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# ANNUAL REPORT 2020

## Financial and Corporate Overview

Following the completion on 1 February 2018 of the sale of Plexus' wellhead exploration equipment services business for Jack-up applications ('the Jack-up Business') to FMC Technologies Limited ('TFMC'), a subsidiary of one of the leading oil and gas service and equipment companies TechnipFMC (Paris:FTI) (NYSE:FTI), the year-end results and comparative prior year period have been reported as required on a continuing and a discontinued operations basis.

- Continuing operations sales revenue £525k (2019: £3,611k)
  - Discontinued operations sales revenue £nil (2019: £nil)
- Adjusted EBITDA on continuing activities £3.08m loss (2019: £2.27m loss), (page 7).
- Continuing operations operating loss £5,681k (2019: £4,010k)
  - Discontinued operations operating loss £2,432k (2019: £108k)
- Continuing operations operating loss after tax £4,058k (2019: £3,227k)
  - Discontinued operations loss after tax £2,549k (2019: £88k loss)
- Basic loss per share from continuing activities 3.92p (2019: 3.12p loss)
  - Basic loss per share from discontinued activities 2.47p (2019: 0.09p earning)
- Net cash of £4.09m (2019: net cash £5.08m)
- The Group has £3.0m invested in financial assets (2019: £2.84m)

## Operational Overview

- Full year revenues principally generated through sale of POS-GRIP® equipment for production, abandonment, and royalties from Russian Jack-up exploration operations - a major departure from previous years when revenues were dependent on the rental of Jack-up exploration wellheads.
- March 2020 – Royalties earned from breakthrough order secured by Russian Licencee Gusar LLC with global energy giant Gazprom, for supply of POS-GRIP rental wellhead gas exploration equipment.
- Continued progress made towards establishing a diversified portfolio of revenue streams based on products empowered by Plexus' proprietary POS-GRIP® Technology – follows 2018 sale of Plexus' wellhead exploration equipment services business for Jack-up applications to FMC Technologies Limited ('TFMC'), a subsidiary of top tier industry supplier TechnipFMC (Paris:FTI) (NYSE:FTI)
- Focus on IP and R&D with industry-leading successful extreme temperature qualification of POS-GRIP "HG"® Metal Seal System for range of -75° to 400°F in November 2019
- July 2020 - significant post year end production wellhead supply contract award from Spirit Energy
- November 2020 - major post year end Licensing Agreement entered into with Cameron International Limited ('Cameron'), a Schlumberger group company, the world's leading oilfield services provider. The non-exclusive licence enables Cameron to use the Company's POS-GRIP and "HG" metal to metal seal method of engineering for the development of oil and gas surface wellheads.

## Chief Executive Ben van Bilderbeek said:

“For the 12 months ended 30 June 2020, our focus has been to continue to develop our plans to promote POS-GRIP Technology and “HG” metal to metal sealing technology in the production wellhead and tree market, both by developing and selling our own products, and by continuing our strategy of licensing our technology to others for specific applications and territories. The Covid-19 pandemic and the consequential decline in the energy market and global economy in general has inevitably impacted on our progress, although I believe that we have weathered the storm well and are now well placed to return to growth as our industry begins to recover.

“Since we announced our results last year, we have announced a follow up order from Spirit Energy for POS-GRIP surface production wellhead equipment for a North Sea platform. We have also just announced the non-exclusive licensing arrangement with Cameron, a Schlumberger company, which is a key endorsement of our technology, and opens up the potential for rapid deployment of POS-GRIP in the commodity surface oil and gas wellhead market.

“Whilst oil and gas operators, together with service companies, have had to scale back their operations and lay off thousands of employees, we have been able to reduce our costs and survive the period without any layoffs. This means we are well prepared to benefit from the return to growth that the industry will undoubtedly see in 2021, as we continue to target direct equipment sales and support our licensees, in particular Cameron, to rapidly introduce POS-GRIP to their customers and markets.

“Our full year financial performance reflects the challenges of the period where a number of sales prospects were placed on hold, with sales revenues of £525k compared to £3,611k in 2019; and an EBITDA loss of £3.08m (from £2.27m loss in 2019). However, there have also been some positives, in particular the significant deal with Cameron, which further validates Plexus’ technology and underpins the value of the Company’s IP.

“Our goal is to fully capitalise on the potential of our technology within the oil and gas industry and beyond, to improve the performance of wellheads and other pressure containing equipment, and to develop a portfolio of POS-GRIP-based products and partners. As well as benefiting the environment and our customers, the Board believes this approach will in time lead to sustained and growing revenue streams and can ultimately deliver value for our shareholders.

“Another casualty of the Covid crisis was drilling activity in Russia. Whilst our licensee has an order from Gazprom for an exploration well, the program was postponed until further notice. We however continue to see good long-term potential in Russia and the CIS for our POS-GRIP production and subsea wellheads through the extension of existing deals, or the creation of new license arrangements.

“Last year we announced that Plexus had formed Plexus Pressure Control (‘PPC’) to enable us to supply valves and Xmas trees to complement our POS-GRIP production wellhead products, particularly to customers and markets which prefer a system package of equipment. Whilst we have not yet supplied any Plexus branded products through PPC, it remains an important element of our planned growth through direct sales.

“I feel very positive that the Spirit Energy order, achieved during the depths of lockdown, plus the Cameron license deal just announced have demonstrated the resilience of the Company and the continuing IP potential, and Plexus is well positioned to capitalise on the opportunities which will become available as market conditions improve.

## Summary of Results for the year ended 30 June 2020

	2020 £’000	2019 £’000
Revenue (continuing operations)	525	3,611
Adjusted EBITDA (continuing operations)	(3,076)	(2,266)
Operating Loss (continuing operations)	(5,681)	(4,010)
Loss after taxation (continuing operations)	(4,058)	(3,227)
Loss profit after taxation (discontinued operation)	(2,549)	(88)
Loss after taxation (combined)	(6,607)	(3,315)
Basic loss per share (pence) (continuing operations)	(3.92p)	(3.12p)
Basic (loss) / earning per share (pence) (discontinued operation)	(2.47p)	(0.09p)

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# Chairman's Statement

## Business progress

As the news and global economy continues to be dominated by the Covid-19 pandemic, we have seen marked lower revenues in the 12 months to 30 June 2020 amounting to £525k (2019: £3,611k). However, we have been pleased to announce post year end some very positive developments, including progress with entering new and larger markets, which the Company is encouraged by. The Directors are extremely optimistic about the likelihood of a recovery of production wellhead sales, as well as the significant potential of the Company's licence deal with Cameron. Accordingly, the Board expects to see a pick-up in revenues throughout FY21 as a result of these initiatives.

The Company's goal is to add a diverse set of revenue streams to its portfolio, and the licence agreement with Cameron for the first time brings a focus to the US and Middle East markets, to build on the licenses already in place in Russia, and Plexus' local market in the UK and the North Sea.

The Board remains convinced that POS-GRIP Technology is a key enabler for the wellhead market, and that not only can it deliver the technically best solution, which makes it the safest and highest integrity solution – it can also become the most cost effective solution. When life cycle costs are taken into account (sometimes described as Totex, being Capex and Opex combined) Plexus' technology can be significantly better than conventional solutions. With a focus on greener, leak-free and more efficient operations, operators are increasingly looking to embrace the full potential of products they specify in their procurement strategies. The license deal with Cameron is expected to accelerate industry adoption of this approach.

This year saw the Company's first royalty income from Gusar, our licensee for Russia and the CIS following a successful POS-GRIP Wellhead deployment for a Gazprom offshore gas exploration well. While we see further potential from similar activities next year and beyond, it was disappointing that further activity in this period was postponed due to the Covid crisis.

Plexus' investment in Kincardine Manufacturing Services Limited ('KMS') is performing well, and although KMS' revenues were affected by the general industry downturn over the period, KMS fared significantly better than certain of its competitors, who have been forced to scale back or cease operations. After an asset impairment review Plexus has written down the carrying value of its investment in KMS, due to a reduction in dividend payments, but KMS has the infrastructure to allow a quick recovery, and the potential for significant growth as it picks up new work. Dividend payments from KMS are expected to continue and should increase in line with the recovery in local offshore energy business activity.

Plexus' primary and core strength is its POS-GRIP Intellectual Property ('IP'), together with the broad family of products and associated equipment which is enabled by this technology. Although individual product patents inevitably expire over time, it is the body of other registered IP, including new apparatus and method patents which we file, together with unregistered and confidential test results, know-how and experience which give us the ability to continue with uniquely different friction grip technology.

## Overview

Plexus is primarily a wellhead business, but unlike all other wellhead companies, our value is underpinned by POS-GRIP IP, which is a unique and proprietary design. Where others compete on a volume manufacturing basis and fight for margins with very similar products, Plexus' POS-GRIP proposition is truly different and delivers enhanced value to customers. The Company has demonstrated that its products perform and can be profitable without a low-cost volume manufacturing base not only organically, but also by adopting a licensing model to reach markets that Plexus cannot naturally access.

As has been seen over the last 20 years, adoption of new or alternative technology can be frustratingly slow, but the Board believes there is a new momentum behind the Company's technology, as there is unprecedented pressure on energy companies to change their approach to how they operate, which is reinforced by Plexus' licence deal with Cameron.

POS-GRIP Technology and HG Seals can offer a high integrity, metal to metal sealing, leak proof wellhead system solution which requires no significant maintenance. A combination of the best possible environmental and production performance, together with the lowest life of field Totex cost basis has never been more important or relevant.

## **Chairman's Statement** continued

### **Staff**

On behalf of the Board I would once again like to thank all our employees both past and present for their dedication and hard work during an extremely challenging year , not only for Plexus but also for the wider oil and gas industry, especially as pressure continues to grow on hydrocarbons and their associated impact on climate change. The turmoil created by the Covid lockdown measures on family and work life has brought new day to day challenges for staff, in addition to the general pressure on the industry that we see around us. Our dedicated and experienced team have coped well with these challenges. We look forward to a period of stability as the worlds emerges from the Covid pandemic, and I am sure that the developments will be positive for our staff, and for future employment opportunities within Plexus.

### **Outlook**

The challenges facing the oil and gas market have been exacerbated by the global Covid-19 pandemic, with significant declines in revenue, and corresponding reductions in capital expenditure by oil and gas majors. However, it is clear that there will continue to be demand for hydrocarbons for decades to come, and in particular for natural gas as a cleaner hydrocarbon energy source, with an increasingly important potential to generate hydrogen.

As the oil and gas market starts to show signs of recovery, and subsequent investment by operators begins to pick up, we should see sales prospects that are on hold beginning to progress again together with new opportunities arising in oil and gas as well as alternative energy markets, such as geothermal. Even if activity only partially returns, Plexus only requires a small percentage of market share to see significant growth in the specialised wellhead market, as well as the significant growth and market share potential from Cameron. We will also in due course pursue the option of licensing to Cameron technology for further applications, which if successful would bring additional royalty generating opportunities.

What is exciting to us is that challenging times like these can result in significant change, and we feel that now should be the time for POS-GRIP technology to come into its own. The combination of POS-GRIP's operational, environmental, and financial benefits ought to resonate strongly with companies operating across the energy sector. Our challenge is to ensure all operators are aware of POS-GRIP Technology, its multiple benefits, and its various applications. As the growing level of interest in POS-GRIP equipment by customers and partners demonstrates, progress is being made, although this will take time in what is a conservative industry. After a difficult year, the Board is confident that the signs of a recovery are real, and the substantial progress the Company has made with licensing will lead to growth and value for our shareholders.

**J Jeffrey Thrall**

*Non-Executive Chairman*

1 December 2020

# Strategic Report

## Principal Activity

The Group markets oil and gas industry equipment that utilises its patented friction grip method of engineering, including wellheads and connectors known as POS-GRIP. This involves deforming one tubular member against another within the elastic range to effect gripping and sealing. This superior method of engineering for wellheads offers several important advantages to operators, particularly for HP/HT applications, and can include improved technical performance, improved integrity of metal to metal seals, significant installation time savings, reduced operating and maintenance costs and enhanced safety.

Following the 2018 sale of the Company's Jack-up exploration wellhead rental operations to a division of leading oil and gas service and equipment provider TFMC, the year under review saw the Group continue to move towards an IP-led business model focused on designing, developing and rolling-out a wider range of products based on the POS-GRIP method of engineering. The Company retains the right to pursue Jack-up exploration related business in Russia and the CIS, the third largest hydrocarbon producing market in the world, and where it has existing licence agreements with LLC Gusar and CJSC Konar. In addition, Plexus continues to benefit from Jack-up exploration drilling activity via its three year earn-out arrangement with TFMC, which was part of the terms of the 2018 sale agreement.

The Company is now focused on pursuing other markets including surface production, abandonment, subsea and geothermal. In line with this strategy, in July 2020, the Company announced a purchase order for its POS-GRIP Surface Production Wellhead System from Spirit Energy. Revenues from this contract will primarily be earned in the fiscal year to June 2021.

The Directors believe that the Company's proprietary technology has additional wide-ranging applications both within and outside the oil and gas industry. Initiatives are currently underway to develop additional POS-GRIP-enabled applications for new markets, both independently and with partners, including TFMC with whom Plexus signed a Collaboration Agreement to develop new POS-GRIP products, and also with Cameron, with whom Plexus signed a non-exclusive licensing deal in November 2020.

## 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 4. 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 16 meet this requirement. The Directors have provided a description of the principal risks and uncertainties facing the Group on page 11.

## Financial Results

### Statement of Comprehensive Income

#### Revenue

Continuing revenue for the year was £525k, a decrease from £3,611k in the previous year. The decrease in continuing sales revenue is a result of customer project timing delays and the fact that the prior year revenue included a significant sale of equipment to our Russian licence partner, Gusar LLC.

#### Margin

Gross margin on continuing operations increased to 57.1% (compared to 48.4% in the previous year). The increase in margin is largely driven by a change in the sales mix, with a significant portion of current year revenue including royalty income which has no direct cost of sale attached.

#### Overhead expenses

Continuing activities administrative expenses have increased when compared to the prior year with expenditure of £5.98m (2019: £5.76m). Within this total the continuing salary component remained the largest at £2.90m compared to £2.69m in the prior year. Overhead expenses include an impairment charge of £134k following a review of the carrying value of the Group's KMS associate undertaking. Following the adoption of IFRS 16 overhead expenditure includes lease amortisation charges of £0.30m.

## 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, given the continuing business will be the focus of the Group going forward.

Adjusted EBITDA on continuing operations for the year was a loss of £3.08m, compared to a loss of £2.27m in the previous year. Adjusted EBITDA on continuing operations is calculated as follows:

	2020 £'000	2019 £'000
Operating loss	(5,681)	(4,010)
Add back:		
–Depreciation	680	718
–Amortisation	1,216	904
Share in profit of associate	265	122
Fair value adjustment on financial assets and investments	159	–
Other income	285	–
Adjusted EBITDA on continuing operations	<u>(3,076)</u>	<u>(2,266)</u>

### Loss Before Tax

Loss before tax on continuing operations of £5.05m compared to a loss last year of £3.71m. The loss on discontinued operations was £2.55m compared to a loss of £0.09m in the prior year.

### Tax

The Group shows a total income tax credit of £0.87m for the year compared to a tax credit of £0.50m for the prior year. The income tax credit has been split between continuing activities (£0.99m, 2019: £0.48m) and discontinued activities (£0.12m charge, 2019: £0.02m credit). The income tax credit for the year is driven by the loss incurred during the financial period.

### 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 £265k (2019: £122k) has been recognised. Following an impairment of the investment overhead expenses include an impairment charge of £134k (2019: nil).

### EPS

The Group reports basic loss per share on continuing activities of 3.92p compared to a loss per share of 3.12p in the prior year. The basic loss per share on discontinued activities of 2.47p, compared to a loss per share of 0.09p in the prior year.

### Statement of Financial Position

#### Tangible Assets

The net book value of property, plant and equipment including items at the year-end was £3.27m compared to £3.80m last year. Capital expenditure on tangible assets decreased to £0.19m compared to £0.53m last year.

#### Intangible Assets and Intellectual Property ('IP')

The net book value of goodwill and intangible assets was £11.09m, a decrease of 4.7% from £11.64m last year. This movement represents investment of £0.36m less the annual amortisation charge of £0.91m.



## Strategic Report continued

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 POS-GRIP methods and applications where deemed commercially advantageous to do so. 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.

The Directors have considered whether there have been any indications of impairment of its IP and have concluded, following a detailed annual asset impairment review, that there is no evidence of impairment. Therefore, the Directors consider the current carrying values to be appropriate.

### Research and Development ('R&D')

R&D expenditure including patents increased from £0.31m in 2019 to £0.36m in 2020. This increase demonstrates an investment in protecting, developing, and broadening the range of proprietary POS-GRIP friction-grip method of engineering applications and related IP. Following the sale of the Jack-up Business in 2018 it is likely that there will be a continued increase in R&D investment to widen the Group's product offering as it enters new target markets over the coming years.

### Cash and Cash Equivalents

Net cash at the year end was £4.09m (cash and cash equivalents of £4.09m less bank loans of £nil) compared to net cash of £5.08m (cash and cash equivalents of £5.16m less bank loans of £0.08m) in the prior year reflecting a net cash outflow for the year of £0.98m (net decrease in cash of £1.06m per Statement of Cash Flows plus net decrease in bank borrowings of £0.08m).

The reduction in bank borrowing represents £0.08m of repayments on the property term loan, reducing the balance from £0.08m to £nil.

It should also be noted that the Group has financial asset investments with a value of £3.0m at the reporting date. These investments are included in non-current financial investments in the statement of financial position.

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 consider 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. In Jack-up exploration, activity was centred on supporting the efforts of Gusar, Plexus' licensing partner in Russia and CIS markets, in the execution of their first wellhead order, from Gazprom, in the Russian and CIS markets. Royalty income from this order was reflected in the accounts to June 2020. This followed the £1.4m sale to Gusar in the prior year of two POS-GRIP 18-3/4" rental wellhead sets and associated mudline equipment to provide the basis for Gusar's own POS-GRIP rental exploration wellhead inventory.

Outside Jack-up exploration, the Company's main focus continues to be the marketing of its POS-GRIP-enabled production and subsea wellheads, and its POS-SET Connector for abandonment operations. Following the sale of the Jack-up Business in 2018, the much larger production wellhead market is the key area of focus for the Company. The Company is currently tendering for a number of such contracts. Alongside this, the Company is actively pursuing geothermal orders for its POS-GRIP surface production equipment, which is ideally suited to that environment where wells can have a very long-life span. Licensing opportunities

## Strategic Report continued

remain very firmly in focus for the Company and to this end, in November 2020, Plexus announced an exciting licensing deal with Cameron, a division of Schlumberger, for Cameron to use POS-GRIP technology in a specific range of conventional and unconventional oil and gas surface wellhead applications.

Following the successful application of Plexus' POS-GRIP surface wellhead technology for Spirit Energy for its Chiswick well in 2019, Plexus was awarded a contract from Spirit in July 2020 for its next well, which is expected to be delivered in Q1 of 2021. Accordingly, revenues from this contract will be delivered in the 2020/2021 financial year.

Plexus continued to invest in R&D during the year. Of particular note was the successful completion of a testing programme in November 2019 which verified the performance of the POS-GRIP "HG" Metal Seal System to be qualified in accordance with API 6A standards at 10,000 psi pressure for an extreme temperature range of -75° to +400° F. R&D remains an important operational activity and underpins 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, 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 2020 comprised 33 employees, including 1 international employee, which compared to a weighted average total of 37 in both the current year and prior year.

The OPITO accredited competency system was updated in the previous year to better reflect production equipment and to enhance the robust assessment of employees in safety critical roles. A thorough review of all standards across the system took place which resulted in a complete restructure and rework for the workshop and field service technician scopes. The revised system underwent a monitoring audit in July 2019 and the Company has successfully maintained its OPITO approval. The next audit was delayed by COVID-19 but is now scheduled for Q4 of 2020.

As part of the continuing commitment to the health and wellbeing of employees, the Healthy Working Lives programme aims to encourage habits of wellbeing and inspires individuals to take responsibility for their own health. Plexus continues to hold the Gold Award.

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, and this is reflected in the business being lost time injury ('LTI') free once again this year. Plexus has now passed the fifth anniversary of the milestone, in September 2020.

During the year, Plexus enhanced its Business Management System (BMS) in order to comply with the new ISO 45001 standard which replaces OHSAS 18001:2007 which will be discontinued in 2021. Plexus achieved accreditation under the new standard in May 2020. This followed the Quality Management System achieving API Q1 accreditation in February 2020. Plexus continues to hold Licences for both API 6A and 17D. These accreditations demonstrate Plexus' capability and determination to operate under the highest standards.

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. During these challenging times for all industries due to COVID-19, Plexus has continued to develop its in-house systems to ensure the Company is able to react swiftly to changing market requirements, and to enhance the capability of all office based employees to work from home as necessary, safely and securely.

## 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 and creates a superior metal to metal seal. The Company's strategy is primarily focused on delivering the highest standard of wellhead design for the upstream oil and gas markets around the world, and one which has already proven to be uniquely advantageous in terms of safety features, operational efficiency, and cost savings for Jack-up drilling, especially HP/HT applications. The Company is now focused on replicating this past success in other wellhead markets including surface production, subsea and geothermal, as well as other initiatives such as a POS-GRIP Crown Plugs and POS-GRIP Lateral Trees.

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 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' POS-GRIP enabled product suite also includes the innovative Python<sup>®</sup> subsea wellhead as well as the POS-SET Connector<sup>®</sup> for use in the growing decommissioning market. We believe the Python subsea wellhead is important 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 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 new and 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 and not a product in its own right, where 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 benefits together with "HG" sealing can be realised organically or in conjunction with partners.

### **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 wellhead market. The Directors believe that this success can 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.

Historically Plexus has focused on supplying adjustable exploration wellhead equipment and associated running tools on a rental basis for the niche Jack-up exploration drilling market in the UK Continental Shelf ('UKCS'), achieving a near 100% market share for HP/HT exploration wells. Over the years, Plexus' equipment has been deployed in the ECS (Norway, Netherlands and Denmark) as well as China, Russia, Egypt, Cameroon, Trinidad, Venezuela, and Morocco. The exploration wellhead contracts were supplied from a rental fleet of owned inventory of which the majority were for 15,000psi HP/HT; and the remainder for 10,000psi wellheads.

Following the sale of the Jack-up business to TFMC in 2018, the Directors believe Plexus is well placed to pursue its strategy of breaking into the significantly larger and more mainstream volume production wellhead and subsea markets both organically and in conjunction with partners, including licensees. The licensing deal agreed with Cameron in November 2020 is a further endorsement of this strategy.

### 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 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 POS-GRIP.

Following the sale of the Jack-up Business, Plexus is today an IP-led research and development business focused on extending its business activities into the volume land, platform and subsea sectors. This strategy will be pursued both organically and through licensees and partners. Evidence of the successful emergence of this strategy can be seen from both the contract award by Spirit Energy in July 2020 and from the non-exclusive licence deal with the Cameron division of Schlumberger in November 2020. Both of these important events have occurred post year end and set a sound foundation for future growth.

### 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, 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, and highlights the Group moving towards a supplier of production wellhead equipment. Non-financial indicators include Health and Safety statistics, 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 6.

### 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 participates 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. The current global political and environmental landscape, particularly in relation to climate change concerns and the relentless 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 stable trading conditions. A significant risk in the form of the global pandemic caused by COVID-19 has materialized this year and 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. 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.

The Company continues to closely monitor the potential impact and risks of the UK's pending exit ('Brexit') from the European Union ('EU') under various scenarios, including leaving the EU without a deal. This includes assessing 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. 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 regarding 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 and other climate change objectives in relation to the ongoing need to urgently reduce CO<sub>2</sub> and CH<sub>4</sub> (methane) emissions. 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. It is however also recognised that the world will continue to need hydrocarbons as an energy and materials source, and in particular gas for many years to come, and indeed currently global demand for hydrocarbons is forecast to continue to grow.

### (c) **Technology**

The Group is now focusing on the commercialisation, marketing and wider application of its POS-GRIP friction-grip technology beyond Jack-up rental exploration wellhead equipment, both with regard to expanding into the surface land and platform production market sector, as well as the target subsea market where the Plexus POS-GRIP Python subsea wellhead offers numerous operational, time savings and performance benefits. Current and future contract opportunities may be adversely affected by technology related factors outside the Group's control, especially where new product developments are concerned. These may include unforeseen equipment design issues, test delays during a contract and final testing, and delayed acceptances of deliveries, as well as the slow uptake by operators which could lead to possible abortive expenditure and write downs, reputational risk and potential customer claims or onerous contractual terms. Such risks may materially impact on the performance of the Group. To help mitigate this risk, the Group continues to invest in developing and proving the technology and has a policy of on-going training of our own personnel and where appropriate our partners and customers.

### (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 the past few years as the large oil service companies have merged. These major oil service and equipment company consolidations that have taken place over the last few years 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 maintains an extensive suite of patents and trademarks, and actively continues to develop and improve its IP to ensure that it continues to be able to offer unique superior wellhead design solutions.

### (e) **Operational**

Plexus, like many other oil service companies, has had to make significant reductions in its workforce numbers over the past few years as a result of a lower oil price and a corresponding reduction in drilling activity and related levels of capex spend. Therefore, with any upturn in drilling activity, it is possible that the industry and Plexus could experience difficulties in rehiring past or new employees and this could deprive Plexus of the key personnel necessary for expanding operational activities, as well as research and development 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 minimise such risks.

(f) **Liquidity and finance requirements**

In an economic climate that remains in many ways uncertain it has become increasingly possible for potential sources of finance to be closed to businesses for a variety of reasons that have not been an issue in the past. Some of these may even relate to the lender itself in terms of its own capital ratios and lending capacity. In addition, a growing number of financial institutions are actively divesting away from the oil and gas sector on the grounds of climate change concerns. Furthermore, the sustained period of record low interest rates is impacting on global finances in a number of ways and could have a negative impact on business activity.

(g) **Credit**

The main credit risk is attributable to trade receivables. As the majority of 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/or trade sanction issues. Customer payments can therefore 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 payments terms could apply. The Group's exposure to credit risk is monitored continuously.

(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 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.

(i) **COVID-19 outbreak**

Plexus places the health and safety of its employees as its highest priority and in line with this has implemented various protocols in relation to the current COVID-19 outbreak. Accordingly, a business continuity programme has been put in place to protect employees whilst ensuring the safe operation of the Company. Following consultations with, amongst others, relevant authorities, staff and contractors, strict protocols have been implemented to reduce the risk of transmission of COVID-19 at all the Company's operations. The situation in respect of COVID-19 is an evolving one and the Board will continue to review its potential impact on its staff and the business.

### 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 holders that are aligned to our strategy. By clearly communicating our strategy and objectives, we maintain continued support from our investor base. Important issues include maintaining financial stability 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 19 to 31. During the year, the Finance Director supported by other members of the executive team, the Company's broker, and the Investor Relations advisor, engaged directly with investors by email, presentations, direct conversations and ad-hoc meetings. In addition to this, in October 2019 the Company re-launched its website to provide investors and other stakeholders with an improved platform to access information about the Company.

#### 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. During the year, the Board re-tendered the employee benefits adviser who are able to offer a comprehensive service to employees as well as to the Company. The Company proactively engages with employees on matters of competency, training, and health and safety as detailed in the Corporate Governance Report on pages 19 to 31. During the year the Company successfully achieved five continuous years with no Lost Time Incidents (LTI's) and this successful safety culture has continued beyond that fifth anniversary to the date of writing. In the latter part of the year, the impact of COVID-19 and Government regulations caused a sudden migration of many staff to be required to work from home. The challenges of maintaining close contact with employees presented by this have been very successfully managed by use of appropriate software such as Microsoft Teams alongside the use of a secure VPN and other network security protocols.

#### 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 in order to support their efforts to achieve commercial success by holding technical workshops, technical training and data transfer. As part of the transaction with TFMC in 2018, a five-year Collaboration Agreement was signed between the two companies in order to explore areas where new products with commercial opportunities can be jointly developed. The Collaboration Steering Committee contains representatives from both companies and meets on a regular basis at each quarter.

#### 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*

1 December 2020

## Board of Directors

### ***Jerome Jeffrey Thrall BBA MBA (aged 71), 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 72), 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 62), Finance Director***

Graham 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. a worldwide Asset Information Management solutions provider used by leading companies in asset intensive industries, including oil and gas.

### ***Craig Francis Bryce Hendrie M.Eng (Oxon) (aged 47), 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 61), 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 USD\$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 43), 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 2020.

### 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 POS-GRIP technology. For the year research and development expenditure including capitalised wage and salary costs totalled £0.36m (2019: £0.31m).

### Results and dividends

The results for the year, showing a loss from continuing operations before taxation of £5.05m (2019: loss £3.71m), and a loss from discontinued operations before taxation of £2.43m (2019: loss £0.11m) and are set out on page 43.

The directors do not recommend the payment of a final dividend for the year ended 30 June 2020 (2019: nil).

### Corporate governance

This is the subject of a separate report set out on page 19. 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 28 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 are below the threshold to report on their Greenhouse gas emissions and energy consumption.

### Going concern

The directors, having made appropriate enquiries, believe that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group continues to adopt the going concern basis in preparing the financial statements.

### Directors' interests

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

## Directors' Report continued

The interests of the directors who held office during the year in the shares of the Company at 30 June 2020 were as follows:

	<b>Number of Ordinary Shares of 1p each 2020</b>	<b>Number of Ordinary Shares of 1p each 2019</b>
J. Jeffrey Thrall <sup>1</sup>	44,307,513	44,295,513
Ben van Bilderbeek <sup>2</sup>	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 2020 was 42,700,001 (2019: 42,700,001). Additionally, J. Jeffrey Thrall has both a direct and an indirect beneficial interest in Nazdar Limited, 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 2020, 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 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:

	<b>% issued share capital</b>
Mutual Holdings Limited 42,700,001	42.51%
The Bank of New York Nominees Limited 16,428,738	16.36%
OFM Investment Limited 15,069,767	15.00%
CGWL Nominees Limited 6,651,253	6.62%
Jereh International (Hong Kong) Co., Ltd 4,468,537	4.45%

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

Details of the Executive and Non-Executive Schemes can be found in the Remuneration Committee Report on page 34.

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.

## **Directors' Report** continued

### **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 Annual General Meeting of the Company will be held on 30 December 2020. The Notice convening the meeting may be found on the Company's website [www.plexusplc.com](http://www.plexusplc.com) under the Investors tab.

In addition to the ordinary business of the meeting which is set out in the proposed resolutions numbered 1 to 6 (inclusive) there are three items of special business, namely the proposed resolutions numbered 7, 8 and 9, the effects of which are to renew the authority given to the directors to allot shares in the capital of the Company, to authorise the Company to make market purchases of shares and, to dis-apply pre-emption rights. 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 Annual General Meeting.

### **Company number**

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

By order of the Board

**G Stevens**

*Director*

1 December 2020

# Corporate Governance

## Chairman's Introduction

Plexus' long-term goal is to establish POS-GRIP friction grip technology as a new industry standard for wellhead and metal sealing systems, whilst continuing to develop new 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. Core to all of this is the Board ensuring 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 strong 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 regular contact 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 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 promote 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. Included among these are the Company's POS-GRIP friction-grip exploration wellhead equipment and associated tooling. Up until 2018, the Company's core business had been the rental of this equipment to major oil and gas operators for use on Jack-up exploration wells around the world, particularly for HP/HT applications. Plexus wellheads have been used on hundreds of wells operated by a varied customer base which includes blue-chip customers. This application was sold to TFMC in February 2018, with the exception of Russia and the CIS where Plexus retained its licensing arrangement with its local partner.

Since it was established, Plexus has focused on being an innovative, IP-led company built around its proprietary POS-GRIP technology. POS-GRIP was designed to address a number of limitations associated with conventional wellhead technology particularly in terms of 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 anticipates, in due course and even more significantly, subsea. Thanks to POS-GRIP, 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 research & development and IP development and areas and applications outside of Jack-up exploration wellheads, including surface production and subsea wellhead equipment, as well as 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 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. Plexus can now also offer outlet valves and Xmas trees, resulting in a complete package offering to the end customer.

## Corporate Governance continued

In the beginning Plexus found the oil & gas sector to be resistant to new technology and had experienced push back from industry participants at the early stage of introducing POS-GRIP technology. Consequently, Plexus took the decision to initially apply POS-GRIP technology to Jack-up exploration drilling, in order to showcase and prove the technology and obtain industry acceptance, before developing and commercialising a wider range of products. The dynamics of exploration drilling enabled the Company to avoid the relatively high and often fixed costs of becoming a manufacturer, allowing Plexus to build a wellhead inventory which could be rented out to customers on a temporary basis for use on exploration drilling projects.

Prior to the sale of the Jack-up Business, 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.

One of the key challenges faced by the Company continues to be the impact of a volatile oil price, which combined with the impact of Covid-19 has resulted in a significant decline in capital spending and exploration activity by the major E&P operators.

The Company is proprietary technology driven and the challenge now is to build on the value achieved and recognition gained for POS-GRIP technology following the 2018 TFMC transaction. To this end and as announced in November 2020, the new non-exclusive licence agreement with Cameron for oil and gas surface wellheads is an important milestone. The Board believes that there will be significant opportunities in the years to come to develop this relationship alongside the pursuit of organic growth and the continuing development of the Company's technology. The superior performance, safety and operational advantages of Plexus' wellhead designs give the Directors confidence that past successes can be extended to the wider energy sector including production, subsea, geothermal and fracking applications based on its POS-GRIP technology, which bodes well for the Cameron licence.

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 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 POS-GRIP.

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. At the same time as the market shows signs of recovery there is a major shift from coal and even oil to cleaner natural gas production. This is a positive trend for Plexus as it is widely recognised that gas leaks are very damaging to the atmosphere in terms of climate change and the impact of methane on the environment, and therefore the need for superior and reliable long-term metal-to-metal 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 focussed on non-financial key performance indicators such as research and development activities and commercialization objectives, including licencing initiatives. This will over time migrate more towards financial key performance indicators 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 regular dialogue and communications with its shareholders to ensure that its strategy, business model and performance are understood by the market. Understanding what analysts and investors think about Plexus, and helping these audiences understand our business, is an important part of driving our business forward and we welcome dialogue with the market with the support of our broker Cenkos and Investor Relations advisors St Brides. Such communications 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 responsible for reviewing all communications received from members, and in conjunction as necessary with the CEO and if appropriate the Board, determining the most appropriate response.

Such communications by email or letter with shareholders are sent 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, routinely 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/>. This year, however, because of the restrictions imposed by the Government as a consequence of the COVID-19 pandemic and the prohibitively high costs associated in convening a virtual AGM where very specific rules and an amendment apply to the Company's articles of association would be required, this year's meeting will be a closed meeting held at an undisclosed address in London where a quorum will be present in a COVID-19 secure and compliant arrangement. Instead of shareholders attending the meeting to vote, they are being encouraged to register their vote by completing and returning a Form of Proxy. Unlike a usual AGM where a vote on a resolution is put to the meeting initially on a show of hands, the chairman of the meeting will demand a poll of votes on each resolution to determine whether or not a particular resolution has been passed. As stated above, the results of the AGM will be published on the London Stock Exchange and available on the Company's website.

#### ***Institutional shareholders***

The Directors seek to build a relationship with institutional shareholders and are pleased to note the maturity of the shareholder base comprising as it does both long term private investors and a number of larger institutional investors which the Directors interpret as an endorsement of the strategy of the Company. 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 required to institutional shareholders and analysts each year following the release of the full-year and half-year results. Such procedures have inevitably been impacted at the current time by the various restrictions imposed by Covid-19.

The Board as a whole is kept informed as necessary of the views and concerns of major shareholders. 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**

The Plexus business model changed emphasis in February 2018 with the sale of our Jack-up exploration drilling activities (with the exception of Russia and the CIS) to TFMC, one of the three largest oil services companies in the world. This disposal not only succeeded in raising the profile of Plexus and delivered a clear endorsement of our patented POS-GRIP technology it also strengthened the statement of financial position.

## **Corporate Governance** continued

This position has enabled Plexus to focus on leveraging its IP into other market areas such as surface production, subsea, and other Plexus products either organically or with partners. The announcement in November 2020 of a Licensing deal with Cameron endorses and further underpins this change of focus.

Despite this change of business model, the key stakeholders (both internal and external) and the way we engage with them has not changed (subject to Covid-19 constraints), with the exception of our earn-out and collaboration partner TFMC. Stakeholders continue to consist of shareholders, employees, suppliers, customers, 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 a successful business. Feedback from shareholders is responded to where possible through interaction via letters, emails, phone calls, meetings and, in prior years, 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 and following a sustained period of depressed operational activity there was concern the technical skills of those who fulfil specific technical roles would diminish and would find it challenging to perform their role effectively and efficiently when activity increased again. 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 will not be developed under the OPITO standard as it is a concise system that supports the requirements of ISO9001:2015, for which Plexus has received Lloyd's Register accreditation.

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 each and every day. The Group continue 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 have fully revised our Business Management System to comply with the new ISO 45001 standard,

demonstrating our relentless 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 our accreditation of API Q1 certification in February 2020 along with ISO 45001 accreditation in May 2020.

### *Modern Slavery*

In light of the increasingly concerning activities and resultant human misery that have brought about the much needed Modern Slavery Act 2015, in 2018 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 very 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 essential in recent 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 does not currently have an internal audit function due to the small size of the administrative function and the high level of Director review and authorisation of transactions.

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. 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 audits or otherwise, and any matters the external auditors may wish to discuss (in the absence of the executive directors where necessary);



## Corporate Governance continued

- (F) to review the external auditor's management representations letter and management's response;
- (G) to review the nature and extent of non-audit services provided by the external auditors 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;
- (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 its 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;
- An organisational structure with defined levels of responsibility, which promotes responsible decision-making and implementation while minimising risks;
- A comprehensive annual budgeting process producing a detailed integrated profit and loss, balance sheet and cash flow, which is 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 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 all 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*

All material contracts are required to be reviewed and signed 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. Every year senior managers and above declare compliance to this code.

## Corporate Governance continued

### *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 control best practice, 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 13 years and there are no 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.

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 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. The executive members of the Board have assessed 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.

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

During the last financial year five 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 strategy, including capital investments, shareholder returns and the dividend policy
- Reviewed the performance of the Company's licensee
- 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.

## Corporate Governance continued

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.

Directors and Non-Executive Directors are expected to be available whenever required where non-routine course of business activity is going on, such as the Board approval of the Licence Agreement with Cameron in November 2020.

The executive members of the Board have assessed 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 may be found here <https://www.plexusplc.com/board-of-directors/>

	<b>Audit</b>			
	<b>Board</b>	<b>Committee</b>	<b>Board</b>	<b>Board</b>
<b>2019:</b>	<b>18.07.2019</b>	<b>23.10.2019</b>	<b>23.10.2019</b>	<b>05.12.2019</b>
Jeff Thrall	✓	✓	✓	✓
Ben van Bilderbeek	✓		✓	✓
Graham Stevens	✓		✓	✓
Craig Hendrie	✓		✓	✓
Kunming Liu	✓		✓	✓
Charles Jones	✓	✓	✓	✓
			<b>Audit</b>	<b>Board</b>
		<b>Board</b>	<b>Committee</b>	<b>Committee</b>
<b>2020:</b>		<b>25.03.2020</b>	<b>25.03.2020</b>	<b>26.03.2020</b>
Jeff Thrall		✓	✓	
Ben van Bilderbeek		✓		
Graham Stevens		✓		✓
Craig Hendrie		✓		✓
Kunming Liu		✓		
Charles Jones		✓	✓	

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. Contracts are available for inspection at the Company's registered office and at the Annual General Meeting ("AGM"). Further details of the Directors' experience and skills are set out on page 15 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. 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, 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, 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.

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 assess 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.

## Corporate Governance continued

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 and, the Company being in transition since the disposal of the rental wellhead Jack-up business, 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 and environmental; IP infringement, competitive risk, operational, liquidity and financial requirements, and credit. Such an approach has successfully resulted in relationships with stakeholders that have avoided any conflicts or legal action.

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 to which have constant access.

### **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 through a formal schedule 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. 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).

## Corporate Governance continued

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.
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, 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.
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. 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 Principal 4 in this report. The overall duties of the Remuneration Committee 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):

## Corporate Governance continued

- (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) (under normal non-pandemic circumstances) 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](http://www.plexusplc.com)

The Board receives updates on the views of shareholders through briefings and reports from the Company's brokers, Cenkos Securities Plc.

The Company communicates with institutional investors where requested 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.

The Company announces the results of all votes on resolutions proposed at any general meeting of the members of the Company by releasing an 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 the ultimate responsibility for reviewing and approving the Annual Report and Accounts and interim financial statements remains with the Board. 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 2020. One meeting related to the 2018-19 Annual Report and Accounts, and the second meeting was to review and sign off the 2020 Interim Financial Statements. The external auditors attended all 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 2019-20 Annual Report and Accounts have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union, 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

## **Audit Committee Report** continued

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 information on the methodology and assumptions used in the valuation of intangible assets and the assessment of impairment thereof is given in notes 1.f and 1.g to the consolidated accounts on page 50, and in the Parent company accounts on page 77.

### ***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 2019/20 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 2019/20. Accordingly, the Committee concluded that it is appropriate to adopt the going concern basis in preparing the annual financial statements.

### ***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 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. Further details on the Principal Risks and Risk Management may be found in the Strategic Report on page 11 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 being 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. Mr Stephen Bullock has been the senior statutory auditor for four years. Non-audit services provided by the Group's auditors have been considered and has had no impact on the auditors' independence.

### ***Whistleblowing***

The Committee had no whistleblowing incidents reported directly or indirectly during the year to 30 June 2020.

The Report of the Audit Committee was approved by a Committee of the Board of Directors on 1 December 2020 and signed on its behalf by:

Craig Hendrie and Graham Stevens.

### **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 £	2020 Total £	2019 Total £
<b>Executive Directors</b>					
Ben van Bilderbeek	305,480	33,805	–	<b>339,285</b>	313,040
Graham Stevens	166,791	15,735	–	<b>182,526</b>	163,897
Craig Hendrie	138,377	1,111	19,858	<b>159,346</b>	141,540
<b>Non-executive Directors</b>					
J Jeffrey Thrall	19,500	–	–	<b>19,500</b>	19,500
Charles Jones	18,000	–	–	<b>18,000</b>	18,000
Kunming Liu	18,000	–	–	<b>18,000</b>	18,000
Total	<u>666,148</u>	<u>50,651</u>	<u>19,858</u>	<u><b>736,657</b></u>	<u>673,977</u>

The highest paid director is the Group CEO with total remuneration for the year of £339k (2019: £313K). This compares to the average of all company employees (salaries and benefits plus pension) of £72k (2019: £67k).

### 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 30/06/19 & 30/06/20	Date of Grant	No of Options Vested at 30/06/20	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	24/03/21	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	24/03/21	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	24/03/21	0.60

No executive share options have been granted, lapsed, forfeited or exercised during the years to 30 June 2020 and 2019. No share options have been exercised since 2015.

## Remuneration Committee Report continued

### Non-executive 2005 Share Option Scheme

Name	No of options at 30/06/19	Lapsed during 19/20	No of options at 30/06/19	Date of Grant	No of Options Vested at 30/06/20	Expiry Date	Exercise Price
J. Thrall	40,169	–	40,169	09/12/05	40,169	08/12/25	0.59
G. Thompson	100,000	(100,000)	–	08/06/10	–	–	–

The non-executive share options granted on 08/06/10 lapsed during the year to 30 June 2020. No other non-executive share options have been granted, forfeited or exercised during the years to 30 June 2020 and 2019.

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. Subsequently on 8 June 2017, and then on 13 December 2019, the Company entered into deeds of amendment with Ben van Bilderbeek, Graham Stevens, Craig Hendrie, and on 8 June 2017 with eleven employees, and on 13 December 2019 with twenty-three employees, in respect of options granted to them on 20 June 2007 and 17 December 2009 respectively, under the scheme, to enable each holder to exercise these particular options up until 19 June 2027 and 13 December 2029 respectively, 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 2020 was 9.00p on the 7<sup>th</sup> to 8<sup>th</sup> May 2020. The high price in the period to 30 June 2020 was 41.00p on 8<sup>th</sup> July 2019. The mid-market price on 30 June 2020 was 14.00p.

The 6 year history of the share price on reporting date (30 June) is as follows, 2020:14.00p. 2019: 40.50p, 2018: 46.90p, 2017: 57.00p, 2016: 40.63p and 2015: 165.5p.

Total staff remuneration costs for the year, as set out in note 5 was £2.9m (2019: £2.7m). This compares to distributions to shareholders of nil (2019: £1m dividend paid).

## 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 International Financial Reporting Standards (IFRSs) as adopted by the European Union. 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](http://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*

1 December 2020

# 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 2020, which comprise:

- the Group statement of comprehensive income for the year ended 30 June 2020;
- the Group and Parent Company statements of financial position as at 30 June 2020;
- the Group and Parent Company statements of cash flows and statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 2020 and of the Group's loss for the period then ended;
- the Group's financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company's financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements 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 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, 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.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## 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 £375,000, (2019: £300,000) based on approximately 7% (2019: 8%) of the Group's loss before taxation for the period.

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.

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 £20,000 (2019: £20,000). 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*

The Group and its subsidiaries are accounted for from one central operating location, the Group's registered office. Our audit was conducted from the main operating location and all group companies were within the scope of our audit testing.

### *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.

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

#### **Key audit matter**

#### **How the scope of our audit addressed the key audit matter**

##### *Impairment of intangible assets, including goodwill*

The Group carries intangible assets at a net book value of £11.09 million (2019: £11.64 million). This balance is primarily represented by intellectual property, patent and other development expenditure.

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

Our procedures included:

- Considering the appropriateness of the accounting policy and methodology applied in the impairment testing against the requirements of the accounting framework;
- Obtaining management's impairment reviews and recalculating the mathematical accuracy of the computations;



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

The performance of the impairment review requires management to make key judgements and assumptions. As a result, we identified the impairment of intangible assets, including goodwill, as a significant risk, which was one of the most significant assessed risks of material misstatement.

- Agreeing the key data used in the impairment calculations to underlying accounting records, challenging management's assumptions and benchmarking where historical and third party data was available; and.
- Considering the appropriateness of the revenue growth assumption and the discount rate applied and performing sensitivity analysis thereon.

We also considered the adequacy of the disclosures in the financial statements in relation to this as a significant area of judgement.

### *Revenue recognition*

Revenue is recognised in accordance with the accounting policy as set out in note 1d to the financial statements.

Our procedures included:

- Testing a sample of orders and contracts to ensure the timing and amount of income had been recognised in accordance with the Group's accounting policies and in accordance with the requirements of IFRS15; and
- Testing revenue cut off around the reporting date.

Our testing of revenue indicated that revenue is being recognised appropriately and in the correct accounting period.

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. 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.

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

In connection with our audit of the financial statements, 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 there is a material misstatement in the financial statements or a material misstatement of the other information. 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 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 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 on page 37, 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

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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.

**Stephen Bullock** (Senior Statutory Auditor)

for and on behalf of

**Crowe U.K. LLP**

*Statutory Auditor*

London

1 December 2020

## Consolidated Statement of Comprehensive Income

for the year ended 30 June 2020

	<i>Notes</i>	2020 £'000	2019 £'000
<b>Revenue</b>	2	<b>525</b>	3,611
Cost of sales		<b>(225)</b>	(1,865)
		<hr/>	<hr/>
<b>Gross profit</b>		<b>300</b>	1,746
Administrative expenses		<b>(5,981)</b>	(5,756)
		<hr/>	<hr/>
<b>Operating loss</b>	4	<b>(5,681)</b>	(4,010)
Finance income	6	<b>192</b>	218
Finance costs	7	<b>(111)</b>	(41)
Share in profit of associate	14	<b>265</b>	122
Other income		<b>285</b>	–
		<hr/>	<hr/>
<b>Loss before taxation</b>		<b>(5,050)</b>	(3,711)
Income tax credit	8	<b>992</b>	484
		<hr/>	<hr/>
<b>Loss after taxation from continuing operations</b>		<b>(4,058)</b>	(3,227)
Loss after taxation from discontinued operations	9	<b>(2,549)</b>	(88)
		<hr/>	<hr/>
Loss for year		<b>(6,607)</b>	(3,315)
Other comprehensive income		<b>–</b>	–
		<hr/>	<hr/>
<b>Total comprehensive income for the year attributable to the owners of the parent</b>		<b>(6,607)</b>	(3,315)
		<hr/>	<hr/>
<b>Loss per share</b>	10		
Basic from continuing operations		<b>(3.92p)</b>	(3.12p)
Diluted from continuing operations		<b>(3.92p)</b>	(3.12p)
Basic from discontinued operations		<b>(2.47p)</b>	(0.09p)
Diluted from discontinued operations		<b>(2.47p)</b>	(0.09p)

# Consolidated Statement of Financial Position

at 30 June 2020

	Notes	2020 £'000	2019 £'000
<b>Assets</b>			
Goodwill	11	767	767
Intangible assets	12	10,325	10,876
Property, plant and equipment	15	3,273	3,804
Non-current financial assets	16	2,995	2,835
Investment in associate	14	898	907
Deferred tax asset	8	2,130	1,259
Other receivables	9	–	4,515
Right of use asset	26	1,548	–
<b>Total non-current assets</b>		<b>21,936</b>	<b>24,963</b>
Inventories	17	870	698
Trade and other receivables	18	2,982	4,948
Current income tax asset		76	617
Cash and cash equivalents	23	4,087	5,152
<b>Total current assets</b>		<b>8,015</b>	<b>11,415</b>
<b>Total Assets</b>		<b>29,951</b>	<b>36,378</b>
<b>Equity and Liabilities</b>			
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		28,266	34,873
<b>Total equity attributable to equity holders of the parent</b>		<b>27,494</b>	<b>34,101</b>
<b>Liabilities</b>			
Lease liabilities	26	1,401	–
<b>Total non-current liabilities</b>		<b>1,401</b>	<b>–</b>
Trade and other payables	19	778	2,202
Lease liabilities	26	278	–
Bank loans	24	–	75
<b>Total current liabilities</b>		<b>1,056</b>	<b>2,277</b>
<b>Total liabilities</b>		<b>2,457</b>	<b>2,277</b>
<b>Total Equity and Liabilities</b>		<b>29,951</b>	<b>36,378</b>

These financial statements were approved and authorised for issue by the board of directors on 1 December 2020 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 2020

	Called Up Share Capital £'000	Shares Held in Treasury £'000	Share Premium Account £'000	Share Based Payments Reserve £'000	Retained Earnings £'000	Total £'000
<b>Balance as at 30 June 2018</b>	<b>1,054</b>	–	<b>36,893</b>	<b>674</b>	<b>2,295</b>	<b>40,916</b>
Total comprehensive income for the year	–	–	–	–	(3,315)	(3,315)
Cancellation of share premium		–	(36,893)	–	36,893	
Buyback of shares	–	(2,500)	–	–	–	(2,500)
Dividend paid	–	–	–	–	(1,000)	(1,000)
<b>Balance as at 30 June 2019</b>	<b>1,054</b>	<b>(2,500)</b>	–	<b>674</b>	<b>34,873</b>	<b>34,101</b>
Total comprehensive income for the year	–	–	–	–	(6,607)	(6,607)
<b>Balance as at 30 June 2020</b>	<b>1,054</b>	<b>(2,500)</b>	–	<b>674</b>	<b>28,266</b>	<b>27,494</b>

# Consolidated Statement of Cash Flows

for the year ended 30 June 2020

	2020	2019
<i>Notes</i>	£'000	£'000
<b>Cash flows from operating activities</b>		
Loss before taxation from continuing activities	(5,050)	(3,711)
Loss before taxation from discontinued activities	(2,432)	(108)
	<hr/>	<hr/>
Loss before tax	(7,482)	(3,819)
Adjustments for:		
Depreciation and amortisation charges	1,896	1,625
Loss on disposal of property, plant and equipment	6	–
Share in profit of associate	(265)	(122)
Other income	(285)	–
Impairment of associate	134	–
Write-down of other receivable	2,432	–
Fair value adjustment on financial assets	24	3
Investment income	(192)	(218)
Interest expense	87	8
Changes in working capital:		
(Increase) / decrease in inventories	(172)	1,173
(Increase) / decrease in trade and other receivables	(191)	1,762
Decrease in trade and other payables	(1,328)	(2,661)
	<hr/>	<hr/>
<b>Cash used in operating activities</b>	(5,336)	(2,249)
Income taxes refunded	545	26
	<hr/>	<hr/>
<b>Net cash used from operating activities</b>	(4,791)	(2,223)
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Funds invested in financial instruments	(183)	(714)
Other income	285	–
Purchase of intangible assets	(361)	(311)
Investment in associate	–	(785)
Purchase of property, plant and equipment	(138)	(530)
Dividend income from associate	140	–
Deferred proceeds from sale of discontinued operation	4,240	–
Proceeds of sale of property, plant and equipment	6	9
Interest and investment income received	192	218
	<hr/>	<hr/>
<b>Net cash generated/(used) in investing activities</b>	4,181	(2,113)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Repayment of loans and banking facilities	(75)	(300)
Repayments of lease liabilities	(315)	–
Buyback of shares held in treasury	–	(2,500)
Dividend paid	–	(1,000)
Interest paid	(65)	(8)
	<hr/>	<hr/>
<b>Net cash outflow from financing activities</b>	(455)	(3,808)
	<hr/>	<hr/>
<b>Net decrease in cash and cash equivalents</b>	(1,065)	(8,144)
Cash and cash equivalents at 1 July 2019	5,152	13,296
	<hr/>	<hr/>
<b>Cash and cash equivalents at 30 June 2020</b>	24 <b>4,087</b>	<b>5,152</b>
	<hr/>	<hr/>

# 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 International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board as adopted by the European Union and are in accordance with the Companies Act 2006.

The following new standards, interpretations, and amendments, have become effective for the current year and have been adopted in these financial statements.

**IFRS 16 Leases:** The Group has adopted IFRS 16, which supersedes IAS 17, sets out principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, i.e. the customer ('lessee') and the supplier ('lessor'). Lessee accounting changes substantially under this new standard while there is little change for the lessor. IFRS 16 eliminates the classification of leases as either operating leases or financing leases and, instead, introduces a single lessee accounting model. 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 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. On inception an asset and liability both valued of £1.95m was recognised.

In applying IFRS 16 for the first time the Group has used the following practical expedients permitted by the standard:

- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases
- Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made applying IAS 17 and Interpretation 4 *Determining whether an arrangement contains a lease*.

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the group has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

In January 2020, the IASB issued amendments to IAS 1, which clarified the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.



## Notes to the Consolidated Financial Statements continued

### 1. Summary of significant accounting policies (continued)

The Group is currently assessing the impact of these new accounting standards and amendments. The Group does not believe that the amendments to IAS 1 will have a significant impact of the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability.

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.

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.

#### *b. Going concern*

The Group's activities and an outline of the developments taking place in relation to its products, services and marketplace are considered in the Strategic Review on pages 6 to 11 along with an explanation of revenue, trading results and cash flows.

Note 25 to the Financial Statements sets out the Company's financial risks and the management of capital risks.

At the year end, the Group had cash and cash equivalents of £4.09m with no bank borrowing.

Accordingly, after careful enquiry and review of available financial information, including projections and cash flows for the period to 30 June 2023, the Directors believe that the Company has adequate resources to continue to operate for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis of accounting in the preparation of the consolidated and company financial statements.

Whilst COVID-19 has had a significant impact upon many businesses, with Plexus the negative impact has been the delay in the award of work, which the Group has to a degree managed to offset with cost savings, the pandemic has not halted any established revenue streams. It should also be noted that Plexus received a purchase order in July for the Spirit Grove well, which is due to be installed in 2021, evidencing that Plexus was still able to win work during the height of the pandemic.

#### *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; or by way of contractual agreement. 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.

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

## Notes to the Consolidated Financial Statements continued

### 1. Summary of significant accounting policies (continued)

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*

On 1 July 2018, the Group adopted IFRS 15 which replaced IAS 18 ‘Revenue’ and IAS 11 ‘Construction contracts’. The new standard establishes a comprehensive framework for revenue recognition based on a five-step model, covering both services and goods.

#### Sale of equipment

The Group sells a range of equipment derived from its proprietary technology, spares and ancillary equipment are also sold. 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, or where contractual delivery date is specified in the terms and conditions of sale. Invoicing and subsequent payment follow the transfer of ownership. For the current and prior year milestone invoicing and stage invoicing have not been undertaken.

#### 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.

#### Service income

The Group provides Field Service Technicians to its customers, on daily rate basis. Revenue from service contracts are recognised on a performance basis as work is undertaken. Customers are invoiced upon submission of a signed field service ticket.

#### 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 are satisfied. In the case of the current year royalty income, revenue was recognised when the licensing partner had received payment from their customer.

#### 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 in the period in which it relates.

#### *e. 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.

#### *f. Goodwill*

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.

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.

#### *g. 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.

## Notes to the Consolidated Financial Statements continued

### 1. Summary of significant accounting policies (continued)

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 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.

#### *h. 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:

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.

#### *i. 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.

#### *j. 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.

#### *k. Leases*

Operating lease rentals are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

#### *l. 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.

## Notes to the Consolidated Financial Statements continued

### 1. Summary of significant accounting policies (continued)

#### *m. 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.

#### *n. 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.

#### *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. Following the capital reorganisation during the prior financial year which led to the cancellation and reallocation of the share premium account in addition to a share buy-back (note 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. 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) Included within other receivables is the remaining accrued consideration of £2,167k relating to the sale of the Jack-up business which took place on 31<sup>st</sup> January 2018. The accrual is based on TFMC's most recent revenue forecasts and has been recorded at fair value. The discontinued loss before tax of £2,432k relates to a write-down in the fair value of this receivable.
- (b) The directors have prepared 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 due to the Group entering new markets for its technology, moving away from the Jack-up exploration business which was disposed of in 2018.
- (c) The directors have considered 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 applied estimates and assumptions consistent with those set out in note 12 in relation to expectation of future developments, sales models and growth rates.
- (d) Included within administrative expenses is an impairment charge of £134k relating to the Group's investment in an associate undertaking. A profit before tax multiple model has been used to revalue the investment.

#### *s. 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.

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.

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 1f and 1g.

### 2. Revenue

	2020 £'000	2019 £'000
<b>By geographical area</b>		
UK	13	1,511
Europe	489	2,086
Rest of World	23	14
	<hr/> <b>525</b> <hr/>	<hr/> <b>3,611</b> <hr/>

## Notes to the Consolidated Financial Statements continued

### 2. Revenue (continued)

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

	2020 £'000	2019 £'000
<b>By revenue stream</b>		
Rental	–	531
Service	9	269
Sold Equipment	26	2,712
Royalty Fees	476	–
Rebillables	14	99
	<u>525</u>	<u>3,611</u>

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

### 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:

	2020 £'000	2019 £'000
Customer 1	489	1,818
Customer 2	–	1,447

### 4. Group operating loss

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

	2020 £'000	2019 £'000
Depreciation of tangible assets	680	718
Amortisation of intangible assets:		
– Intellectual property rights	237	238
– Research and development	664	646
– Computer software	11	20
– IFRS 16 lease amortisation	304	–
Operating lease charges:		
– Land and buildings	26	40
– Other	47	46
Foreign currency exchange loss	7	6
Gain on disposal of property, plant and equipment	6	–
Directors' emoluments	737	686
Inventories recognised as expense	12	1,346
Inventory write down provision	134	–

## Notes to the Consolidated Financial Statements continued

### 4. Group operating loss (continued)

	2020 £'000	2019 £'000
Auditors' remuneration:		
Fees payable to the Company's auditors for:		
The audit of the Company's annual accounts	10	10
The audit of the Company's subsidiary pursuant to legislation	30	30
Audit related assurance services	3	3
	<hr/>	<hr/>
Total audit fees	43	43
	<hr/>	<hr/>

### 5. Staff numbers and costs

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

	2020 Number	2019 Number
Management	6	6
Technical	26	26
Administrative	5	5
	<hr/>	<hr/>
	37	37
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2020 £'000	2019 £'000
Wages and salaries	2,555	2,392
Social security costs	235	206
Pension contributions to defined contribution plans	111	90
	<hr/>	<hr/>
	2,901	2,688
	<hr/>	<hr/>

Key management are considered to be the Board of Directors and details of Directors' remuneration are given in the remuneration report on page 34 and this forms part of the financial statements.

### 6. Finance Income

	2020 £'000	2019 £'000
Bank interest receivable	46	81
Investment income	123	119
Other interest receivable	23	18
	<hr/>	<hr/>
	192	218
	<hr/>	<hr/>



## Notes to the Consolidated Financial Statements continued

### 7. Finance Costs

	2020 £'000	2019 £'000
On bank loans and overdraft	4	8
Investment costs	37	30
Fair value adjustment on financial assets	24	3
Interest on right of use assets	46	–
	<u>111</u>	<u>41</u>

### 8. Income tax credit

(i) *The taxation charge for the year comprises:*

	2020 £'000	2019 £'000
<b>UK Corporation tax:</b>		
Adjustment in respect of prior years	(76)	(620)
	<u>(76)</u>	<u>(620)</u>
<b>Foreign tax</b>		
Current tax on income for the year	–	1
Adjustment in respect of prior years	72	391
	<u>72</u>	<u>392</u>
<b>Total current tax credit</b>	<u>(4)</u>	<u>(228)</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	(648)	(426)
Adjustment in respect of prior years	(223)	150
	<u>(871)</u>	<u>(276)</u>
<b>Total deferred tax</b>	<u>(871)</u>	<u>(276)</u>
<b>Total tax credit</b>	<u>(875)</u>	<u>(504)</u>
The effective rate of tax is 19% (2019: 19%)		
Tax credit on discontinued activities	117	(20)
Tax credit on continuing activities	(992)	(484)
	<u>(875)</u>	<u>(504)</u>
<b>Total tax credit</b>	<u>(875)</u>	<u>(504)</u>
(ii) <i>Factors affecting the tax charge on continuing activities for the year</i>	<b>2020</b> £'000	2019 £'000
Loss on ordinary activities before tax	(5,050)	(3,711)
Tax on (loss)/profit at standard rate of UK corporation tax of 19% (2019: 19%)	(960)	(705)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	163	223
Effect of change in tax rate	(153)	53
Tax adjustments on share-based payments	4	22
Adjustments in respect of prior year	(46)	(78)
Foreign tax rates	–	1
	<u>(992)</u>	<u>(484)</u>
<b>Total tax credit on continuing activities</b>	<u>(992)</u>	<u>(484)</u>

## Notes to the Consolidated Financial Statements continued

### 8. Income tax credit (continued)

<i>(iii) Movement in deferred tax asset balance</i>	2020 £'000	2019 £'000
Deferred tax asset at beginning of year	(1,259)	(984)
Credit to Statement of Comprehensive Income	(871)	(275)
<b>Deferred asset at end of year</b>	<b>(2,130)</b>	<b>(1,259)</b>
<i>(iv) Deferred tax asset balance</i>	2020 £'000	2019 £'000
The deferred tax asset balance is made up of the following items:		
Difference between depreciation and capital allowances	902	842
Share based payments	–	(4)
Tax provisions	(2)	–
Tax losses	(3,030)	(2,097)
<b>Deferred tax asset at end of year</b>	<b>(2,130)</b>	<b>(1,259)</b>

As outlined in the accounting policy (note 1e) the deferred tax asset is reviewed at the end of each reporting period. Following a review of the Group's financial models and taxable profitability in the future it is considered appropriate to recognise the deferred tax asset in full.

### 9. Discontinued Operations

On 1<sup>st</sup> February 2018 the Group sold its “Jack-up Business” to TFMC for an initial gross consideration of £15m, with an additional sum of up to £27.5m payable dependent on the future performance of the Jack-up Business during a three year earn-out period.

Based on current revenue forecasts provided by TFMC, the earnout was accrued at £8,839k. £2,167k of this balance is receivable in a period due within one year and has been included in current assets (2019: £4,515k due in a period greater than one year and included in non-current assets, £4,325k due within 1 year and included in current assets. The recognised loss on discontinued operations in the year represents the impairment of deferred consideration receivable presented in prepayments and other amounts.

	2020 £'000	2019 £'000
Revenue	–	–
Expenses	(2,432)	(108)
Loss before tax of discontinued operations	(2,432)	(108)
Income tax (charge)/credit	(117)	20
Loss after tax of discontinued operations	(2,549)	(88)
<b>Profit/(Loss) after taxation from discontinued operations</b>	<b>(2,549)</b>	<b>(88)</b>

The Statement of cash flows includes the following amounts related to discontinued operations:

	2020 £'000	2019 £'000
Operating activities	–	–
Investing activities	–	–
Financing activities	–	–
<b>Net cash generated/(used) from discontinued activities</b>	<b>–</b>	<b>–</b>

## Notes to the Consolidated Financial Statements continued

### 10. Loss per share

	2020 £'000	2019 £'000
Loss attributable to shareholders – continuing operations	(4,058)	(3,227)
Loss attributable to shareholders – discontinued operations	(2,549)	(88)
Loss attributable to shareholders	<u>(6,607)</u>	<u>(3,315)</u>
	<b>Number</b>	Number
Weighted average number of shares in issue	103,406,041	103,406,041
Dilution effects of share schemes	–	–
Diluted weighted average number of shares in issue	<u>103,406,041</u>	<u>103,406,041</u>
<b>Loss per share</b>		
Basic Loss per share for continuing operations	(3.92p)	(3.12p)
Diluted Loss per share for continuing operations	(3.92p)	(3.12p)
Basic Loss per share for discontinued operations	(2.47p)	(0.09p)
Diluted loss per share for discontinued operations	<u>(2.47p)</u>	<u>(0.09p)</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.

### 11. Goodwill

	£'000
<b>Cost</b>	
As at 30 June 2018, 2019 and 2020	<u>767</u>
<b>Impairment</b>	
As at 1 July 2018, 2019 and 2020	<u>–</u>
<b>Net Book Value</b>	
As at 30 June 2019 and 2020	<u>767</u>

The recoverable amount of goodwill has been determined on a value in use basis.

The key assumptions on which the valuation is based are that:

- Industry acceptance will over time result in growth of the business above long-term industry growth rates. Management consider this to be appropriate for a new technology still gaining industry acceptance,
- Prices will rise with inflation,
- Staff wage inflation will be higher than general inflation but will not rise in line with sales.

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

## Notes to the Consolidated Financial Statements continued

### 11. Goodwill (continued)

The cash flows are based upon a 20-year period which is the period covered by the relevant patents, and, in accordance with historical trends and current expectations. In making these calculations Management have not included an assessment of the terminal value. The company's Weighted Average Cost of Capital for discounting purposes has been measured at 10.87%. A discounted cashflow model has been prepared for both an organic sales model and a licensing sales model. The cashflows are based upon approved budgets for the following 12 months, beyond this they are based upon management's expectations of future developments. As the Group are starting from a base point of trading the growth rates are 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).

Management regularly assesses the sensitivity of the key assumptions 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 would be impaired

Note 1f provides information on the Goodwill.

### 12. Intangible Assets

	Intellectual Property £'000	Patent and Other Development £'000	Computer Software £'000	Total £'000
<b>Cost</b>				
As at 30 June 2018	4,600	12,824	331	17,755
Additions	–	310	1	311
Disposals	–	(38)	–	(38)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2019	4,600	13,096	332	18,028
Additions	–	359	2	361
Disposals	–	–	(73)	(73)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>As at 30 June 2020</b>	<b>4,600</b>	<b>13,455</b>	<b>261</b>	<b>18,316</b>
<b>Amortisation</b>				
As at 30 June 2018	2,838	3,150	298	6,286
Charge for the year	238	646	20	904
On disposals	–	(38)	–	(38)
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2019	3,076	3,758	318	7,152
Charge for the year	237	664	11	912
On disposals	–	–	(73)	(73)
	<hr/>	<hr/>	<hr/>	<hr/>
<b>As at 30 June 2020</b>	<b>3,313</b>	<b>4,422</b>	<b>256</b>	<b>7,991</b>
<b>Net Book Value</b>				
<b>As at 30 June 2020</b>	<b>1,287</b>	<b>9,033</b>	<b>5</b>	<b>10,325</b>
	<hr/>	<hr/>	<hr/>	<hr/>
As at 30 June 2019	1,524	9,338	14	10,876
	<hr/>	<hr/>	<hr/>	<hr/>

### 12. Intangible Assets (continued)

When assessing the valuation 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 consider 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,
- Staff wage inflation will be higher than general inflation but will not rise in line with sales.

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. The cash flow forecasts therefore extend to 2040 to ensure the full benefit of all current projects is realised. The rationale for using a timescale up to 2040 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 subsea and other equipment markets which are already well established. As the Group are starting from a base point of trading the growth rates are 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, 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 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 would be impaired.

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

## Notes to the Consolidated Financial Statements continued

### 13. Investments

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

<b>Subsidiary/Associated undertaking</b>	<b>Country of Registration</b>	<b>Nature of Business</b>	<b>Percentage of Ordinary Shares held</b>
Plexus Ocean Systems Limited	Scotland	Supply of wellheads and associated equipment for oil and gas drilling	100%
Plexus Limited	Scotland	Dormant	100%
Plexus Holdings USA Inc.	USA	Investment Holding	100%
Plexus Ocean Systems US. LLC	USA	Investment Holding	100%
Plexus Deepwater Technologies Limited	USA	Dormant	100%
Plexus Response Services Limited	Turks and Caicos Islands	Dormant	100%
Plexus Subsea International Limited	Turks and Caicos Islands	Commercial exploitation of subsea applications	100%
Plexus Ocean Systems (Malaysia) Sdn Bhd	Malaysia	Supply of wellheads and associated equipment for oil and gas drilling	100%
Plexus Ocean Systems (Brunei) Sdn Bhd	Brunei	Supply of wellheads and associated equipment for oil and gas drilling	100%
Plexus Ocean Systems (Singapore) Pte. Ltd.	Singapore	Supply of wellheads and associated equipment for oil and gas drilling	100%
Plexus Offshore Systems (Singapore) Pte Ltd	Singapore	Supply of wellheads and associated equipment for oil and gas drilling	100%
Afrotel Corporation Ltd	Turks and Caicos Islands	Dormant	100%
Kincardine Manufacturing Services Limited	Scotland	Manufacture and machining of fabricated metal products	49%
Plexus Pressure Control Limited	Scotland	Design, fabrication and manufacture of valve related products	100%

The Group's investments are unlisted.

## Notes to the Consolidated Financial Statements continued

### 14. Investment in associate

	£'000
Investment in associate during the year	735
Share of profit for the period	50
Dividends received	122
	<hr/>
<b>Investment in associate at 30 June 2019</b>	<b>907</b>
	<hr/>
Share of profit for the period	265
Dividends received	(140)
Impairment of investment	(134)
	<hr/>
<b>Investment in associate at 30 June 2020</b>	<b>898</b>
	<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 2020, an impairment review has been undertaken. The investment has been revalued using a profit after tax earnings model. This has resulted in an impairment charge of £134k.

The summary financial information of KMS, extracted on a 100% basis from the accounts for the 6 months to 30 June 2020 are as follows:

	2020 £'000	2019 £'000
Assets	3,001	2,692
Liabilities	1,714	1,467
Revenue	2,554	1,495
Profit before tax	195	245

KMS have a December 31 year-end date. Therefore, the profit before tax figure is based on management accounts for the 6-month period to 30 June 2020.

## Notes to the Consolidated Financial Statements continued

### 15. Property, plant and equipment

	Buildings £'000	Tenant Improvements £'000	Equipment £'000	Assets under Construction £'000	Motor Vehicles £'000	Total £'000
<b>Cost</b>						
As at 30 June 2018	3,607	716	5,509	10	17	9,859
Additions	92	–	391	47	–	530
Transfers	–	–	57	(57)	–	–
Disposals	–	–	(525)	–	–	(525)
As at 30 June 2019	3,699	716	5,432	–	17	9,864
Additions	41	–	144	–	–	185
Disposals	–	(2)	(183)	–	–	(185)
<b>As at 30 June 2020</b>	<b>3,740</b>	<b>714</b>	<b>5,393</b>	<b>–</b>	<b>17</b>	<b>9,864</b>
<b>Depreciation</b>						
As at 30 June 2018	1,158	381	4,315	–	1	5,855
Charge for the year	180	85	450	–	3	718
On disposals	–	–	(513)	–	–	(513)
As at 30 June 2019	1,338	466	4,252	–	4	6,060
Charge for the year	152	61	464	–	3	680
On disposals	–	(2)	(147)	–	–	(149)
<b>As at 30 June 2020</b>	<b>1,490</b>	<b>525</b>	<b>4,569</b>	<b>–</b>	<b>7</b>	<b>6,591</b>
<b>Net book value</b>						
<b>As at 30 June 2020</b>	<b>2,250</b>	<b>189</b>	<b>824</b>	<b>–</b>	<b>10</b>	<b>3,273</b>
As at 30 June 2019	2,361	250	1,180	–	13	3,804

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

### 16. Financial Asset

	2020 £'000	2019 £'000
Financial instruments held at fair value	2,995	2,835
	<b>2,995</b>	<b>2,835</b>

The financial asset relates 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 can be divested to cash at any time. Included in the statement of comprehensive income is a write-down in the carrying value of the financial asset of £24k (2019: £3k). The fair value of the investment is evaluated by reviewing the portfolio on a quarterly basis, including the reporting date of 30 June 2020.



## Notes to the Consolidated Financial Statements continued

### 17. Inventories

	2020 £'000	2019 £'000
Raw materials and consumables	309	212
Work in progress	–	64
Finished goods and goods for resale	561	422
	<u>870</u>	<u>698</u>

### 18. Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	503	158
Prepayment and other amounts	2,479	4,790
	<u>2,982</u>	<u>4,948</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

	2020 £'000	2019 £'000
Trade payables	255	503
Non-trade payables and accrued expenses	523	1,699
	<u>778</u>	<u>2,202</u>

### 20. Share Capital

	2020 £'000	2019 £'000
Authorised:		
Equity: 110,000,000 (2019: 110,000,000) Ordinary shares of 1p each	1,100	1,100
Allotted, called up and fully paid:		
Equity: 105,386,239 (2019: 105,386,239) Ordinary shares of 1p each	1,054	1,054
	<u>1,054</u>	<u>1,054</u>

Trade and other payables are held at amortised cost. The carrying value approximates fair value.

## Notes to the Consolidated Financial Statements continued

### 21. Shares held in treasury

	2020	2019
	£'000	£'000
Buyback of shares	<b>2,500</b>	2,500

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.

### 22. Share based payments

Share options have been granted to subscribe for ordinary shares, which are exercisable between 2006 and 2027 at prices ranging from £0.385 to £1.18. At 30 June 2020 there were 3,677,899 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, and 13 December 2019 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, under the scheme, to enable each holder to exercise these particular options up until 19 June 2027, subject to all other terms of the scheme rules.

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

	2020		2019	
	No of shares	Weighted Average Exercise Price	No of shares	Weighted Average Exercise Price
<b>Outstanding at the beginning of the period</b>	<b>3,677,899</b>	<b>0.53</b>	3,677,899	0.53
Lapsed during the year	<b>(100,000)</b>	<b>0.60</b>	–	–
Outstanding at the end of the period	<b>3,577,899</b>	<b>0.52</b>	3,677,899	0.53
Exercisable at the end of the period	<b>3,577,899</b>	<b>0.52</b>	3,677,899	0.53

## Notes to the Consolidated Financial Statements continued

### 22. Share based payments (continued)

The inputs to the Stochastic model for the computation of the fair value of the options are as follows:

Share price at date of grant	varies from	£0.385 to £1.18
Option exercise price at date of grant	varies from	£0.385 to £1.18
Expected volatility	varies from	35.7% to 76.6%
Expected term	varies from	4.5 years to 6.3 years
Risk-free interest rate	varies from	0.4% to 5.7%
Expected dividend yield		0% to 1.7%

At the time of granting the older options, in the absence of sufficient historical share price data for the Company, expected volatility was calculated by analysing the median share price volatility for similar companies prior to grant for the period of the expected term. Since then sufficient historical share price data has been built up to enable the expected volatility to be based upon the Company's own share price volatility. The expected term used has been adjusted based on the management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations. The risk-free interest rate is taken as the implied yield at grant available on government securities with a remaining term equal to the average expected term. At the time of granting the older options, no dividends had been paid and the directors did not envisage paying one therefore the dividend yield was 0%. Since then the directors have introduced a dividend policy and at the time of the grants awarded the expected dividend yield varies between 1.2% to 1.7%.

The Stochastic model for the fair value of the options incorporates the TSR criteria into the measurement of fair value.

The Group has recognised an expense in the current year of £nil (2019: £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 6 months.

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

	2020 £'000	2019 £'000
Movement in cash and cash equivalents	(1,065)	(8,144)
Repayment of bank loans	75	300
	<hr/>	<hr/>
(Decrease)/increase in net cash in year	(990)	(7,844)
Net cash at start of year	5,077	12,921
	<hr/>	<hr/>
Net cash at end of year	4,087	5,077
	<hr/>	<hr/>

### 24. Analysis of net cash/(debt)

	At beginning of year £'000	Cashflow £'000	At end of year £'000
<b>2020:</b>			
Cash in hand and at bank	5,152	(1,065)	4,087
Bank loans	(75)	75	–
Lease Liability	(1,948)	269	(1,679)
	<hr/>	<hr/>	<hr/>
Total	3,129	(721)	2,408
	<hr/>	<hr/>	<hr/>

The lease liability has been recognised on day 1 of the financial year on inception of IFRS 16 and is therefore not present in the prior financial year.

## Notes to the Consolidated Financial Statements continued

### 24. Analysis of net cash/(debt) (continued)

	At beginning of year £'000	Cashflow £'000	At end of year £'000
2019:			
Cash in hand and at bank	13,296	(8,144)	5,152
Bank loans	(375)	300	(75)
Total	<u>12,921</u>	<u>(7,844)</u>	<u>5,077</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. All outstanding debts are in GBP, and minimal cash is held in foreign currency. Therefore the Group has minimal foreign exchange risk for the reporting period.

##### (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.

The consolidated income statement would be affected by gain/loss £30k (2019: £49k) by a reasonably possible 1 percentage point change down/up in LIBOR interest rates on a full year basis.

## Notes to the Consolidated Financial Statements continued

### 25. Financial instruments and risk management (continued)

#### (b) Credit risk

The Group's credit risk primarily relates to its trade receivables. Responsibility for managing credit risks lies with the Group'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 the investment portfolio consists of funds invested in high-yield bonds with reputable financial institutions. The Group do not consider the investment portfolio presents a credit risk. 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.

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, but management believe that the calibre of these companies means that no material credit risk provision is required.

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. No bad debt provision has been provided for within the accounts.

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:

	2020 £'000	2019 £'000
Sterling	503	158
	<hr/>	<hr/>
	503	158
	<hr/>	<hr/>

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

	2020 £'000	2019 £'000
Not past due	476	82
Past due 0-30 days	–	–
Past due 30+ days	–	76
Past due 120+ days	27	–
	<hr/>	<hr/>
	503	158
	<hr/>	<hr/>

## Notes to the Consolidated Financial Statements continued

### 25. Financial instruments and risk management (continued)

#### (c) Liquidity risk

The Group has historically financed its operations through equity finance 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.

		<b>Floating rates £'000</b>	<b>Non-interest bearing £'000</b>	<b>Book and fair value £'000</b>
<b>30 June 2020</b>				
Cash and liquid resources	– Sterling	3,971	94	4,065
	– US Dollar	–	6	6
	– Malaysian Ringgit	–	16	16
		<u>3,971</u>	<u>116</u>	<u>4,087</u>
<b>30 June 2019</b>				
Cash and liquid resources	– Sterling	4,876	241	5,117
	– US Dollar	–	5	5
	– Malaysian Ringgit	–	30	30
		<u>4,876</u>	<u>276</u>	<u>5,152</u>

At 30 June 2020 the Group had £4,087k of cash. The average rate of interest earned in the year is on a floating rate basis and ranged between 0% and 1.25% on sterling deposits.

Cash is categorised as loans and receivables.

Following the final repayment of £75k in September 2019 the Group's bank loan was repaid in full.

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.

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 2020 the fair value of the financial assets held by the Group are £2,995k (2019: £2,835k). There is a fair value adjustment charge through the statement of comprehensive income of £24k (2019: £4k).

## Notes to the Consolidated Financial Statements continued

### 25. Financial instruments and risk management (continued)

The interest rate and currency profiles of the Group's financial liabilities at 30 June 2020 are as follows:

	Floating rates £'000	Non-interest bearing £'000	Book and fair value £'000	
<b>30 June 2020</b>				
Bank term loan – Sterling	–	–	–	
	<hr/>	<hr/>	<hr/>	
<b>30 June 2019</b>				
Bank term loan – Sterling	75	–	75	
	<hr/>	<hr/>	<hr/>	
	Due within 1 Year £'000	Due between 2–5 Years £'000	Due after 5 Years £'000	Total £'000
<b>30 June 2020</b>				
Bank term loan – Sterling	–	–	–	–
Total	–	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
<b>30 June 2019</b>				
Bank term loan – Sterling	75	–	–	75
Total	75	–	–	75
	<hr/>	<hr/>	<hr/>	<hr/>

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

### 26. 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:

	<b>2020</b>
	<b>£'000</b>
Creation of asset on inception 1 <sup>st</sup> July 2019	1,852
Amortisation charge	304
	<hr/>
Balance at 30 June 2020	<b>1,548</b>
	<hr/>

#### *Leased Liabilities*

The maturity of the lease liability is as follows

	<b>2020</b>
	<b>£'000</b>
Less than one year	278
One to five years	1,401
	<hr/>
Total lease liability	<b>1,679</b>
	<hr/>

## Notes to the Consolidated Financial Statements continued

### 26. Leased Assets and Liabilities (continued)

The total interest expense on lease liabilities and the total cash outflow in the year to 30 June 2020 was £46k and £315k respectively (2019 £nil and £315k).

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

#### *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 2020 was £3k and £11k respectively (2019: £76k and £5k).

Measurement of lease liabilities

	<b>£'000</b>
Operating lease commitment disclosed as at 30 June 2019	2,426
Discounted using the lessee's incremental borrowing rate at the date of initial application	2,367
Less short-term leases not recognised as a liability	(310)
Less low value leases not recognised as a liability	(110)
<b>Lease liability recognised as at 1 July 2020</b>	<b>1,947</b>
Of which are:	
Current leases liabilities	268
On-current lease liabilities	1,679
	<b>1,947</b>

The Group had a capital commitment of £nil as at 30 June 2020 (2019: £26k).

### 27. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2020 (2019: £nil).

### 28. Related Party Transactions

#### **Control**

No one party owns a controlling interest in the Company.

#### **Ultimate parent company**

There is no ultimate parent company.



## Notes to the Consolidated Financial Statements continued

### 28. Related Party Transactions (continued)

#### Transactions

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

	2020 £'000	2019 £'000
Purchase of goods and services from Other Related Parties	315	318
Payables to Other Related Parties	–	–
Repayables from Other Related Parties	1	17
Purchases from associate undertaking	7	–
	<hr/>	<hr/>

Other related parties were @SIPP (Pension Trustees) Limited, OFM Holdings 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's family.

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

### 29. 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 6 and the directors' report on page 16.

# Parent Company Statement of Financial Position

at 30 June 2020

	<i>Notes</i>	<b>2020</b> <b>£'000</b>	2019 £'000
<b>Assets</b>			
Intangible assets	4	<b>9,999</b>	10,482
Investments	5	<b>8,294</b>	8,294
<b>Total Non-current assets</b>		<b>18,293</b>	18,776
Trade and other receivables	7	<b>19,625</b>	20,409
Current income tax asset		<b>76</b>	270
Cash at bank and in hand	10	<b>1,013</b>	6
<b>Total current assets</b>		<b>20,714</b>	20,685
<b>Total Assets</b>		<b>39,007</b>	39,461
<b>Equity and Liabilities</b>			
Called up share capital	9	<b>1,054</b>	1,054
Shares held in treasury		<b>(2,500)</b>	(2,500)
Share based payments reserve		<b>326</b>	326
Retained earnings		<b>39,704</b>	40,039
<b>Total equity attributable to equity holders of the company</b>		<b>38,584</b>	38,919
<b>Liabilities</b>			
Deferred tax liabilities	6	<b>224</b>	251
<b>Total non-current liabilities</b>		<b>224</b>	251
Trade and other payables	8	<b>199</b>	291
<b>Total current liabilities</b>		<b>199</b>	291
<b>Total liabilities</b>		<b>423</b>	542
<b>Total Equity and Liabilities</b>		<b>39,007</b>	39,461

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 £335k (2019: loss of £8,560).

These financial statements were approved and authorised for issue by the board of directors on 1 December 2020 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 2020

	Called Up Share Capital £'000	Shares Held in Treasury £'000	Share Premium Account £'000	Share Based Payments Reserve £'000	Retained Earnings £'000	Total £'000
<b>Balance as at 30 June 2018</b>	<b>1,054</b>	–	<b>36,893</b>	<b>326</b>	<b>(4,377)</b>	<b>33,896</b>
Total comprehensive income for the period	–	–	–	–	8,560	8,560
IFRS 9 transition	–	–	–	–	(37)	(37)
Cancellation of share premium	–	–	(36,893)	–	36,893	–
Dividend paid	–	–	–	–	(1,000)	(1,000)
Buyback of shares	–	(2,500)	–	–	–	(2,500)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance as at 30 June 2019</b>	<b>1,054</b>	<b>(2,500)</b>	–	<b>326</b>	<b>40,039</b>	<b>38,919</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive income for the period	–	–	–	–	(335)	(335)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Balance as at 30 June 2020</b>	<b>1,054</b>	<b>(2,500)</b>	–	<b>326</b>	<b>39,704</b>	<b>38,584</b>
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

# Parent Company Statement of Cash Flows

at 30 June 2020

	<i>Notes</i>	<b>2020</b>	2019
		<b>£'000</b>	£'000
<b>Cash flows from operating activities</b>			
Loss before taxation		(438)	8,155
Adjustments for:			
Amortisation		842	823
Intercompany loan write-offs		–	145
Investment income		(512)	(603)
Changes in working capital:			
Increase / (decrease) in trade and other receivables		784	(11,325)
(Decrease) / increase in trade and other payables		(92)	30
		<hr/>	<hr/>
<b>Cash generated / (used) from operations activities</b>		<b>584</b>	<b>(2,775)</b>
Income taxes paid		270	–
		<hr/>	<hr/>
<b>Net cash generated / (used) from operations</b>		<b>854</b>	<b>(2,775)</b>
		<hr/>	<hr/>
<b>Cash flows from investing activities</b>			
Purchase of intangible assets		(359)	(309)
Interest received		512	605
		<hr/>	<hr/>
<b>Net cash generated from investing activities</b>		<b>153</b>	<b>296</b>
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Buyback of shares held in treasury		–	(2,500)
Equity dividends paid		–	(1,000)
		<hr/>	<hr/>
<b>Net cash generated/(used) in financing activities</b>		<b>–</b>	<b>(3,500)</b>
		<hr/>	<hr/>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>1,007</b>	<b>(5,979)</b>
Cash and cash equivalents at 1 July 2019		6	5,985
		<hr/>	<hr/>
<b>Cash and cash equivalents at 30 June 2020</b>	10	<b>1,013</b>	<b>6</b>
		<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 financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board as adopted by the European Union and are in accordance with the Companies Act 2006.

The following new standards, interpretations and amendments, have become effective for the current year and have been adopted in these financial statements.

There are a number of standards, amendments to standards, and interpretations which have been issued by the IASB that are effective in future accounting periods that the Company has decided not to adopt early. The following amendments are effective for the period beginning 1 January 2020:

- IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Amendment – Definition of Material)
- IFRS 3 Business Combinations (Amendment – Definition of Business)
- Revised Conceptual Framework for Financial Reporting

In January 2020, the IASB issued amendments to IAS 1, which clarified the criteria used to determine whether liabilities are classified as current or non-current. These amendments clarify that current or non-current classification is based on whether an entity has a right at the end of the reporting period to defer settlement of the liability for at least twelve months after the reporting period. The amendments also clarify that 'settlement' includes the transfer of cash, goods, services, or equity instruments unless the obligation to transfer equity instruments arises from a conversion feature classified as an equity instrument separately from the liability component of a compound financial instrument. The amendments are effective for annual reporting periods beginning on or after 1 January 2022.

The Company is currently assessing the impact of these new accounting standards and amendments. The Company does not believe that the amendments to IAS 1 will have a significant impact of the classification of its liabilities, as the conversion feature in its convertible debt instruments is classified as an equity instrument and therefore, does not affect the classification of its convertible debt as a non-current liability.

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.

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.

### *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.

## Notes to the Parent Company Financial Statements continued

### 1. Summary of significant accounting policies (continued)

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.

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 1g in the Group accounts, with no impairment required.

## Notes to the Parent Company Financial Statements continued

### 1. Summary of significant accounting policies (continued)

#### *d. Investments*

The investment in subsidiary and associate 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. Distributions received in excess of such profit i.e. from pre-acquisition reserves are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

Potential impairment of investments and the intangible assets each subsidiary undertaking holds has been reviewed and is outlined in note 1g in the Group accounts, with no impairment 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.

#### *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.

## Notes to the Parent Company Financial Statements continued

### 1. Summary of significant accounting policies (continued)

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.

### 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 £335k (2019: profit of £8,560k). The company had revenue of £476k for the financial year (2019: £nil).

### 3. Staff numbers and costs

	2020 Number	2019 Number
Management	3	3
Technical	–	–
Administrative	–	–
	<hr/>	<hr/>
	3	3
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2020 £'000	2019 £'000
Wages and salaries	183	164
Social security costs	24	21
	<hr/>	<hr/>
	207	185
	<hr/>	<hr/>

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 34 and this forms part of the financial statements.



## Notes to the Parent Company Financial Statements continued

### 4. Intangible fixed assets

	Intellectual Property £'000	Patent and Other Development £'000	Total £'000
As at 30 June 2018	2,761	12,558	15,319
Additions	–	309	309
As at 30 June 2019	2,761	12,867	15,628
Additions	–	359	359
<b>As at 30 June 2020</b>	<b>2,761</b>	<b>13,226</b>	<b>15,987</b>
<b>Amortisation</b>			
As at 30 June 2018	1,441	2,882	4,323
Charge for the year	178	645	823
As at 30 June 2019	1,619	3,527	5,146
Charge for the year	178	664	842
<b>As at 30 June 2020</b>	<b>1,797</b>	<b>4,191</b>	<b>5,988</b>
Net Book Value			
<b>As at 30 June 2020</b>	<b>964</b>	<b>9,035</b>	<b>9,999</b>
As at 30 June 2019	1,142	9,340	10,482

### 5. Investments

	£'000
Subsidiary undertakings:	
As at 30 June 2018, 2019 and 2020	<b>8,294</b>

The Company's undertakings are:

Subsidiary undertaking	Address and Country of Registration	Nature of Business	Percentage of Ordinary Shares held
Plexus Ocean Systems Limited	Johnstone House, 52-54 Rose Street, Aberdeen, AB10 1HA Scotland	Supply of wellheads and associated equipment for oil and gas drilling	100%
Plexus Limited	Johnstone House, 52-54 Rose Street, Aberdeen, AB10 1HA Scotland	Dormant	100%
Plexus Holdings USA Inc.	4295 San Felipe #1200, Houston, TX 77027, USA	Investment Holding	100%

## Notes to the Parent Company Financial Statements continued

### 5. Investments (continued)

<b>Subsidiary undertaking</b>	<b>Address and Country of Registration</b>	<b>Nature of Business</b>	<b>Percentage of Ordinary Shares held</b>
Plexus Ocean Systems US. LLC	4295 San Felipe #1200, Houston, TX 77027, USA	Investment Holding	100%
Plexus Deepwater Technologies Limited	4295 San Felipe #1200, Houston, TX 77027, USA	Dormant	100%
Plexus Response Services Limited	1, Caribbean Place, P.O Box 97, Leeward Highway, Providenciales, Turks and Caicos Islands	Commercial exploitation of subsea applications	100%
Plexus Subsea International Limited	1, Caribbean Place, P.O Box 97, Leeward Highway, Providenciales, Turks and Caicos Islands	Commercial exploitation of subsea applications	100%
Plexus Ocean Systems (Malaysia) Sdn Bhd	Level 16, Tower C, Megan Avenue II, 12, Jalan Yap Kwan Seng, 50450, Kuala Lumpur, Malaysia	Supply of wellheads and associated equipment for oil and gas drilling	100%
Plexus Ocean Systems (Brunei) Sdn Bhd	Ground Floor Unit 30, Block D Simpang 21, Kg Menglait Gadong, BE4119, Bandar, Seri Begawan, Brunei Darussalam	Supply of wellheads and associated equipment for oil and gas drilling	100%
Plexus Offshore Systems (Singapore) Pte Ltd	137 Telok Ayer Street, 08-01, Singapore, Singapore	Supply of wellheads and associated equipment for oil and gas drilling	100%
Afrotel Corporation Ltd	1, Caribbean Place, P.O Box 97, Leeward Highway, Providenciales, Turks and Caicos Islands	Investment Holding	100%
Plexus Pressure Control Limited	Johnstone House, 52-54 Rose Street, Aberdeen, AB10 1HA Scotland	Design, fabrication and manufacture of valve related products	100%

## Notes to the Parent Company Financial Statements continued

### 6. Deferred tax

#### *i) Movement in deferred tax liability balance*

	2020 £'000	2019 £'000
Deferred tax liability at beginning of year	251	347
Debit to Statement of Comprehensive Income	(27)	(96)
	<hr/>	<hr/>
Deferred liability at end of year	<b>224</b>	251
	<hr/>	<hr/>

#### *ii) Deferred tax liability balance*

	2020 £'000	2019 £'000
The deferred tax liability balance is made up of the following items:		
Difference between depreciation and capital allowances	1,336	514
Share based payments	–	(13)
Tax losses	(1,112)	(250)
	<hr/>	<hr/>
Deferred tax liability at end of year	<b>224</b>	251
	<hr/>	<hr/>

### 7. Trade and other receivables

	2020 £'000	2019 £'000
Trade receivables	479	–
Receivables due from group companies	19,099	20,305
Prepayments and other amounts	47	104
	<hr/>	<hr/>
	<b>19,625</b>	20,409
	<hr/>	<hr/>

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. There is no indication of impairment of any of these amounts.

### 8. Trade and other payables

	2020 £'000	2019 £'000
Trade payables	84	72
Non-trade payables and accrued expenses	115	219
	<hr/>	<hr/>
	<b>199</b>	291
	<hr/>	<hr/>

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.

## Notes to the Parent Company Financial Statements continued

### 9. Share Capital

	2020 £'000	2019 £'000
Authorised:		
Equity: 110,000,000 (2019: 110,000,000) Ordinary shares of 1p each	1,100	1,100
Allotted, called up and fully paid:		
Equity: 105,386,239 (2019: 105,386,239) Ordinary shares of 1p each	1,054	1,054

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

	2020 £'000	2019 £'000
Movement in net cash in year	1,007	(5,979)
Net cash at start of year	6	5,985
<b>Net cash at end of year</b>	<b>1,013</b>	<b>6</b>

### 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.

#### (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 on inception of IFRS 9 and then again at the reporting date, this has resulted in a transition adjustment (during the prior financial year) of £36k, and further write-off of £97k charged in the year from the assessment of credit losses on Group balances.

### 11. Financial instruments and risk management (continued)

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 intercompany 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.

The bank facility provided to the Group includes a fixed and floating charge over the assets of the Company.

### 12. Financial commitments

The Company had no capital commitments as at 30 June 2020 (2019: £nil).

### 13. Contingent liabilities

The Company had no contingent liabilities as at 30 June 2020 (2019: £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 £1,718 less net purchases of £512k during the year decreasing the balance owed from £20,305k to £19,099k.

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.

## Corporate Information

<b>Directors</b>	<b>Jerome Jeffrey Thrall</b> † (Non-Executive Chairman) <b>Bernard Herman van Bilderbeek</b> (Chief Executive) <b>Graham Paul Stevens</b> (Finance Director) <b>Craig Francis Bryce Hendrie</b> (Technical Director) <b>Charles Edward Jones</b> † (Non-Executive Director) <b>Kunming Liu</b> (Non-Executive Director) † Member of Audit and Remuneration committees
<b>Registered Office</b>	Elder House, St Georges Business Park 207 Brooklands Road Weybridge Surrey KT13 0TS
<b>Company Number</b>	03322928
<b>Company Secretary</b>	<b>Prism Cosec Limited</b> Elder House, St Georges Business Park Brooklands Road Weybridge Surrey KT13 0TS
<b>Nominated Adviser and Broker</b>	<b>Cenkos Securities plc</b> 66 Hanover Street Edinburgh EH2 1EL  6-8 Tokenhouse Yard London EC2R 7AS
<b>Auditor</b>	<b>Crowe U.K. LLP</b> 55 Ludgate Hill London EC4Y 8EH
<b>Solicitors to the Company</b>	<b>Fox Williams LLP</b> 10 Finsbury Square London EC2A 1AF  <b>Ledingham Chalmers LLP</b> 52-54 Rose Street Aberdeen AB10 1HA
<b>Registrars</b>	<b>SLC Registrars</b> Elder House, St Georges Business Park Brooklands Road Weybridge Surrey KT13 0TS



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