

PLEXUS



safer performance | leak-proof | reduced costs



ANNUAL REPORT 2019

POS-GRIP®

PROPRIETARY METHOD OF FRICTION GRIP ENGINEERING

POS-GRIP friction-grip technology is based on a very simple concept. A compressive force is applied on 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 fix the inner member (hanger) in place through friction between the two components.

In wellheads, POS-GRIP can replace the conventional load shoulder or slips to provide an improved hanger support mechanism.

Utilising our patented POS-GRIP technology, we are continually developing new wellhead equipment to meet our customers' requirements, delivering solutions for the surface, subsea and decommissioning markets.



Outlet valve equipment to be supplied through PPC

POS-GRIP APPLICATIONS

Wellheads

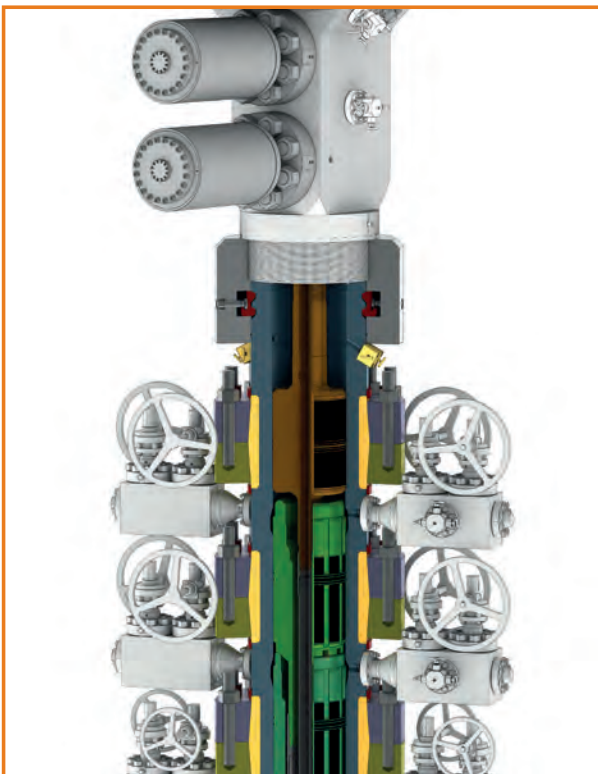
Production wellheads and surface subsea have all benefitted from POS-GRIP. Casing and tubing hangers can be gripped, but POS-GRIP can also be used to support wearbushings, BOP test tools and seal sleeves.

Connectors

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

Metal-to-metal sealing

Wellheads and connectors can both benefit from the direct contact created when the POS-GRIP metal to metal HG® seal is activated, delivering an unrivalled gas-proof seal.



POS-GRIP "HG" Production Wellhead with PPC valves and tree

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 £3,611k (2018: £318k)
 - Discontinued operations sales revenue £nil (2018: £3,907k)
- Adjusted EBITDA on continuing activities (£2.51m) loss (2018: £3.74m loss), (page 11).
- Continuing operations operating loss £4,010k (2018: £5,285k)
 - Discontinued operations operating loss £108k (2018: £1,593k)
- Continuing operations operating loss after tax £3,227k (2018: £4,694k)
 - Discontinued operations loss after tax £88k (2018: £4,322k profit)
- Basic loss per share from continuing activities 3.12p (2018: 4.45p loss)
 - Basic loss per share from discontinued activities 0.09p (2018: 4.10p earning)
- Net cash of £5.08m (2018: net cash £12.9m)
- The Group has £2.84m in high-yield bonds (2018: £2.12m)
- February 2019 - Buyback of 4,950,495 Ordinary Shares held by Russian licensee Gusar at 50.5p per share to accelerate the completion of Plexus' sale of two POS-GRIP Jack-up exploration wellhead sets and associated equipment to Gusar ahead of initial rental order in Russia with Gazprom
- April 2019 - Payment of aggregate £1.0m special interim dividend
- May 2019 - Court approval of reduction of capital by way of a cancellation of the Plexus Share Premium Account in order to increase distributable reserves. This increases the flexibility to pay dividends, to facilitate any prospective buy back of shares or for any other general corporate purposes
- Whilst the Company remains committed to distributing dividends to its shareholders, the Directors believe that it is prudent to consider the payment of dividends subject to the ongoing capital and operational requirements of the business

Operational Overview

- Full year revenues principally generated through sale of POS-GRIP® equipment for production, abandonment and Russian Jack-up exploration operations - a major departure from previous years when revenues were dependent on the rental of Jack-up exploration wellheads:
 - August 2018 - Contract for a second rental order for the POS-SET™ Connector from Oceaneering A/S, Norway for well abandonment operations in the North Sea
- 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)
- Potential material royalty stream from licensing agreement covering Russia and CIS market with Gusevsky Valves Plant LLC ('Gusar') follows:
 - September 2018 - Order secured by Russian partner to supply Gazprom with two sets of Plexus' Tersus™ - TRT Mudline Suspension System ('MLS') for shallow water exploration gas wells
 - March 2019 – Breakthrough order secured by Gusar with global energy giant Gazprom to supply POS-GRIP rental wellhead gas exploration equipment during the first year of a five-year gas exploration drilling programme

- £735,000 investment in Kincardine Manufacturing Services Limited ('KMS'), a specialist precision engineering business with a blue-chip customer base in the oil and gas sector - acquisition of 49% interest in KMS has the potential to provide Plexus with:
 - o Annual cash income stream from KMS distribution/dividend policy
 - o Future access to machining capability which can support R&D development projects for alternative applications of POS-GRIP Technology
- Formation of joint venture ('JV'), Plexus Pressure Control Ltd ('PPC') with UK based BEL Valves Ltd enables Plexus to offer operators full-service package including valves and Xmas-trees for large scale production projects
 - o Actively tendering for a number of large-scale projects across the world
 - o Step-up in interest in POS-GRIP equipment for use in surface production projects

Chief Executive Ben van Bilderbeek said:

“For the 12 months ended 30 June 2019, the major focus has been on our ‘Reset and Rebuild’ strategy: resetting our model away from running the niche Jack-up exploration wellhead rental business to one focused on developing and rolling out new products for the much larger production wellhead equipment, outlet valve and Xmas tree market sectors; and rebuilding over time our past record of reporting robust financial results and distributing dividends to shareholders. The 2018 sale of the Jack-up exploration wellhead business to TFMC has been the trigger for the reset and rebuild initiative. Our business model is now one that is IP driven rather than operations-led, centred on designing, developing and marketing new POS-GRIP-enabled products, both independently and with partners such as TFMC through the Collaboration Agreement we signed in 2018. This strategy is based upon our innovative proprietary POS-GRIP Technology and “HG”® Seals which importantly raise performance, reliability and safety standards, just as they did for Jack-up exploration.

“In terms of rebuilding our revenue profile into one that is more balanced and diversified, a breakdown of our full year revenues demonstrates some of the progress that we have made in a short period of time. Income during the year was generated from orders for a production wellhead for Spirit Energy, our POS-SET Connector for abandonment operations for Oceaneering A/S and circa £1.4m from the sale of two POS-GRIP wellhead systems to our Russian partner Gusar for a Gazprom contract. Our full year financial performance reflects the efforts being made with a substantial year on year increase in continuing sales revenues to £3,611k compared to £318k in 2018; a narrowing in the EBITDA loss to £2.51m (from £3.74m loss in 2018); and the special dividend of 0.99566 pence per Ordinary Share (paid in April 2019), the first since 2015. While the numbers are small relative to those we regularly reported prior to the oil price downturn, the full year sets a foundation for future growth.

“Our objective is to fully capitalise on the potential of our technology and to develop a portfolio of POS-GRIP-based products and partners. We already have a suite of developed equipment for the production, subsea and abandonment markets as well as a number of first-rate partners, but there remains considerable run room in terms of the number of products and partners we can have - wherever metal to metal annulus sealing is required, POS-GRIP can deliver a true leak proof technology. This is key to delivering highly reliable production equipment that virtually eliminates maintenance costs and can significantly reduce the total cost of ownership of the equipment to operators over field life.

“Among our existing partnerships is our licensing agreement in Russia. Here we have high hopes based on our partner Gusar’s breakthrough POS-GRIP wellhead order with Russian major Gazprom for a Jack-up exploration drilling campaign in the Arctic. As we found in the North Sea, once operators experience for themselves the multiple performance benefits of our equipment many become long-standing customers of Plexus and we are confident that this can be the case with Gazprom. Majors such as BP and Royal Dutch Shell were all part of a blue-chip customer base with whom we established long-term relationships supplying Jack-up exploration wellheads. Gusar’s first order with Gazprom therefore has the potential to be the first of many, which would in turn transform the Russian and CIS licensing agreement into a valuable long-term royalty stream for Plexus.

“Another partnership with major income-generating potential for the Company is PPC, a JV with BEL Valves Limited. A key strategic move, the JV enables us for the first time to offer a “package solution” so as to be able to compete with top tier suppliers when bidding for production contracts. Plexus can now offer operators a turnkey solution comprised of highly qualified surface Xmas trees and valves, alongside our POS-GRIP production wellhead systems. Contracts for the large production projects generally have long lead times but despite this and the recent conception of the JV, we have already begun to be invited to tender. Securing just one large production contract would be transformational for Plexus, not only in terms of the revenues that can be generated, but also in terms of demonstrating to the industry that we can supply major projects with state-of-the-art equipment as part of a full-service package.

“We believe we have the right IP, the right business model and the right partners to over time establish POS-GRIP as the go-to wellhead and related products technology for the broader energy sector, and in the process rebuild Plexus into a highly profitable, operating and IP-licensing company. Moreover, we believe now is the right time for our technology, although we do not underestimate reports such as that from KPMG in September which said that oilfield service providers recorded their lowest level of transactions in five years. The meteoric rise of cleaner natural gas in the hydrocarbon energy mix has brought with it an increased urgency to tackle natural gas leaks. A principal component of natural gas is methane which in un-combusted form is very damaging to the environment and a negative in respect of the green credentials of natural gas.

By delivering a cost-effective, leak-proof solution at the wellhead, we believe POS-GRIP systems helps prevent methane emissions throughout the life of a well, where long term integrity is critical.

“A major opportunity is therefore opening up to Plexus, which we recognise has the potential to accelerate the roll-out of our leak-proof, and maintenance free equipment, increase the number of income / royalty streams within our portfolio whilst helping raise safety standards across the energy industry. I look forward to providing further updates on our progress as we focus on capitalising on the unique strengths of our technology for the benefit of all stakeholders.”

Summary of Results for the year ended 30 June 2019

	2019 £'000	2018 £'000
Revenue (continuing operations)	3,611	318
Adjusted EBITDA (continuing operations)	(2,512)	(3,737)
Operating Loss (continuing operations)	(4,010)	(5,285)
Loss after taxation (continuing operations)	(3,227)	(4,694)
(Loss) / profit after taxation (discontinued operation)	(88)	4,322
Loss after taxation (combined)	(3,315)	(372)
Basic loss per share (pence) (continuing operations)	(3.12p)	(4.45)
Basic (loss) / earning per share (pence) (discontinued operation)	(0.09p)	4.10p

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Chairman's Statement

Business progress

Following the sale of the Jack-up Business, the Company's revenues in the 12 months to 30 June 2019 amounted to £3,611k (2018: £318k), which was largely generated from orders for a production wellhead (Spirit Energy), a POS-SET Connector (Oceaneering A/S) and the sale of two POS-GRIP wellhead systems to Plexus' Russian partner Gusar for an initial Gazprom contract. The Company is optimistic that these orders are positive early steps into new and larger markets, and notes that there is typically a much longer lead time to securing new business in the production sector in particular. The Directors are pleased with the progress that has been made during the current year on the development of a project pipeline for future work, and organic growth is anticipated as the move into the production market begins to gain traction; however, these are not likely to begin to yield meaningful revenues until the last quarter of the year to 30 June 2020 ("FY20"). Accordingly, it is expected at this stage that revenues in FY20 will be H2-weighted and materially lower than the prior year. However, the Company is currently in early stage discussions regarding a number of exciting projects which, due to the longer project lead times, could deliver significant growth in revenues in FY21.

Last year, I drew shareholders' attention to the Summary of Results table above the Chairman's Statement. The numbers highlighted the significant corporate event that took place during 2018, specifically the sale of the Jack-up exploration wellhead rental business to TFMC. Up until that point, this business had accounted for the vast majority of Plexus' revenues and so its sale resulted in, and necessitated, a reset and rebuild strategy centred around leveraging the recognition and awareness of our proprietary friction grip method of engineering that the transaction created. 12 months on, and the Summary of Results table is once again informative. Despite being only one year into Plexus' goal of becoming an IP-led business based around monetising POS-GRIP, our game-changing technology that has raised wellhead performance and safety standards, the table shows the progress being made in rebuilding our revenues from what was effectively a standing start to £3.6m.

This year, I would like to draw shareholders' attention to our new direction of travel. The year ended 30 June 2019 was the first in Plexus' history as a plc where the rental of POS-GRIP wellheads for Jack-up exploration did not account for the majority of our income. Instead, revenues were generated from the sale of a production wellhead to Spirit Energy for deployment in the North Sea, a contract for our POS-SET Connector for use on abandonment operations also in the North Sea, and from the sale of two Jack-up rig exploration gas wellheads to Gusar, our licensee in Russia. While we will continue to receive income from the rental of Jack-up exploration wellheads via our three year earn-out with TFMC and revenues from our retained rights for the CIS, going forward we are working on increasing the portion of our revenues generated from activities outside of the Jack-up Business.

Our goal is to add additional revenue streams to our portfolio and at the same time scale up those that are already in place. In that respect recent reports that the Russian government is considering opening up exploration of the Arctic Sea to foreign operators is positive for our company as the potential of the region outstrips the original size of the North Sea. Each new revenue stream will be defined by geography, products or partners but they will all share one common denominator: our proprietary POS-GRIP Technology. Used on over 350 wells worldwide by a blue-chip customer base that includes supermajors such as BP, Gazprom, Royal Dutch Shell and Total, POS-GRIP is the best technology for high pressure, high temperature drilling operations, where its metal-to-metal seals deliver true leak proof performance. Prior to the oil price downturn, POS-GRIP had become the dominant Jack-up exploration wellhead equipment in the North Sea - one of our wellheads was selected by Total for what is believed to be the highest pressure and temperature well ever drilled in the North Sea. This was for good reason. As far as we know only POS-GRIP enabled equipment has, without qualification, passed a level of test standards demanded by one of the supermajors. For a company of Plexus' size to have raised the bar in terms of industry standards and established relationships with leading operators is a standout achievement, one that is testament to the strength and simplicity of our technology and the considerable time savings it offers operators. We are focused on offering the same superior functionality and material cost savings to customers in other sectors, both inside and in due course potentially outside of the energy industry, and in the process build a portfolio of Plexus products.

A number of important developments over the course of the year bode well for the coming years. The sale of two exploration POS-GRIP wellheads to our Russian partner and the subsequent contract Gusar was awarded by Gazprom are the necessary first steps towards transforming the licensing agreement into a

significant and regular royalty stream for Plexus; the Plexus Pressure Control Ltd ('PPC') joint venture ('JV') signed with BEL Valves Ltd, a UK based manufacturer and supplier of valves and actuators, enables us to combine our wellheads with extensively field-proven, highly qualified surface production Xmas trees and wellhead annulus outlet valves and so deliver the full service package operators of large scale production projects typically prefer, and the acquisition of a 49% stake in Kincardine Manufacturing Services Limited ('KMS'), a specialist precision engineering business servicing the oil and gas sector, provides us with access to machining capability in support of R&D projects focused on developing applications of POS-GRIP Technology for new markets.

Our aim is to have a pipeline of POS-GRIP-enabled applications at various stages of the development curve. We have already developed equipment for the Jack-up exploration, production, subsea and abandonment markets. We are currently working to not only exploit these products in the new market sectors we are now targeting, both independently and with partners, but are now also looking to develop new products and applications for areas of the energy market where POS-GRIP's proven capability to deliver what we believe is the only true metal-to-metal leak proof seal which can significantly raise performance and safety standards. We are pursuing potential licensees for the supply and marketing of our POS-GRIP-enabled equipment in such markets and geographies and are confident that in due course further IP-led transactions will be secured.

Overview

The technology around which the business is built is POS-GRIP, our friction grip method of engineering and associated product suite that is proven to deliver true and verifiable metal-to-metal leak proof "HG" seals, enhanced safety and operational features, and material time and cost savings due to lower or zero maintenance and remedial spend throughout field life. This is a key differential between Plexus and all other conventional oil service company equipment suppliers, and I am hopeful that the opportunities open to us are becoming more accessible as the industry continues to embrace the necessity for advanced technical solutions. This was very recently demonstrated during the recent UN climate summit in New York where the oil and gas industry met to discuss a plan for reducing emissions from fossil fuels, and in particular natural gas. A senior moderator involved with the Environmental Defence Fund concluded net-zero emissions without new technology was an impossibility and that - "We need every technology" to meet this goal.

The simplicity of POS-GRIP's design and by implication the ease with which it can be deployed and operated lies behind the technology's strength and explains why operators of hundreds of wells worldwide were willing to switch away from conventional wellhead technologies in favour of POS-GRIP, especially for high pressure high temperature ('HPHT') operations. Competing equipment typically comprises a much larger number of individual components, each of which has the potential to compromise seal integrity and are vulnerable to fretting/movement caused by temperature and pressure variations. By contrast, POS-GRIP involves applying an external hydraulic force to squeeze the housing until it engages a special-design end connection (casing or tubing hanger in wellheads) to generate a gripping force. This eliminates assembly tolerances and eventually merges the two members with such force that the parts effectively become one, delivering where required a lifetime leak proof metal seal solution. The process is accurately controlled by hydraulic pressure and occurs within the elastic limits of material, so that the connection is reversible, which is particularly beneficial for example for side-tracking operations.

Over the years, the benefits of our technology have attracted orders from blue-chip customers, such as Total and Equinor, and development and licensing partners, such as TFMC and Gusar. The year under review saw new names added to the list of POS-GRIP customers and partners. In August 2018 we secured an order for our POS-GRIP enabled POS-SET Connector™ from Oceaneering A/S, Norway for well abandonment operations in the North Sea. In March 2019, global energy giant Gazprom became the latest supermajor to award a contract for a POS-GRIP wellhead through Gusar.

The Gazprom purchase order, which was secured via our Russian licensing partner Gusar, covers the first year of a five-year Jack-up gas exploration drilling programme and so has the potential to lead to further orders in the future. We believe that Russia can become an important market for Plexus equipment, and being the number one gas producer in the world, Russia represents a huge market opportunity. As a result, the above breakthrough order with leading Russian operator Gazprom is highly encouraging.

Chairman's Statement continued

In terms of new partners, in June 2019 we announced the formation of PPC, a JV with UK-based BEL Valves Limited. The JV enables Plexus to compete on a level playing field with top tier suppliers when bidding for contracts for large scale production projects, which are typically awarded to providers offering turnkey solutions. The JV, in which Plexus owns a majority shareholding, will supply us with highly qualified surface Xmas trees and valves, which we can then package up with our own POS-GRIP production wellhead systems. We are now therefore much better placed to successfully bid for lucrative surface production projects where wellheads are often purchased as part of a package of equipment.

PPC will not only service Plexus' existing surface production wellhead business, but it is anticipated the JV will also support the development of elements of our POS-GRIP Technology and other IP, specifically in relation to valve and Xmas tree technology for both land and offshore surface platform production wells. Such improvements in our design and development capability for future POS-GRIP applications was one reason behind our decision to invest £735,000 into Kincardine Manufacturing Services Limited ('KMS'), a specialist precision oil and gas engineering business. As well as generating a future dividend stream for Plexus, our 49% interest in KMS gives us access to machining capability in support of R&D projects.

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 a year that continued to remain challenging for not only Plexus but also the wider oil and gas industry, especially as pressure continues to grow on hydrocarbons and their associated impact on climate change. Following our prior year's restructuring and related job losses, these macro trends combined with our new strategy to create both new additional pressures and opportunities for our experienced and dedicated staff. I am confident that they will rise to these challenges as we look forward to an increased level of future activity, particularly in relation to our production wellhead applications, and now trees and valves. I am confident that these developments will be positive for our staff, and also for future employment opportunities within Plexus.

Outlook

"The outlook facing major energy providers, like BP, is both challenging and exciting. One of the biggest challenges of our time is a dual one: the need to meet rising energy demand while at the same time reducing carbon emissions." – this was BP CEO Bob Dudley's introduction to the 2019 edition of BP's Energy Outlook. This statement is an excellent summary of the current energy conundrum. 'Rising energy demand' is largely being driven by growing prosperity in Asia and other developing regions. 'Reducing carbon emissions' is largely being driven by the need to meet the climate goals set in the Paris Agreement.

Satisfying such growing demand for energy while reducing harmful emissions may appear to be diametrically opposed, but only if the energy industry is viewed through a twentieth-century lens. Today, advanced technologies that enable fast-growing energy sub-sectors, such as renewables and the transportation of cleaner natural gas in liquified form, offer up solutions that allow the industry to meet the challenge of providing the world with the ever-increasing amounts of energy it requires while at the same time combatting climate change. Bob Dudley continues, "New technologies are revolutionizing the way in which that energy is produced, transported and consumed."

We count our own POS-GRIP wellhead and "HG" metal-to-metal sealing system as one such enabling technology. POS-GRIP equipment delivers the only true long-term wellhead metal seal which can be tested and qualified as a system to mirror true field life conditions, rather than simplistic component-based testing. By providing a leak proof solution at the wellhead end of the gas supply infrastructure chain both during production and beyond, we believe that POS-GRIP clearly has an important role to play in preventing wellhead gas leaks, which can result in costly well shutdowns, maintenance, and potential hydrocarbon emissions.

According to the US Energy Information Agency, gas-fired power plants produce approximately 50% less carbon dioxide than coal plants, and it is therefore very important that such benefits are not eradicated as a result of methane and other hydrocarbons leaks along the supply chain, from the wellhead all the way through

Chairman's Statement continued

to the consumer. As Bob Dudley, BP's CEO at this month's 40th annual Oil & Money conference in London told the audience one of his concerns "is that gas is being increasingly marginalised. Even vilified, and demonised". He further stated that to "exclude gas – when so much is at stake – is to take huge and unnecessary risk", and that "methane leaks and flaring can and must be tackled".

To illustrate the growing importance of gas, in July, Rystad Energy predicted 2019 will see LNG greenfield investment hit US\$103 billion which, if achieved, would be a new record for the industry. With so much investment being committed to natural gas, it is clear that it is in the industry's interests to ensure the environmental benefits delivered by gas are safeguarded, and encouragingly many initiatives are being put in place. For example, Shell has joined BP, Eni, ExxonMobil, Repsol, Statoil, Total and Wintershall to reduce methane emissions under the Guiding Principles, a collaboration between organisations, including the International Energy Agency and the United Nations.

Increased focus on and demand for gas by the energy industry, together with the growing scrutiny of leaks across operations and infrastructure, play to the strengths of our POS-GRIP Technology and provide a positive long-term backdrop for the uptake of our POS-GRIP-enabled equipment. Furthermore, while superior performance tends to go hand in hand with higher costs, POS-GRIP breaks the mould because of simplicity and by removing the need for remedial maintenance and associated shut in costs, offering operational cost savings that conventional technologies struggle to match. This fits perfectly with what we understand our customers really care about most, which is the lowest possible life-cycle cost, together with maximum reliability, zero maintenance and improved safety performance.

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 momentum will take time in a conservative industry. We are confident the year ahead will see us build on the start we have made in resetting and rebuilding Plexus into a profitable IP-led technology business, which can generate substantial value for our shareholders.

J Jeffrey Thrall

Non-Executive Chairman

4 November 2019

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 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 and subsea. In line with this strategy, in August 2018, the Company announced a purchase order for its POS-SET Connector from Oceaneering A/S, Norway for well abandonment operations in the North Sea. In June 2019, the Company established Plexus Pressure Control Limited ('PPC'), with UK-based BEL Valves Limited, which is important when bidding for large scale production projects. Plexus owns a majority interest in the JV, which enables it to supply operators with surface Xmas trees and valves, alongside its own POS-GRIP production wellhead systems. As a result, Plexus is able to compete with top tier suppliers for high-value surface production projects which are generally awarded to service providers offering turnkey solutions.

The Directors believe that the Company's proprietary technology has additional wide-ranging applications both within and outside the oil and gas industry. Work streams are 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.

Business review

A review of the development and performance during the year consistent with the size and complexity of the business together with commentary on future developments including the main trends and factors likely to affect the business is given in the Chairman's Statement on page 6. Where guidelines make reference to the provision of key performance indicators the directors are of the opinion certain financial and non-financial indicators included in the highlights on page 1, and the Directors' Report on page 22 meet this requirement. The directors have provided a description of the principal risks and uncertainties facing the Group below.

Financial Results

Revenue

Continuing revenue for the year was £3,611k, a significant increase from £318k in the previous year. The increase in continuing sales revenue is a result of the Group moving towards alternative revenue streams following the sale of the Jack-up Business, in particular the production wellhead market.

Plexus continued to invest for the future and in its technology with total R&D spend £0.31m compared to £0.23m last year.

Margin

Gross margin on continuing operations increased to 48.4% (compared to 8.8% in the previous year). The increase in margin is largely driven by the increase in continuing sales revenue. Cost of sales include depreciation charges relating to rental assets which is a fixed cost in nature, therefore this year the depreciation charge is a significantly smaller portion of sales revenue. Additionally, the equipment sales during the year carried relatively high margins.

Strategic Report continued

Overhead expenses

Continuing activities administrative expenses have increased when compared to the prior year with expenditure of £5.76m (2018: £5.31m). Within this total the continuing salary component remained the largest at £2.68m which is broadly in line with last year's total cost of £2.53m. The increase in overhead expenditure is a result of costs realigning to the new business strategy structure.

Adjusted EBITDA

The Directors use Adjusted EBITDA on continuing operations as a non-GAAP measure to assess the Group's business. 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 performance of the Group's business 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 £2.51m, compared to a loss of £3.74m in the previous year. Adjusted EBITDA on continuing operations is calculated as follows:

	2019 £'000	2018 £'000
Operating loss	(4,010)	(5,285)
Add back:		
–Depreciation	718	737
–Amortisation	904	898
Share in profit of associate	(122)	–
–Gain on disposal	–	(87)
Adjusted EBITDA on continuing operations	(2,510)	(3,737)

Loss before tax

Loss before tax on continuing operations of £3.71m compared to a loss last year of £5.25m. The loss on discontinued operations was £0.1m compared to a loss of £1.59m, (which was before adding the gain on sale of the discontinued operation of £5.83m).

Tax

The Group shows a total income tax credit of £0.50m for the year compared to a tax credit of £0.65m for the prior year. The income tax credit has been split between continuing activities (£0.48m, 2018: £0.55m) and discontinued activities (£0.02m, 2018: £0.09m). 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 £122k has been recognised increasing the value of the investment to £907k. Moving forward it is expected that this investment will provide a dividend income stream to Plexus.

EPS

The Group reports basic earnings loss per share on continuing activities of 3.12p compared to a loss per share of 4.45p in the prior year. The basic loss per share on discontinued activities of 0.09p, compared to an earning per share of 4.10p in the prior year.

Cash and Statement of Financial Position

The net book value of property, plant and equipment including items in the course of construction and the property held for sale at the year-end was £3.80m compared to £4.00m last year. Capital expenditure on tangible assets increased to £0.53m compared to £0.45m last year. The net book value of intangible assets, including goodwill, IP rights, R&D and software, decreased by 4.9% to £11.64m compared to £12.24m last year. Capital expenditure on intangibles totalled £0.31m compared to £0.23m last year. Receivables decreased to £9.46m compared to £11.23m last year. Net cash closed at £5.07m (cash and cash equivalents of £5.15m less bank loans of £0.08m) compared to net cash of £12.92m last year (cash and cash equivalents of £13.30m less bank loans of £0.38m) reflecting net cash outflow for the year of £7.85m (net decrease in cash of £8.14m per Statement of Cash Flows plus net decrease in bank borrowings of £0.30m). The reduction in bank borrowing represents £0.30m of repayments on the property term loan reducing the balance from £0.38m to £0.08m. It should also be noted that the Group has invested a further £2.84m in high yield bonds that can be traded for cash, these are included in non-current financial investments in the statement of financial position. Banking facilities comprise of a reducing five year £1.5m term loan (with a current balance of £0.08m) which was put in place in September 2014 to part fund the purchase of the additional building in Aberdeen. Post period end the bank loan has been settled in full. The expected future cash inflow from the TFMC transaction and the cash balances held are anticipated to be adequate to meet current on-going working capital, capital expenditure, R&D and related project commitments.

Intellectual Property ('IP')

The Group carries in its statement of financial position goodwill and intangible assets of £11.64m, a decrease of 4.9% from £12.24m last year. This movement represents investment of £0.30m less the annual amortisation charge of £0.90m.

Plexus own 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 of 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 asset impairment review, that there is no impairment. The Directors therefore consider the current carrying values to be appropriate. Indications of impairment are considered annually.

Research and Development

R&D expenditure including patents has increased from £0.23m in 2018 to £0.31m in 2019. 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 the prior year it is likely that there will be an increase in R&D investment to increase the Group's product offering as it enters new target markets over the coming years.

Capital reorganisations

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 transaction has created a negative "Shares Held in Treasury Reserve" of £2.5m.

Secondly, in April 2019 following a court approval process Plexus Holdings Plc cancelled the Share Premium Account in order to increase distributable reserves the principle benefit of which is to increase the Company's future flexibility, subject to the financial position and prospects of the Company, to pay dividends, to facilitate any prospective buyback of shares (including by way of a tender offer) or to provide flexibility for any other general corporate purposes. This transaction reduced the share premium account from £36,893k to nil.

Dividends

In April 2019 the Company paid a special dividend of 0.99566 pence per Ordinary Share, with an aggregate value of £1m. Whilst the Company remains committed to distributing dividends to its shareholders, the Directors believe that it is prudent to consider the payment of dividends subject to the ongoing capital and operational requirements of the business.

Operations

During the year important milestones have been achieved in line 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 and Konar, Plexus' licensing partners in Russia and CIS markets, to secure a first wellhead order in the Russian and CIS markets. The Russian licensing agreement, which falls outside of the sale of the Jack-up Business to TFMC, achieved such a milestone in March 2019 following the award of a purchase order for a POS-GRIP wellhead from Gazprom covering the first year of a five-year Jack-up gas exploration drilling programme. This followed the £1.4m sale to Gusar in February 2019 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 continues to market its POS-GRIP-enabled production and subsea wellheads, and its POS-SET Connector for abandonment operations. Following the sale of the Jack-up Business, the much larger production market is a key area of focus for the Company and with this in mind during the year, Plexus established a joint venture, Plexus Pressure Control Limited ('PPC'), with UK-based BEL Valves Limited, to bid for contracts for large scale production projects. These contracts are generally awarded to service providers offering turnkey solutions. The JV, in which Plexus owns a majority interest, enables Plexus to supply operators with a full-service package comprised of surface Xmas trees and valves, as well as the Company's own POS-GRIP production wellhead systems. PPC helps Plexus to compete on a level playing field with top tier suppliers when bidding for high-value surface production projects. The Company is currently tendering for a number of such contracts.

In August 2018, Plexus secured a contract for a rental order for the POS-SET™ Connector from Oceaneering A/S, Norway for well abandonment operations in the North Sea. This is the second order the Company has secured for its POS-SET Connector for abandonment operations, a market the Directors believe has the potential to grow significantly as decades old fields and equipment are decommissioned and made safe, particularly in the North Sea.

Plexus continued to invest in R&D, with expenditure excluding test fixtures of £0.31m compared to £0.23m in the prior year, an increase of 34.7%. 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 Plexus is confident that it 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.

Following the transfer of employees, as part of the sale of the Jack-up Business to TFMC, staffing levels have been stable and the resource gaps identified through the Management of Change process have been fulfilled.

As a result of the reduction in personnel, a new Emergency Response team has been established and additions made to the on-call team. Awareness and training sessions have been carried out with these employees to furnish them with the necessary information and skills demanded of these groups.

The OPITO accredited competency system has been completely updated to better reflect the equipment and to enhance the robust assessment of employees in safety critical roles. A thorough review of all standards across the system has taken place which resulted in a complete restructure and rework for the Workshop and FST scopes. The system has since undergone a monitoring audit in July 2019 and has successfully maintained its OPITO approval.

An evaluation of the in-house training modules has been conducted and work has commenced on redeveloping these to ensure they continue to provide the necessary underpinning knowledge and skills required of those fulfilling technical roles.

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. A schedule of diverse information campaigns and activities resulted in the retention of our Gold Award.

The implementation of an absence management procedure ensures that the appropriate procedures and processes are in place to support employees during periods of ill-health and furthermore to allow the business to manage and monitor absence and facilitate employee return to work.

Comprehensive reviews of both the General Data Protection Regulations (GDPR) and the Criminal Finances Act 2017 were carried out and the resulting actions and processes necessary for compliance have been realised. This also includes ensuring the communication and awareness of the measures throughout the business.

Staffing figures at the end of June 2019 were 37 employees including 2 international employees, which compares to a total of 54 in the prior year.

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 for the fourth consecutive year.

Plexus continues to retain OHSAS 18001:2007 accreditation with the next surveillance audit scheduled for Nov 2019. Plexus is currently enhancing its BMS with a look to transition across to ISO 45001:2018 which replaces OHSAS 18001:2007 in 2020 ahead of the March 2021 deadline.

Quality continues to be an integral focus for Plexus, ensuring the Group consistently provides products and services that meet customers' requirements. Plexus retained its ISO 9001:2015 accreditation following a re-certification audit completed by Lloyd's Register in November 2018, with only minor Non-conformities and Opportunities for Improvements raised.

As part of continual improvement, Plexus has completed the first (Stage 1) of two audits with API as part of the company strategy to achieve API Q1 Certification for its Business Management System, with the second audit (Stage 2) in October 2019. Plexus continues to hold Licences for both API 6A and 17D

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 the oil and gas industry Plexus has continued to develop its in-house systems to ensure the Company is able to react swiftly to changing market requirements.

With major cyber-attacks increasingly on the rise, the ongoing risk to Plexus as with other companies increases correspondingly year on year. Defending against cyber-attacks and keeping up to date with evolving policies and regulations is a complex and time-consuming task. To guarantee that the confidentiality, integrity and accessibility of information is maintained, Plexus continually evolves its security defences to minimise all cyber risks.

To ensure that the Plexus IT infrastructure, systems and data are as secure as possible Plexus is currently working to the ISO 27002 standard and will in the future work towards achieving ISO 27001 accreditation. This will give added confidence to both customers and key stakeholders that Plexus takes security risks seriously and has put sufficient measures in place to deal with such risks.

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 is 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 success in other wellhead markets including production and subsea, 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 Python subsea wellhead as well as the POS-SET Connector 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 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, 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. In line with this strategy, the Company previously established Plexus Pressure Control Limited ('PPC'), a joint venture with UK-based BEL, to bid for contracts for large scale production projects that are typically awarded to service providers offering full package, turnkey solutions. Plexus owns a majority interest in PPC which enables Plexus to supply operators with surface Xmas trees and valves, in addition to the Company's own POS-GRIP production wellhead systems. In August 2018, the Company announced a purchase order for its POS-SET Connector from Oceaneering A/S, Norway for well abandonment operations in the North Sea. The order is the second Plexus has secured for the POS-SET Connector.

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 to TFMC, 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.

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, geo-political 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 10.

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. Further examples include Iran making efforts to return to the world hydrocarbon supply stage, ongoing destabilisation in Syria, America continuing to aggressively pursue its fracking activities, extreme financial and economic deterioration in Venezuela, the speed and scale of reform recently announced in Saudi Arabia together with recent events in Turkey and wide ranging sanctions on Russia. A specific example of political risk are the aforementioned sanctions, and in extreme circumstances even regime change or a military coup. As a potential supplier to the global oil and gas industry it is clear that Plexus can be adversely impacted by such events, which can disrupt the markets and compromise the ability to execute work for customers and/or collect payment for services performed. 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 is closely monitoring 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 applied for and is expecting shortly 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 CO₂ and CH₄ (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 therefore demand for exploration and production equipment and services. It is however also recognised that the world will need hydrocarbons as an energy source, and in particular gas for many years to come, and indeed currently global demand for hydrocarbons continues to grow annually.

(c) Technology

The Group is now focusing on the commercialisation, marketing and 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. 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. Although access to capital could be an issue, the successful completion of the disposal of the Jack-up Business delivered additional cash to add to existing reserves.

(g) Credit

The main credit risk is attributable to trade receivables. As the majority of the Group's customers are large international oil 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.

G Stevens

Director

4 November 2019

Board of Directors

Jerome Jeffrey Thrall BBA MBA (aged 70), 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 71), 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 61), 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 46), 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 60), 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.

Board of Directors continued

Kunming Liu (Aged 42), 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 2019.

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 £0.3m (2018: £0.2m) being amounts capitalised on the Statement of Financial Position during the year.

Results and dividends

The results for the year, showing a loss from continuing operations before taxation of £3.71m (2018: loss £5.25m), and a loss from discontinued operations before taxation of £0.11m (2018: loss £1.59m) and are set out on page 51.

The directors do not recommend the payment of a final dividend for the year ended 30 June 2019 (2018: nil).

Corporate governance

This is the subject of a separate report set out on page 25. This is now expanded following the recent adoption of the Quoted Companies Alliance Corporate Governance Code in line with changes to the AIM Rules of the London Stock Exchange that now 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.

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' Report continued

Directors' interests

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

The interests of the directors who held office during the year in the shares of the Company at 30 June 2019 were as follows:

	Number of Ordinary Shares of 1p each 2019	Number of Ordinary Shares of 1p each 2018
J. Jeffrey Thrall ¹	44,295,513	44,295,513
Ben van Bilderbeek ²	58,077,461	58,077,461
Graham Stevens	15,100	15,100
Craig Hendrie	12,600	12,600
Charles Edward Jones	—	—
Kunming Liu	—	—

1. J. Jeffrey Thrall has an indirect beneficial interest in a company which controls 32.477% of Mutual Holdings Limited. The number of Ordinary shares held by Mutual Holdings Limited in the Company at 30 June 2019 was 42,700,001 (2018: 42,700,001). Additionally, J. Jeffrey Thrall has an indirect beneficial interest in Nazdar Limited, a company which holds 1,591,512 Ordinary shares in the Company, and he holds 4,000 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 2019, 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 Thrall and Ms Liu will retire by rotation at the Annual General Meeting and, being eligible, will offer themselves for re-election.

Substantial shareholdings and interests 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:

	% issued share capital
Mutual Holdings Limited 42,700,001	42.51%
Liontrust Investment Partners LLP 16,343,988	16.27%
OFM Investment Limited 15,069,767	15.00%
Canaccord Genuity Wealth Management 6,763,864	6.73%
Jereh International (Hong Kong) Co., Ltd 4,468,537	4.45%
BGF Investments LP 3,076,923	3.06%

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 42.

Directors' Report continued

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.

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 5 December 2019. The Notice convening the meeting may be found on the Company's website 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

4 November 2019

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 changes to the AIM Rules of the London Stock Exchange that now 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 invested extensively in research & development and IP development and areas and applications outside of jack-up exploration wellheads, include surface production and subsea wellhead equipment, as well as proprietary connector technology. This suite of new products and applications has grown significantly and now, following a Joint Industry Project, includes: the Python® Subsea Wellhead (a new standard for subsea wellheads – supported by BG, Royal Dutch Shell, Wintershall, Maersk, Total, Tullow Oil, Eni, Senergy, and Oil States Industries Inc); the development and launch 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 new Well Tree product. Plexus is also assessing

opportunities in geothermal drilling. Following the establishment of a joint venture with BEL Valves Ltd, Plexus can now also offer outlet valves and Xmas trees, resulting in a complete package offering to the end customer.

In the past Plexus found the oil & gas sector to be resistant to new technology and has 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 the significant fall in the oil price in 2015, from circa US\$120 per barrel, which 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 as part of the TFMC transaction. The superior performance, safety and operational advantages of the Plexus jack-up exploration drilling wellhead designs give the Directors confidence that this success can be extended to the wider energy sector including production, subsea, geothermal and fracking applications based on its POS-GRIP technology.

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 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 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, EBITDA, profit and loss, earnings per share and working capital resources and requirements. Non-financial indicators include Health and Safety statistics, 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. Following the sale earlier this year of the jack-up exploration wellhead equipment and services business, the key performance indicators of the Group are likely to change to reflect the strategy of the business in relation to the exploitation of its proprietary technology, with the focus on non-financial key performance indicators expected to be on research and development initiatives and commercialization objectives. It may also 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 actively seek dialogue with the market with the support of our broker Cenkos and Investor Relations advisors St Brides. Such communications include investor roadshows, 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 and to date all such communications have been to the satisfaction of the recipient.

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 – <http://www.plexusplc.com/investors/aim-rule-26/stock-exchange-rns-announcements>

Institutional shareholders

The Directors actively 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 medium to long term 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 immediately following the release of the full-year and half-year results.

The Board as a whole is kept informed as necessary of the views and concerns of major shareholders. Any significant investment reports from analysts are also circulated to the Board. The Non-Executive Chairman and Independent 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 significantly strengthened the statement of financial position.

This strong position enables 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.

Despite this change of business model, the key stakeholders (both internal and external) and the way we engage with them has not changed, with the exception of our earn-out and collaboration partner TFMC. Stakeholders continue to consist of shareholders, employees, suppliers, customers, 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 obtained where possible from interaction via letters, emails, phone calls meetings and the AGM.

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

Employees

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

Staff and staff development continues to be important to the Group 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 competency programmes ensure the 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 the ISO9001:2015, which Plexus is currently transitioning to.

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 OHSAS 18001:2007 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 not only to comply with our current certification standards but also to meet the new ISO 9001:2015 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 aim to achieve the API 6A certification in October 2019.

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 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' 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; 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.

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 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.

The Board considers that the Non-Executive Directors bring an independent judgement to bear. 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 thirteen Board meetings took place (including Board Committee meetings, but excluding meetings of the Audit Committee and the Remuneration Committee), and key Board activities included but are not exclusively:

- Discussed strategic priorities
- Discussed the Group's capital structure and 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 internal risk management and assessment report
- Reviewed feedback where relevant from shareholders post full and half year results

Corporate Governance continued

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

All members of the Board are expected to attend all scheduled main Board meetings, 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 are expected to spend an appropriate amount of time reviewing in advance of each meeting.

Directors' conflict 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 buyback of shares from Gusar and the successful court approval regarding the cancellation of the share premium in February and May 2019 respectively.

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 <http://www.plexusplc.com/investors/aim-rule-26/board-of-directors>

	Board 05.07.18	Board Committee 05.07.18	Board 01.11.18	Audit Committee 01.11.18	Board Committee 07.11.18	Board Committee 28.11.18	Board 13.12.18	Board Committee 21.12.18
2018								
Jeff Thrall	✓	✓	✓	✓		✓	✓	✓
Ben van Bilderbeek	✓	✓	✓		✓	✓		✓
Graham Stevens	✓	✓	✓		✓	✓	✓	✓
Craig Hendrie			✓			✓	✓	✓
Kunming Liu						✓	✓	
Charles Jones	✓	✓	✓	✓	✓	✓	✓	✓
		Board Committee 07.01.19	Audit Committee 10.02.19	Board 12.03.19	Board Committee 12.03.19	Board 27.03.19	Board 03.05.19	Board 18.07.19
2019								
Jeff Thrall			✓	✓		✓	✓	✓
Ben van Bilderbeek				✓	✓		✓	✓
Graham Stevens		✓		✓	✓		✓	✓
Craig Hendrie		✓		✓			✓	✓
Kunming Liu				✓			✓	✓
Charles Jones			✓	✓		✓	✓	✓

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 20 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.

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 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. Jeff Thrall and Kunming Liu 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, Chief Financial Officer 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 chair has sufficient separation from the day-to-day business to be able to make independent decisions. The chair 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 chair and board up to date with operational performance, risks and other issues to ensure that the business remains aligned with the agreed strategy.

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

The Board is mindful of the subject of succession planning, although has yet to adopt a formal process 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 all shareholders and stakeholders interests.

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 each year and in accordance with its scheduled meeting calendar as listed below. The Board sets direction for the Company 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).
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 directors and teams. They 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 nonfinancial 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 the 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):
 - (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)

Corporate Governance continued

- to consider other matters relating to the remuneration of or terms of employment applicable to the Executives and referred to the Remuneration Committee by the Board

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

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

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

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

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

The Board receives 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, where applicable, 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 – <http://www.plexusplc.com/investors/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 2019. One meeting related to the 2017-18 Annual Report and Accounts, and the second meeting was to review and sign off the 2019 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. 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;
- vi) Ensure the independence and objectivity of the external auditors; and
- vii) Review the external auditor’s management letter and management’s response.

Annual Report and Accounts

General

The Committee has satisfied itself that the 2018-19 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

Audit Committee Report continued

document including: revenue recognition and management override of controls. The Committee understands that the auditors have followed their procedures for reviewing these risks and have undertaken detailed testing as appropriate.

In preparing the financial statements for the period, the main area requiring the exercise of management judgement or a high degree of estimation was the valuation, and possible impairment, of intangibles. This was discussed with the auditor. The Committee, having reviewed management's assessment of impairment, concluded that the relevant value in use was above the carrying value of the assets and hence no impairment provision was required. Further 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 pages 58 and 59 respectively, and in the Parent company accounts on pages 84 and 85.

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 2018/19 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 2018/19. 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 10 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 all shareholders and stakeholders interests.

Auditor Independence

The Committee satisfied itself on the auditors' independence. Mr Stephen Bullock has been the senior statutory auditor for three years.

Audit Committee Report continued

Whistleblowing

The Committee had no whistleblowing incidents reported directly or indirectly during the year to 30 June 2019.

The Report of the Audit Committee was approved by a Committee of the Board of Directors on 4 November 2019 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.

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.

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:

	Short-Term Employee Benefits	Post- Employment Benefits	Share- Based Payment	IFRS 2 Charge for Share Options	2019 Total £	2018 Total £
	Salary & Fees (incl. annual bonus) £	Benefits £	Pension £			
Executive Directors						
Ben van Bilderbeek	279,196	33,844	—	—	313,040	538,019
Graham Stevens	149,008	14,889	—	—	163,897	273,157
Craig Hendrie	122,549	987	18,004	—	141,540	215,313
Non-executive Directors						
J Jeffrey Thrall	19,500	—	—	—	19,500	19,500
Geoff Thompson	—	—	—	—	—	10,160
Charles Edward Jones	18,000	—	—	—	18,000	18,000
Kunming Liu	18,000	—	—	—	18,000	18,000
Total	606,253	49,720	18,004	—	673,977	1,092,149

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 30/06/17	Granted During 17/18	Lapsed During 17/18	Exercised During 16/17	No of Options At 30/06/18	Granted During 18/19	Lapsed During 18/19	Exercised During 18/19	No of Options At 30/06/19	Date of Grant	No of Options Vested At 30/06/19	Expiry Date	Exercise Price (£)
B. van Bilderbeek	194,152	—	—	—	194,152	—	—	—	194,152	09/12/05	194,152	08/12/25	0.59
B. van Bilderbeek	65,902	—	—	—	65,902	—	—	—	65,902	20/06/07	65,902	19/07/27	0.385
B. van Bilderbeek	332,110	—	—	—	332,110	—	—	—	332,110	17/12/09	332,110	16/12/19	0.41
B. van Bilderbeek	169,642	—	—	—	169,642	—	—	—	169,642	25/03/11	169,642	24/03/21	0.60
G. Stevens	138,407	—	—	—	138,407	—	—	—	138,407	09/12/05	138,407	08/12/25	0.59
G. Stevens	43,177	—	—	—	43,177	—	—	—	43,177	20/06/07	43,177	19/07/27	0.385
G. Stevens	217,795	—	—	—	217,795	—	—	—	217,795	17/12/09	217,795	16/12/19	0.41
G. Stevens	101,042	—	—	—	101,042	—	—	—	101,042	25/03/11	101,042	24/03/21	0.60
C. Hendrie	254,407	—	—	—	254,407	—	—	—	254,407	09/12/05	254,407	08/12/25	0.59
C. Hendrie	43,177	—	—	—	43,177	—	—	—	43,177	20/06/07	43,177	19/07/27	0.385
C. Hendrie	217,795	—	—	—	217,795	—	—	—	217,795	17/12/09	217,795	16/12/19	0.41
C. Hendrie	105,853	—	—	—	105,853	—	—	—	105,853	25/03/11	105,853	24/03/21	0.60

Non-executive 2005 Share Option Scheme

Name	No of Options At 30/06/17	Granted During 17/18	Lapsed During 17/18	Exercised During 17/18	No of Options At 30/06/18	Granted During 18/19	Lapsed During 18/19	Exercised During 18/19	No of Options At 30/06/19	Date of Grant	No of Options Vested At 30/06/19	Expiry Date	Exercise Price (£)
J. Thrall	40,169	—	—	—	40,169	—	—	—	40,169	09/12/05	40,169	08/12/25	0.59
G. Thompson	100,000	—	—	—	100,000	—	—	—	100,000	08/06/10	100,000	07/06/20	0.60

No options are expected to lapse at the AGM.

Remuneration Committee Report continued

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 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 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.

The lowest mid-market price of the Company’s shares in the year to 30 June 2019 was 40.50p on 24 June 2019, and the high in the period to 30 June 2018 was 60.00p on 20 March 2019. The mid-market price on 30 June 2019 was 42.00p.

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). 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

4 November 2019

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 2019, which comprise:

- the Group statement of comprehensive income for the year ended 30 June 2019;
- the Group and Parent Company statements of financial position as at 30 June 2019;
- 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 2019 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 requirements 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.

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

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 £300,000, based on approximately 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. 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 £11.64 million (2018: £12.24 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 contd

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 contd

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 45, 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 contd

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. 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

4 November 2019

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2019

	Notes	2019 £'000	2018 £'000
Revenue	2	3,611	318
Cost of sales		(1,865)	(290)
Gross profit		1,746	28
Administrative expenses		(5,756)	(5,313)
Operating loss	4	(4,010)	(5,285)
Finance income	6	218	73
Finance costs	7	(41)	(37)
Share in profit of associate		122	–
Loss before taxation		(3,711)	(5,249)
Income tax credit	8	484	555
Loss after taxation from continuing operations		(3,227)	(4,694)
Profit/(loss) after taxation from discontinued operations	9	(88)	4,322
Loss for year		(3,315)	(372)
Other comprehensive income		–	–
Total comprehensive income for the year attributable to the owners of the parent		(3,315)	(372)
(Loss)/earnings per share	10		
Basic from continuing operations		(3.12p)	(4.45p)
Diluted from continuing operations		(3.12p)	(4.45p)
Basic from discontinued operations		(0.09p)	4.10p
Diluted from discontinued operations		(0.09p)	4.08p

Consolidated Statement of Financial Position

at 30 June 2019

	Notes	2019 £'000	2018 £'000
Assets			
Goodwill	11	767	767
Intangible assets	12	10,876	11,469
Property, plant and equipment	15	3,804	4,004
Non-current financial assets	16	2,835	2,124
Investment in associate	14	907	—
Deferred tax asset	8	1,259	984
Other receivables	9	4,515	6,337
Total non-current assets		24,963	25,685
Inventories	17	698	1,871
Trade and other receivables	18	4,948	4,888
Current income tax asset		617	414
Cash and cash equivalents		5,152	13,296
Total current assets		11,415	20,469
Total Assets		36,378	46,154
Equity and Liabilities			
Called up share capital	20	1,054	1,054
Shares held in treasury		(2,500)	—
Share premium account		—	36,893
Share based payments reserve	22	674	674
Retained earnings		34,873	2,295
Total equity attributable to equity holders of the parent		34,101	40,916
Liabilities			
Other non-current liabilities	9	—	493
Bank loans	24	—	75
Total non-current liabilities			568
Trade and other payables	19	2,202	4,370
Bank loans	24	75	300
Total current liabilities		2,277	4,670
Total liabilities		2,277	5,238
Total Equity and Liabilities		36,378	46,154

These financial statements were approved and authorised for issue by the board of directors on 4 November 2019 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 2019

	Called Up Share Capital £'000	Shares Held in Treasury £'000	Share Premium Account £'000	Share Based Payments Reserve £'000	Retained Earnings £'000	Total £'000
Balance as at 30 June 2017	1,054	–	36,893	767	2,575	41,289
Total comprehensive income for the year	–	–	–	–	(372)	(372)
Net deferred tax movement on share options	–	–	–	(1)	–	(1)
Reallocation following lapse/ expiry/forfeit of share options	–	–	–	(92)	92	–
Balance as at 30 June 2018	1,054	–	36,893	674	2,295	40,916
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)
Balance as at 30 June 2019	1,054	(2,500)	–	674	34,873	34,101

Consolidated Statement of Cash Flows

for the year ended 30 June 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Loss before taxation from continuing activities		(3,711)	(5,249)
Profit/(loss) before taxation from discontinued activities		(108)	4,232
Loss before tax		(3,819)	(1,017)
Adjustments for:			
Depreciation, amortisation charges		1,625	3,030
Gain on disposal of property, plant and equipment		–	(87)
Share in profit of associate		(122)	–
Gain on sale of discontinued operation		–	(5,825)
Fair value adjustment on financial assets		3	21
Investment income		(218)	(73)
Interest expense		8	37
Changes in working capital:			
Decrease / (increase) in inventories		1,173	(1,860)
Decrease / (increase) in trade and other receivables		1,762	(1,377)
(Decrease) / increase in trade and other payables		(2,661)	2,667
Cash used in operating activities		(2,249)	(4,484)
Income taxes refunded		26	500
Net cash used from operating activities		(2,223)	(3,984)
Cash flows from investing activities			
Funds invested in financial instruments		(714)	(2,145)
Net initial proceeds from sale of discontinued operation		–	14,050
Associated costs on sale of discontinued operation		–	(1,585)
Purchase of intangible assets		(311)	(231)
Investment in associate		(785)	–
Purchase of property, plant and equipment		(530)	(447)
Proceeds of sale of property, plant and equipment		9	329
Net proceeds from sale of asset held for sale		–	395
Interest received		218	73
Net cash (used) / generated in investing activities		(2,113)	10,439
Cash flows from financing activities			
Repayment of loans and banking facilities		(300)	(300)
Buyback of shares held in treasury		(2,500)	–
Dividend paid		(1,000)	–
Interest paid		(8)	(37)
Net cash outflow from financing activities		(3,808)	(337)
Net (decrease) / increase in cash and cash equivalents		(8,144)	6,118
Cash and cash equivalents at 1 July 2018		13,296	7,178
Cash and cash equivalents at 30 June 2019	24	5,152	13,296

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, are became effective for the current financial and have been adopted in these financial statements, will or may have an effect on the Group's future financial statements:

IFRS 15 Revenue from Contracts with Customers. The Group has adopted IFRS 15 Revenue from Contracts with Customers from 1 July 2018 using the cumulative effect transition method. Under the cumulative effect method, the impact of initially applying the standard is reflected as an adjustment to the opening balance of retained earnings as of 1 July 2018 and the comparative period will not be restated. The new standard requires revenue to be recognised using a five-step model which requires the transaction price for each contract to be apportioned to separate performance obligations arising under the contract either when the performance obligation in the contract has been performed (point in time recognition) or over time as control of the performance obligation is transferred to the customer. The five-step model is as follows

- 1) Identify the contract(s) with a customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate the transaction price to the performance obligations in the contract
- 5) Recognise revenue when or as the entity satisfies its performance obligations

The Group has completed its assessment of IFRS 15 and has not identified any material differences between the requirements of IFRS 15 and the previous revenue recognition policy. Accordingly, no financial restatement has been made.

IFRS 9 Financial Instruments. The Group has adopted IFRS 9 Financial Instruments from 1 July 2018, replacing IAS 39 Financial Instrument: Recognition and Measurement. IFRS 9 replaces the existing credit loss model with a forward-looking expected credit loss model for assessing the impairment of financial assets. Adopting this new model has not had a material impact and accordingly no financial restatement has been made. The new standard has not had a significant effect on the Group's accounting policy. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities and has not had a significant effect on the Group's accounting policy.

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the Group's future financial statements:

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 will change 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 will be required to present depreciation of leased assets separately from interest on lease liabilities in the consolidated statement of comprehensive income. A lessor will continue to classify its leases as operating leases or financing leases, and to account for those two types of leases separately. IFRS 16 is effective for fiscal periods beginning on or after 1 January 2019. The Group is in the process of evaluating the impact of IFRS 16, with an asset and liability of £1.5m expected to be recognised on inception.

Notes to the Consolidated Financial Statements continued

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 10 to 19 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 £5.15m and bank facilities of £75k comprising of a term loan facility which had a balance of £75k and which is repayable in quarterly instalments of £75k with the final repayment due by September 2019.

On 19 October 2017 the Group announced the sale of its wellhead exploration equipment and services business for Jack-up applications (the 'Jack-up Business') to FMC Technologies Limited ('TFMC'), a subsidiary of TechnipFMC (Paris:FTI) (NYSE:FTI) one of the leading oil & gas service and equipment companies (the 'Disposal'). This transaction was completed on 1st February 2018, with the Group receiving an initial net consideration £14.1m. An additional gross sum of up to a maximum of £27.5m is payable dependent on the future performance of the Jack-up Business during a three year earn-out period.

In addition and as part of the Transaction, Plexus, Plexus' subsidiary POSL and TFMC have also entered into a Collaboration Agreement ('CA') which establishes a framework to work together both on the development of existing POS-GRIP IP for applications outside of Jack-up exploration wellheads, as well as future new technologies.

Accordingly, after careful enquiry and review of available financial information, including projections and cash flows for the period to 30 November 2020, 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.

c. Basis of consolidation

The group financial statements consolidate the financial statements of Plexus Holdings plc and the entities it controls (its subsidiaries) 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.

Notes to the Consolidated Financial Statements continued

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 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 replaces 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.

Detailed assessments carried out by the Group have shown that the adoption of the five-step model does not significantly alter the timing or value of revenue recognised by the Group as the principles of the new standard align closely with the Group's previous revenue recognition policy.

Revenue from the sale of equipment is recognised when performance obligations are met. This is considered to be at a point in time, on acceptance of the equipment by the customer.

Revenue from rental contracts, all of which is short term and principally due from the discontinued activities, is recognised in the statement of comprehensive income on a straight line basis as the performance obligations are satisfied over time.

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.

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.

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.

Notes to the Consolidated Financial Statements continued

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:

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

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

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

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

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.

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

On 1 July 2018, the Group adopted IFRS 9 'Financial instruments', which has resulted in no change from this date in the classification and measurement of certain financial assets included in other investments. 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 composed of share capital, shares held in treasury and retained earnings following the capital reorganisation during the current financial year which led to the cancellation and reallocation of the share premium account and the 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.

Notes to the Consolidated Financial Statements continued

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 makes adjustments to 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 amount of dividends paid or issue new equity.

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 the gain on the sale of the Jack-up Business is accrued consideration of £8,840k. The accrual is based on TFMC's most recent revenue forecasts and has been recorded at fair value. This consideration will be revalued at fair value each reporting date for its 3-year term.
- (b) The directors have prepared projections of future revenues expected to be derived from exploiting the Group's intangible assets in future periods (following the disposal of the wellhead rental exploration equipment services business) as part of their consideration of impairment. Although the core technology is proven and has proven commercial value, the projections are subject to a significant degree of judgement because of the relative lack of track record of commercial exploitation outside the wellhead exploration equipment services business.
- (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.

s. Key assumptions and sources of estimation

The estimated life of the Group's rental assets for depreciation purposes is of significance to the financial statements. The life used is with reference to engineering experience of the probable physical and commercial lifespans of the assets. 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.

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 require management estimates and judgements. Provision has been made against slow moving inventory based upon historical experience of the viability of the older parts as technological improvements have been 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

	2019 £'000	2018 £'000
By geographical area		
UK	1,511	269
Europe	2,086	—
Rest of World	14	49
	<hr/> 3,611 <hr/>	<hr/> 318 <hr/>

The revenue information above is based on the location of the customer. Substantially all of the revenue in the current and previous periods derives from the rental of equipment and the provision of related services.

Notes to the Consolidated Financial Statements continued

3. Group operating loss

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:

	2019 £’000	2018 £’000
Customer 1	1,818	230
Customer 2	1,447	49
Customer 3	–	39

4. Group operating loss

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

	2019 £’000	2018 £’000
Depreciation of tangible assets	718	737
Amortisation of intangible assets:		
– Intellectual property rights	238	238
– Research and development	646	632
– Computer software	20	28
Operating lease charges:		
– Land and buildings	40	–
– Other	46	17
Foreign currency exchange loss	6	11
Gain on disposal of property, plant and equipment	–	(87)
Directors’ emoluments	686	1,078
Inventories recognised as expense	1,346	45
Inventory write down provision	–	(47)
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
Total audit fees	43	43

Notes to the Consolidated Financial Statements continued

5. Staff numbers and costs

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

	2019 Number	2018 Number
Management	6	10
Technical	26	35
Administrative	5	9
	<u>37</u>	<u>54</u>

The aggregate payroll costs of these persons were as follows:

	2019 £'000	2018 £'000
Wages and salaries	2,392	3,947
Social security costs	206	384
Pension contributions to defined contribution plans	90	118
	<u>2,688</u>	<u>4,449</u>

The total payroll costs noted above include £nil (2018: £1,406k) of discontinued payroll costs.

Key management are considered to be the Board of Directors and details of Directors' remuneration are given in the remuneration report on page 42 and this forms part of the financial statements.

6. Finance income

	2019 £'000	2018 £'000
Bank interest receivable	81	63
Investment income	119	7
Other interest receivable	18	3
	<u>218</u>	<u>73</u>

7. Finance costs

	2019 £'000	2018 £'000
On bank loans and overdraft	8	16
Investment costs	30	—
Fair value adjustment on financial assets	3	21
	<u>41</u>	<u>37</u>

Notes to the Consolidated Financial Statements continued

8. Income tax credit

(i) The taxation charge for the year comprises:

	2019 £'000	2018 £'000
UK Corporation tax:		
Current tax on income for the year	–	–
Adjustment in respect of prior years	(620)	(434)
	<u>(620)</u>	<u>(434)</u>
Foreign tax		
Current tax on income for the year	1	45
Adjustment in respect of prior years	391	440
	<u>392</u>	<u>485</u>
Total current tax (credit)/charge	<u>(228)</u>	<u>51</u>
Deferred tax:		
Origination and reversal of timing differences	(426)	(690)
Adjustment in respect of prior years	150	(6)
	<u>(276)</u>	<u>(696)</u>
Total deferred tax	<u>(276)</u>	<u>(696)</u>
Total tax credit	<u>(504)</u>	<u>(645)</u>
The effective rate of tax is 19% (2018: 19%)		
Tax credit on discontinued activities	(20)	(90)
Tax credit on continued activities	(484)	(555)
	<u>(504)</u>	<u>(645)</u>
Total tax credit	<u>(504)</u>	<u>(645)</u>

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

	2019 £'000	2018 £'000
Loss on ordinary activities before tax	(3,711)	(5,249)
Tax on (loss)/profit at standard rate of UK corporation tax of 19% (2018: 19%)	(705)	(997)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	223	259
Effect of change in tax rate	53	112
Tax adjustments on share-based payments	22	70
Adjustments in respect of prior year	(78)	1
Group income not subject to tax	–	–
Foreign tax rates	1	–
	<u>(484)</u>	<u>(555)</u>
Total tax credit on continuing activities	<u>(484)</u>	<u>(555)</u>

(iii) Movement in deferred tax asset balance

	2019 £'000	2018 £'000
Deferred tax asset at beginning of year	(984)	(287)
Credit to Statement of Comprehensive Income	(275)	(696)
Deferred tax movement on share options recognised in equity	–	(1)
	<u>(1,259)</u>	<u>(984)</u>
Deferred asset at end of year	<u>(1,259)</u>	<u>(984)</u>

Notes to the Consolidated Financial Statements continued

<i>(iv) Deferred tax asset balance</i>	2019	2018
	£'000	£'000
The deferred tax asset balance is made up of the following items:		
Difference between depreciation and capital allowances	842	854
Share based payments	(4)	(27)
Tax losses	(2,097)	(1,811)
Deferred tax asset at end of year	(1,259)	(984)

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 1st 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 has been accrued at £8,839k. £4,515k (2018: £6,337k) of this balance is receivable in a period greater than one year and has been included in non-current assets.

Included in the consideration adjustment is a balance of £986k, which relates to the refurbishment of the sold rental fleet which is deductible from the earn-out payments. This balance is payable within one year and is included within trade and other payables.

The gain on sale on disposal of discontinued operation was determined as follows:

	2018
	£'000
Initial gross consideration received	15,000
Accrued consideration	8,840
Consideration adjustment	(2,695)
Total consideration	21,145
<i>Net assets disposed</i>	
Equipment	(6,122)
Assets under consideration	(5)
Motor vehicles	(3)
Intellectual property	(706)
Patent and other development	(750)
Inventories	(5,957)
Trade and other payables	(400)
Associated cost of sale	(1,377)
	(15,320)
Gain on disposal of discontinued operation	5,825

The gain on sale of the Jack-up Business did not give rise to a corporation tax charge.

Notes to the Consolidated Financial Statements continued

9. Discontinued Operations (continued)

The loss after tax from discontinued operation was calculated as follows:

	2019 £'000	2018 £'000
Revenue	–	3,907
Expenses	(108)	(5,500)
Loss before tax of discontinued operations	(108)	(1,593)
Income tax credit	20	90
Loss after tax of discontinued operations	(88)	(1,503)
Profit/(Loss) after taxation from discontinued operations	(88)	4,322

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

	2019 £'000	2018 £'000
Operating activities	–	(231)
Investing activities	–	12,424
Financing activities	–	–
Net cash generated/(used) from discontinued activities	–	12,193

10. Loss per share

	2019 £'000	2018 £'000
Loss attributable to shareholders – continuing operations	(3,227)	(4,694)
(Loss)/profit attributable to shareholders – discontinued operations	(88)	4,322
Loss attributable to shareholders	(3,315)	(372)
	Number	Number
Weighted average number of shares in issue	103,406,041	105,386,239
Dilution effects of share schemes	–	486,979
Diluted weighted average number of shares in issue	103,406,041	105,873,218
(Loss)/earning per share		
Basic Loss per share for continuing operations	(3.12p)	(4.45p)
Diluted Loss per share for continuing operations	(3.12p)	(4.45p)
Basic Loss per share for discontinued operations	(0.09p)	4.10p
Diluted loss per share for discontinued operations	(0.09p)	4.08p

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

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

Notes to the Consolidated Financial Statements continued

11. Goodwill

	£'000
Cost	
As at 30 June 2017, 2018 and 2019	767
Impairment	
As at 1 July 2017, 2018 and 2019	—
Net Book Value	
As at 30 June 2018 and 2019	767

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.

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.

Notes to the Consolidated Financial Statements continued

12. Intangible assets

	Intellectual Property £'000	Patent and Other Development £'000	Computer Software £'000	Total £'000
Cost				
As at 30 June 2017	6,440	13,681	331	20,452
Additions	–	231	–	231
Disposals	(1,840)	(1,088)	–	(2,928)
As at 30 June 2018	4,600	12,824	331	17,755
Additions	–	310	1	311
Disposals	–	(38)	–	(38)
As at 30 June 2019	4,600	13,096	332	18,028
Amortisation				
As at 30 June 2017	3,681	2,823	270	6,774
Charge for the year	291	665	28	984
On disposals	(1,134)	(338)	–	(1,472)
As at 30 June 2018	2,838	3,150	298	6,286
Charge for the year	238	646	20	904
On disposals	–	(38)	–	(38)
As at 30 June 2019	3,076	3,758	318	7,152
Net Book Value				
As at 30 June 2019	1,524	9,338	14	10,876
As at 30 June 2018	1,762	9,674	33	11,469

When assessing the valuation of the Group's intangible 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,
- 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 2039 to ensure the full benefit of all current projects is realised. The rationale for using a timescale up to 2039 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).

Notes to the Consolidated Financial Statements continued

12. Intangible assets (continued)

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.

13. Investments

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

Subsidiary undertaking	Country of Registration	Nature of Business	Percentage of Ordinary Shares held
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	Commercial exploitation of subsea applications	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%
Afrotel Corporation Ltd	Turks and Caicos Islands	Investment Holding	100%
Plexus Applied Technologies Limited	Scotland	Dormant	100%

Notes to the Consolidated Financial Statements continued

13. Investments (continued)

Subsidiary undertaking	Country of Registration	Nature of Business	Percentage of Ordinary Shares held
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	51%

The Group's investments are unlisted.

14. Investment in associate

	2019 £'000	2018 £'000
Investment in associate during the year	735	—
Associated legal fees	50	—
Share of profit in the year	122	—
Investment in associate at 30 June 2019	907	—

On December Plexus Ocean Systems Limited acquired a 49% interest in Kincardine Manufacturing Services Limited ('KMS') for a £735k plus associated legal fees.

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

	2019 £'000
Assets	2,692
Liabilities	1,467
Revenue	1,495
Profit	245

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
Cost						
As at 30 June 2017	3,924	706	28,832	22	32	33,516
Additions	–	10	198	222	17	447
Transfers	–	–	229	(229)	–	–
Disposals	(317)	–	(23,750)	(5)	(32)	(24,104)
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
Depreciation						
As at 30 June 2017	1,007	296	20,210	–	27	21,540
Charge for the year	225	85	1,733	–	3	2,046
On disposals	(74)	–	(17,628)	–	(29)	(17,731)
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
Net Book Value						
As at 30 June 2019	2,361	250	1,180	–	13	3,804
As at 30 June 2018	2,449	335	1,194	10	16	4,004

16. Financial Assets

	2019 £'000	2018 £'000
Financial instruments held at fair value	2,835	2,124
	2,835	2,124

The financial asset relates to cash invested in high-yield bonds held at fair value in the statement of financial position. The bonds can be redeemed for cash at any time. Included in the statement of comprehensive income is a write-down in the carrying value of the financial asset of £3k (2018: £21k). The fair value of the investment is evaluated by reviewing a portfolio on a quarterly basis.

Notes to the Consolidated Financial Statements continued

17. Inventories

	2019 £'000	2018 £'000
Raw materials and consumables	212	360
Work in progress	64	125
Finished goods and goods for resale	422	1,386
	<u>698</u>	<u>1,871</u>

18. Trade and other receivables

	2019 £'000	2018 £'000
Trade receivables	158	1,822
Prepayments and other amounts	4,790	3,066
	<u>4,948</u>	<u>4,888</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

	2019 £'000	2018 £'000
Trade payables	503	1,350
Non trade payables and accrued expenses	1,699	3,020
	<u>2,202</u>	<u>4,370</u>

20. Share Capital

	2019 £'000	2018 £'000
Authorised:		
Equity: 110,000,000 (2018: 110,000,000) Ordinary shares of 1p each	1,100	1,100
Allotted, called up and fully paid:		
Equity: 105,386,239 (2018: 105,386,239) Ordinary shares of 1p each	1,054	1,054

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

	2019 £'000	2018 £'000
Buyback of shares	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 2019 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 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 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:

	2019		2018	
	No of shares	Weighted Average exercise price	No of shares	Weighted Average exercise price
Outstanding at the beginning of the period	3,677,899	0.53	3,850,398	0.53
Forfeited during the period by leaving employment	–	–	(169,098)	0.51
Lapsed due to failure to meet TSR criteria during period	–	–	(3,401)	0.78
Outstanding at the end of the period	3,677,899	0.53	3,677,899	0.53
Exercisable at the end of the period	3,677,899	0.53	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 (2018: £nil) towards equity settled share based payments.

The weighted average contractual life of the share options outstanding at the end of the period is 2 years 9 months.

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

	2019 £'000	2018 £'000
Movement in cash and cash equivalents	(8,144)	6,118
Repayment of bank loans	300	300
(Decrease)/increase in net cash in year	(7,844)	6,418
Net cash at start of year	12,921	6,503
Net cash at end of year	5,077	12,921

24. Analysis of net cash/(debt)

	At beginning of year £'000	Cash flow £'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	12,921	(7,844)	5,077

Notes to the Consolidated Financial Statements continued

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

	At beginning of year £'000	Cash flow £'000	At end of year £'000
2018:			
Cash in hand and at bank	7,178	6,118	13,296
Bank loans	(675)	300	(375)
Total	<u>6,503</u>	<u>6,418</u>	<u>12,921</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.

(ii) Interest rate risk

The Group finances 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 £49k (2018: £80k) by a reasonably possible 1 percentage point change down/up in LIBOR interest rates on a full year basis.

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 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 debtor allowance 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:

	2019 £'000	2018 £'000
Sterling	158	912
US Dollar	–	910
	<u>158</u>	<u>1,822</u>

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

	2019 £'000	2018 £'000
Not past due	82	1,742
Past due 0-30 days	–	–
Past due 30+ days	76	80
	<u>158</u>	<u>1,822</u>

Notes to the Consolidated Financial Statements 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.

		Floating rates £'000	Non-interest bearing £'000	Book and fair value £'000
30 June 2019				
Cash and liquid resources	– Sterling	4,876	241	5,117
	– US Dollar	–	5	5
	– Euro	–	–	–
	– Malaysian Ringgit	–	30	30
	– Singapore Dollars	–	–	–
		4,876	276	5,152
30 June 2018				
Cash and liquid resources	– Sterling	12,118	871	12,989
	– US Dollar	201	27	228
	– Euro	3	–	3
	– Malaysian Ringgit	–	25	25
	– Singapore Dollars	–	51	51
		12,322	974	13,296

At 30 June 2019 the Group had £5,152k 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.

At 30 June 2019 the Group has a bank loan with a balance outstanding of £75k, repayable in September 2019.

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.

Notes to the Consolidated Financial Statements continued

25. Financial instruments and risk management (continued)

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 2019 the fair value of the financial assets held by the Group are £2,835k (2018: £2,124k). There is a fair value adjustment charge through the statement of comprehensive income of £4k (2018: £21k).

The interest rate and currency profiles of the Group's financial liabilities at 30 June 2019 are as follows:

	Floating rates £'000	Non-interest bearing £'000	Book and fair value £'000
30 June 2019			
Bank term loan – Sterling	75	–	75
	<hr/>	<hr/>	<hr/>
30 June 2018			
Bank term loan – Sterling	375	–	375
	<hr/>	<hr/>	<hr/>

	Due within 1 Year £'000	Due between 2–5 Years £'000	Due after 5 Years £'000	Total £'000
30 June 2019				
Bank term loan – Sterling	75	–	–	75
Total	75	–	–	75
	<hr/>	<hr/>	<hr/>	<hr/>
30 June 2018				
Bank term loan – Sterling	300	75	–	375
Total	300	75	–	375
	<hr/>	<hr/>	<hr/>	<hr/>

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

26. Operating lease commitments/Financial commitments

Operating lease commitments where the group is the lessee

The Group has the following total future lease payments under non-cancellable operating leases:

	2019 £'000	2018 £'000
Within one year	321	321
Within two to five years	1,294	1,346
After five years	811	811
	<hr/>	<hr/>
	2,426	2,478
	<hr/>	<hr/>

The Group had a capital commitment of £26k as at 30 June 2019 (2018: nil).

Notes to the Consolidated Financial Statements continued

27. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2019 (2018: £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.

Transactions

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

	2019 £'000	2018 £'000
Purchase of goods and services from Other Related Parties	318	365
Payables to Other Related Parties	—	—
Repayables from Other Related Parties	17	—

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 in which Ben van Bilderbeek's family are shareholders.

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 10 and the directors' report on page 22.

Parent Company Statement of Financial Position

at 30 June 2019

	Notes	2019 £'000	2018 £'000
Assets			
Intangible assets	4	10,482	10,996
Investments	5	8,294	8,294
Total Non-current assets		18,776	19,290
Trade and other receivables	7	20,409	9,229
Current income tax asset		270	
Cash at bank and in hand	10	6	5,985
Total current assets		20,685	15,214
Total Assets		39,461	34,504
Equity and Liabilities			
Called up share capital	9	1,054	1,054
Shares held in treasury		(2,500)	–
Share premium account		–	36,893
Share based payments reserve		326	326
Retained earnings		40,039	(4,377)
Total equity attributable to equity holders of the company		38,919	33,896
Liabilities			
Deferred tax liabilities		251	347
Total non-current liabilities		251	347
Trade and other payables	8	291	261
Total current liabilities		291	261
Total liabilities		542	608
Total Equity and Liabilities		39,461	34,504

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 profit after tax for the year was £8,560k (2018: loss of £1,766k).

These financial statements were approved and authorised for issue by the board of directors on 4 November 2019 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 2019

	Called Up Share Capital £'000	Shares Held in Treasury £'000	Share Premium Account £'000	Share Based Payments Reserve £'000	Retained Earnings £'000	Total £'000
Balance as at 30 June 2017	1,054	–	36,893	326	(2,611)	35,662
Total comprehensive income for the period	–	–	–	–	(1,766)	(1,766)
Balance as at 30 June 2018	1,054	–	36,893	326	(4,377)	33,896
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)
Balance as at 30 June 2019	1,054	(2,500)	–	326	40,039	38,919

Parent Company Statement of Cash Flows

at 30 June 2019

	<i>Notes</i>	2019 £'000	2018 £'000
Cash flows from operating activities			
Loss before taxation		8,155	(1,766)
Adjustments for:			
Amortisation		823	897
Intercompany loan write-offs		145	–
Transfer of intangible assets to group undertaking		–	1,456
Investment income		(603)	(256)
Changes in working capital:			
Decrease/(increase) in trade and other receivables		(11,325)	2,717
Increase/(decrease) in trade and other payables		30	71
Cash (used) / generated from operations activities		(2,775)	3,119
Income taxes paid		–	–
Net cash (used) / generated from operations		(2,775)	3,119
Cash flows from investing activities			
Purchase of intangible assets		(309)	(231)
Interest received		605	256
Net cash generated from investing		296	25
Cash flows from financing activities			
Buyback of shares held in treasury		(2,500)	–
Equity dividends paid		(1,000)	–
Net cash generated/(used) in financing activities		(3,500)	–
Net increase / (decrease) in cash and cash equivalents		(5,979)	3,144
Cash and cash equivalents at 1 July 2018		5,985	2,841
Cash and cash equivalents at 30 June 2019	10	6	5,985

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, are became effective for the current financial and have been adopted in these financial statements, will or may have an effect on the Company's future financial statements:

IFRS 15 Revenue from Contracts with Customers. The Company has adopted IFRS 15 Revenue from Contracts with Customers from 1 July 2018 using the cumulative effect transition method. Under the cumulative effect method, the impact of initially applying the standard will be reflected as an adjustment to the opening balance of retained earnings as of 1 July 2018 and the comparative period will not be restated. The new standard requires revenue to be recognised using a five-step model which requires the transaction price for each contract to be apportioned to separate performance obligations arising under the contract either when the performance obligation in the contract has been performed (point in time recognition) or over time as control of the performance obligation is transferred to the customer. The five-step model is as follows

- 1) Identify the contract(s) with a customer
- 2) Identify the performance obligations in the contract
- 3) Determine the transaction price
- 4) Allocate the transaction price to the performance obligations in the contract
- 5) Recognise revenue when or as the entity satisfies its performance obligations

The Company has completed its assessment of IFRS 15 and has not identified any material differences between the requirements of IFRS 15 and the previous revenue recognition policy. Accordingly, no financial restatement has been made.

IFRS 9 Financial Instruments. The Group has adopted IFRS 9 Financial Instruments from 1 July 2018, replacing IAS 39 Financial Instrument: Recognition and Measurement. IFRS 9 replaces the existing credit loss model with a forward-looking expected credit loss model for assessing the impairment of financial assets. Adopting this new model has not had a material impact and accordingly no financial restatement has been made. The new standard has not had a significant effect on the Group's accounting policy. IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities and has not had a significant effect on the Group's accounting policy. This has resulted in a transition adjustment of £36k, and further write-off of £97k charged in the year from the assessment of credit losses on group balances.

The following new standards, interpretations and amendments, which are not yet effective and have not been adopted early in these financial statements, will or may have an effect on the group's future financial statements:

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 will change 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 will be required to present depreciation of leased assets separately from interest on lease

Notes to the Parent Company Financial Statements continued

liabilities in the consolidated statement of comprehensive income. A lessor will continue to classify its leases as operating leases or financing leases, and to account for those two types of leases separately. IFRS 16 is effective for fiscal periods beginning on or after 1 January 2019. The adoption of IFRS 16 has no impact upon the company.

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.

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

b. Income taxes and deferred taxation

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

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

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

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

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

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

c. Intangible assets and amortisation

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

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

Notes to the Parent Company Financial Statements continued

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.

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.

Notes to the Parent Company Financial Statements continued

i. Classification of financial instruments issued by the Group

On 1 July 2018, the Group adopted IFRS 9 'Financial instruments', which has resulted in no change from this date in the classification and measurement of certain financial assets included in other investments. In accordance with IAS 32, financial instruments issued by the Group are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

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

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

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

j. Share based payments

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

k. Key assumptions and sources of estimation

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

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

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 profit after tax for the year was £8,560k (2018: loss of £1,766k).

Notes to the Parent Company Financial Statements continued

3. Staff numbers and costs

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

	2019	2018
	Number	Number
Management	3	3
Technical	–	–
Administrative	–	–
	<hr/>	<hr/>
	3	3
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2019	2018
	£'000	£'000
Wages and salaries	164	346
Social security costs	21	46
Pension contributions to defined contribution plans	–	7
	<hr/>	<hr/>
	185	399
	<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 42 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
Cost			
As at 30 June 2017	4,171	13,415	17,586
Additions	–	231	231
Disposals	(1,410)	(1,088)	(2,498)
As at 30 June 2018	2,761	12,558	15,319
Additions	–	309	309
Disposals	–	–	–
As at 30 June 2019	2,761	12,867	15,628
Amortisation			
As at 30 June 2017	1,914	2,554	4,468
Charge for the year	232	665	897
On disposals	(705)	(337)	(1,042)
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
Net Book Value			
As at 30 June 2019	1,142	9,340	10,482
As at 30 June 2018	1,320	9,676	10,996

Patent and other development costs are internally generated.

Notes to the Parent Company Financial Statements continued

5. Investments

£'000

Subsidiary undertakings

As at 30 June 2017, 2018 & 2019

8,294

The Company's subsidiary 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%
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%

Notes to the Parent Company Financial Statements continued

5. Investments (continued)

Subsidiary undertaking	Address and Country of Registration	Nature of Business	Percentage of Ordinary Shares held
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 Ocean 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 Applied Technologies Limited	Johnstone House, 52-54 Rose Street, Aberdeen AB10 1HA Scotland	Dormant	100%

6. Deferred tax

(iii) Movement in deferred tax liability balance

	2019 £'000	2018 £'000
Deferred tax liability at beginning of year	347	812
Debit to Statement of Comprehensive Income	(96)	(465)
Deferred liability at end of year	<u>251</u>	<u>347</u>

(iv) Deferred tax liability balance

	2019 £'000	2018 £'000
The deferred tax liability balance is made up of the following items:		
Difference between depreciation and capital allowances	514	1,355
Share based payments	(13)	(15)
Tax losses	(250)	(993)
Deferred tax liability at end of year	<u>251</u>	<u>347</u>

Notes to the Parent Company Financial Statements continued

7. Trade and other receivables

	2019 £'000	2018 £'000
Receivables due from group companies	20,305	9,130
Prepayments and other amounts	104	99
	<u>20,409</u>	<u>9,229</u>

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

Prepayments relate to prepaid amounts for services to be consumed over the next 12 months. There is no indication of impairment of any of these amounts.

8. Trade and other payables

	2019 £'000	2018 £'000
Trade payables	72	63
Non trade payables and accrued expenses	219	198
	<u>291</u>	<u>261</u>

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

9. Share capital

	2019 £'000	2018 £'000
Authorised:		
Equity: 110,000,000 (2017: 110,000,000) Ordinary shares of 1p each	1,100	1,100
Allotted, called up and fully paid:		
Equity: 105,386,239 (2017: 105,386,239) Ordinary shares of 1p each	1,054	1,054

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

	2019 £'000	2018 £'000
Movement in net cash in year	(5,979)	3,144
Net cash at start of year	5,985	2,841
Net cash at end of year	<u>6</u>	<u>5,985</u>

11. Financial instruments and risk management

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

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

(a) Market risks

(i) Foreign currency exchange risk

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

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

(ii) Interest rate risk

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

(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 of £36k, and further write-off of £97k charged in the year from the assessment of credit losses on group balances.

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

(c) Liquidity risk

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

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

Notes to the Parent Company Financial Statements continued

12. Financial commitments

The Company had no capital commitments as at 30 June 2019 (2018: £nil).

13. Contingent liabilities

The Company had no contingent liabilities as at 30 June 2019 (2018: £nil).

14. Related party transactions

Control

No one party owns a controlling interest in the Company.

Ultimate parent company

There is no ultimate parent company.

Transactions

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

Plexus Ocean Systems Limited, a wholly owned subsidiary made net repayments of £2,119k less net payments of £13,331k during the year increasing the balance owed from £9,093k to £20,305k.

As at 30 June 2019 Plexus Holdings plc has an outstanding balance of £nil from Plexus Ocean Systems (Singapore) Pte Ltd (2018: £37k).

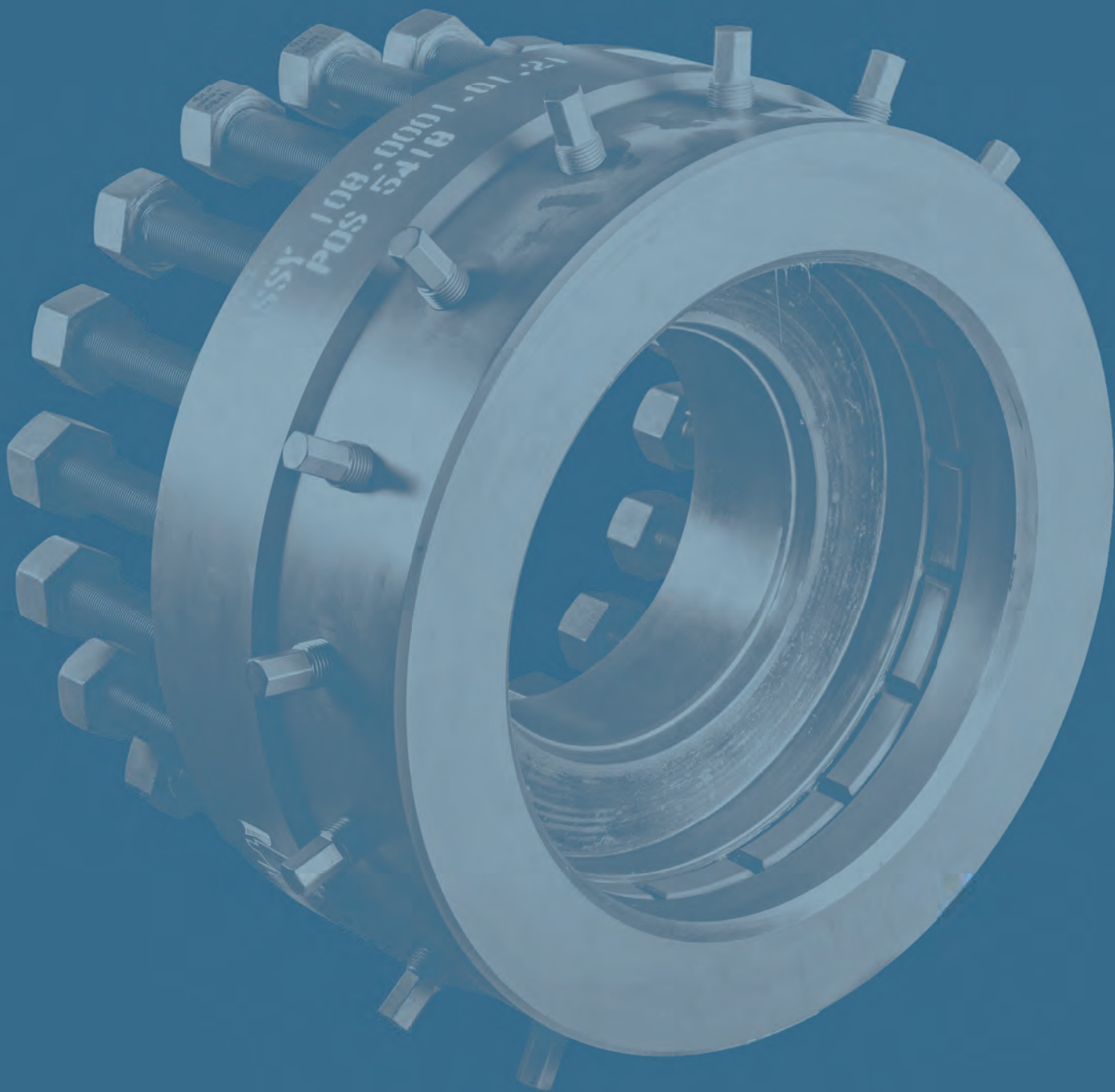
Ben Van Bilderbeek, Graham Stevens and Craig Hendrie are considered to be the Key Management Personnel of the parent entity. Details of their remuneration is included in the remuneration report.

Corporate Information

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



POS-GRIP "HG" Production Wellhead recently intalled offshore



Plexus 13-5/8" 5M POS-SPEED Connector

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