van Bilderbeek and PPI. These option agreements provide the Lenders with the right to exercise an option to have their portion of the Loans repaid in shares owned by Plexus Ocean Systems Limited in Kincardine Manufacturing Services Limited, a precision engineering company in which Plexus holds a 49% interest following a strategic investment in December 2018

In October 2023 Plexus sold 2,750,000 of the shares held in treasury at an average price of 19.97 pence per share, which raised gross proceeds of £549,230.

31. General information

These financial statements are for Plexus Holdings plc and subsidiary undertakings. The Company is registered, and domiciled, in England and Wales and incorporated under the Companies Act 2006. The nature of the Company's operations and its principal activities are set out in the strategic report on page 9 and the directors' report on page 20.

Parent Company Statement of Financial Position

at 30 June 2023

	<i>Notes</i>	2023 £'000	2022 £'000
Assets			
Intangible assets	4	8,588	8,962
Receivables due from subsidiary undertakings	7	–	7,466
Investments	5	8,294	8,294
Total Non-current assets		16,882	24,722
Trade and other receivables	7	41	53
Corporation tax		153	
Cash at bank and in hand	10	494	8
Total current assets		688	61
Total Assets		17,570	24,783
Equity and Liabilities			
Called up share capital	9	1,054	1,054
Shares held in treasury		(2,500)	(2,500)
Share based payments reserve		326	326
Retained earnings		16,626	25,383
Total equity attributable to equity holders of the company		15,506	24,263
Liabilities			
Deferred tax liabilities	6	167	358
Convertible loans		1,702	–
Total non-current liabilities		1,869	358
Trade and other payables	8	195	162
Total current liabilities		195	162
Total liabilities		2,064	520
Total Equity and Liabilities		17,570	24,783

As permitted by section 408 of the Companies Act 2006, the parent company's Statement of Comprehensive Income has not been included in these financial statements. The parent company's loss after tax for the year was £8,757k (2022: loss of £13,527k).

These financial statements were approved and authorised for issue by the board of directors on 28 November 2023 and were signed on its behalf by:

G Stevens
Director

C Hendrie
Director

Company Number: 03322928

Parent Company Statement of Changes in Equity

for the year ended 30 June 2023

	Called Up Share Capital £'000	Shares Held in Treasury £'000	Share Based Payments Reserve £'000	Retained Earnings £'000	Total £'000
Balance as at 30 June 2021	1,054	(2,500)	326	38,910	37,790
Total comprehensive income for the period	–	–	–	(13,527)	(13,527)
Balance as at 30 June 2022	1,054	(2,500)	326	25,383	24,263
Total comprehensive income for the period	–	–	–	(8,757)	(8,757)
Balance as at 30 June 2023	1,054	(2,500)	326	16,626	15,506

Parent Company Statement of Cash Flows

at 30 June 2023

	<i>Notes</i>	2023	2022
		£'000	£'000
Cash flows from operating activities			
Loss before taxation		(9,162)	(13,658)
Adjustments for:			
Amortisation		890	865
Redemption premium on convertible loans		152	–
Other income		(19)	–
Intercompany loan forgiveness / impairment		7,483	12,819
Investment income		(3)	(530)
Changes in working capital:			
Decrease / (Increase) in trade and other receivables		12	382
Decrease in trade and other payables		33	(8)
		<hr/>	<hr/>
Cash used from operations activities		(614)	(130)
Income taxes refunded		80	–
		<hr/>	<hr/>
Net cash used from operations		(534)	(130)
		<hr/>	<hr/>
Cash flows from investing activities			
Purchase of intangible assets		(516)	(447)
Advances to subsidiary undertaking		(2,831)	–
Repayments from subsidiary undertaking		2,814	–
Interest received		3	530
		<hr/>	<hr/>
Net cash (used) / generated from investing activities		(530)	83
		<hr/>	<hr/>
Cash flows from financing activities			
Funds raised from convertible loans		1,550	–
		<hr/>	<hr/>
Net cash generated from financing activities		1,550	–
		<hr/>	<hr/>
Net increase / (decrease) in cash and cash equivalents		486	(47)
Cash and cash equivalents at 1 July 2022		8	55
		<hr/>	<hr/>
Cash and cash equivalents at 30 June 2023	10	494	8
		<hr/>	<hr/>

Notes to the Parent Company Financial Statements

1. Summary of significant accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial information.

a. Basis of preparation

The Company's financial statements have been prepared in accordance with UK-adopted international accounting standards and interpretations issued by the UK Endorsement Board and are in accordance with the Companies Act 2006.

There are a number of standards, amendments to standards, and interpretations which have been issued by the UKEB that are effective in future accounting. The Directors' have assessed the impact of these standards and do not expect any significant impact to the Company on their adoption.

The Company financial statements are presented in sterling and all values are rounded to the nearest thousand pounds except where otherwise indicated.

The financial information has been prepared under the historical cost convention except where fair value adjustments are required.

b. Income taxes and deferred taxation

The income tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised, or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

As set out in note 22 of the Group accounts, the Company operates a share option scheme. Where the market price of the shares at the year-end exceeds the option price there is a potential tax deduction. This is treated as a deferred tax asset. The portion of the expected future tax deduction which is less than or equal to the associated cumulative IFRS2 charge is recognised in the income statement. The balance of the credit is recognised directly in equity.

c. Intangible assets and amortisation

Patents are recorded initially at cost and amortised on a straight-line basis over 20 years which represents the life of the patent. The Group operates a policy of continual patent enhancement in order that technology enhancements and modifications are incorporated within the registered patent, thereby protecting the value of technology advances for a full 20-year period.

Intellectual Property rights are initially recorded at cost and amortised over 20 years on a straight-line basis. The technology defined by the Intellectual Property is believed to be able to generate income streams for the Group for many years; key Intellectual Property is protected by patents; the lowest common denominator in terms of economic life of the intangible assets is the life of the original patents and therefore the life of the Intellectual Property has been matched to the remaining life of the patents protecting it.

Notes to the Parent Company Financial Statements continued

1. Summary of significant accounting policies (continued)

Development expenditure is capitalised in respect of development of patentable technology at cost including an allocation of own time when such expenditure is incurred on separately identifiable technology and its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised on a straight-line basis over its useful economic life, which the directors consider to be 20 years.

Amortisation is charged to the Administrative Expenses line of the Statement of Comprehensive Income.

Expenditure on research and development, which does not meet the capitalisation criteria, is written off to the Statement of Comprehensive Income in the period in which it is incurred.

The carrying value of intangible assets is reviewed on an on-going basis by the directors and, where appropriate, provision is made for any impairment in value. It would require a substantial movement (over 100%) in the assumptions employed in valuations before there would be any impairment to intangible assets.

Potential impairment of intangible assets has been reviewed and is outlined in note 1h in the Group accounts, with no impairment required.

d. Investments

The investment in subsidiary undertakings is stated at cost less provision for impairment. Cost is the amount of cash paid or the fair value of the consideration given to acquire the investment. Income from such investments is recognised only to the extent that the Company receives distributions from accumulated profits of the investee company arising after the date of acquisition.

Potential impairment of investments and the intangible assets each subsidiary undertaking holds has been reviewed and is outlined in note 1h in the Group accounts, with no impairment required. The impairment modelling is based on long-term modelling of the Group's IP, to evidence that no impairment in investments is required.

e. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand form an integral part of the Company's cash management and are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

f. Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the statement of financial position date and the gains or losses on translation are included in the Statement of Comprehensive Income.

g. Pensions

The Group offers a contributory Group stakeholder pension scheme, into which the Group will make matching contributions up to a pre-agreed level of base salary; the scheme is open to executive directors and permanent employees. Directors may choose to have contributions paid into personal pension plans.

h. Dividends

Dividends are recognised when they become legally payable. In the case of interim dividends to equity shareholders, this is when they are paid. In the case of final dividends, this is when approved by the shareholders at the AGM. Dividends unpaid at the statement of financial position date are only recognised as a liability at that date to the extent that they are appropriately authorised and are no longer at the discretion of the Company. Unpaid dividends that do not meet these criteria are disclosed in the notes to the financial statements.

Notes to the Parent Company Financial Statements continued

1. Summary of significant accounting policies (continued)

i. Classification of financial instruments issued by the Group

In accordance with IAS 32, financial instruments issued by the Group are treated as equity (i.e., forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- (a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and
- (b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance charges. Finance payments associated with financial instruments that are classified as part of shareholders' funds (see dividends policy), are dealt with as appropriations in the reconciliation of movements in shareholders' funds.

j. Share based payments

The Company issues share options to directors and employees, which are measured at fair value at the date of grant. The fair value of the equity settled options determined at the grant date is expensed on a straight-line basis over the vesting period based on an estimate of the number of options that will actually vest. The Group has adopted a Stochastic model to calculate the fair value of options, which enables the Total Shareholder Return (TSR) performance condition attached to the awards to be factored into the fair value calculation.

k. Key assumptions and sources of estimation

The estimated life of the Company's Intellectual Property is estimated with reference to the lifespan of the patents which protect the knowledge and their forecast income generation.

When measuring Intellectual Property for impairment a range of assumptions are required and these are detailed in the Intangible Assets note above.

The recoverability of loan between parent company and subsidiary is a key estimate. Recoverability is based on future financial performance.

2. Profit for the year

As permitted by section 408 of the Companies Act 2006, the parent company's Statement of Comprehensive Income has not been included in these financial statements. The parent company's loss after tax for the year was £8,757k (2022: loss of £13,527k). The Company had revenue of £nil for the financial year (2022: £277k).

Notes to the Parent Company Financial Statements continued

3. Staff numbers and costs

	2023 Number	2022 Number
Management	3	3
	<u>3</u>	<u>3</u>

The aggregate payroll costs of these persons were as follows:

	2023 £'000	2022 £'000
Wages and salaries	186	183
Social security costs	25	25
	<u>211</u>	<u>208</u>

All payroll costs are of a continuing nature.

Key management are considered to be the Board of Directors and details of Directors' remuneration are given in the remuneration report on page 39 and this forms part of the financial statements.

4. Intangible fixed assets

	Intellectual Property £'000	Patent and Other Development £'000	Total £'000
As at 30 June 2021	2,761	13,461	16,222
Additions	–	447	447
	<u>2,761</u>	<u>13,908</u>	<u>16,669</u>
As at 30 June 2022	2,761	13,908	16,669
Additions	–	516	516
	<u>2,761</u>	<u>14,424</u>	<u>17,185</u>
As at 30 June 2023	2,761	14,424	17,185
Amortisation			
As at 30 June 2021	1,975	4,867	6,842
Charge for the year	178	687	865
	<u>2,153</u>	<u>5,554</u>	<u>7,707</u>
As at 30 June 2022	2,153	5,554	7,707
Charge for the year	178	712	890
	<u>2,331</u>	<u>6,266</u>	<u>8,597</u>
As at 30 June 2023	2,331	6,266	8,597
Net Book Value			
As at 30 June 2023	<u>430</u>	<u>8,158</u>	<u>8,588</u>
As at 30 June 2022	608	8,354	8,962

Notes to the Parent Company Financial Statements continued

5. Investments

	£'000
Subsidiary undertakings:	
As at 30 June 2021, 2022, and 2023	8,294

6. Deferred tax

i) *Movement in deferred tax liability balance*

	2023 £'000	2022 £'000
Deferred tax liability at beginning of year	358	489
Credit Statement of Comprehensive Income	(191)	(131)
Deferred liability at end of year	<u>167</u>	<u>358</u>

ii) *Deferred tax liability balance*

	2023 £'000	2022 £'000
The deferred tax liability balance is made up of the following items:		
Difference between depreciation and capital allowances	2,055	1,470
Share based payments		
Tax losses	(1,888)	(1,112)
Deferred tax liability at end of year	<u>167</u>	<u>358</u>

7. Trade and other receivables

	2023 £'000	2022 £'000
Trade receivables	–	–
Receivables due from group companies	–	7,466
Prepayments and other amounts	41	53
	<u>41</u>	<u>7,519</u>

Trade and other receivables are classified as loans and receivables and are held at amortised cost. The carrying value approximates fair value.

Prepayments relate to prepaid amounts for services to be consumed over the next 12 months.

The recoverability of all receivables has been assessed. The receivables due from group companies was forgiven at the reporting date, due to a low chance of recoverability, resulting in a write-off of £7.48m.

Notes to the Parent Company Financial Statements continued

8. Trade and other payables

	2023 £'000	2022 £'000
Trade payables	98	68
Non-trade payables and accrued expenses	97	94
	<u>195</u>	<u>162</u>

Trade and other payables are held at amortised cost. The carrying value approximates fair value. All trade and other payable are due within one year.

9. Share Capital

	2023 £'000	2022 £'000
Authorised:		
Equity: 110,000,000 (2022: 110,000,000) Ordinary shares of 1p each	<u>1,100</u>	<u>1,100</u>
Allotted, called up and fully paid:		
Equity: 105,386,239 (2022: 105,386,239) Ordinary shares of 1p each	<u>1,054</u>	<u>1,054</u>

10. Reconciliation of net cash flow to movement in net cash

	2023 £'000	2022 £'000
Movement in net cash in year	486	(47)
Net cash at start of year	8	55
Net cash at end of year	<u>494</u>	<u>8</u>

11. Financial instruments and risk management

The Company's activities give rise to a number of different financial risks: market risk (including foreign currency exchange risk and interest rate risk), credit risk and liquidity risk. The Company's management regularly monitors the risks and potential exposures to which the Company is exposed and seeks to take action, where appropriate, to minimise any potential adverse impact on the Company's performance.

Risk management is carried out by Management in line with the Company's Treasury policies. The Company's Treasury policies cover specific areas, such as foreign exchange risk, interest rate risk and investment of excess cash. The Company's policy does not permit entering into speculative trading of financial instruments and this policy has been applied throughout the year.

(a) Market risks

(i) Foreign currency exchange risk

The Company is exposed to foreign exchange risk arising from various currencies. In order to protect the Company's statement of financial position from movements in exchange rates, the Company converts foreign currency balances into sterling on receipt so far as they will not be used for future payments in the foreign currency.

The Company carefully monitors the economic and political situation in the countries in which it operates to ensure appropriate action is taken to minimise any foreign currency exposure.

(ii) Interest rate risk

The Company is also exposed to interest rate risk on cash held on deposit. The Company's policy is to maximise the return on cash deposits whilst ensuring that cash is deposited with a financial institution with a credit rating of 'AA' or better.

Notes to the Parent Company Financial Statements continued

11. Financial instruments and risk management (continued)

(b) Credit risk

The Company's credit risk primarily relates to its inter-company loans and inter-company receivables. Management have reviewed the recoverability of intercompany loan balances at the reporting date, this has resulted in a write-off of £nil (2022: £nil) charged in the year from the assessment of credit losses on Group balances.

Amounts deposited with banks and other financial institutions also give rise to credit risk. This risk is managed by limiting the aggregate amount of exposure to any such institution by reference to their rating and by regular review of these ratings. The possibility of material loss in this way is considered unlikely.

(c) Liquidity risk

The Company has historically financed its operations through equity finance and the flow of inter-company loan repayments. The Company has continued with its policy of ensuring that there are sufficient funds available to meet the expected funding requirements of the Company's operations and investment opportunities. The Company monitors its liquidity position through cash flow forecasting. Based on the current outlook the Company has sufficient funding in place to meet its future obligations.

12. Financial commitments

The Company had no capital commitments as at 30 June 2023 (2022: £nil).

13. Contingent liabilities

The Company had no contingent liabilities as at 30 June 2023 (2022: £nil).

14. Related party transactions

Control

No one party owns a controlling interest in the Company.

Ultimate parent company

There is no ultimate parent company.

Transactions

During the year, the Company had the following transactions with related parties:

Plexus Ocean Systems Limited, a wholly owned subsidiary made net repayments of £2,831k less net purchases of £2,814k. At the reporting date of 30 June 2023, the balance was forgiven resulting in a charge to the statement of comprehensive income of £7,483k

Ben Van Bilderbeek, Graham Stevens, and Craig Hendrie are considered to be the Key Management Personnel of the parent entity. Details of their remuneration is included in the remuneration report.

15. Subsequent Event

In September 2023 Plexus entered into a £200,000 loan with the Company's CEO, Ben van Bilderbeek, and a £500,000 loan with Plexus Property International Limited ("PPI"), a company owned and controlled by OFM Limited a company in turn controlled by the van Bilderbeek family and related trusts., (together, the "Loans"). The Loans accrue interest at a rate of 8 per cent. per annum and the balance, plus any interest accrued, is repayable after 12 months. Alongside the loan agreements, the Company has also entered into Primary and a Secondary call option agreements with Ben van Bilderbeek and PPI. These option agreements provide the Lenders with the right to exercise an option to have their portion of the Loans repaid in shares owned by Plexus Ocean Systems Limited in Kincardine Manufacturing Services Limited, a precision engineering company in which Plexus holds a 49% interest following a strategic investment in December 2018.

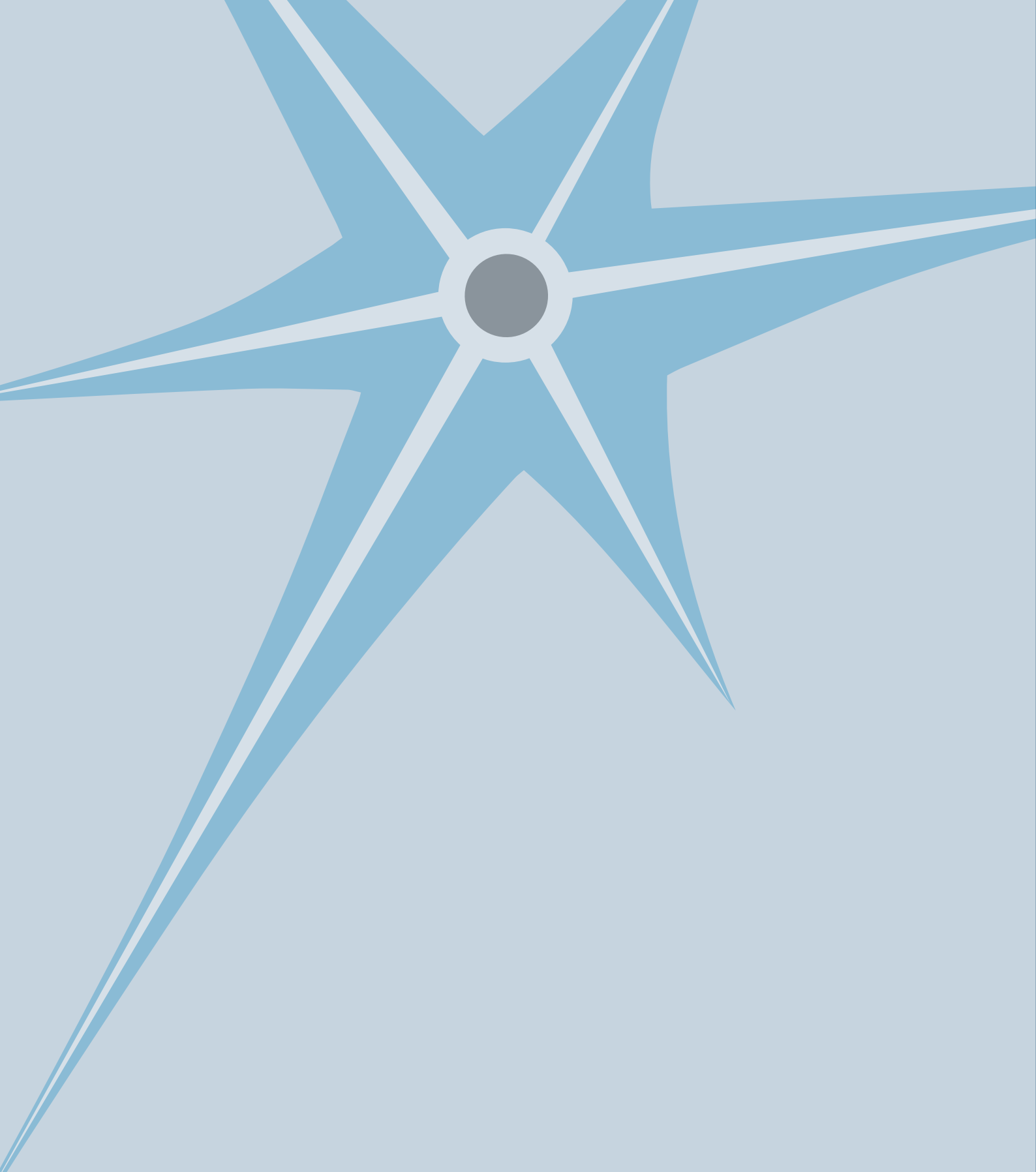
In October 2023 Plexus sold 2,750,000 of the shares held in treasury at an average price of 19.97 pence per share, to raise gross proceeds of £549,230.

Corporate Information

Directors	Jerome Jeffrey Thrall † (Non-Executive Chairman) Bernard Herman van Bilderbeek (Chief Executive) Graham Paul Stevens (Finance Director) Craig Francis Bryce Hendrie (Technical Director) Charles Edward Jones † (Non-Executive Director) Kunming Liu (Non-Executive Director) † Member of Audit and Remuneration committees
Registered Office	Highdown House Yeoman Way Worthing West Sussex BN99 3HH
Company Number	03322928
Company Secretary	Prism Cosec Limited Highdown House Yeoman Way Worthing West Sussex BN99 3HH
Nominated Adviser and Broker	Cavendish Capital Markets Limited 125 Princes Street Edinburgh EH2 4AD One Bartholomew Close London EC1A 7BL
Auditor	Crowe U.K. LLP 55 Ludgate Hill London EC4M 7JW
Solicitors to the Company	Fox Williams LLP 10 Finsbury Square London EC2A 1AF Ledingham Chalmers LLP 52-54 Rose Street Aberdeen AB10 1HA
Registrars	SLC Registrars Highdown House Yeoman Way Worthing West Sussex



The Plexus Mud Containment System (MCS) recently deployed on a multi-well offshore P&A campaign



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