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# Plexus Holdings plc Annual Report & Accounts 2007

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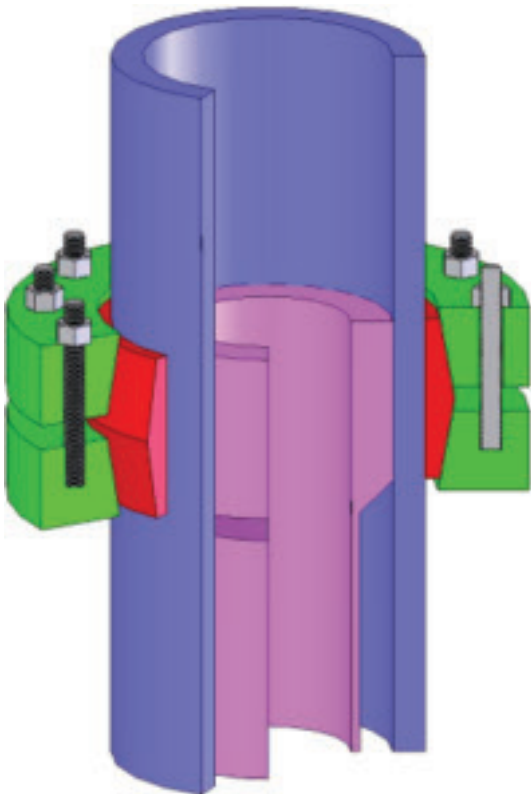
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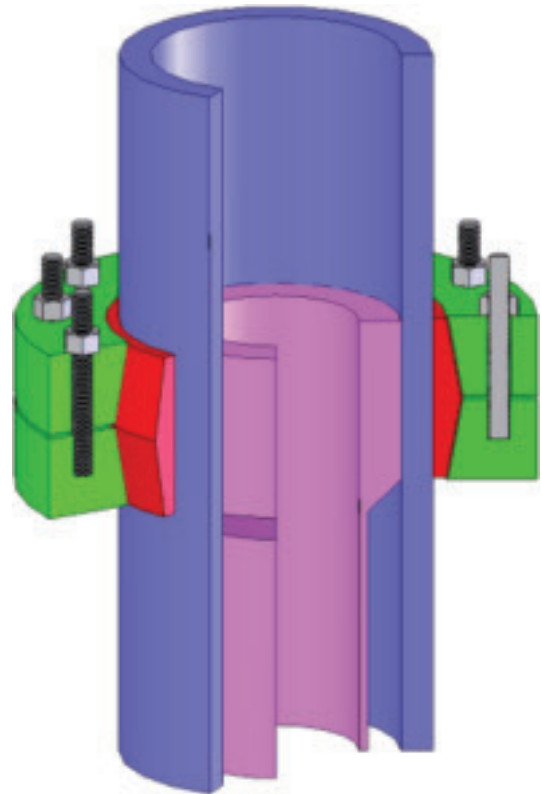
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**POS-GRIP in OPEN position**



**POS-GRIP in CLOSED position**

POS-GRIP® Technology - a patented method of engineering which the Director's believe has wide ranging applications both within and outside the oil and gas industry. For the upstream oil and gas market POS-GRIP has been developed to employ a method of elastically deflecting an outer wellhead body onto an inner casing hanger or tubing hanger, locking them in place to support tubular weight, and activate seals. The system is energised by reusable hydraulic devices which are fitted temporarily to flanges on the outside of the wellhead. The simplified drawings above show how a POS-GRIP clamp arrangement can be configured to squeeze the outer pipe so that it grips the smaller pipe inside. Advantages of POS-GRIP over existing wellhead technology can include improved technical performance; reduced operating costs; and enhanced safety.

## Results

- 52% increase in turnover to £10.3m (2006: £6.8m)
- 275% increase in EBITDA to £1.9m (before £0.8m gain on investment disposal and FRS 20 share based payment charges of £0.1m) (2006: £0.5m)
- Group profit before tax increases to £1.5m, including £0.8m gain on disposal (2006: loss of £0.1m)
- Disposal of investment in participating interest realising a gain of £0.8m (not included in EBITDA)
- Basic earnings per share of 1.35p (2006: loss of 0.39p)

## Highlights

- Continued strong growth
- Installation of the first production wellheads for the major BP Shah Deniz project in the Caspian Sea
- Wellhead rental contract wins with Maersk Oil North Sea UK Limited (“Maersk”), BG International Ltd (“BG”), and Talisman Energy Norge AS (“Talisman”)
- Overseas operational areas extended to include Caspian Sea, Egypt, Brunei and Trinidad
- POS-GRIP® technology development contract wins extending Plexus’ proprietary method of engineering into deep sea drilling activities and for the first time into subsea applications
- Significant capital expenditure of £5.1m made during the year, of which £4.8m was in tangible fixed assets, principally rental wellhead equipment
- 23% increase in personnel to 59 as at the year end (2006: personnel 48)

### Chief Executive Ben van Bilderbeek said:

“This has been another busy period of growth for Plexus and I am very pleased with the strong progress our Company has made in terms of financial performance, sales activity, and technical advancements. With increasing demand, energy prices have continued to rise which has resulted in the search for new reserves in ever more challenging environments and, in particular, high pressure/high temperature (“HP/HT”) conditions. We believe that our proprietary POS-GRIP technology is a key component in helping operating companies succeed in such conditions, which in turn should see Plexus’ growth accelerate.

“We continue to develop our POS-GRIP technology as we work towards making it a new industry wellhead standard recognised for its technical performance, safety benefits, and time savings. In tandem with this, our research and development team is focused on extending the application of POS-GRIP across a number of other applications. To this end, we have in the last year entered into new markets by contracting to supply a subsea wellhead cross-over system, which will enable the conversion of pre-drilled wells to subsea production, as well as being asked to develop new drilling products to help enable new and cost saving deep sea drilling methods. These initiatives further corroborate the particular advantages of POS-GRIP technology for the more unconventional and technically challenging applications that the industry demands. I look forward to Plexus playing an increasingly important role in and benefiting from such opportunities.”

## Summary of Results for the year ended 30 June 2007

	2007	2006
	£’000	Restated £’000
Turnover	10,274	6,777
EBITDA – before the effect of FRS 20	1,879	501
EBITDA – after the effect of FRS 20	1,763	438
Profit/(loss) before taxation	1,534	(117)
Basic earnings/(loss) per share (pence)	1.35	(0.39)

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## Chairman's Statement

### Business progress

I am pleased to report that the Company has built strongly on the progress made during the first half of the year, and consequently reports a 52% increase in turnover to £10.3m for the year to 30th June 2007, and a 275% increase in EBITDA to £1.9m, (before the £0.8m gain on disposal of an investment and FRS 20 share based payment charges of £0.1m), resulting in earnings per share of 1.35p against a loss of 0.39p last year.

### Strategy

Plexus has made excellent headway during the last financial year which is particularly pleasing in view of the constraints placed on exploration activities at the end of the prior year as a result of widely reported rig shortages in the North Sea. For this reason management accelerated its marketing initiatives outside of its traditional North Sea base, and successfully secured contracts with major operators in Egypt, Brunei and Trinidad which all commenced drilling operations during the year.

Looking to the future Plexus continues to implement its strategy of raising the profile and industry awareness of its proprietary POS-GRIP technology at every opportunity including showing at, attending and addressing key tradeshow around the world such as ADIPEC (Abu Dhabi International Petroleum Exhibition and Conference), OTC (Offshore Technology Conference in Houston), MOC (Mediterranean Offshore Conference in Egypt) and OE (Offshore Europe Oil and Gas Conference and Exhibition in Aberdeen). Such initiatives combined with the winning of a record number of contracts around the world is resulting in increased demand for our technology, particularly for use in more challenging HP/HT drilling environments.

Particularly important achievements during the year included the installation of the first HP/HT gas platform production wellheads for BP in the major US\$4.1bn Shah Deniz Caspian Sea development, and the winning of a contract with BG International Ltd for the development and supply of 20,000 psi ultra or extreme ("X-HP/HT") exploration wellhead equipment in the North Sea as part of a five year framework agreement. Such high profile business activities further validate and endorse the benefits of POS-GRIP technology to the wider oil and gas industry.

As well as pursuing a strategy that is designed to establish over time POS-GRIP technology as a new industry standard for wellheads, the Directors are confident that in addition the POS-GRIP method of engineering is capable of being applied to a wide range of equipment outside of wellheads. Much research and development is ongoing and Plexus was successful during the year in winning business from a major international US offshore drilling contractor to develop and supply product that, once completed and proven, will help enable the implementation of novel and cost saving deep sea drilling methods. Furthermore, since the year-end we have announced our first move into the rapidly expanding subsea market with an order win from AGR Petroleum on behalf of Silverstone Energy Ltd for the supply of a subsea cross-over wellhead system. This will enable the conversion of pre-drilled wells to subsea production, and will incorporate our proprietary POS-GRIP activated metal-to-metal HG<sup>®</sup> seals, which provide a high level of integrity, even in long-term gas production applications.

It remains our intention to pursue licensing opportunities, although management believes that the overheated market conditions of the last two years (where manufacturers face demand greater than capacity) have meant that there has been no particular need or incentive for the international wellhead companies to actively pursue such initiatives. However, as our technology continues to raise its profile and competition between manufacturers increases, we anticipate that one of the large global suppliers will choose to partner with Plexus in due course, enabling us to leverage our technology and relationships with the blue chip customers that we have established to date.

In addition to the various current sales efforts, management is endeavouring to generate additional sales opportunities outside of our current areas of operation. Firstly, an entity has been established in Malaysia called Plexus Ocean Systems (Malaysia) Sdn Bhd in which Plexus owns 49% and which would be licensed to supply POS-GRIP equipment to Malaysian operators including Petronas and CTOC. It is intended that a

## **Chairman's Statement**

local base of operation would be established to leverage into Malaysia the experience gained in the region in Brunei. Secondly, Plexus is exploring whether it is possible to licence its technology to a Middle East partner with the intention that the partner would co-ordinate the supply and local manufacture of POS-GRIP equipment to national and international operators.

### **Staff**

On behalf of the Board, I would like to thank all of our employees, many of whom are new to the Company, for their dedication and hard work during a year that has continued to see great progress in all areas of operation.

### **Outlook**

Global oil and gas exploration and production activity continues to go from strength to strength with worldwide spending on projects by the oil and gas companies reaching new heights. As the supply from mature oil and gas producing areas declines over time the need for new technology and methods to help facilitate extraction from the more unconventional HP/HT and extreme operating environments becomes more acute. I believe that Plexus and its proprietary POS-GRIP technology will therefore play an increasingly important role in these industry trends as its unique capabilities combined with added safety benefits and cost effectiveness from operational time savings continue to gain traction within the industry. For these reasons we look forward to the future with confidence and are committed to delivering further growth and success in the current year.

### **Robert Adair**

Non-Executive Chairman

27 September 2007

## Chief Executive's Review

Plexus' central objective at the time of admission to AIM was to accelerate the roll out of our proprietary POS-GRIP technology as a superior, and in some instances potentially uniquely enabling, alternative to existing wellhead engineering.

Looking back on our first full year of trading on AIM I believe that tremendous progress has been made in meeting this goal and our technology has gained both a wider audience and a higher profile within the oil and gas industry leading to a significant increase in sales and profitability.

This progress has resulted in Plexus winning a number of important contracts during the year which demonstrate and validate the technical capabilities and benefits of POS-GRIP, and show how our proprietary method of engineering can also be applied outside of wellhead equipment. Examples include:

- In August last year Plexus announced its first contract with Maersk for the supply of HP/HT 15,000 psi equipment for two exploration wells in the North Sea with an initial value of £0.8m.
- In September last year Plexus agreed to develop and qualify POS-GRIP wellhead equipment to 20,000 psi (X-HP/HT) as part of a five year framework agreement, with an initial value of £2.3m, to support BG's exploration activities in new and more technically challenging fields in the North Sea.
- In June this year Plexus secured orders with an immediate value of £0.46m from a major international US offshore drilling contractor to develop and supply two new drilling products to help enable the implementation of novel and cost saving deepwater drilling methods. One of the products is a new application for Plexus' POS-GRIP method of engineering which will be re-configured for remote hydraulic operation.
- In September this year we were able to announce that Plexus had secured a purchase order from AGR Petroleum to supply a subsea cross-over wellhead system enabling the conversion of pre-drilled wells to subsea production. This is a milestone for Plexus as it marks the first subsea application for POS-GRIP and incorporates our metal-to-metal POS-GRIP activated HG seals. The initial contract has a value of £0.25m.

A particular milestone for Plexus during the year was the BP Shah Deniz development in the Caspian Sea coming on-stream with gas production, following installation of the first POS-GRIP production wellhead systems for this major project, which was originally won in 2004. Further development and testing work is continuing with BP, which we anticipate will lead to additional sales opportunities with BP and others over the next few years.

It should be noted that, within our year-on-year sales increase to £10.3m from £6.8m, the largest area of growth has been in the rental exploration category, in particular HP/HT applications, where we increased our rental inventory from three to ten systems. Rental sales increased by nearly 200% to £3.5m from £1.2m last year, with HP/HT accounting for 67% of this, which further consolidates our growing reputation in this specialist and expanding unconventional market. It is anticipated that the successful completion of these more technically challenging and higher profile projects such as X-HP/HT for BG will further accelerate our rental sales opportunities, whilst also acting as a 'showcase' for our technology. Over time this should encourage the operators to select our equipment for production wells as well as for exploration wells, opening up potential licensing opportunities with our larger multinational competitors.

I am particularly pleased to report that our strategy of diversifying away from our traditional area of activity and focus in the North Sea has been successful and has resulted in operational activities taking place during the year in the Caspian Sea, Egypt, Brunei and Trinidad. The combination of growth in sales and diversity of areas of operation has resulted in the need to increase both personnel numbers and rental equipment inventory which are key investments for the future. As at the year end the number of personnel had grown by 23% from 48 at the end of June 2006 to 59 as at the end of June 2007, to 64 currently. At the same time, a sizeable capital investment programme has been implemented which added £4.8m in tangible assets to our rental inventory which will underpin future sales growth.

## **Chief Executive's Review**

Looking to the future we have always said that our POS-GRIP technology can be extended to applications outside of surface wellhead equipment where we believe we have already been able to demonstrate that our technology is easier and quicker to install, safer to use, lower in cost to manufacture and superior in performance. Over time it is our opinion that such commercial opportunities will increase significantly beyond the two contracts that we have already announced, which is why we are increasing our research and development spend, our development and testing programme and further extending our comprehensive patent suite. These wins are an important milestone for Plexus and the inaugural subsea application for POS-GRIP technology is expected to increase interest in the subsea capabilities of POS-GRIP in the medium term.

In summary, I am more excited about the future prospects for Plexus and our POS-GRIP technology than at any time in the past and look forward with confidence to the many opportunities that are presenting themselves and meeting the inevitable challenges along the way.

**Ben van Bilderbeek**

Chief Executive

27 September 2007

# Financial Review

## Turnover

Turnover for the year was £10.3m, up 52% from £6.8m in the previous year.

The rental business and related equipment and services account for over 50% of turnover, with HP/HT generating the largest year on year sales increase of nearly 300%.

## Margin

Gross margins have increased to 45.1% from 28.6% in the previous year as rental sales increase and economies of scale benefits associated with higher volumes crystallise. It is anticipated that a further modest improvement in gross margin will be achievable in the current financial year.

## Overhead expenses

In line with sales and profit growth overhead expenses have increased so as to be able to provide the necessary infrastructure and skill base to support our customers around the world. This resulted in total overheads increasing to £3.4m from £2.1m in the previous year within which overhead staff costs have increased to £1.9m from £1.1m. Other items which increased significantly year on year were rent and rates associated with a full year in the new Aberdeen base and professional fees associated with a full year listed on AIM.

## Participating interest

During the year Plexus disposed of an option to acquire 50% of the shares in a precision engineering business for £1m which resulted in a profit on disposal of £0.8m for this non-core asset. The proceeds of the disposal were principally re-invested in additional inventory. In the prior year the participating interest contributed £0.2m to the Profit and Loss Account. There was no corresponding contribution this year prior to disposal.

## EBITDA

The EBITDA for the year is £1.9m (before the £0.8m gain on disposal of the participating interest and FRS 20 share based payment charges of £0.1m), up from £0.5m the previous year. The Group's significant investment in people, infrastructure and inventory since admission to AIM in December 2005 has enabled Plexus to grow its sales and broaden its scope of operations thereby delivering a strong year-on-year increase in EBITDA.

## Profit before tax

Profit before tax of £1.53m includes the £0.79m gain on disposal of the non-core option over the participating interest, and compares to a loss before tax last year of £0.12m. Depreciation and amortisation increased to £1.02m against £0.61m last year reflecting the increase in assets during the period. The profit before tax is stated after charging amortisation of share based payments for the first time under reporting standard FRS 20; the charge for the full year is £0.12m compared to £0.06m last year.

## Tax

The Group UK Corporation Tax charge was significantly higher than the prior year as a result of the rise in trading profitability, together with the capital gain arising from the investment disposal. This resulted in a tax charge of £0.47m for the year as compared to £0.1m last year.

## EPS

The group reports basic earnings per share of 1.35p compared to a loss of 0.39p last year after adjusting for the effect of FRS 20.

# Financial Review

## Cash and Balance Sheet

The balance sheet reflects the growth in operations during the year with the net book value of tangible assets including items in the course of construction increasing to £6.6m from £2.4m last year. Debtors have increased to £5.0m as compared to £2.6m as a result of the increase in sales revenues and the balance of long term contracts. Net bank borrowings closed at £1.9m compared to a £2.9m cash asset reflecting the Group's significant investment in the expansion of the rental fleet and tangible assets totalling £4.9m, increase in working capital requirements and ongoing investment in research and development and patent extensions. Net cash outflow for the year was £4.7m as compared to net cash inflow of £4.4m last year. In recognition of the ongoing capital expenditure programme either completed or under construction the Group increased its bank facilities during the year to £2.5m from the previous level of £0.75m.

## Intellectual property

The Group carries in its balance sheet goodwill and intellectual property rights of £5.6m. The directors have considered whether there have been any indications of impairment and have concluded that there have been no such indications. The directors therefore consider the current carrying values to be appropriate. Indications of impairment are considered annually.

## FRS 20 (Share Based Payments)

FRS 20 charges have been included in the accounts for the first time, in line with reporting standards. The "fair value" of share based payments has been computed independently by specialist consultants and is amortised evenly over the expected vesting period from the date of grant. The charge for the year was £0.12m which compares to £0.06m for last year.

## International Financial Reporting Standards ("IFRS")

The Group's IFRS implementation programme is at an early stage. Compliance with IFRS is required for the year ending 30 June 2008 with comparatives restated accordingly for the year ending 30 June 2007. The impact on the financial statements is not expected to be material.

**Graham Stevens**

Finance Director

27 September 2007

## **Board of Directors**

### ***Robert Fredrik Martin Adair MA(Oxon) ACA CTA FGS (aged 50), Non-Executive Chairman***

Robert is Executive Chairman of Melrose Resources plc. After graduating in geology from Oxford University he qualified as a chartered accountant and then specialised in oil and gas taxation. From 1993 to 1995 he was Chief Executive of Melrose Energy plc and subsequently Deputy Chairman and Finance Director until the de- merger of the company in May 1997. He is Chairman of Terrace Hill Group plc, a property development and investment group quoted on AIM. He is Non-Executive Chairman of Leed Petroleum PLC. Robert is a Non-Executive of Honiton Energy PLC, a director of Chameleon Trust plc and a number of other companies.

### ***Bernard Herman van Bilderbeek BSc MEng (aged 59), Chief Executive***

Ben founded the Plexus business in 1986. He has more than 30 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, 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.

### ***Graham Paul Stevens BA (Hons) (aged 49), Finance Director***

Until 2002, Graham was Managing Director of and a shareholder in The Law Trading Company Limited which was acquired by Beltpacker plc. He has broad experience within both public and private companies, including Fii Group plc, Sketchley Group plc, BSM Group Limited, and J Sainsbury plc. He is a Non-Executive Director of Netplay TV PLC, the AIM listed interactive TV gaming company, and of NRX Global Corp, an enterprise software company.

### ***Craig Hendrie M.Eng(Oxon) (aged 34), Technical Director***

Craig began his career with ICI plc in 1996 working in several locations throughout the UK. He joined Plexus Deepwater Technologies ("PDT") in 1998 and was instrumental in the development, testing and analysis of the original POS-GRIP products. Craig is responsible for overseeing new concept development, product testing and analysis and key project management.

### ***Jerome Jeffrey Thrall BBA MBA (aged 57), Non-Executive Director***

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 screen printing and digital inks and supplies. Prior to joining TEI, Jeff's professional career included a number of appointments in investment banking, commercial lending and administration.

### ***Augusto Licinio Carmona Da Mota MSc Eng (aged 68), Non-Executive Director***

Augusto retired from Shell International in 1999 after a career of 34 years in the oil business, mainly in oil well engineering and worked in a variety of jurisdictions including Portugal, France, Spain, Scotland and The Netherlands. At the Shell Central Offices in the Netherlands, he co-ordinated Shell's well equipment and was guest lecturer at the Shell Training Centre. Augusto is currently a consultant to Shell.

## **Directors' Report**

The directors present their annual report together with the audited financial statements for the year ended 30 June 2007.

### **Principal activities**

The Group markets a patented method of engineering for oil and gas field wellheads and connectors, named POS-GRIP which involves deforming one tubular member against another within the elastic range to effect gripping and sealing.

### **Business review**

The directors are aware of the obligations under Section 234ZZB of the Companies Act and the requirements for the provision of a 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 3 and the Chief Executive's Review on page 5. In addition the Financial Review on page 7 includes references to and additional explanations of amounts included in the annual accounts. Where guidelines make reference to the provision of key performance indicators the directors are of the opinion that the various key performance indicators included in the highlights on page 1, the financial review on page 7 and the Directors' Report on page 10 meet this requirement. The directors have provided a description on the principal risks and uncertainties facing the Group in the Corporate Governance Report on page 13.

### **Participating interest**

The Group disposed of its participating interest in a precision engineering business during the year. The Profit and Loss account includes the gain on disposal of £0.8m. There was no contribution earned this year up to the date of disposal (2006: £0.2m).

### **Results and dividends**

The results for the year, showing a profit before taxation of £1.5m (2006: loss £0.05m), are set out on page 22. The directors have not proposed a dividend for the year ended 30 June 2007.

### **Political and charitable donations**

The Group made no charitable or political donations during the year.

### **Corporate governance**

This is the subject of a separate report set out on page 13.

### **Related party transactions**

Details of related party transactions are set out in Note 26 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 board will consider contracting for financial hedging products, on a case by case basis. The Group maintains risk management policies which are set out in more detail in note 23 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

## 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 2007 were as follows:

	Number of Ordinary Shares of 1p each 2007	Number of Ordinary Shares of £1 each 2006
Robert Adair <sup>1</sup>	2,961,000	1,538,500
Ben van Bilderbeek <sup>2</sup>	60,000,001	60,000,001
Graham Stevens	12,600	12,600
Craig Hendrie	12,600	12,600
J Jeffrey Thrall <sup>3</sup>	60,000,001	60,000,001
Augusto Da Mota	—	—

1. Robert Adair is interested by way of being life tenant of a settlement of which he is a beneficiary and he and his wife are trustees and as a shareholder and director of Skye Investments Limited.
2. Ben van Bilderbeek is one of the beneficiaries of a trust which controls 70.875% of the shares of Mutual Holdings Limited. The number of shares shown in the table above is the number of shares held by Mutual Holdings Limited in the Company.
3. Jeffrey Thrall has an indirect beneficial interest in a company which controls 23.625% of Mutual Holdings Limited. The number of shares shown in the table above is the number of shares held by Mutual Holdings Limited in the Company.

The directors, with the exclusion of Mr van Bilderbeek, benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

## Retirement and re-election

Mr Thrall and Mr Da Mota 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 report the Group had been notified that the following had an interest of 3% or more of the issued share capital:

	% issued share capital
Mutual Holdings Ltd 60,000,001	74.83
The Bank of New York (Nominees) Limited 4,235,000	5.28
Morstan Nominees Limited 3,365,000	4.20
Robert F. M. Adair 2,961,000	3.69

## 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 16.

# **Directors' Report**

## **Suppliers payment policy**

Whilst no formal Code is followed, the Group agrees payment terms and conditions with individual suppliers. It is the Group's policy that payments to suppliers are made in accordance with the terms and conditions agreed between the Group and its suppliers, providing that all trading terms and conditions have been complied with.

The Group's and Company's average trade creditor days for the year ended 30 June 2007 were 42 days and 30 days respectively (2006: 32 days and 38 days respectively), calculated in accordance with the requirements set down in the Companies Act 1985. This represents the ratio, expressed in days, between the amounts invoiced to the Group and the Company by its suppliers in the year and the amounts due, at the year end, to trade creditors within one year.

## **Employees**

Plexus is a non-discriminatory employer which aims to eliminate unfair discrimination, harassment, victimisation and bullying. The Company 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.

## **Events after the balance sheet date**

The Directors have no post year end events to report.

## **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 auditors are unaware; and each director has taken steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## **Annual General Meeting**

The Annual General Meeting of the Company will be held on 14 November 2007. The Notice convening the meeting can be found at the back of these financial statements.

In addition to the ordinary business of the meeting which is set out in the proposed resolutions numbered 1 to 6 (inclusive) there are two items of special business, namely the proposed resolutions numbered 7 and 8, the effects of which are to authorise the Company to make market purchases of its own shares to hold as treasury shares and to dis-apply pre-emption rights respectively. Your attention is drawn to the Notes on each of these resolutions at the foot of the Notice and to the Notes generally.

## **Auditors**

In accordance with Section 384 of the Companies Act 1985 ("the Act"), special notice having been given under Section 388(3)(b) of the Act, a resolution for the re-appointment of Horwath Clark Whitehill LLP as auditors of the Company and authorising the directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

By order of the Board

**Martha Bruce FCIS**  
Company Secretary

27 September 2007

# Corporate Governance Report

## Introduction

Although the rules of AIM do not require the Company to comply with the Combined Code on Corporate Governance (the “Code”), the Company fully supports the principles set out in the Code and will attempt to comply wherever possible, given both the size and resources available to the Company. The areas in which the code is complied with are given below.

## The Board

The Board of Directors comprises three Executive Directors and three independent Non-executive Directors, one of whom is the Chairman.

The Board meets regularly throughout the year and receives a Board pack together with any other material deemed necessary for the Board to discharge its duties. The Board is responsible for formulating, reviewing and approving the Group’s strategy, budgets, major items of expenditure and acquisitions.

During the year to 30 June 2007 the Board met on seven occasions.

## Board Committees

The Board has established two committees; Audit and Remuneration each having written terms of delegated responsibilities.

It is considered that the composition and size of the Board does not warrant the appointment of a Nominations Committee and appointments are dealt with by the whole of the Board.

## Audit Committee

The Audit Committee comprises two Non-executive Directors, Robert Adair and J. Jeffery Thrall 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 the financial reporting and internal control requirements of the Code, whilst maintaining an appropriate relationship with the independent auditors of the Group. In order to comply with the requirement of the Code that at least one member has relevant financial experience, the Chairman of the Board sits on the Audit Committee.

During the year to 30 June 2007 the Audit Committee met on three occasions.

## Remuneration Committee

The Remuneration Committee comprises two Non-executive Directors, Robert Adair and J. Jeffery Thrall and meets at least once a year. It is the Remuneration Committee’s role to establish a formal and transparent policy on Executive remuneration and to set remuneration packages for individual Directors.

During the year to 30 June 2007 the Remuneration Committee met on two occasions.

## Retirement and re-election

Mr Thrall and Mr Da Mota retire by rotation at the Annual General Meeting and, being eligible, will offer themselves for re-election.

## Shareholder relations

The Company meets with its institutional shareholders and analysts as appropriate and encourages communication with private shareholders via the AGM. In addition, the Company uses the annual report and accounts, interim statement and website ([www.posgrip.com](http://www.posgrip.com)) to provide further information to shareholders.

# Corporate Governance Report

## Health and Safety

The Company is active in assessing and minimising the risks in all areas of the business and educating the workforce to provide as safe a working environment as possible.

## Financial Reporting

The directors have a commitment to best practice for the Group's external financial reporting in order to present a balanced and comprehensible assessment of the Group's financial position and prospects to its shareholders, employees, customers, suppliers and other third parties. This commitment encompasses all published information including but not limited to the year-end and interim financial statements, regulatory news announcements and other public information. The Statement of Directors' Responsibilities for preparing the accounts may be found on page 19.

## Internal control and risk management

The Board is responsible for the systems of internal control and for reviewing their effectiveness. Such systems are designed to manage rather than eliminate risks and can provide only reasonable and not absolute assurance against material mis-statement or loss. Each year, on behalf of the Board, the Audit Committee reviews the effectiveness of these systems. This is achieved primarily by considering the risks potentially affecting the Group and discussions with the external auditors.

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.

A comprehensive budgeting process is completed once a year and is reviewed and approved by the Board. The Group's results, as compared against budget, are reported to the Board on a monthly basis and discussed in detail at each meeting of the Board.

The Group maintains insurance cover in respect of legal actions against the Directors as well as against material loss or claims against the Group and reviews the adequacy of the cover regularly.

The Group has established procedures whereby employees may in confidence raise concerns relating to matters of potential fraud or other improprieties, as well as health and safety issues.

## Reserved matters

The board has a formal schedule of matters reserved for its decision which includes the setting of Company goals, objectives, budgets and other plans. Board papers, comprising an agenda and formal reports and briefing papers, are sent to the Directors in advance of each meeting. 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.

## Risk and uncertainties

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 risks

We participate in a global market where the oil and gas reserves and their extraction can be severely impacted by changes in the political and operational landscape. We, as a supplier to the industry, can be impacted by events such as disruption to exploration activity as a result of rig availability shortages. To help address such risks, the Group has continued to expand its geographic footprint and customer base.

## Corporate Governance Report

### (b) Technology

The Company is still at a relatively early stage in the commercialisation, marketing and application of its technology. Current and future contracts may be adversely affected by factors outside the Group's control. These may include unforeseen equipment design issues, test delays during the contract and final testing and delayed acceptances of deliveries, which could lead to possible abortive expenditure, reputational risk and potential customer claims or onerous contractual terms. Such risks may materially impact on the Company. To mitigate this risk the Group continues to invest in developing the technology both for wellhead and non-wellhead applications and has a policy of ongoing training of our own personnel and where appropriate our customers.

### (c) Competitive risk

The Company operates in highly competitive markets and often competes directly with large multi-national corporations. Product innovation or technical advances by competitors could adversely affect the Company.

### **Risk assessment**

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. The risks are assessed on a regular basis and could be associated with a variety of internal and external sources including regulatory requirements, disruption to information systems, control breakdowns and social, ethical, environmental and health and safety issues.

# 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 and makes its recommendations to the Board. The Committee comprises two Non-Executive Directors Robert Adair and J. Jeffrey Thrall, and is required to meet at least once a year.

## Remuneration policy

Remuneration packages are designed to be competitive. Executive Directors receive salary, medical cover, annual bonuses and share options.

## 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

Up to 30 June 2007, the Group offered a basic stakeholder pension scheme, into which the Group did not make employer contributions; none of the directors or employees were members. Since the current year-end, the Group has replaced this scheme with 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.

## Non-Executive Directors

The Non-Executive Directors have Letters of Appointment with the Company dated 25 November 2005 subject to termination upon three months' notice being given by either party.

## Directors' remuneration (audited information)

Details of Directors' remuneration for the year are set out below. For the preceding year to 30 June 2006, the amounts are stated for the comparative twelve month period, although it is noted that, with the exception of Mr Da Mota, none of the directors received any remuneration for the period prior to IPO in December 2005.

	Salary £	Benefits £	Pension £	2007 Total	2006 Total
<b>Executive Directors</b>					
Ben van Bilderbeek	152,250	—	—	<b>152,250</b>	84,583
Graham Stevens	106,250	2,705	—	<b>108,955</b>	56,881
Craig Hendrie	106,250	—	—	<b>106,250</b>	39,083
<b>Non-Executive Directors</b>					
Robert Adair	20,000	—	—	<b>20,000</b>	11,250
J Jeffrey Thrall	15,000	—	—	<b>15,000</b>	8,750
Augusto Da Mota	15,000	—	—	<b>15,000</b>	17,750
<b>Total</b>	<b>414,750</b>	<b>2,705</b>	<b>—</b>	<b>417,455</b>	<b>218,297</b>

# Remuneration Committee Report

## Directors' interest in share options (audited information)

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

Date of Grant	Name	No of Options	Exercise Price (£)	Period of Exercise From	Period of Exercise To
9 December 2005	Ben van Bilderbeek	491,525	0.59	see Table 1	8 December 2015
20 June 2007	Ben van Bilderbeek	197,727	0.385	see Table 2	19 June 2017
9 December 2005	Graham Stevens	322,034	0.59	see Table 1	8 December 2015
20 June 2007	Graham Stevens	129,545	0.385	see Table 2	19 June 2017
9 December 2005	Craig Hendrie	322,034	0.59	see Table 1	8 December 2015
20 June 2007	Craig Hendrie	129,545	0.385	see Table 2	19 June 2017
<b>Total Executive Options</b>			<b>1,592,410</b>		

### Non-executive 2005 Share Option Scheme

Date of Grant	Name	No of Options	Exercise Price (£)	Period of Exercise From	Period of Exercise To
9 December 2005	Robert Adair	101,695	0.59	see Table 1	8 December 2015
9 December 2005	Augusto Da Mota	76,271	0.59	see Table 1	8 December 2015
9 December 2005	Jeffrey Thrall	50,847	0.59	see Table 1	8 December 2015
<b>Total Non-Executive Options</b>			<b>228,813</b>		

At 30 June 2007, no options had been exercised and no options had lapsed.

**Table 1:**

<b>Date Option capable of exercise</b>	<b>Number of Shares over which Option could be capable of exercise depending on TSR Growth</b>
14 days after Company Annual General Meeting (AGM) following end of First Assessment Period – 1 July 2005 to 30 June 2006	Up to $\frac{1}{3}$ of Shares under Option
14 days after Company AGM following end of Second Assessment Period – 1 July 2006 to 30 June 2007	Up to $\frac{1}{3}$ of Shares under Option
14 days after Company AGM following end of Third Assessment Period – 1 July 2007 to 30 June 2008	Up to $\frac{1}{3}$ of Shares under Option
14 days after Company AGM following end of Complete Assessment Period – 1 July 2005 to 30 June 2008	Up to all Shares under Option LESS Annual Shares already capable of exercise.

# Remuneration Committee Report

**Table 2:**

<b>Date Option capable of exercise</b>	<b>Number of Shares over which Option could be capable of exercise depending on TSR Growth</b>
14 days after Company Annual General Meeting (AGM) following end of First Assessment Period – 1 July 2006 to 30 June 2007	Up to $\frac{1}{3}$ of Shares under Option
14 days after Company AGM following end of Second Assessment Period – 1 July 2007 to 30 June 2008	Up to $\frac{1}{3}$ of Shares under Option
14 days after Company AGM following end of Third Assessment Period – 1 July 2008 to 30 June 2009	Up to $\frac{1}{3}$ of Shares under Option
14 days after Company AGM following end of Complete Assessment Period – 1 July 2006 to 30 June 2009	Up to all Shares under Option LESS Annual Shares already capable of exercise.
The lowest mid market price of the Company's shares in the period to 30 June 2007 was 35.5p on the 4 June 2007, and the high in the period to 30 June 2007 was 70.5p on the 5 October 2006. The mid market price on the 30 June 2007 was 55.5p.	

## Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' 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 the parent company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice.

The group and parent company financial statements are required by law to give a true and fair view of the state of affairs of the group and the parent company and of the profit or loss 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 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 1985. 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.

Under applicable law the directors are responsible for preparing a Directors' Report that complies with that law.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website ([www.posgrip.com](http://www.posgrip.com)). Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## **Independent Auditors' Report to the Members of Plexus Holdings plc**

We have audited the group and parent company financial statements (the “financial statements”) of Plexus Holdings plc for the year ended 30 June 2007 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Reconciliation of Movement in Shareholder' Funds and the related notes numbered 1 to 27. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's shareholders those matters we are required to state to them in an auditors' 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether, in our opinion, the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the surround information that is cross-referenced from the business review section in the Directors' Report. In addition, we report to you if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, the Chief Executive's Review, the Financial Review, the Corporate Governance Statement, and the Remuneration Committee Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

# **Independent Auditors' Report to the Members of Plexus Holdings plc**

## **Opinion**

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent company's affairs as at 30 June 2007 and of the group's profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

## **Horwath Clark Whitehill LLP**

Chartered Accountants and Registered Auditors

London

27 September 2007

## Consolidated Profit and Loss Account

for the year ended 30 June 2007

		2007	2006
	Notes	£'000	Restated £'000
<b>Turnover</b>	2	<b>10,274</b>	6,777
Cost of sales		<b>(5,640)</b>	(4,841)
<b>Gross profit</b>		<b>4,634</b>	1,936
Administrative expenses		<b>(3,894)</b>	(2,331)
<b>Operating profit/(loss)</b>		<b>740</b>	(395)
Other income	4	<b>789</b>	–
Income from participating interest		–	225
Interest receivable and similar income	6	<b>52</b>	126
Interest payable and similar charges	7	<b>(47)</b>	(73)
<b>Profit/(loss) on ordinary activities before taxation</b>	4	<b>1,534</b>	(117)
Tax on profit/(loss) on ordinary activities	8	<b>(450)</b>	(113)
<b>Profit/(loss) on ordinary activities after taxation being profit/(loss) for the financial year</b>	19	<b>1,084</b>	(230)
<b>Earnings/(loss) per share</b>	9		
Basic		<b>1.35p</b>	(0.39)p
Diluted		<b>1.35p</b>	(0.38)p

## Statement of Total Recognised Gains/Losses

	2007	2006
	£'000	Restated £'000
Profit/(loss) for the financial year	<b>1,084</b>	(230)
Prior year adjustment as explained in note 1(p)	<b>(63)</b>	–
<b>Total gain recognised since last annual report</b>	<b>1,021</b>	–

# Consolidated Balance Sheet

at 30 June 2007

		2007	2006
	Notes	£'000	Restated £'000
<b>Fixed assets</b>			
Intangible assets	11	6,264	6,375
Tangible assets	12	6,577	2,421
Investments	13	–	200
		<b>12,841</b>	<b>8,996</b>
<b>Current assets</b>			
Stock	14	3,123	1,238
Debtors	15	4,976	2,640
Cash at bank and in hand		128	2,910
		<b>8,227</b>	<b>6,788</b>
<b>Creditors:</b> amounts falling due within one year	16	<b>(4,670)</b>	<b>(908)</b>
<b>Net current assets</b>		<b>3,557</b>	<b>5,880</b>
<b>Total assets less current liabilities</b>		<b>16,398</b>	<b>14,876</b>
<b>Provisions for liabilities</b>			
Deferred tax liability	8	(322)	–
<b>Net assets</b>		<b>16,076</b>	<b>14,876</b>
<b>Capital and reserves</b>			
Called up share capital	17	802	802
Share premium account	19	15,596	15,596
Share based payments reserve	19	179	63
Profit and loss account	19	(501)	(1,585)
<b>Equity shareholders' funds</b>		<b>16,076</b>	<b>14,876</b>

These financial statements were approved by the board of directors on 27 September 2007 and were signed on its behalf by:

B van Bilderbeek  
Director

G Stevens  
Director

# Company Balance Sheet

at 30 June 2007

		2007	2006
	<i>Notes</i>	£'000	Restated £'000
<b>Fixed assets</b>			
Investments	13	7,257	7,257
<b>Current assets</b>			
Debtors	15	8,756	6,270
Cash at bank and in hand		–	2,783
		<hr/>	<hr/>
		8,756	9,053
<b>Creditors:</b> amounts falling due within one year	16	(31)	(46)
		<hr/>	<hr/>
<b>Net current assets</b>		8,725	9,007
		<hr/>	<hr/>
<b>Total assets less current liabilities</b>		15,982	16,264
		<hr/>	<hr/>
<b>Capital and reserves</b>			
Called up share capital	17	802	802
Share premium account	19	15,596	15,596
Share based payments reserve	19	124	52
Profit and loss account	19	(540)	(186)
		<hr/>	<hr/>
<b>Equity shareholders' funds</b>		15,982	16,264
		<hr/>	<hr/>

These financial statements were approved by the board of directors on 27 September 2007 and were signed on its behalf by:

B van Bilderbeek  
*Director*

G Stevens  
*Director*

## Consolidated Cash Flow Statement

for the year ended 30 June 2007

	Notes	2007 £'000	2006 £'000
<b>Net cash outflow from operating activities</b>	20	<b>(583)</b>	(1,646)
<b>Returns on investments and servicing of finance</b>			
Interest paid		(41)	(80)
Interest received		41	124
		<hr/>	<hr/>
<b>Net cash inflow from returns on investments and servicing of finance</b>		–	44
<b>Taxation paid</b>		<b>(24)</b>	(14)
<b>Capital expenditure and financial investment</b>			
Purchase of intangible fixed assets		(230)	(1,360)
Purchase of tangible fixed assets		(4,863)	(1,151)
Proceeds of sale of tangible fixed assets		28	–
Proceeds of sale of fixed asset investments		989	–
		<hr/>	<hr/>
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(4,076)</b>	(2,511)
<b>Net cash outflow before financing</b>		<b>(4,683)</b>	(4,127)
<b>Financing</b>			
Repayment of loans		–	(1,735)
Loan advances to participating interest		–	(191)
Proceeds of share issues		–	10,466
		<hr/>	<hr/>
<b>Net cash inflow from financing</b>		–	8,540
<b>(Decrease)/increase in cash in the year</b>	22	<b>(4,683)</b>	4,413
<b>Net funds/(debt) at the start of the year</b>		<b>2,910</b>	(1,503)
<b>Net (debt)/funds at the end of the year</b>		<b>(1,773)</b>	2,910

## Reconciliation of Movements in Equity Shareholders' Funds

for the year ended 30 June 2007

	Group		Company	
	2007 £'000	2006 Restated £'000	2007 £'000	2006 Restated £'000
Profit/(loss) for the financial year being retained profit/(loss)	1,084	(230)	(354)	(219)
Reserve created for share based payments	116	63	72	52
New share capital issued	–	14,658	–	14,658
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net addition to equity shareholders' funds</b>	<b>1,200</b>	14,491	<b>(282)</b>	14,491
Opening shareholders' funds:	14,876	385	16,264	1,773
	<hr/>	<hr/>	<hr/>	<hr/>
<b>Closing equity shareholders' funds</b>	<b>16,076</b>	14,876	<b>15,982</b>	16,264

# Notes to the Financial Information

## 1. Accounting policies

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

In these financial statements the following new standards have been adopted for the first time:

- FRS 20 'Share-based Payment'.

The accounting policy under this new standard is set out below together with an indication of the effects of its adoption.

### *a. Basis of preparation*

The financial information has been prepared under the historical cost convention and in accordance with applicable UK accounting standards.

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.

Cost of sales includes salary and related costs for service personnel, and depreciation and refurbishment costs on rental assets.

### *b. Basis of consolidation*

The financial statements have been prepared on a consolidated basis to include the financial statements of Plexus Holdings plc (the Company) and its subsidiary Plexus Ocean Systems Limited made up to 30 June 2007. The acquisition method of accounting has been adopted. Under this method, the results of the subsidiary undertaking acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

Under section 230(4) of the Companies Act 1985 the Company is exempt from the requirement to present its own profit and loss account.

### *c. Turnover*

Turnover represents the amounts (excluding value added tax) derived from wellhead rentals and sales of wellheads, plus associated equipment and services.

Income from rental contracts is recognised over the period of the rental. Income from equipment sales is recognised following product acceptance by the customer. Income from services is recognised over the period of performance of the services. Income from long term contracts is recognised in accordance with paragraph (j) below.

### *d. Goodwill*

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable assets acquired) arising on business combinations in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal instalments over its estimated useful life.

### *e. Intangible fixed 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.

Goodwill is recorded at the fair value of consideration given over the fair value of the separable assets acquired. Goodwill is amortised on a straight line basis over its estimated useful life. The Group's goodwill relates to the acquisition of rental assets in 2004 and the licence and profit sharing rights relating thereto. The useful life of these rights is estimated at 20 years, in line with the patents protecting the rights.

## Notes to the Financial Information

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.

Expenditure on research and development, which does not meet the capitalisation criteria, is written off to the profit and loss account in the period in which it is incurred.

The carrying value of goodwill and intangible assets is reviewed on an ongoing basis by the directors and, where appropriate, provision is made for any impairment in value.

### *f. Tangible fixed assets and depreciation*

Tangible fixed assets 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 tangible fixed assets less the estimated residual value by equal instalments over their estimated useful economic lives as follows:

Equipment	10% – 25% per annum
Motor vehicles	20% per annum

### *g. 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 contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

### *h. Leases*

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease. Assets held under finance leases are recognised as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

### *i. Stocks*

Stocks are 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.

### *j. Long term contracts and work in progress*

The amount of profit attributable to the stage of completion of a long term contract is recognised when the outcome of the contract can be foreseen with reasonable certainty. Turnover for such contracts is stated at the cost appropriate to their stage of completion plus attributable profits, less amounts recognised in previous years. Provision is made for any losses as soon as they are foreseen.

Contract work in progress is stated at costs incurred, less those transferred to the profit and loss account, after deducting foreseeable losses and payments on account not matched with turnover.

## Notes to the Financial Information

Amounts recoverable on contracts are included in debtors and represent turnover recognized in excess of payments on account. Where payments on account exceed turnover a payment received on account is established and included within creditors.

### *k. Taxation*

The charge for taxation is based on the profit/(loss) for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Deferred tax is recognised without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date except as otherwise required by FRS 19.

A deferred tax asset is recognised where, having regard to all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

### *l. Pensions*

Up to 30 June 2007, the Group offered a basic stakeholder pension scheme, into which the Group did not make employer contributions; none of the directors or employees were members. Since the current year-end, the Group has replaced this scheme with 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.

### *m. Classification of financial instruments issued by the Group*

In accordance with FRS 25, 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 interest payable and similar 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.

### *n. Dividends on shares presented within shareholders' funds*

Dividends unpaid at the balance sheet 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. 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.

## Notes to the Financial Information

### *p. Change in accounting policy*

The Group has applied the provisions of FRS20 (on share based payments) for the first time in the accounts for the year ended 30 June 2007. The effect of this change in policy in line with FRS20 has decreased profit before tax in the current year by £116,000 and in the year ended 30 June 2006 by £63,000. The 2006 comparatives have been restated wherever necessary. There is no effect on net assets arising from this change in accounting policy as the charge for the share based payments and the associated movements are taken as “Share based payments reserve” under the equity reserves.

### 2. Turnover

	2007 £'000	2006 £'000
UK	4,173	1,499
Europe	1,459	550
Rest of World	4,642	4,728
	<u>10,274</u>	<u>6,777</u>

Turnover is shown by destination as the origin of turnover is all from the UK.

### 3. Segment reporting

The Group derives turnover from the sale of its POS-GRIP technology and associated products, the rental of wellheads utilising the POS-GRIP technology and service income principally derived in assisting with the commissioning and ongoing 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.

### 4. Notes to the profit and loss account

Profit/(loss) on ordinary activities before taxation is stated after charging (crediting).

	2007 £'000	2006 £'000
Depreciation of tangible assets	681	375
Amortisation of intangible assets:		
– Goodwill	41	41
– Intellectual property rights	270	173
– Research and development	30	19
Other research and development charges	109	116
Operating lease charges:		
– land and buildings	172	134
– other	13	5
Foreign currency exchange loss	93	81
(Gain)/loss on disposal of fixed assets	(2)	35
Directors' emoluments	417	218
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the Company's annual accounts	10	5
The audit of the Company's subsidiary pursuant to legislation	18	21
Total audit fees	<u>28</u>	<u>26</u>
Other income:		
Gain on disposal of participating interest	<u>(789)</u>	<u>–</u>

Details of Directors' remuneration are given in the remuneration report on page 16 and this forms part of the financial statements.

## Notes to the Financial Information

### 5. Staff numbers and costs

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

	<b>2007</b>	2006
	<b>Number</b>	Number
Management	<b>9</b>	7
Technical	<b>36</b>	23
Administrative	<b>9</b>	7
	<b>54</b>	37

The aggregate payroll costs of these persons were as follows:

	<b>2007</b>	2006
	<b>£'000</b>	£'000
Wages and salaries	<b>2,331</b>	1,318
Social security costs	<b>255</b>	142
Pension contributions	–	–
Share based payments	<b>116</b>	63
	<b>2,702</b>	1,523

### 6. Interest receivable and similar income

	<b>2007</b>	2006
	<b>£'000</b>	£'000
Bank interest receivable	<b>41</b>	121
Other interest	<b>11</b>	5
	<b>52</b>	126

### 7. Interest payable and similar charges

	<b>2007</b>	2006
	<b>£'000</b>	£'000
On bank loans and overdraft	<b>45</b>	38
Other interest	<b>2</b>	35
	<b>47</b>	73

## Notes to the Financial Information

### 8. Tax on profit on ordinary activities

(i) The taxation charge for the year comprises:

	2007 £'000	2006 £'000
<b>UK Corporation tax:</b>		
Current tax on income for the year	104	–
Adjustment in respect of prior years	–	2
	<u>104</u>	<u>2</u>
<b>Foreign tax</b>		
Current tax on income for the year	24	9
	<u>24</u>	<u>9</u>
<b>Total current tax</b>	<u>128</u>	<u>11</u>
<b>Deferred tax:</b>		
Origination and reversal of timing differences	322	64
Adjustment in respect of prior years	–	38
	<u>322</u>	<u>102</u>
<b>Total deferred tax</b>	<u>322</u>	<u>102</u>
<b>Total tax charge</b>	<u>450</u>	<u>113</u>

(ii) Factors affecting the tax charge for the year

	2007 £'000	2006 Restated £'000
(Loss)/profit on ordinary activities before tax	1,534	(117)
Current tax charge at 30% (2006: 19%)	460	(22)
<i>Effects of:</i>		
Expenses not deductible for tax purposes	120	63
Capital allowances for the year in excess of depreciation	(296)	(38)
Utilisation of tax losses	(167)	(3)
Income taxable at lower rate band	(2)	–
Indexation on capital gain	(4)	–
Foreign tax	17	9
Adjustments in respect of prior year	–	2
	<u>128</u>	<u>11</u>

**Current tax charge for the year**

(iii) Factors that may affect future tax charges

	2007 £'000	2006 £'000
At the previous year end there was a potential deferred tax asset of £68,158, calculated at 19%, which was analysed as follows:		
Difference between accumulated depreciation and capital allowances	–	113
Losses carried forward	–	(181)
	<u>–</u>	<u>(68)</u>

(iv) Movement in deferred tax balance

	2007 £'000	2006 £'000
Deferred tax liability/(asset) at beginning of year	–	(102)
Charge to profit and loss account	322	102
	<u>322</u>	<u>–</u>
Deferred tax liability at end of year	<u>322</u>	<u>–</u>

## Notes to the Financial Information

### 9. Earnings/(loss) per share

	2007 £'000	2006 Restated £'000
Profit/(loss) attributable to shareholders	<b>1,084</b>	(230)
	<b>Number</b>	<b>Number</b>
Weighted average number of shares in issue	<b>80,182,569</b>	59,545,669
Dilution effects of share schemes	<b>258,510</b>	505,583
Diluted weighted average number of shares in issue	<b>80,441,079</b>	60,051,252
Basic earnings/(loss) per share	<b>1.35p</b>	(0.39)p
Diluted earnings/(loss) per share	<b>1.35p</b>	(0.38)p

Basic earnings/(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/(loss) per share calculations include additional shares to reflect the dilutive effect of employee share schemes and share option schemes.

### 10. Loss for the year

As permitted by section 230 of the Companies Act 1985, the parent company's profit and loss account has not been included in these financial statements. The parent company's loss after tax for the year was £353,489 (2006: £219,136).

### 11. Intangible fixed assets – Group

	Goodwill	Intellectual Property	Patent and Other Development	Total
	£'000	£'000	£'000	£'000
<b>Cost</b>				
As at 1 July 2006	821	5,403	478	6,702
Additions	–	–	230	230
<b>As at 30 June 2007</b>	<b>821</b>	<b>5,403</b>	<b>708</b>	<b>6,932</b>
<b>Amortisation</b>				
As at 1 July 2006	99	173	55	327
Charge for the year	41	270	30	341
<b>As at 30 June 2007</b>	<b>140</b>	<b>443</b>	<b>85</b>	<b>668</b>
<b>Net Book Value at 30 June 2007</b>	<b>681</b>	<b>4,960</b>	<b>623</b>	<b>6,264</b>
Net Book Value at 30 June 2006	722	5,230	423	6,375

The Company does not have any intangible assets.

## Notes to the Financial Information

### 12. Tangible fixed assets – Group

	Equipment £'000	Assets under Construction £'000	Motor Vehicles £'000	Total £'000
<b>Cost</b>				
As at 1 July 2006	2,715	510	28	3,253
Additions	322	4,541	–	4,863
Transfers	3,481	(3,481)	–	–
Disposals	(56)	–	(1)	(57)
<b>As at 30 June 2007</b>	<b>6,462</b>	<b>1,570</b>	<b>27</b>	<b>8,059</b>
<b>Depreciation</b>				
As at 1 July 2006	819	–	13	832
Charge for the year	677	–	4	681
On disposals	(30)	–	(1)	(31)
<b>As at 30 June 2007</b>	<b>1,466</b>	<b>–</b>	<b>16</b>	<b>1,482</b>
<b>Net book value</b>				
<b>As at 30 June 2007</b>	<b>4,996</b>	<b>1,570</b>	<b>11</b>	<b>6,577</b>
As at 30 June 2006	1,896	510	15	2,421

The Company does not have any tangible fixed assets.

### 13. Fixed asset investments

<b>Group</b>	<b>£'000</b>
<i>Option to acquire shares in participating interest</i>	
As at 1 July 2006	200
Disposals	(200)
<b>As at 30 June 2007</b>	<b>–</b>
<b>Company</b>	<b>£'000</b>
<i>Subsidiary undertaking</i>	
As at 1 July 2006 and 30 June 2007	7,257

The Company's subsidiary undertaking is:

Subsidiary undertaking	Country of Registration	Nature of Business	Percentage of Ordinary Shares held
Plexus Ocean Systems Limited	Scotland	Design, sale and rental of equipment for the underwater drilling and mining industry	100%

### 14. Stocks

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Raw materials and consumables	577	707	–	–
Work in progress	27	35	–	–
Finished goods and goods for resale	2,519	496	–	–
	<b>3,123</b>	<b>1,238</b>	<b>–</b>	<b>–</b>

## Notes to the Financial Information

### 15. Debtors

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Trade debtors	1,894	303	–	–
Amounts recoverable on long term contracts	1,479	558	–	–
Amounts due from group companies	–	–	8,692	6,247
Amounts owed by related undertakings	31	1,039	–	–
Prepayments and accrued income	1,016	196	26	23
Other debtors	556	169	–	–
Amounts due from participating interest	–	225	–	–
Loan to participating interest	–	150	–	–
Deferred tax asset (see note 8)	–	–	38	–
	<u>4,976</u>	<u>2,640</u>	<u>8,756</u>	<u>6,270</u>

The investment in participating interest was sold during the year for a gain of £0.8m. The amounts outstanding from the participating interest at the previous balance sheet which remain unpaid at 30 June 2007 are included within Other debtors (Loan balance £150,000 plus other debt £158,625).

### 16. Creditors: amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£'000	£'000	£'000	£'000
Bank overdraft	1,901	–	–	–
Trade creditors	1,852	412	–	36
Amounts due to related undertakings	129	42	–	–
Amounts due to ultimate parent undertaking	11	11	–	–
Corporation tax	104	–	3	–
Other taxes and social security	95	63	–	–
Accruals and deferred income	578	380	28	10
	<u>4,670</u>	<u>908</u>	<u>31</u>	<u>46</u>

### 17. Share Capital

	2007	2006
	£'000	£'000
Authorised:		
Equity: 110,000,000 Ordinary shares of 1p each	<u>1,100</u>	<u>1,100</u>
Allotted, called up and fully paid:		
Equity: 80,182,569 Ordinary shares of 1p each	<u>802</u>	<u>802</u>

## Notes to the Financial Information

### 18. Share based payments

Share options have been granted to subscribe for ordinary shares, which are exercisable between 2006 and 2017 at prices ranging from £0.385 to £0.59. At 30 June 2007, there were 3,028,182 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 expire on the tenth anniversary of the date of grant.

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

	2007		2006	
	No of Shares	Weighted average price	No of Shares	Weighted average price
Outstanding at the beginning of the period	1,652,542	0.59	—	—
Granted during the period	1,375,640	0.385	1,652,542	0.59
Forfeited during the period	—	—	—	—
Exercised during the period	—	—	—	—
Outstanding at the end of the period	3,028,182	0.49	1,652,542	0.59
Exercisable at the end of the period	550,847	0.59	—	—

The aggregate of the estimated fair values of the options granted that are outstanding at 30 June 2007 is £501,000. 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 £0.59
Option exercise price at date of grant	varies from	£0.385 to £0.59
Expected volatility	varies from	35.7% to 38.6%
Expected term	varies from	5 years to 6.3 years
Risk-free interest rate	varies from	4.4% to 5.7%
Expected dividend yield		0%

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. 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. The expected dividend yield is 0% as no dividends have been paid in recent years, and the directors do not envisage that the Company will pay dividends for the foreseeable future.

The Group has recognised an expense in the current year of £116,000 (2006: £63,000) towards equity settled share based payments.

# Notes to the Financial Information

## 19. Share premium and reserves

### Group

	Share premium £'000	Share based payments reserve £'000	Profit and loss account £'000
As at 1 July 2006 (as originally stated)	15,596	—	(1,522)
Prior year adjustment as explained in note 1(p)	—	63	(63)
As at 1 July 2006 (restated)	15,596	63	(1,585)
Reserve created in the year	—	116	—
Profit for the year retained for equity shareholders	—	—	1,084
<b>As at 30 June 2007</b>	<b>15,596</b>	<b>179</b>	<b>(501)</b>

### Company

	Share premium £'000	Share based payments reserve £'000	Profit and loss account £'000
As at 1 July 2006 (as originally stated)	15,596	—	(134)
Prior year adjustment as explained in note 1(p)	—	52	(52)
As at 1 July 2006 (restated)	15,596	52	(186)
Reserve created in the year	—	72	—
Loss for the year retained for equity shareholders	—	—	(354)
<b>As at 30 June 2007</b>	<b>15,596</b>	<b>124</b>	<b>(540)</b>

## 20. Reconciliation of operating profit/(loss) to operating cash flows

	2007 £'000	2006 £'000
Operating profit/(loss)	740	(395)
Depreciation and amortisation	1,022	608
(Gain)/loss on disposal of fixed assets	(2)	35
Charge for share based payments	116	63
(Increase)/decrease in stocks	(1,885)	47
Increase in debtors	(2,326)	(988)
Increase/(decrease) in creditors	1,752	(1,016)
<b>Net cash outflow from operating activities</b>	<b>(583)</b>	<b>(1,646)</b>

## Notes to the Financial Information

### 21. Reconciliation of net cash flow to movement in net debt

	2007 £'000	2006 £'000
(Decrease)/increase in cash in the year	(4,683)	4,413
Cash outflow from decrease in net debt	–	1,735
Change in net debt resulting from cash flows	(4,683)	6,148
Loan set against debtor balance	–	515
Movement in net debt in year	(4,683)	6,663
Net cash/(debt) at start of year	2,910	(3,753)
Net (debt)/cash at end of year	(1,773)	2,910

### 22. Analysis of net debt

	At beginning of year £'000	Cash flow £'000	At end of year £'000
Cash in hand and at bank	2,910	(2,782)	128
Overdrafts	–	(1,901)	(1,901)
Total	2,910	(4,683)	(1,773)

### 23. Financial instruments and risk management

#### Treasury management

The Group's financial instruments comprise cash, along with various items, such as trade debtors and creditors. The Group's policy does not permit entering into speculative trading of financial instruments and this policy has been applied throughout the year.

The main risks arising from the Group's financial instruments are liquidity risk, foreign currency risk and credit risk. The board reviews and agrees policies for managing these risks and the policies adopted have been applied throughout the year and since the year end.

#### 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.

#### Foreign currency risk

The Group's net assets are at present all denominated in Sterling and therefore the current exposures to foreign currency risks are in relation to transaction exchange risk and translation risk. The Board regularly reviews this balance sheet exposure. The volume of foreign currency transactions is not significant to the Group at present.

#### Credit risk

Amounts deposited with banks and other financial institutions 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.

## Notes to the Financial Information

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

#### Financial assets and liabilities

As permitted by FRS 13, 'Derivatives and Other Financial Instruments', short term debtors and creditors are excluded from these disclosures.

The interest rate and currency profiles of the Group's financial assets at 30 June were as follows:

	<b>Floating rates £'000</b>	<b>Non-interest bearing £'000</b>	<b>Book and fair value £'000</b>
<b>30 June 2007</b>			
Cash and liquid resources – Sterling	1	–	1
– US Dollar	84	–	84
– Euro	43	–	43
	<u>128</u>	<u>–</u>	<u>128</u>
<b>30 June 2006</b>			
Cash and liquid resources – Sterling	2,854	1	2,855
– US Dollar	7	–	7
– Euro	48	–	48
Loan to participating interest	–	200	200
	<u>2,909</u>	<u>201</u>	<u>3,110</u>

At 30 June 2007 the Group had £127,870 of cash. The average rate of interest earned in the year is on a floating rate basis and ranged between 2.5% and 4.5% on sterling deposits.

The Group has a facility of £2,500,000 that is secured by a fixed and floating charge over the assets of the Group. At 30 June 2007 the Group had drawn £1,900,916 on that facility. The interest payable is on a floating rate basis and ranged between 7.0% and 7.5% in the year.

The interest rate and currency profiles of the Group's financial liabilities at 30 June 2007 are as follows:

	<b>Floating rates £'000</b>	<b>Non-interest bearing £'000</b>	<b>Book and fair value £'000</b>
<b>30 June 2007</b>			
Bank overdraft – Sterling	<u>(1,901)</u>	<u>–</u>	<u>(1,901)</u>

### 24. Financial commitments

The Group and Company had annual commitments under non-cancellable operating leases expiring as follows:

	<b>Land and Buildings</b>		<b>Other</b>	
	<b>2007 £'000</b>	<b>2006 £'000</b>	<b>2007 £'000</b>	<b>2006 £'000</b>
Within one year	–	–	4	–
Within two to five years	–	–	37	7
After five years	<u>172</u>	<u>172</u>	<u>–</u>	<u>–</u>
	<u>172</u>	<u>172</u>	<u>41</u>	<u>7</u>

The Group and Company had no capital commitments as at 30 June 2007 (30 June 2006: £nil).

## Notes to the Financial Information

### 25. Contingent liabilities

The Group and Company had no contingent liabilities as at 30 June 2007 (30 June 2006: £nil).

### 26. Related party transactions

#### Control

Plexus Holdings plc is controlled by Mutual Holdings Limited, a company incorporated in the Turks and Caicos Islands.

#### Transactions

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

- (a) **Mutual Holdings Limited** (“MHL”), the ultimate parent undertaking, did not transact with the Group in the year. The balance due by the Group to MHL at 30 June 2007 was £10,716 (2006: £10,716).
- (b) **Plexus Property International Limited** (“Property”), a company ultimately controlled by Ben van Bilderbeek and his family, recharge expenses in connection with the rent of office space at the Group’s London base at an all inclusive annual rent of £28,314.

During the year, the Group charged Property for administration costs incurred on its behalf amounting to £37,083.

The balance owed to the Group by Property at 30 June 2007 was £8,266 (2006: £832).

- (c) **@ SIPP (Pension Trustees) Limited** (“@SIPP”), a personal pension scheme of which Ben van Bilderbeek is a member, leases the Group its principal Aberdeen facilities at an annual rent charge of £171,850. The Group moved into these premises in late October 2005. Rent charges in the year amounted to £171,850; insurance charges amounted to £5,634.

The balance owed by the Group to @SIPP at 30 June 2007 was £nil (2006: £21,169 owed to the Group).

- (d) **Plexus Deepwater Technologies Limited** (“PDT”) is owned by Grant Prideco Inc and has a profit share agreement with MHL. PDT has a contract with BP Exploration (Shah Deniz) Limited and a corresponding back to back subcontract with the Group, for the supply of production wellhead systems. In the current year, the Group invoiced sales to PDT of £490,173 under the subcontract.

PDT recharged the Group for personnel costs relating to Anastasio van Bilderbeek, the son of director Ben van Bilderbeek, amounting to £34,274 and for personnel costs relating to the Director Craig Hendrie, amounting to £28,000.

The balance owed by the Group to PDT at 30 June 2007 was £104,259 (2006: £1,002,403 owed to the Group).

- (e) **Plexus Ocean Systems (Malaysia) Sdn Bhd** (“PM”) is an associate company of which 49% is owned by the Group and 51% by local Malaysian shareholders. PM has not yet begun to trade and has to date only incurred legal fees associated with the setting up of the company. In the current year, the Group has recharged legal expenses paid on behalf of PM of £15,294 plus advanced working capital funds of £7,382.

The balance owed to the Group by PM at 30 June 2007 was £22,676 (2006: £nil).

## Notes to the Financial Information

### 26. Related party transactions (continued)

- (f) **Ben van Bilderbeek** (“BvB”), the director, charges a fee of US\$300 for each day that his house in Houston, Texas is used by the Group or any of its employees for business purposes. Amounts payable in the year were £25,000.

In addition to the above, business expenses amounting to £14,345 were payable to BvB in the year.

The balance owed by the Group at 30 June 2007 was £25,000 (2006: £41,849).

### 27. Ultimate parent company

The ultimate parent company is Mutual Holdings Limited, incorporated in the Turks and Caicos Islands.

The Group is not consolidated into Mutual Holdings Limited. No other group financial statements include the results of the Company. The financial statements of Mutual Holdings Limited are not available to the public.

## Corporate Information

<b>Directors</b>	<b>Robert Fredrik Martin Adair</b> † (Non-Executive Chairman) <b>Bernard Herman van Bilderbeek</b> (Chief Executive) <b>Graham Paul Stevens</b> (Finance Director) <b>Craig Francis Bryce Hendrie</b> (Technical Director) <b>Jerome Jeffery Thrall</b> † (Non-Executive Director) <b>Augusto Licinio Carmona Da Mota</b> (Non-Executive Director) †Member of Audit and Remuneration committees
<b>Registered Office</b>	Plexus House 1 Cromwell Place London SW7 2JE
<b>Company number</b>	3322928
<b>Company Secretary</b>	<b>Martha Bruce FCIS</b> <b>David Venus &amp; Company LLP</b> Thames House Portsmouth Road Esher Surrey KT10 9AB
<b>Nominated Adviser and Broker</b>	<b>Bell Lawrie</b> (A division of Brewin Dolphin Securities Ltd) 48 St Vincent Street Glasgow G2 5TS
<b>Auditors</b>	<b>Horwath Clark Whitehill LLP</b> St Bride's House 10 Salisbury Square London EC4Y 8EH
<b>Solicitors to the Company</b>	<b>Jones Day</b> 21 Tudor Street London EC4Y 0DJ
<b>Registrars</b>	<b>Capita Registrars</b> Northern House Woodsome Park Fenay Bridge Huddersfield HD8 0LA

# Notice of Annual General Meeting

## **Plexus Holdings plc** ("the Company")

(Company number 3322928)

Notice is given that the annual general meeting of the members of the Company will be held at Plexus House, 1 Cromwell Place, London SW7 2JE on Wednesday 14 November 2007 at 11:00 a.m., to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 6 (inclusive) will be proposed as ordinary resolutions and resolutions 7 and 8 will be proposed as special resolutions:

### **Report and Accounts**

1. To receive the Audited Accounts and Reports of the Directors and Auditors for the year ended 30 June 2007.

### **Remuneration Report**

2. To approve the Report on Directors' Remuneration for the year ended 30 June 2007.

### **Re-election of Directors Retiring by Rotation**

3. To re-elect Jeffrey Thrall as a Director.
4. To re-elect Augusto Carmona Da Mota as a Director.

### **Re-appointment of Auditors**

5. To re-appoint Horwath Clark Whitehill LLP as auditors until the conclusion of the next annual general meeting, special notice having been given in accordance with Section 388(3)(b) of the Companies Act 1985 ("the Act").

### **Auditors' Remuneration**

6. To authorise the directors to determine the remuneration of the Auditors.

### **Purchase of Own Shares**

7. That the Company be generally and unconditionally authorised to make one or more market purchases, within the meaning of Section 163(3) of the Act, of ordinary shares of 1 pence each in the Company ("Shares") and to hold such Shares as treasury shares, provided that:
  - (a) the maximum number of Shares to be repurchased shall be 4,009,128 Shares representing the nominal value of 5% of the Company's issued share capital at the date of this Notice;
  - (b) the minimum price (exclusive of expenses) which may be paid for a Share shall be £0.01 per share;
  - (c) the maximum price (exclusive of expenses) which may be paid for a Share shall be an amount equal to 105% of the average market value of the Shares (as derived from the mid-market price) for the five business days immediately preceding the date on which the Share is purchased;
  - (d) any purchase of Shares will be made in the market for cash at prices below the prevailing net asset value per share as determined by the Directors;
  - (e) the authority hereby conferred shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, on 31 December 2008; and
  - (f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of Shares pursuant to any such contract notwithstanding such expiry.

# Notice of Annual General Meeting

## Authority to Dis-apply Pre-emption Rights

8. That, subject to Section 80(1) of the Act, the Directors be and are hereby empowered, pursuant to Section 95 of the Act, to allot equity securities (as defined in Section 94 of the Act) as if Section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
- (a) during the period expiring on the date of the next Annual General Meeting of the Company or, if earlier, on 31 December 2008, but so that this power shall enable the Company to make offers or agreements which would or might require equity securities to be allotted after the expiry of this power;
  - (b) up to an aggregate nominal amount of £80,182.57 representing the nominal value of 10% of the Company's issued share capital at the date of this Notice; and
  - (c) and shall include the power to sell treasury shares under Section 162(D) of the Act.

Dated this 27th day of September 2007.

By Order of the Board

**Martha Bruce FCIS**  
Company Secretary

Registered Office:  
Plexus House  
1 Cromwell Place  
London SW7 2JE

A member entitled to attend and vote at the above meeting has the right to appoint a proxy or proxies to attend and vote in his place. A proxy need not be a member of the company.

## Notes:

1. The form of proxy and the power of attorney or other authority or other authority, if any, under which it is signed, or a copy of such power or authority certified by a notary, must be completed and returned to the offices of the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, to arrive not less than 48 hours before the date set for the meeting or adjourned meeting.
2. In accordance with regulation 34 of the Uncertificated Securities Regulations 1995, only those persons entered in the register of members of the company as the holders of ordinary shares at 6.00pm on 12 November 2007, are entitled to attend and vote at the meeting in respect of the shares held by them at the relevant time. Any changes made to the register of members of the company after that time will be disregarded in determining the right of any person to attend or vote at the meeting.
3. **Resolutions 3 and 4** – Article 72.(B) of the Company's articles of association require that one third of the directors of the Company who have held office since the last annual general meeting, must retire and, if they are eligible, may offer themselves for re-election.
4. **Resolution 5** – The Auditors are required to be reappointed at each Annual General Meeting at which accounts are presented. The Board, on the recommendation of the Audit Committee, which has evaluated the effectiveness and independence of the external auditors, is proposing the re-appointment of Horwath Clark Whitehill LLP.
5. **Resolution 7** – This resolution is to authorise the Company to make market purchases of up to 5% of its own Shares in issue as set out in the resolution. The authority will expire at the next Annual General Meeting or on 31 December 2008, whichever is earlier.

The Directors consider that in certain circumstances it may be advantageous for the Company to purchase its own Shares at a discount to net asset value. Purchases will only be made on the London Stock Exchange within guidelines established from time to time by the Board.

The Directors would only consider exercising this authority if it is considered that such purchases would be to the advantage of the Company and its shareholders as a whole. The principal aim of this share buy back facility is to enhance shareholder value by acquiring shares at a discount to net asset value, as and when the directors consider this to be appropriate. The purchase of shares when they are trading at a discount to net asset value per share, and their cancellation, should result in an increase in the resulting net asset value per share for the remaining ordinary shares. The Company will also be in a better position to address any imbalance between supply and demand for the shares that may be reflected in the discount to net asset value at which the Company's shares trade on the London Stock Exchange.

## Notice of Annual General Meeting

The Directors intend that any Shares purchased under this authority will be held by the Company as treasury shares, within the limits allowed by the law, unless the Directors consider that purchasing the Shares and cancelling them would be to the advantage of the Company and its shareholders. The Directors may dispose of treasury shares in accordance with relevant legislation and the authority relating to rights of pre-emption granted by shareholders in general meeting (see Resolution 8 and the note thereto).

6. **Resolution 8** – When shares are to be allotted for cash, section 89(1) of the Companies Act 1985 provides that existing shareholders have pre-emption rights and that the any new shares are offered first to such shareholders in proportion to their existing shareholdings. This resolution is seeking to authorise the Directors to allot Shares of up to an aggregate nominal amount of £80,182.57 otherwise than on a pro-rata basis. This represents 10% of the Company's issued share capital on the date of this document. This authority shall expire at the next Annual General Meeting or on 31 December 2008, whichever is earlier.

Whilst the Directors have no intention at the present time of issuing relevant securities, other than pursuant to existing rights under employee share schemes, they are seeking annual renewal of this authority in accordance with best practice and to ensure the Company has maximum flexibility in managing capital resources.

7. The following documents, which are available for inspection during normal business hours at the registered office of the Company on any business day, will also be available for inspection on the day of the meeting until the Company's normal close of business:
- (a) copies of Executive Directors' service contracts with the Company;
  - (b) copies of Non-Executive Directors' letters of appointment; and
  - (c) a copy of the Company's Memorandum & Articles of Association.



## Form of Proxy

### Plexus Holdings plc ("the Company")

**For use at the Annual General Meeting of the Company to be held at Plexus House, 1 Cromwell Place, London SW7 2JE on Wednesday 14 November 2007 at 11:00 am**

I/We .....  
(in BLOCK CAPITALS please)

of ..... being a shareholder(s) of the above-named Company, appoint the Chairman of the Meeting or ..... to act as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Wednesday 14 November 2007 and at every adjournment thereof and to vote for me/us on my/our behalf as directed below.

*Please indicate with an 'X' in the spaces below how you wish your vote to be cast. If no indication is given your proxy will vote for or against the resolutions or abstain from voting as he thinks fit.*

	Resolutions	For	Against	Abstain
1.	To receive the accounts for the year ended 30 June 2007.			
2.	To approve the Report on Directors' Remuneration.			
3.	To re-elect Jeffrey Thrall as a director of the Company.			
4.	To re-elect Augusto Carmona Da Mota as a director of the Company.			
5.	To re-appoint Horwath Clark Whitehill LLP as auditors of the Company.			
6.	To authorise the Board to determine the auditors' remuneration.			
7.	To authorise the Company to make market purchases as set out in the Notice of the Meeting.			
8.	To dis-apply pre-emption rights on allotment of equity securities as set out in the Notice of the Meeting.			

Signed ..... Dated ..... 2007

#### Notes

1. If any other proxy is preferred, strike out the words 'Chairman of the Meeting' and add the name and address of the proxy you wish to appoint and initial the alteration. The proxy need not be a member.
2. If the appointer is a corporation this form must be completed under its common seal or under the hand of some officer or attorney duly authorised in writing.
3. The signature of any one of joint holders will be sufficient, but the names of all the joint holders should be stated.
4. To be valid, this form and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power must reach the registrars of the Company at Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not less than forty-eight hours before the time appointed for holding the General Meeting or adjournment as the case may be.
5. The completion of this form will not preclude a member from attending the Meeting and voting in person.



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**Capita Registrars**  
The Registry  
34 Beckenham Road  
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