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Plexus Holdings Plc
22 October 2024

Plexus Holdings PLC / Index: AIM / Epic: POS / Sector: Oil equipment & services

22 October 2024

Plexus Holdings plc ('Plexus' or 'the Group')

Final Results

Plexus Holdings plc, the AIM quoted oil and gas engineering services business and owner of the proprietary POS-GRIP® method of wellhead engineering, announces its Final Results for the year ending 30 June 2024.

Financial Summary

- Sales revenue £12.7m (2023: £1.5m)
- Adjusted EBITDA £5.4m (2023: £2.5m loss)
- Profit before tax (reported) £2.8m (2023: £4.2m loss)
- Profit before tax (adjusted) £3.5m (2023: £4.2m loss)
- Profit after tax £2.9m (2023: £4.0m loss)
- Basic earnings per share 2.83p (2023: 4.00p loss)
- Cash and cash equivalents of £2.5m (2023: £1.4m)
- Total assets £19.9m (2023: £18.6m)
- Total equity £15.4m (2023: £11.5m)

Operational Overview

- August 2023 - value of the major rental contract announced on 6 March 2023 increased materially from c.£5m to c.£8m.
- September 2023 - successful completion of Oceaneering Plug and Abandonment ('P&A') campaign originally announced in June 2022. Plexus Mud Containment System used sequentially on four different wells generated revenues of £850,000, a 70% increase on initial estimates.
- October 2023 - contract for a P&A project secured through licensor SLB for the rental of Exact adjustable wellhead system and Centric Mudline tooling for a leading North Sea operator with a value of c. £100,000.
- November 2023 - contract with a value of c. £175,000 awarded by Neptune Energy UK for the rental of Exact adjustable wellhead system and Centric Mudline Suspension equipment to allow the permanent abandonment of a UK North Sea well.
- December 2023 - completed a licensing agreement with SLB replacing an existing surface production wellhead license for a cash consideration of 5.2m.
- February 2024 - contract valued in excess of £1m to provide specialised equipment and services for multiple P&A activities in the North Sea.
- February 2024 - successful completion of a customer sponsored R&D project to develop a bespoke lifetime leak-proof replacement tubing hanger neck seal assembly ('HG-R') to upgrade and extend the field life of existing surface production wellheads.
- R&D expenditure, including patents, rose from £516k in 2023 to £558k in 2024, reflecting ongoing investment to protect, develop, and expand the Group's product range.

Post period end

- Work commenced on North Sea P&A contract announced February 2024 as above.
- Major rental contract nearing completion with full revenues now anticipated to reach £9m.
- Manufacturing in process of additional sets of Exact™ wellhead equipment to support growth in the Jack-up rental wellhead market.
- Signed a new Master Services Agreement with a well management company - anticipated to generate a variety of work in the P&A sector as well as in Jack-up exploration and appraisal drilling worldwide.
- Annual API audit successfully completed with Company retaining its API Q1 accreditation.
- Changes to the Board announced in July 2024, including founder Ben van Bilderbeek becoming Non-executive Chair

and Craig Hendrie appointed as CEO.

Chief Executive Craig Hendrie said: "During the year to 30th June 2024, the Group made a profit before tax of £2.80m compared to a loss in the prior year of £4.23m. This return to profitability is due to an exceptional licence deal and a large special project, in addition to progress made in the underlying revenue of the core business of Jack-up rental wellheads.

"The conclusion of the 5.2m licencing deal to SLB in December 2023 was a welcome cash boost, which also enabled us to begin consolidating Plexus' remaining products and licence rights into a new business direction. This strategy builds upon our long-standing success in the Jack-up wellhead market while adapting to the changing trends in the global offshore oil and gas drilling market. Notably, it addresses the North Sea's shift from traditional drilling to Carbon Capture Storage ('CCS') and Plug and Abandonment ('P&A') projects.

"The £8m major rental contract has been a highlight as it has combined Plexus' POS-GRIP Technology and "HG" Seals deployed in a subsea application for P&A work, whilst also heavily supported by its specialised engineering capability. Once this project is completed, it will free up resources to pursue other similar work.

"The strategy now is to focus on short-term growth in Jack-up rental revenue, to maintain profitability, and to establish a diversified mix of income that can be more resilient to future cycles of the energy market and local government policies. This solid base will allow us to incubate and develop more of the underlying value in applications of POS-GRIP Technology that Plexus retains, including HG-R production wellhead remediation technology, HG Trees, the P&A market, and subsea infrastructure, such as the Python subsea wellhead system.

"Our recent achievements, including securing a major contract for subsea wellhead rental equipment and specialised P&A services for a North Sea operator, underscore Plexus' commitment to innovation and growth. By focusing on expanding our Exact™ rental wellhead inventory and forging strong global partnerships, we are not only advancing our technology but also positioning ourselves to deliver exceptional value to our shareholders. The momentum we are building is the beginning of an exciting new chapter for Plexus.

"In closing, we recently announced changes in the Plexus Board, and as the new CEO, I would like to thank Ben van Bilderbeek and Graham Stevens for their contribution and leadership and look forward to working with Mike Park and Stas van Bilderbeek as we build the Company, our technology and products towards an exciting future."

For further information please visit www.plexusplc.com or contact:

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CHAIRMAN'S STATEMENT

Business progress

The Group's revenues increased in the 12 months to 30 June 2024 to £12.7m (2023: £1.5m), with a profit before tax of £2.80m compared to loss of £4.2m in the prior year.

With the SLB licence deal concluded and the new Executive team in place, we are well placed to add growth in the new energy marketplace, in particular supporting offshore activities in P&A work, gas and CCS storage, as well as continued oil and gas drilling and development.

The December 2023 IP Licence Agreement with SLB was a significant endorsement of Plexus' POS-GRIP Technology. We hope to see SLB flourish with this technology as it introduces derivative products into the market, leveraging the advantages of POS-GRIP-enabled wellheads, including reduced component complexity and the leak-proof seal integrity provided by POS-GRIP "HG" Technology. Following this exclusive licence for onshore and offshore surface production wellheads, we have had to readjust our expectations of the market still available to Plexus as we now only have the right to pursue smaller development projects and more technically challenging applications such as production wellheads requiring adjustability.

The August 2021 Exact Adjustable Wellhead licence agreement with SLB enabled Plexus to re-enter the Jack-up adjustable wellhead market with the proven Exact and Centric wellhead and mudline suspension products, which we originally invented and developed during the 1990's. This product range and market sector, which in the past was core to Plexus' product range is once again active and is now a key part of our short-term growth strategy. The market for rental wellheads for Jack-up rigs is somewhat different today to what we have seen in the last two decades, especially in the North Sea where the market has switched from Exploration Drilling and Development to P&A work with some gas and CCS storage work as well. The Exact wellhead range is perfectly suited to both P&A and drilling work (whether it be oil and gas exploration, or CCS) and so we have continued to expand our rental inventory of this equipment to meet strong growth expected in the Jack-up rental wellhead market at home and abroad.

Our execution of the North Sea P&A campaign (see RNS dated 16.02.2024) using Exact rental wellhead equipment is progressing smoothly with both the equipment and Plexus' operational support teams performing well. In a recent development, the MR Connector, previously deployed on a floating-vessel-based P&A campaign with Oceaneering (see RNS dated 06.10.2023), has also been ordered for one well, which is additional work scope to the original contract. This addition to the contract for Jack-up rig operations shows the flexibility of the product as well as Plexus' capability to widen the scope of work and increase revenue with customers once work is underway.

To meet demand and further support growth in the Jack-up rental wellhead market, Plexus is manufacturing additional sets of Exact™ wellhead equipment. The next four sets are scheduled for completion by the end of 2024, positioning them for deployment from the start of 2025. Plexus has also signed a new Master Services Agreement with a well management company. This agreement will facilitate orders for Exact™ wellhead services for global projects, anticipated to generate a variety of work in the P&A sector, as well as in Jack-up exploration and appraisal drilling worldwide.

The £8 million major rental contract announced last year is progressing on schedule and is expected to conclude within the next two months. This will free up internal resources for new ventures. Upon completion, Plexus plans to share its technical advancements with operators worldwide, which we anticipate will lead to similar opportunities.

Recently, Plexus secured a new order for subsea wellhead rental equipment and services tailored for specialised P&A work for a North Sea operator. This project is projected to generate in excess of £0.5 million in revenue within the current financial year.

Intellectual Property

Plexus' IP and decades-long track record of successful invention and innovation are the core of the Company, distinguishing it from many other wellhead and oilfield service companies.

In the Jack-up wellhead business, Plexus has a rich history of involvement in many of the wells which have been drilled around the world. Together with the Exact licence and collaboration with SLB we have a strong and unique position to be able to provide services for P&A work as it arises, in addition to new oil and gas or storage developments.

POS-GRIP Technology remains central to Plexus and has been endorsed by TFMC, which has the exclusive licence for POS-GRIP Jack-up Wellheads, and SLB, which is licenced for standard surface production wellheads. Plexus retains the rights to all subsea applications of the technology and other special applications; a longer-term strategy is to expand in these applications creating opportunities to broaden our product range or explore potential licensing to existing service companies.

POS-GRIP is heavily protected by patents, as well as proprietary information and know-how. This protection is in the process of further enhancement with two new method patents, which have now been published as applications, and are expected to be granted in the coming months. This will give all applications of POS-GRIP, including those already licenced to others, a renewed protection period of 20 years.

Staff

On behalf of the Board, I would once again like to thank all our employees for their dedication and hard work during the year. I am confident that the anticipated increase in exploration and production drilling activity, are already beginning to show positive results this year, and will not only benefit our staff but also create future employment opportunities within Plexus.

Outlook

Outlook

Despite the current climate of negativity towards offshore oil and gas, we are very optimistic about the growth of the business and the opportunities which are suited to our unique mix of proprietary products and engineering capability. The global demand for Jack-up rigs remains strong, and our product mix is well suited to many of the activities that these rigs are performing, such as P&A and CCS work in the North Sea, as well as exploration and production drilling in locations such as the Middle East and South-East Asia where demand remains strong.

With a strategy to focus on our products that provide a shorter lead time to profitability, collaboration with SLB, and robust IP for the medium and longer term, we have a solid foundation for growth, which will benefit our customers whilst enhancing shareholder returns. Additionally, by diversifying into P&A and emerging areas such as CCS and geothermal, we are reducing our reliance on oil and gas exploration and development.

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

Ben van Bilderbeek
Non-Executive Chairman
21 October 2024

STRATEGIC REPORT

The Directors present their strategic report for the year ended 30 June 2024.

Principal Activity

The Group provides wellhead equipment and related equipment and services, for oil and gas drilling and production, CCS and gas storage, and well P&A activities. Plexus specialises in adjustable wellhead equipment which has particular benefits for work based on Jack-up rigs. Other specialised equipment based on Plexus POS-GRIP Technology are also offered.

Business review

A review of the development and performance of the business during the year consistent with its size and complexity, together with commentary on future developments including the main trends and factors likely to affect the business, is given in the Chairman's Statement. Where guidelines refer to the provision of key performance indicators, the directors are of the opinion certain financial and non-financial indicators included in the highlights and the Directors' Report meet this requirement.

Financial Results

Statement of Comprehensive Income

Revenue

Revenue for the year was £12,723k, a significant increase from £1,487k in the previous year. This has been driven by the major contract noted in the operational review, which has generated £7,644k in the current year and the SLB licensing agreement £4,082k.

Margin

Gross margin was broadly in line with last year at 72.2% (compared to 73.1% in the previous year). A year-to-year comparison on margin adds little value given the significant difference in the revenue mix in addition to the low revenue levels in the prior year. The licensing income has no associated cost of sales. Additionally, the specialised project has led to significant capex leading to increased rental asset depreciation which is included in cost of sales.

Overhead expenses

Administrative expenses have increased compared to the prior year with expenditure of £5,579k (2023: £5,348k).

Continuing salary and benefit costs remain the largest component of administrative expenses at £3,267k compared to £2,930k in the prior year.

Non-recurring items

The statement of comprehensive income includes a gain of £83k on the sale of an associate undertaking, which was recognised as an asset held for sale in the prior year.

Additionally, non-recurring items includes a payable of £693k relating to compensation for loss of office to two directors

Additionally, non-recurring items includes a payable of £693k relating to compensation for loss of office to two directors which was approved pre-year end and will become payable prior to or on 31 December 2024. Further details are included in the Remuneration Committee Report.

Profit Before Tax

Profit before tax of £2,803k compared to a loss in the prior year of £4,228k.

Adjusted profit before tax of £3,496k is stated prior to Non-recurring expense of £693k for compensation for loss of office for two directors, details of which are given in the Remuneration Committee Report.

Adjusted EBITDA

The Directors use, amongst other things, Adjusted EBITDA as a non-GAAP measure to assess the Group's financial performance. The Directors consider Adjusted EBITDA to be the most appropriate measure of the underlying financial performance of the Group in the period. Adjusted EBITDA for the year was a profit of £5,446k, compared to a loss of £2,451k in the previous year.

Adjusted EBITDA on continuing operations is calculated as follows:

	2024 £'000	2023 £'000
Operating profit / (loss)	**2,910**	(4,261)
Add back:		
-Depreciation	**560**	307
-Amortisation	**1,281**	1,253
Non-recurring - Compensation for loss of office	**693**	-
Other income	**2**	69
Share in profit of associate	**-**	182
Fair value adjustment on financial assets	**-**	(1)
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Adjusted EBITDA on continuing operations	**5,446**	(2,451)
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Tax

The Group shows a total income tax credit of £130k for the year compared to a tax credit of £213k for the prior year.

Earning / (loss) per share

The Group reports basic earnings per share of 2.83p compared to a loss per share of 4.00p in the prior year.

Statement of Financial Position

Intangible Assets and Intellectual Property ("IP")

The net book value of intangible assets was £8,312k, a decrease of 5% from £8,731k last year. This movement represents total investment of £558k less the annual amortisation charge of £977k.

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

The market capitalisation of the Company at the reporting date is £13.72m, which is less than the carrying value of the assets (£19.91m); this is an indicator of impairment. Following a thorough review, including a discounted cashflow model which has included cashflows for 20 years, the Directors have concluded no impairment of IP is required. Therefore, the Directors consider the current carrying values to be appropriate.

Research and Development ("R&D")

R&D expenditure including patents increased from £516k in 2023 to £558k in 2024. Continued investment in R&D demonstrates the Group is protecting, developing, and broadening the range of its product offering.

Tangible Assets

The net book value of property, plant and equipment and items under construction at the year-end was £3,908k compared to £1,404k last year. Capital expenditure on tangible assets increased to £3,064k compared to £890k in the prior year. The capex in the year was largely to service the major contract, and the equipment used can be deployed again in the future.

Investments / Asset held for sale
The asset held for sale in the prior year relates to Plexus' 49% investment in Kincardine Manufacturing Services Limited ("KMS"). The investment was subsequently sold for a total consideration of £1m in the year. The sale gave rise to a gain on sale of £83k which is included in the statement of comprehensive income.

Cash and Cash Equivalents
Cash at the year-end was £2,486k compared to £1,149k in the prior year, reflecting a net cash inflow for the year of £1,037k.

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

Convertible loans
On 31 January 2024, the Company made a cash payment to redeem £850k of loan notes. Including a redemption premium of £170k, a total payment of £1,020k was made. At the reporting date the outstanding loan notes have a fair value of £856k (2023: £1,702).

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

Operations
The Group's primary focus during the year has been the successful delivery of the major contract noted in the operational overview. This has generated revenue of £7,644k in the current year.

Plexus continued to invest in R&D during the year, with significant focus on optimising the Exact rental exploration wellhead product range for the current market and completing product development and testing required for the specialised project. R&D remains an important operational activity and further develops the value of our IP and ability to extend the range of applications of our technology.

Staff at the end of June 2024 (excluding non-executive directors) comprised 37 employees, including one international employee, with a weighted average total of 36 which remains unchanged from the prior year.

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

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

Health and Safety continues to be a pivotal part of the business and remains a key focus. Plexus remains fully committed to continually improving safety standards and the safety culture across the business. This is reflected in the business being once again lost time injury ("LTI") free this year. Plexus has now passed its ninth anniversary of this milestone in September 2024.

Plexus continues to comply with the requirements of the API Q1/ISO 9001 and ISO 45001 standard leading to the retention of both API 6A and 17D Licences. These accreditations demonstrate Plexus' capability and determination to operate under the highest standards. Post period end API conducted an audit, with Plexus retaining its API Q1 accreditation.

Strategy and Future Developments
Plexus has been involved in the design of specialised wellhead equipment for the offshore market for over 40 years, and this history and knowledge continues to drive the products and services that are offered.

In 2021, Plexus licenced the Exact wellhead and Centric mudline systems back from SLB and set about updating and improving this product range to compete in the current market. This has resulted in the Exact EX adjustable wellhead system, which is optimised for use on modern Jack-up rigs when they are used for exploration drilling, development, or CCS pre-drilling or P&A activities. This optimised system is significantly more cost effective than competing through-BOP adjustable wellheads, and Plexus is developing a fleet of rental wellhead systems to be deployed in this market, which forms the core of the short-term business growth.

Plexus retains the right to offer POS-GRIP surface production for small projects of less than four systems and in specialised applications such as adjustable wellheads. These types of opportunities are usually 12 months or more in the planning and manufacturing stages, and so this market sector will continue to be developed as a medium-term growth objective.

In the longer term, Plexus is working on leveraging the remaining applications of POS-GRIP, which are for subsea and other specialised applications. POS-GRIP has been successfully deployed in subsea applications recently, such as the Oceaneering P&A campaign and the current special application. These projects have used technology from the Python subsea wellhead system, and such successful deployments are significant steps along the way of field-testing elements of the system, making a full deployment of the Python system more viable.

Key Performance Indicators

The Directors monitor the performance of the Group by reference to certain financial and non-financial key performance indicators. The financial indicators include revenue, adjusted EBITDA, profit/loss, earnings per share, cash balances, and working capital resources and requirements. The analysis of these is included in the financial results section of this report. Non-financial indicators include Health and Safety statistics, R&D activity, equipment utilisation rates, the level of ongoing customer interest and support. The non-financial key performance indicators are included within the strategic report.

Principal Risks and Risk Management

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

(a) Political, legal, and environmental risks

Plexus aims to participate in a global market where the exploration and production of oil and gas reserves, and 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 and net zero goals, continues to demonstrate how such factors can generate risks and uncertainties that can present a risk to trading. Such risks also extend to legal and regulatory issues, and it is important to understand that these can change at short notice. Regulatory changes can have an adverse impact on investment levels, as of course does a country's decision-making process in relation to granting new exploration and production drilling opportunities. To help address and balance such risks, the Group where possible seeks to broaden its geographic footprint and customer base, as well as actively looking to forge commercial relationships with large industry players, and potential licencees.

(b) Oil and Gas Sector Trends

New technologies, particularly in relation to renewables such as wind and solar, alternative energies and current developments such as the increasing use of electric vehicles could all in the future prove very disruptive to the traditional oil and gas industry and the corresponding demand for exploration and production equipment and services. To help mitigate this risk Plexus is committed to work in areas such as renewables, carbon capture and decommissioning, ensuring diversification from exploration and production.

(c) Technology

It is critical to the success of the Group to be able to anticipate changes in technology or in industry standards and to successfully develop and introduce new, enhanced and competitive products on a timely basis and keep pace with technological change.

As noted above, the Company is committed to widening the application of its technology. In order to ensure that the Group's technology and IP develop, the Group commits resources annually to research and development and is open to completing sponsored R&D projects on behalf of customers. Additionally, senior management have regular meetings with key end-customers to maintain visibility over their technological requirements.

(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. This risk has become more concentrated over recent years following a series of mergers and acquisitions by competitors creating larger entities. The major oil service and equipment company consolidations have magnified such issues as competitors reduce in number but increase in size, influence, and reach. Unforeseen product innovation or technical advances by competitors could adversely affect the Group, and lead to a slower take up of the Group's proprietary technology. To mitigate this risk, Plexus has an active R&D programme, and maintains an extensive suite of patents and trademarks, and actively continues to develop and improve its IP, including adding to its existing extensive 'know-how' to ensure that it continues to be able to offer unique superior wellhead design solutions.

(e) Operational

The Group operates in highly competitive markets, often directly against large multi-national corporations who have greater resources, are more established and have a larger geographical footprint. As a smaller group, the main operational risk is not obtaining work due to availability of equipment and resources. Plexus is mitigating this risk by focussing on increasing its rental fleet, and attempting to increase its geographical reach, by targeting work in new regions.

(f) Going Concern, liquidity, and finance requirements

As a relatively small business with adequate, but not excess cash resources, and following a number of loss-making years, Plexus has to closely monitor and manage cash flow. Additionally, Plexus' smaller market cap can be a negative factor if consideration is given to raising additional funds in the public markets.

The Group undertakes cashflow forecasting throughout the year to ensure the going-concern assumption is still appropriate. As disclosed, the Group is reliant on raising additional funding, an event that was indicated at the time the convertible loan arrangements were entered into in October 2022, and there can be no certainty regarding the timing and quantum of future funding and therefore this indicates a material uncertainty which may cast significant doubt regarding the Group's ability to continue as a going concern.

(g) Credit

The main credit risk is attributable to trade receivables. Where the Group's customers are large international oil and gas companies the risk of non-payment is significantly reduced, and therefore is more likely to be related to client satisfaction. Where smaller independent oil and gas companies are concerned, credit risk can be a factor. Customer payments can potentially involve extended payment terms. This risk can be mitigated by agreeing structured payment terms on larger value contracts with milestone stage payments. The Group's exposure to credit risk is monitored continuously, and to date its collections record has been extremely reliable.

(h) **Risk assessment**

The Board has established an on-going process for identifying, evaluating, and managing 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 area (which includes IT), compliance, finance, cash, receivables, fixed assets, other debtors/prepayments, creditors, legal, and personnel. These risks are assessed and updated as and when appropriate and can be associated with a variety of internal and external sources including regulatory requirements, disruption to information systems including cyber-crime, control breakdowns and social, ethical, environmental and health and safety issues.

Section 172 Statement

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

Shareholders

Plexus seeks to develop an investor base of long-term shareholders that are aligned to our strategy, whether institutional or private retail investors. By communicating our strategy and objectives, we seek to maintain continued support from our investor base. Important issues include financial stability and the strength of the statement of financial position and protecting and strengthening the value of our intellectual property. Engagement with shareholders is a key element to this objective and methods of engagement are detailed in the Corporate Governance Report. During the year, the Finance Director supported by other members of the executive team, the Company's broker, and the Investor Relations advisor, engaged where possible with investors by email, presentations, direct conversations, and ad-hoc meetings. The Company also continues to update its website to provide investors and other stakeholders with access to information about the Company. During the year, several key decisions were made by the Board, including extending the licensing agreement with SLB which raised funds of 5.2m. This fund-raising related decision was aimed at increasing shareholder value.

Employees

The Group's UK staff are engaged by the Company's subsidiary Plexus Ocean Systems Limited based in Aberdeen, Scotland.

As a relatively small company with fewer than 40 employees largely operating in one location, there is a high level of visibility regarding employee engagement and satisfaction. The Company is engaged with a specialist firm of benefits advisers who can offer a comprehensive service to employees as well as to the Company. The Company consults with employees on matters of competency, training, and health and safety as detailed in the Corporate Governance Report. Since the last report, the Company successfully achieved nine continuous years with no Lost Time Injuries ("LTI") and this successful safety culture has continued beyond that anniversary to the date of writing.

Customers and Suppliers

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

Licence Partners

The Company engages with Licence Partners in a way that follows the same principles as those applied to relationships with other customers and suppliers. Additionally, the Company engages with its Licence Partners to support their efforts to achieve commercial success by holding, as and when required, technical workshops, technical training, and data transfer. Following the announcement in November 2020 of entering into a non-exclusive surface wellhead licencing agreement with Cameron (SLB) and the extension of this agreement in December 2021, and the further agreement signed in December 2023, regular Teams meetings and occasional face to face meetings have been held as part of the process of transferring Plexus' relevant IP so that Cameron can design and develop its own low-cost wellhead with POS-GRIP technology inside. In May 2023 SLB exercised its option to extend its non-exclusive licence agreement with Plexus for an additional six years effective from November 2023. This was then the followed with the additional licensing agreement in December 2023.

Community and Environment

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

M Park
Chief Financial Officer
21 October 2024

Consolidated Statement of Comprehensive Income
for the year ended 30 June 2024

	2024 £'000	2023 £'000
Revenue	**12,723**	1,487
Cost of sales	**(3,541)**	(400)
Gross profit	**9,182**	1,087
Administrative expenses	**(5,579)**	(5,348)
Non-recurring - Compensation for loss of office	**(693)**	-
Operating profit / (loss)	**2,910**	(4,261)
Finance income	**4**	7
Finance costs	**(196)**	(175)
Other income	**2**	69
Non-recurring items		
Gain on sale of associate undertaking	**83**	-
Share in profit of associate	**-**	182
Fair-value adjustment on asset held for sale	**-**	(50)
Profit / (loss) before taxation	**2,803**	(4,228)
Income tax credit	**130**	213
Profit / (loss) for year	**2,933**	(4,015)
Other comprehensive income	**-**	-
Total comprehensive profit / (loss) for the year attributable to the owners of the parent	**2,933**	(4,015)
Earning / (loss) per share		
Basic	**2.83p**	(4.00p)
Diluted	**2.83p**	(4.00p)

Consolidated Statement of Financial Position
at 30 June 2024

	2024	2023
	£'000	£'000
Assets		
Goodwill	**767**	767
Intangible assets	**8,312**	8,731
Property, plant and equipment	**3,908**	1,404
Right of use asset	**334**	638
Total non-current assets	**13,321**	11,540
Asset held for sale	-	905
Corporation tax	**132**	153
Inventories	**1,099**	2,265
Trade and other receivables	**2,874**	2,318
Cash and cash equivalents	**2,486**	1,449
Total current assets	**6,591**	7,090
Total assets	**19,912**	18,630
Equity and liabilities		
Called up share capital	**1,054**	1,054
Shares held in treasury	-	(2,500)
Share based payments reserve	**674**	674
Retained earnings	**13,682**	12,292
Total equity attributable to equity holders of the parent	**15,410**	11,520
Liabilities		
Convertible loans	-	1,702
Lease liabilities	**88**	428
Total non-current liabilities	**88**	2,130
Trade and other payables	**3,217**	4,647
Convertible loans	**856**	-
Lease liabilities	**341**	333
Total current liabilities	**4,414**	4,980
Total liabilities	**4,502**	7,110
Total equity and liabilities	**19.912**	18,630

Consolidated Statement of Changes in Equity
for the year ended 30 June 2024

	Called Up Share Capital	Shares Held in Treasury	Share Based Payments Reserve	Retained Earnings	Total
	£'000	£'000	£'000	£'000	£'000
Balance as at 30 June 2022	**1,054**	**(2,500)**	**674**	**16,307**	**15,535**
Total comprehensive loss for the year	-	-	-	(4,015)	(4,015)
Balance as at 30 June 2023	**1,054**	**(2,500)**	**674**	**12,292**	**11,520**
Total comprehensive income for the year	-	-	-	2,933	2,933
Sale of shares held in treasury	-	957	-	-	957
Loss on shares held in treasury	-	1,543	-	(1,543)	-
Balance as at 30 June 2024	**1,054**	-	**674**	**13,682**	**15,410**

Balance as at 30 June 2024 [illegible]

Consolidated Statement of Cash Flows

for the year ended 30 June 2024

	2024	2023
	£'000	£'000
Cash flows from operating activities		
Profit/(loss) before taxation	**2,803**	(4,228)
Adjustments for:		
Depreciation and amortisation charges	**1,841**	1,560
Redemption premium on convertible loans	**174**	152
Gain on sale of associate undertaking	**(83)**	-
Share in profit of associate	**-**	(182)
Other income	**(2)**	(69)
Fair value adjustment on asset held for sale	**-**	50
Fair value adjustment on financial assets	**-**	1
Investment income	**(4)**	(7)
Interest expense	**22**	23
Changes in working capital:		
Decrease / (increase) in inventories	**1,166**	(871)
Increase in trade and other receivables	**(556)**	(1,347)
(Decrease) / increase in trade and other payables	**(1,430)**	3,401
Cash generated / (used) in operating activities	**3,931**	(1,517)
Income tax receipts	**151**	80
Net cash generated / (used) in operating activities	**4,082**	(1,437)
Cash flows from investing activities		
Funds divested from financial instruments	-	102
Property rental and dilapidations income	-	50
Purchase of intangible assets	**(558)**	(516)
Purchase of property, plant and equipment	**(3,064)**	(890)
Net proceeds from sale of associate undertaking	**987**	-
Proceeds of sale of property, plant and equipment	-	1,052
Interest and investment income received	-	7
Net cash used in investing activities	**(2,635)**	(195)
Cash flows from financing activities		
Repayment of Lombard facility	-	(3,958)
Repayment of convertible loans	**(1,020)**	-
Net proceeds from sale of treasury shares	**957**	-
Funds raised from convertible loans		1,550
Repayments of lease liabilities	**(347)**	(347)
Interest paid	-	(4)
Net cash (outflow) / inflow from financing activities	**(410)**	(2,759)
Net increase / (decrease) in cash and cash equivalents	**1,037**	(4,391)
Cash and cash equivalents at 1st July	**1,449**	5,840
Cash and cash equivalents at 30th June	**2,486**	1,449

Notes to the Consolidated Financial Statements

1. Revenue

	2024	2023
	£'000	£'000
By geographical area		
UK	**8,591**	963
USA	**4,082**	-
Europe	-	524
Rest of World	**50**	-
	12,723	1,487

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

	2024	2023
	£'000	£'000

	£'000	£'000
By revenue stream		
Rental	**6,629**	589
Service	**532**	146
Sold equipment	**12**	540
Licensing fees	**4,082**	-
Rebillables	**204**	36
Support services and engineering	**1,264**	176
	12,723	1,487

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

2. Segment Reporting

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

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

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

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

	2024	2023
	£'000	£'000
Customer 1	**7,644**	524
Customer 2	**4,082**	444
Customer 3	-	235
Customer 4	-	156

3. Income tax credit

(i) The taxation credit for the year comprises:	**2024**	2023
	£'000	£'000
UK Corporation tax:		
Foreign taxation	**2**	-
Adjustment in respect of prior years	**(132)**	(217)
Total current tax credit	**(130)**	(217)
Deferred tax:		
Origination and reversal of timing differences	**(117)**	4
Adjustment in respect of prior years	**117**	-
Total deferred tax	-	4
	(	(
Total tax credit	**(130)**	(213)

The effective rate of tax is 25.00% (2023: 20.5%)

(ii) Factors affecting the tax charge on continuing activities for the year	**2024**	2023
	£'000	£'000
Profit / (loss) on ordinary activities before tax	**2,803**	**(4,228)**
Tax on profit / (loss) at standard rate of UK corporation tax of 25.00% (2023: 20.5%)	**701**	**(867)**
Effects of:		
Fixed asset differences	**1**	**18**
Income not taxable	**(111)**	-
Expenses not deductible for tax purposes	**2**	**133**
Effect of change in tax rate	-	**(171)**
Other differences	**(1)**	-
Adjustments in respect of prior year	**(132)**	**(217)**
Adjustments in respect of prior year - deferred tax	**117**	-
Foreign tax	**2**	-
Deferred tax not recognised	-	**891**
Utilisation of brought forward losses	**(709)**	-
Total tax credit	**(130)**	**(213)**

(iii) Movement in deferred tax asset balance	**2024**	2023
	£'000	£'000
Deferred tax asset at beginning of year	-	-

Debit to Statement of Comprehensive Income	-	-
Deferred asset at end of year	-	-

(iv) Deferred tax asset balance	**2024**	2023
	£'000	£'000
The deferred tax asset balance is made up of the following items:		
Difference between depreciation and capital allowances	**2,333**	**2,055**
Tax losses	**(2,333)**	**(2,055)**
Deferred tax asset at end of year	-	-

As outlined in the accounting policy, deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available. The deferred tax asset relates to losses to the value of the deferred tax losses and is reviewed at the end of each reporting period. The Group has previously recognised a deferred tax asset based upon its mid-term forecast profitability. On the basis losses have not been fully utilised in the current financial year management consider that the probable threshold is not met and have released the asset to the extent there are not sufficient taxable temporary differences. Once this threshold can be demonstrated an asset will be recognised. At 30 June 2024 the Group has tax losses available of £21.4m (2023: £24.5m).

4. Profit / (loss) per share

	2024	2023
	£'000	£'000
Profit / (loss) attributable to shareholders	**2,933**	(4,015)

	Number	Number
Weighted average number of shares in issue	**103,576,297**	100,435,744
Dilution effects of share schemes	-	-
Diluted weighted average number of shares in issue	**103,576,297**	100,435,744

Loss per share		
Basic Earning / (loss) per share	**2.83p**	(4.00p)
Diluted Earning / (loss) per share	**2.83p**	(4.00p)

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 the exercise prices are all higher than the average share price during the year the option schemes are considered to be anti-dilutive.

5. Intangible Assets

	Intellectual Property	**Patent and Other Development**	**Computer Software**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost				
As at 30 June 2022	**4,600**	**14,137**	**244**	**18,981**
Additions	-	516	-	516
As at 30 June 2023	**4,600**	**14,653**	**244**	**19,497**
Additions	-	558	-	558
As at 30 June 2024	**4,600**	**15,211**	**244**	**20,055**
Amortisation				
As at 30 June 2022	**3,788**	**5,785**	**243**	**9,816**
Charge for the year	238	712	-	950
As at 30 June 2023	**4,026**	**6,497**	**243**	**10,766**
Charge for the year	238	738	1	977

As at 30 June 2024	**4,264**	**7,235**	**244**	**11,743**
Net Book Value				
As at 30 June 2024	**336**	**7,976**	**-**	**8,312**
As at 30 June 2023	574	8,156	1	8,731

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

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

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

The value in use calculation is based on cash flow forecasts derived from the most recent financial model information available. Although the Group's technology is proven and has proven commercial value the exploitation of opportunities beyond the rental wellhead exploration equipment services market are at a relatively early stage and the commercialisation process is expected to be a long term one. The cash flow forecasts therefore extend to 2044 to ensure the full benefit of all current projects is realised. The rationale for using a timescale up to 2044 with growth projections which increase in the first five years and decline thereafter, is that as time progresses, Plexus expects to gain an increasing foothold in the surface, subsea and other equipment markets, including the recent re-entry into the Jack-up exploration rental wellhead sector. This has been evidenced with an increase in enquiries following the work undertaken in the year on the major rental contract. As the Group is starting from a base point of trading, the growth rates are expected to be high in the initial years then in later years, where the technology becomes established, the expected rate of growth declines.

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

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

Management regularly assesses the sensitivity of the key assumptions, including a sensitivity analysis on the discount rate flexing it by 5% both positively and negatively. It would require significant adjustments to key assumptions before the goodwill and other intangibles would be impaired.

Patent and other development costs are internally generated.

The impairment review has been conducted on two CGUs, split by the category of IP: Deepwater and Conventional.

6. 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 2022	**685**	**844**	**5,360**	-	**17**	**6,906**
Additions	-	15	123	752	-	890
Transfers	-	-	367	(367)	-	-
As at 30 June 2023	**685**	**859**	**5,850**	385	**17**	**7,796**
Additions	-	-	183	2,881	-	3,064
Transfers	-	-	2,862	(2,862)	-	-
As at 30 June 2024	**685**	**859**	**8,895**	404	**17**	**10,860**
Depreciation						
As at 30 June 2022	**685**	**606**	**4,779**	**-**	**15**	**6,085**
Charge for the year	-	74	231	-	2	307
As at 30 June 2023	**685**	**680**	**5,010**	**-**	**17**	**6,392**
Charge for the year	-	76	484	-	-	560
As at 30 June	**685**	**756**	**5,494**	**-**	**17**	**6,952**

2024	[illegible]	[illegible]	[illegible]		[illegible]	[illegible]
Net book value						
As at 30 June 2024	**-**	**103**	**3,401**	404	**-**	**3,908**
As at 30 June 2023	-	179	840	385	-	1,404

During the year additions to Assets under construction included £1,160k previously recognised in inventory.

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

7. Asset held for sale

	£'000
Asset held for sale as at 30 June 2023	**905**
Disposal in the year	**(905)**
Fair value at 30 June 2024	-

The asset held for sale in the prior year relates to Plexus' 49% investment in Kincardine Manufacturing Services Limited ("KMS"). The investment was subsequently sold for a total consideration of £1m. The sale gave rise to a gain on sale of £83k which is included in the statement of comprehensive income.

8. Share Capital

	2024	2023
		9
	£'000	£'000
Authorised:		
Equity: 110,000,000 (2023: 110,000,000) Ordinary shares of 1p each	**1,100**	1,100
Allotted, called up and fully paid:		
Equity: 105,386,239 (2023: 105,386,239) Ordinary shares of 1p each	**1,054**	1,054

9. Shares held in treasury

	2024	2023
	£'000	£'000
Buyback of shares	**-**	2,500

During the year the company sold all shares held in treasury raising net funds of £957k. Following the sale of the Treasury Shares, the Company has a total of 105,386,239 Ordinary Shares in issue, and there are no remaining shares held in treasury. The figure of 105,386,239 may be used by shareholders as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the FCA's Disclosure Guidance and Transparency Rules.

The loss on sale of shares of £1,543k has been transferred to retained earnings.

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

	2024	2023
	£'000	£'000
Movement in cash and cash equivalents	**1,037**	(4,391)
Repayment of Lombard facility	**-**	3,958
Increase / (decrease) in net cash in year	**1,037**	(433)
Net cash at start of year	**1,449**	1,882
Net cash at end of year	**2,486**	1,449

11. Analysis of net debt

2024:	**At beginning of year**	**Cashflow**	**Non-cash movements**	**At end of year**
	£'000	**£'000**	**£,000**	**£'000**

Cash and cash equivalents	**1,449**	**1,037**	-	**2,486**
Lease Liability	**(761)**	**347**	**(15)**	**(429)**
Convertible loan notes	**(1,702)**	**(1,020)**	**(174)**	**(856)**
	-----	-----	-----	-----
Total	**(1,014)**	**2,404**	**(189)**	**1,201**
	-----	-----	-----	-----

2023:	**At beginning of year**	**Cashflow**	**Non-cash movements**	**At end of year**
	£'000	£'000	£'000	£'000
Cash and cash equivalents	5,840	(4,391)	-	1,449
Bank Lombard facility	(3,958)	3,958	-	-
Lease Liability	1,085	347	(23)	(761)
Convertible loan notes	-	(1,550)	(152)	(1,702)
	-----	-----	-----	-----
Total	797	(1,632)	(175)	(1,014)
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12. **Convertible loans**

	2024
	£'000
Convertible loans issued	1,550
Redemption premium	152

Amortised cost at 30 June 2023	1,702

Redemption premium to 31 January 2024	113
Repayment of Convertible loans	(1,020)
Redemption premium as a result of cash repayment	25

Amortised cost at 31 January 2024	820
Redemption premium	36

Amortised cost at 30 June 2024	856

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

The loan notes can be settled in cash, with an additional 20% redemption interest on the principal amount or converted into new shares where the principal amount will be settled at a 20% discount to the share price paid by investors in a qualifying financing event. The 20% discount noted above equates to a 25% premium on the principal amount. Therefore, a redemption premium of £387,500 will be recognised over the two-year term.

On 31 January 2024 it was announced that the company would make a cash payment to redeem £849,992 loan notes, plus redemption premium of £169,998- a total payment of £1,019,990, leaving £700,008 loan notes outstanding.

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