

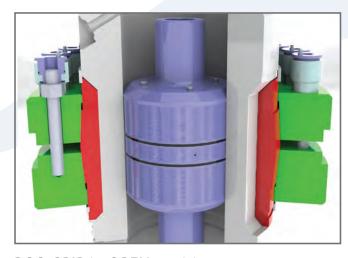
# **POS-GRIP®**

POS-GRIP® Technology - a patented method of engineering which the Directors 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.

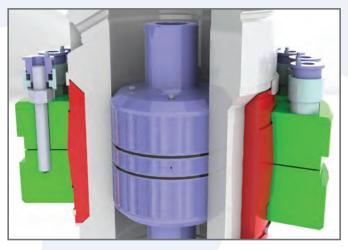
The simplified drawings below show how a POS-GRIP clamp arrangement can be configured to squeeze the outer pipe so that it grips the smaller pipe inside. Advantages of POS-GRIP over existing wellhead technology can include improved technical performance; installation time savings; reduced operating costs; and enhanced safety.



A cutaway of a POS-GRIP HG Platform Wellhead System



POS-GRIP in OPEN position



POS-GRIP in CLOSED position

### Results

- Record revenue, EBITDA, and profit after tax
- 27.8% increase in revenue to £19.71m (2011: £15.42m)
- 96.8% increase in profit before tax to £3.09m (2011: £1.57m)
- 95.9% increase in profit after tax to £2.43m (2011: £1.24m)
- 33.0% increase in EBITDA to £6.24m (2011: £4.69m)
- Gross margin increase to 70.9% (2011: 60.1%)
- 92.9% increase in basic earnings per share to 2.99p (2011: 1.55p)

# **Highlights**

- Strong forward order book as POS-GRIP® friction-grip wellhead equipment continues to gain market share, winning business from new international oil and gas operators in new territories, as well as repeat business from existing customers
- Increased industry receptiveness to new and superior technology as a result of regulatory and government initiatives focused on safety standards and operational performance in a number of oil equipment related areas, particularly subsea following the Gulf of Mexico incident in 2010
- First relief well standby contract with a value in excess of £4.0m over three years for the supply of back-up High Pressure/High Temperature ('HP/HT') wellhead equipment with a leading global oil and gas operator as part of contingency planning arrangements in the event that a relief well is needed during the drilling programme in the North Sea
- Joint Industry Project ('JIP') for the new Plexus POS-GRIP subsea wellhead design ('HGSS<sup>TM</sup>') gains significant support major consulting partners now include Shell International Exploration and Production B.V., Maersk Oil North Sea UK Ltd. ('Maersk'), Wintershall Noordzee B.V., the UK entity of the world's largest offshore drilling company, Tullow Oil plc, Eni S.p.A., and Oil States International Inc.
- Maersk agreed as part of the on-going JIP to contribute £0.26m towards the development and final testing of the HP/HT Tie-back wellhead system; subsea related activities extended to the award of a £0.5m engineering design contract for a subsea wellhead HP/HT crossover system from Wintershall Noordzee B.V. which includes prototype qualification testing.
- New HP/HT customer contract wins with Vantage Drilling Company Inc. for the supply of wellhead equipment to a major Malaysian national oil and gas operator, and Santos Ltd for offshore Australia (following on from a first time contract in Australia for Apache Energy Australia in 2010)
- HP/HT contract wins with existing customers included Gaz de France Suez E&P Ltd, Centrica Energy, Bowleven plc; a further X-HP/HT contract with BG International Ltd, a 10,000 psi standard pressure contract win with Niko Resources (Trinidad and Tobago) Limited; and for the fourth time, a two year extension framework agreement with Applied Drilling Technology International (the turnkey drilling division of Transocean Drilling U.K. Limited)
- Post period end, secured a further 4 year contract with Brunei Shell Petroleum Sdn Bhd for the supply of HP/HT and standard pressure exploration wellhead equipment and services with a minimum value of £2m; a £1.15m two well standard pressure and HP/HT order from Talisman Energy Inc.; and a £1.0m HP/HT equipment contract for new customer Lotos Exploration and Production Norge AS
- First licensing, manufacturing, distribution, and agency agreement signed with Breda Energia S.p.A ('Breda') for the supply and servicing of POS-GRIP products worldwide to Italian oil and gas major ENI S.p.A
- American Petroleum Institute ('API') awarded the Plexus Aberdeen facility two licences in relation to the API Monogram Programme so that all equipment designed and manufactured in accordance with the relevant licences can now be stamped with an API Monogram should further improve Plexus' equipment marketability internationally where such Monogramming is required
- Successful placing of £6.2m of new and existing ordinary shares £2.0m raised before expenses to support growth strategy, increase liquidity and broaden the institutional shareholder base
- Board changes Robert Adair retired as non-executive Chairman, Christopher Fraser joined as a non-executive director, and Jeff Thrall moved from non-executive director to non-executive Chairman
- Capital investment increased by 97.6% to £4.62m (2011: £2.34m)
- Research and Development ('R&D') spend increased by 77.3%, excluding costs of building new test fixtures, to £1.20m (2011: £0.67m)
- The Board is today proposing a 16.3% increased final dividend of 0.5p per share (2011: 0.43p), which will be subject to shareholder approval at the Annual General Meeting ('AGM') to be held on 28th November 2012. If approved the dividend will be paid on 14th December 2012 to all members appearing on the register of members on the record date 26th October 2012. The ex-dividend date for the shares is 24th October 2012.

#### Chief Executive Ben van Bilderbeek said:

"I am pleased to report an excellent set of financial results for the year which include a record performance in terms of revenues, margins, and profitability. Such strong on-going progress means that I am delighted to announce that the Board proposes a 16.3% increase in the final dividend of 0.5p per share for the year ended 30 June 2012, which will be submitted for approval at the Annual General Meeting.

"These results were achieved during a period where the Group has been particularly active at both the organic and strategic levels. Important rental exploration contracts were secured with both existing and new major international oil and gas operators across the world, particularly for HP/HT applications where our reputation goes from strength to strength, and we also increased the number of consulting partners to our pioneering HGSS subsea wellhead design JIP, signed an inaugural POS-GRIP licensing agreement with Breda, progressed our HP/HT Tie-Back wellhead system JIP, and achieved API Monogram Licence status.

"At the corporate level, we successfully completed a share placing in January 2012 which had the benefit of increasing the liquidity in our shares whilst helping to finance our various R&D projects and growing rental inventory. This placing broadened our institutional shareholder base and I would like to warmly welcome our new blue chip investors and thank our existing shareholders for their continued support. Such developments are part of the on-going development of Plexus both at an operational and corporate level and come at a time when there are growing signs of merger and acquisition activity in the oil services sector where the need for innovative technology such as ours is becoming increasingly recognised.

"These positive developments continue to reinforce our belief that whether the growing support for the POS-GRIP friction-grip method of engineering comes from our customers or investors, the unique advantages that our technology offers in terms of operational performance, safety, time, and cost savings will continue to drive market share gains both for existing surface and in due course subsea applications, whilst significantly improving current wellhead standards. However, it is important to stress that even though customer demand continues to exceed our current capacity to deliver as a result of our equipment being selected in preference to established conventional alternatives, we will continue to ensure that we maintain the high standards that we set ourselves and which our customers expect from us.

"In summary the Board remains confident that the future looks highly positive for Plexus. Our message to the industry is simple and gaining traction – wellhead equipment qualification test standards need to match as close as possible those of real field life conditions, as well as the same higher standards required of other critical performance items in the well such as casing and tubing couplings. Indeed, a major international oil and gas operator has recently issued a new set of test standard requirements for Surface and Subsea Wellhead and Christmas Tree Equipment, and we believe that Plexus is in a unique position to address this challenge. Such developments can only help accelerate our goal of becoming a leading specialist oil and gas services company by generating further interest from potential commercial and licensing partners, thereby delivering significant shareholder value in the years to come.

"Finally I would to thank Robert Adair who retired from the board this year after six years' service, and welcome Christopher Fraser onto the board as a new non-executive director."

Summary of Results for the year ended 30 June 2012	2012 £'000	2011 £'000
Revenue	19,706	15,421
EBITDA – before the effect of IFRS 2	6,238	4,690
EBITDA – after the effect of IFRS 2	5,987	4,504
Profit before taxation	3,088	1,569
Basic earnings per share (pence)	2.99	1.55

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### Chairman's Statement

#### **Business progress**

I am pleased to report that the Group made significant financial progress during the year as the increase in activity levels seen in the first half continued into the second half, resulting in a 27.8% increase in turnover to £19.71m for the year to 30 June 2012 (2011: £15.42m), a 33.0% increase in EBITDA to £6.24m (2011: £4.69m), and a 96.8% increase in profit before tax to £3.09m (2011: £1.57m), delivering a 92.9% increase in basic earnings per share of 2.99p (2011: 1.55p). In addition to making excellent organic progress with our exploration wellhead rental activities including the winning of new customers, which has ensured a healthy forward order book, we have continued to raise the awareness of our proprietary POS-GRIP method of engineering which has led to a significant level of industry support for various product development initiatives, in particular our new HGSS subsea wellhead design JIP. Such initiatives further extend the reach of our proprietary technology and, importantly, enable us to continue to further expand our extensive patent suite.

#### Strategy

Plexus owns a patented proprietary friction-grip method of engineering called POS-GRIP which to date we have applied with increasing success to the design and development of innovative wellhead equipment for supply to the oil and gas industry where we have secured a growing reputation with many major international and national operators around the world. Although conventional wellhead technologies have been around for decades, and the wellhead market is dominated by major international oil service supply companies, the benefits of POS-GRIP in terms of safety, operational efficiencies, and time savings, particularly for HP/HT and X-HP/HT applications, have enabled Plexus to compete directly against these formidable competitors and gain increasing market share where we have chosen to focus to date on exploration jack-up surface drilling.

It has always been a key strategic goal of ours to firstly secure a place in the industry for POS-GRIP technology through our organic jack-up drilling activities, where we are now seeing clear evidence of a growing momentum. Our second aim was to leverage that success into other applications such as the volume production wellhead market, the fast growing subsea market, and related new product development opportunities, where we are now making significant progress. The end goal, which we feel increasingly confident of achieving, is the establishment of POS-GRIP as a new wellhead standard, where we move from being what we see as a wellhead of necessity to a natural wellhead of choice, and indeed preference. This strategy has been given a material boost by a significant increase in the level of governmental and regulatory scrutiny of oil and gas industry safety standards since the Gulf of Mexico incident in 2010, both in terms of preventative and response initiatives with regard to both personnel and the environment. Such events have had a direct impact on Plexus' activities and have already resulted in the launch of a number of directly related product and JIP initiatives, as well as additional rental contract activity such as the recently announced £4.0m relief well standby contract in the North Sea, where it was determined that as a contingency planning measure back-up equipment needs to be readily available. We also believe that the proven safety benefits of 'through the blow-out-preventer' wellhead equipment will continue to gain ground, especially following the offshore Australia Montara incident where removing the blow out preventer ('BOP') was highlighted in the subsequent report.

When looking at the tremendous commercial opportunities that exist for expanding the range of POS-GRIP applications, the increased scrutiny by regulatory bodies regarding for example selection of the 'best available and safest' technology ('BAST'); the renewed focus on addressing well known challenges and issues such as sustained casing pressure, known as SCP; and the proper installation, sealing, and locking down of the casing or lining have already ensured direct encouragement and input from major international operators, as well as a greater receptiveness to new technology. These developments are particularly relevant to the predictable nature and simplicity of our technology and the benefits of non rotation and preloaded lockdown, as friction works in all directions (i.e. tubular members are held axially and radially).

The first of these initiatives announced some time ago is our HP/HT Tie-back system to enable HP/HT exploration and pre-drilled production wells to be converted to either subsea or platform producing wells. No product currently exists on the market which can achieve a casing string tie-back to such wells in HP/HT conditions. This is due in part to conventional technology using threaded connections which cannot be reliably engaged and disengaged in the uncontrolled remote environment in which subsea tie-back operations take place. The design contains unique patented features, and will utilise Plexus' metal-to-metal HG® seals which uniquely elevate the POS-GRIP Tie-Back connection to a standard that exceeds those of casing or tubing couplings. By

### Chairman's Statement continued

'saving' or 'converting' such wells significant financial benefits can be delivered to operators who would previously have abandoned such a well and 'written off' the cost, which we estimate as ranging from £50m to £300m, whilst also shortening the development cycle of an oil and gas field by several years with resultant significant cash flow benefits for the operator. This 'Tie-back' project was given a further boost in January 2012 when Maersk provided £0.26m of funding towards the development programme which is now approaching its final stages. There have been some delays due to issues relating to the test fixture, which interestingly can be a problem where the first time qualifying of equipment to such high specifications means that the test fixture itself has to be able to be built to endure the testing of such equipment. However, failure mode, effects, and criticality analysis (FMECA) is complete, hydraulic function and gas testing to high pressure has been successful, and temperature and bending testing is now underway. Encouragingly the anticipated first time user of the system estimates a saving per well in the region of £80m for the scope of work being considered. In addition the ability to 'make and break' high pressure connections remotely could in our opinion play an increasingly critical role in the emerging Artic exploration and subsequent production projects where there is already consensus that there is a need for equipment to be engaged and re-engaged as a result of various factors such as ice flows.

The second JIP that we are particularly excited about is the new subsea wellhead HGSS design project. This is gaining momentum and working towards the goal of taking our proven surface technology and equipment subsea by 2014. The POS-GRIP HGSS subsea wellhead is currently being designed to be safer and have fewer parts in the well bore than any other competing system whilst also sealing and locking down hangers as soon as cementing of the well is complete. The system will be inherently resistant to contamination as it will have no moving parts exposed to well bore fluids. The support from the industry is significant and the consulting partners to the project who attend and contribute to the regular JIP meetings both in terms of the design and engineering process now include Maersk, Shell, Wintershall, ENI, Tullow, and Oil States. It is our intention that the members of the JIP will potentially become end-users and commercial partners once the wellhead is fully built, tested and commercialised. Importantly, all intellectual property generated by the project will be owned by Plexus and will be added to our extensive and unchallenged patent suite. The project is making good progress - the technical specification of the 'base product' has been finalised, detailed engineering design is now underway, the conceptual detail of the subsea hydraulics and interface with control systems is complete, design of qualification test fixtures has begun and it is expected that physical testing of various elements of the system will begin in Q1 2013. The next stage will be to complete full qualification testing, after which an opportunity to field test the system will be sought. Commercially, it is of further encouragement that in addition to the range of safety and operational features that are being engineered, initial assessments of the HGSS system also show significant time savings on installation as being achievable – estimated currently at over three days in 10,000 ft of water which would mean that, as with our HP/HT surface wellhead systems, the installation time savings alone could be greater than the capital value of the equipment.

We have identified a third sizeable commercial opportunity concerning subsea well abandonments and we have already received encouragement from a number of UK operators for this new project. In the future operators will benefit from tax incentives to abandon depleted wells that have been drilled in the North Sea and are deemed noncommercial. Plexus has been led to believe that there have been various major issues with re-attaching to these old wells in order to provide integrity so that abandonment work can then be safely carried out. Initial analysis suggests that wells may take some 30 days to be abandoned properly, resulting in costs of more than £15m per well. Some of these wells are 20-30 years old and there is much uncertainty as to the condition of the wellhead gasket and subsea wellhead profile resulting in damaged or corroded seal surfaces. Indeed the subsea wellhead may even be of an obsolete design. The nature of POS-GRIP technology is such that re-engagement to such wells could be deployed more safely, easily, and with significant time savings, so we are now assessing the opportunity for the development of a "POS-GRIP Subsea Well Abandonment Overshot Connector and Spool" product which would grip and seal direct to the old wellhead body outside diameter and offer a far larger seal area.

To support these various growth and product expansion strategies it is essential that we continue to invest in the business to ensure that we can meet the growing demand for our products and services, whilst executing our contracts in an efficient and safe manner. The key areas for such investment include the expansion of our HP/HT wellhead rental inventory pool where we have committed further significant capex, whilst also increasing our overhead including human resources ('HR') activities, R&D, IP, IT and infrastructure. The benefits of such investment can already be seen, and in the case of HR we were able to increase our staff numbers by approximately 25% this year which was our largest annual percentage increase to date in one of the tightest

### Chairman's Statement continued

labour markets in the world. Post period end we have continued this momentum and have already further increased staff numbers by over 7% during the first quarter of the current financial year. Importantly, we have recently appointed a HR Director in the Group whose main focus will be to ensure that our HR strategy is aligned with the business strategy, and that proactive HR plans are implemented to enable us to attract, recruit, retain, and develop the Plexus team. R&D continues to be a core part of our activities and ensures that we are continually innovating and expanding the range of POS-GRIP applications, as well as generating new IP such as subsea technology, that we can patent and protect for a further 20 years. We are also hopeful that the Group will in due course be able to benefit from the pending 'Patent Box' tax regime whereby subject to suitable qualification from 2013 profits generated may attract a reduced corporation tax rate from as low as 10%. The importance of successful R&D cannot be underestimated and, as Sir James Dyson recently wrote it is essential that engineers should both invent new technology and also evolve existing ones and that "too much focus on one and not the other you risk stagnation", whilst "investment into research and development, old and new, is the surest bet a technology company can make". I am pleased to say this is the ethos that Plexus has been pursuing for many years and will most certainly continue to do so, and which longer term we believe will take us into new markets such as geothermal, fracking, and CO2 storage where long-term seal performance is so important.

We are confident that we can fund such activities through existing cash resources, increased cash flow from operations, and that we will continue to operate comfortably within our established bank facilities which are currently £6.0m with Bank of Scotland Corporate.

#### Staff

On behalf of the Board, I would like to thank all our employees for their dedication and hard work during another successful year that has not only delivered record financial results but, importantly, has also seen us increase our staff numbers by a quarter as we continue to expand our organic business activities and progress various strategic initiatives to meet growing industry support for and acceptance of our friction-grip method of engineering. In addition to welcoming our new employees, I would also like to welcome Christopher Fraser as a non-executive director to the board who has the experience to help us navigate the various international regulatory and legislative initiatives that are being placed on our industry.

#### Outlook

As this year's results have demonstrated, the benefits that POS-GRIP wellhead equipment and friction-grip technology can deliver to major oil and gas operators are becoming increasingly clear and better understood, not just by our expanding customer base but also by regulators and industry partners.

This progress is taking place against a global back-drop where the growing demand for energy is underpinning the need for increased exploration and production activity, as evidenced by higher capital expenditure projections than previously reported in key regions of the world, and in particular Europe and Asia which we see as important markets for Plexus over the coming years. In Asia we recently incorporated a Brunei subsidiary, Plexus Ocean Systems (Brunei) Sdn Bhd, to build on the on-going business we have secured with Brunei Shell Petroleum, and are strengthening and expanding our interests in Malaysia, as well as looking at establishing a base in Singapore. Positive geo-political developments include the opening up of new acreage such as more than 68,000 sq. miles in the Barent Sea following the settlement of a forty year dispute between Russia and Norway, and the recently announced tax allowances for the North Sea to encourage the successful extraction of the remaining estimated 24 billion barrels of oil and gas. Recovering these UK reserves is technically demanding and ever more expensive and, therefore, it is important to deliver investment conditions that allow the UK to compete against other less costly regions in the world. With this in mind it was gratifying to hear the Chancellor speak of the government's "absolute determination to get more investment in the North Sea, a huge national asset". Furthermore, a recent North Sea licencing round attracted 224 applications covering 418 blocks of the UK Continental Shelf, and it was reported that the UK Department of Energy and Climate Change believes it was the largest licensing round that it has seen since beginning offshore licencing in 1964. This certainly bodes well for increased exploration activity over the coming years in the UK, a region which accounted for 47% of our sales during the year.

As shareholders will note, a number of organic, strategic, and geo-political factors are combining together to reinforce our positive view of the future, which in turn is being reflected by our existing order book, and recent post period end contract awards, providing us with excellent visibility for the current year. This level of activity

### Chairman's Statement continued

has to be balanced with our ability to execute in terms of staffing, infrastructure and inventory levels as these directly influence our organic growth rate. We are addressing such constraints by continuing to invest significantly in capacity expansion and therefore we expect to see on-going steady organic growth in sales and profitability, whilst at the same time progressing various strategic projects which have the potential of being transformational in terms of shareholder value.

A good summary of the reasons for the increasingly exciting prospects for an innovative oil services company like Plexus with a suite of patented proprietary technology was provided recently by the head of KKR's energy group in Europe following their acquisition of a 52% interest in offshore oil and gas services group Acteon Group Ltd when he said – "as exploration and production shifts into more complex environments, like deepwater offshore, the oil and gas industry will increasingly need more third-party expertise and specialised services". Such developments support our view that we will in the future be able to secure the interest of potential licencees and alliance partners as a way of accelerating the roll out of our technology. The 16.3% proposed final dividend increase is a clear indication of the Board's positive view of the future.

#### J Jeffrey Thrall

Non-Executive Chairman
15 October 2012

### **Chief Executive's Review**

Plexus has continued to make strong progress in the second half of the year and this, combined with an excellent second half performance, has resulted in record revenues and profits for the Group. These results have been achieved against a back-drop of continuing volatility in oil prices that, according to Oil and Gas UK, has seen the price for Brent crude oil swing from USD\$127 a barrel in May 2011 in response to the Arab uprisings, up from a low of USD\$93 in January 2011, and then fall by 25% in early June 2012 compared with its peak earlier in the year.

Despite a challenging macro environment, Plexus' sales increased both in the UK continental shelf ('UKCS') where sales rose by 27.3% to £9.17m compared to £7.21m last year, and the Norwegian North Sea and Netherlands where sales grew 233.3% to £7.01m compared to £2.10m last year. This success has been largely driven by the growing reputation of our HP/HT rental wellhead equipment where the operational, safety, and time saving advantages are becoming more obvious to the oil and gas operators leading to an increase in repeat business activity and the winning of new customers. It is also pleasing to note that the vibrant Asia region also saw growth in revenues to £1.34m compared to £0.83m last year, an increase of 63.4%.

The financial progress made during the year must importantly be considered alongside various strategic and commercial initiatives both on-going and newly launched. Such initiatives will, I believe, deliver considerable shareholder value over the coming years and are supported by our cash generative rental business model where we are pursuing a strategy of considered and controlled growth that balances infrastructure, personnel, and operational efficiencies. The most significant contract wins which underpin our forward order book were as follows:

- July 2011 contract signed to supply Niko Resources Limited in Trinidad, with a value of between £1m and £3.25m
- August 2011 HP/HT contract win with Gaz de France Suez E&P Ltd for the North Sea with a value of £1.7m
- August 2011 fourth successive two year framework agreement signed with Transocean Drilling U.K. Limited for the supply of standard 10,000 psi wellhead equipment to Applied Drilling Technology International ('ADTI') with an estimated value of £2m
- September 2011 new customer win via Vantage Drilling Company Inc. to supply HP/HT wellhead equipment to the major Malaysian oil and gas operator with a value in excess of \$1m
- September 2011 second contract with Centrica Energy for an HP/HT well in the North Sea with a value of £800k
- December 2011 new customer win with Santos Ltd for the supply of HP/HT equipment with a value of £800k, which is the second contract in Australia
- April 2012 contract with Bowleven plc for supply of HP/HT equipment in Cameroon with a value of £1.05m
- May 2012 following on from a five year framework agreement signed in 2006 BG International Ltd ordered additional 20,000 psi X-HP/HT wellhead equipment for the North Sea with a value of £1.3m

Post year end, we continue to be very encouraged by the level of new enquiries and this activity supports our ongoing organic growth plans, particularly in terms of continued high levels of capital expenditure, where we plan to increase the number of HP/HT wellhead sets in our rental inventory by a record number over the next twelve months:

- October 2012 Brunei Shell Petroleum Sdn Bhd have awarded a further four year contract for the supply of HP/HT and standard pressure wellhead systems for a multi-well exploration programme in Brunei. The value of the initial contract is already estimated at £2m over the next eighteen months
- October 2012 Talisman Energy Inc. contract for a standard pressure and an HP/HT well in the Norwegian North Sea with a value of £1.15m
- October 2012 new customer Lotos Exploration and Production Norge AS contract for supply of HP/HT equipment in the Norwegian North Sea with a value of £1m

### Chief Executive's Review continued

The most notable business and strategic developments during the period fall into three broad categories: the growing importance of increased regulatory scrutiny; subsea; and POS-GRIP IP leveraging which together create significant commercial opportunities for our proprietary technology. Of particular relevance is the fact that there is now a worldwide focus on creating and delivering the safest standards possible to address real concerns about safety issues relating to personnel and the environment. As Oil and Gas IQ recently reported post the Gulf of Mexico incident, "it is an inescapable reality that HP and/or HT drilling environments could pose significant dangers to people, property and the natural world" and that "these risks make equipment more likely to fail, which may lead to pressure issues and spills…".

These circumstances have led to an increase in the declared need for operators to select BAST which has in turn heightened interest in our POS-GRIP method of engineering and increased receptiveness as to how we can expand our success with jack-up exploration activities at the surface to other applications, particularly subsea. This combination of factors enables us to report a number of related developments as follows:

- July 2011 award of a £0.5m engineering design contract by Wintershall Noordzee B.V. for the development of an HP/HT subsea wellhead crossover system that will enable Wintershall to complete and then produce from a previously drilled temporarily abandoned exploration well
- August 2011 new customer Dana Petroleum PLC contracts for the supply of standard pressure wellhead equipment also with subsea crossover to production well capability, initially for one well, with an approximate value of £0.25m The enabling abilities of POS-GRIP technology means that a surface wellhead, surface BOP and casing riser are used, eliminating the requirement for a high pressure drilling riser or a subsea BOP, delivering significant time and cost savings
- December 2011 signed licensing, manufacturing, distribution, and agency agreement with Breda for the supply and servicing of POS-GRIP products worldwide to Italian oil and gas major ENI S.p.A
- January 2012 Maersk agreed to contribute £0.26m towards the development and final testing of our HP/HT Tie-Back wellhead system development JIP programme
- June 2012 £6.0m three year agreement with a leading oil and gas operator for the supply of HP/HT relief well standby equipment and drilling equipment which forms part of contingency planning in the event that a relief well is needed during their oil and gas development programme in the UK North Sea
- June 2012 ENI S.p.A and Oil States Industries Inc. join existing consulting partners Shell International Exploration and Production B.V., Maersk, Wintershall Noordzee B.V., and Tullow Oil plc as members of the Plexus new HGSS subsea wellhead design JIP, the objective of which is to develop and commercialise a new and safer subsea wellhead utilising Plexus' patented POS-GRIP technology

These initiatives bode well for future business opportunities, development, and growth. The combination of current organic and strategic activities are ensuring that our POS-GRIP technology is making real progress in persuading the industry that we offer a very real alternative to established conventional wellhead systems, and one which we have demonstrated is genuinely safer and better. During the year, we also had the opportunity to promote these technical advantages at the bi-annual international "Offshore Europe" trade show that took place in Aberdeen in September 2011. Plexus had one outdoor and one indoor stand and it was gratifying to see a tremendous level of interest in our method of engineering and wellhead equipment. In addition the quality of the operating systems and procedural capabilities at our Aberdeen facility were demonstrated in April 2012 by the award of two API Monogram Programme licences so that all equipment designed and manufactured in accordance with these licences can now be stamped with an API Monogram which can be helpful in some markets.

The momentum generated throughout the year has delivered a record set of results with a 27.8% year on year revenue increase resulting in sales of £19.71m, out of which rental of HP/HT exploration equipment accounted for the majority at £16.11m, an increase of 51.4% over the prior year. The fast growing HP/HT business activities, supported by the growth in the number of new HP/HT capable jack-up rigs coming into service, helped to further increase gross margins to 70.9% as compared to 60.1% last year, while EBITDA increased by 33.0% to £6.24m from £4.69m. Profits before tax increased by 96.8% to £3.09m compared to £1.57m last year and profit after tax increased 95.9% to £2.43m, against £1.24m last year. The spread of sales by territory

### Chief Executive's Review continued

continued to ensure that the UK accounted for less than half of sales at 47%, with Europe at 36%, Asia 7%, Africa 6%, Americas 3%, and Australia 1%.

As I have always stressed it is essential with the introduction of a new technology into a major market such as the oil and gas industry (which is known to be slow moving where the adoption of new technology is concerned), that our growth strategy is properly supported by necessary investment in people and infrastructure. It is no good being able to win contracts and then have difficulties fulfilling them and not meeting the needs of the customer. Significant investment, therefore, continues to be made in supporting our operational activities, particularly in the areas of IT hardware and software, and human resources in organisation, development, communication, recruitment, as well as competency and training disciplines. For these reasons, our total overheads increased as planned to £10.78m from £7.59m in the previous year, and our employee headcount increased to 113 at the year end as compared to 91 in the prior year. This increase was a great achievement in what is recognised as being one of the tightest labour markets and our employee numbers will be increased further in line with our planned organic and strategic growth activities. Alongside overhead and staff costs, we also continued with our capital expenditure programme of which the biggest element is the addition of new rental wellhead sets, and where year on year capex spend increased by 97.6% to £4.62m compared to £2.34m last year. Significant capex spend will continue in 2012/13 as we continue to add to our rental wellhead inventory to help meet customer demand. A further important element which has always been a key component in the development of Plexus is R&D spend which, (inclusive of new test fixtures) totalled £1.38m, a 104.6% increase over the £0.67m in the prior year.

In summary, I am extremely pleased with this record set of results which have been achieved as a result of increasing organic activity combined with various strategic initiatives which together enabled Plexus to advance its reputation and gain market share which is key to the future growth of our company. Such progress is being made at a time when the oil and gas industry is entering a new phase in which it faces greater challenges than ever before in terms of operating in more extreme environments (of which the Artic is a good example), whilst at the same time having to embrace new health and safety standards and regulatory scrutiny. This new paradigm is helpful for an innovative technology such as POS-GRIP as it encourages the support of the industry and lowers barriers to entry in terms of the willingness of operators and standard setters to consider and assess the development and adoption of superior proprietary technology. In addition to moving from surface to subsea, I am confident that the unique features and benefits of our non rotational method of engineering in terms of operational performance, safety, and time savings has the potential to expand our target markets to areas outside traditional oil and gas including fracking, CO2 storage, and geothermal where long term metal-to-metal sealing is essential. I am further encouraged by a step-up in activity amongst exploration and production ('E&P') companies around the world, and indeed the "Barclays Global 2012 E&P Spending Outlook" reported that global E&P spending in 2012 will increase to circa USD\$600 billion versus USD\$544 billion in 2011. I am in no doubt that these positive developments will help ensure that Plexus and POS-GRIP will continue to play an increasingly important role in the supply of wellhead technology and equipment and that this is likely to be, at some point in the future, in conjunction with suitable industry partners, as our first licencing agreement with Breda has demonstrated.

#### Ben van Bilderbeek

Chief Executive 15 October 2012

## **Financial Review**

#### Revenue

Revenue for the year was £19.71m, up 27.8% from £15.42m in the previous year, reflecting a strong sales performance underpinned by a series of on-going and new contract wins including the gaining of new customers in new territories around the world.

The rental of exploration wellhead equipment and related equipment and services accounted for over 92.9% of revenue which was essentially unchanged from last year and which continues to reflect the fact that the company's business model is currently centred on the supply of rental exploration equipment and services as opposed to sold production well equipment. This is anticipated to change over the coming years as the Group begins to extend the reach of its POS-GRIP technology beyond the rental of surface wellhead equipment. HP/HT equipment sales generated the largest year on year sales increase of £16.11m up from £10.64m last year, an increase of 51.4%, and accounted for 81.7% of total sales. This growth resulted from the increase in demand for our equipment and services from our broadening customer base combined with our greater ability to meet that demand as we continue to invest in building our HP/HT wellhead set rental inventory fleet. Standard pressure equipment sales reduced by 35.2% to £2.35m from £3.63m in the prior year, and accounted for 11.9% of total sales. This decline reflected the UKCS reduced exploration activity during the period, and which in 2011 according to Oil & Gas UK was 50% less than 2010 making it the lowest year for exploration since the mid-1960s. This decline is anticipated to reverse in the future. This year, revenues of £0.70m were generated by engineering and testing as opposed to none last year as tangible customer support for the on-going development of our technology continues to gather momentum.

#### Margin

Gross margins have increased strongly to 70.9% from 60.1% in the previous year as HP/HT rental activity continues to dominate sales and generate higher margins than low pressure equipment contracts, and as operational efficiencies flow through as a result of increased sales revenues. Further margin enhancing factors include lower equipment refurbishment costs for on-going contracts where equipment has not yet had to be returned to the Plexus Aberdeen facility and where costs related to equipment mobilisation and logistics are inevitably lower.

#### Overhead expenses

As anticipated overhead expenses have increased to provide the necessary additional infrastructure and personnel to support various new product development projects, and in particular the new subsea wellhead as well as increasing numbers of customers around the world. This resulted in total overheads increasing to £10.78m from £7.59m in the previous year, of which overhead staff costs increased to £4.81m from £3.39m, demonstrating the need to ensure that the Group's increased activity levels are able to be managed in line with customer and operational requirements. The staff cost increase can be clearly seen in the employee headcount which at the year end was 113 compared to 91 for the prior year, an increase of 24.2%. Other items which increased significantly year on year as a result of the increased activity levels and staff increases were recruitment fees, training, travel and subsistence, rent and rates, freight and couriers.

### **EBITDA**

EBITDA for the year (before IFRS2 share based payment charges of £0.25m) was ahead of market expectations at £6.24m, increased from £4.69m (before IFRS2 share based payment charges of £0.19m) the previous year, an increase of 33.0%. EBITDA margin for the year was also higher at 31.6% as compared to 30.4% last year. This further strong EBITDA performance was delivered as a result of a combination of higher margins associated with HP/HT rental activity, operational efficiencies gained from on-going contracts, and the proprietary nature of the Plexus POS-GRIP friction-grip technology which has the advantage of delivering enhanced safety, operational, and time saving advantages which customers value.

#### Profit before tax

Profit before tax increased significantly to a record £3.09m compared to a profit last year of £1.57m, an increase of 96.8%. This increase has been achieved after absorbing rental asset and other property, plant and equipment

### Financial Review continued

depreciation and amortisation charges of £2.71m, down marginally from £2.83m last year, and which in particular continues to reflect the on-going investment in Plexus' rental inventory. The profit before tax is stated after an IFRS2 charge for share based payments under reporting standard IFRS 2; the charge for the full year is £0.25m compared to £0.19m last year.

#### Tax

Group UK Corporation Tax resulted in a tax charge of £0.66m for the year as compared to £0.33m for the prior year. The Group has provided for a charge to UK Corporation tax at a rate of 21% for the full year, which continues to be below normal corporation tax rates mostly as a result of R&D related tax credits resulting from the Group's continued investment in and development of its proprietary technology.

#### **EPS**

The Group reports basic earnings per share of 2.99p compared to 1.55p in the prior year, an increase of 92.9%.

#### **Cash and Statement of Financial Position**

The statement of financial position reflects the growth in operations during the year. The net book value of property, plant and equipment including items in the course of construction increased by 14.4% to £9.14m compared to £7.99m last year. Capital expenditure on tangibles totalled £3.47m compared to £1.64m last year, an increase of 111.6%. Of this significant increase £2.49m was for the addition of three more HP/HT wellhead equipment sets as a result of a necessary step up in capital expenditure levels to meet increased order levels. Receivables increased to £6.05m as compared to £3.54m. Net bank borrowings closed at £0.26m compared to £0.56m last year reflecting net cash inflow for the year of £0.3m after absorbing a significant increase in total capital expenditure of £4.62m (2011: £2.34m), and receipt of £1.68m from the placing of new shares in January 2012. This compares to net cash inflow of £2.34m last year. In recognition of the continuing difficulties in the credit markets and the constraints on banks' lending capacities the Group has decided to retain its existing £6.0m lending facilities structure with Bank of Scotland Corporate. These facilities are anticipated to be more than adequate to meet on-going capital expenditure, R&D, and related project commitments.

#### **Intellectual Property**

The Group carries in its statement of financial position goodwill and intangible assets of £8.52m, increased from £7.89m last year reflecting the Group's on-going investment in the development of its POS-GRIP technology. 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.

### **Research and Development**

Significant on-going R&D investment continues to play a key role in Plexus' future growth plans both for existing wellhead equipment sales activities, and the on-going development of new patent initiatives for the Group's proprietary method of engineering in conjunction with various product design and development programmes that utilise and incorporate the unique advantages of POS-GRIP technology. A key example of this strategy is the important JIP for the development of a new POS-GRIP HGSS subsea wellhead design which was launched in response to the 2010 incident in the Gulf of Mexico, and which is planning to deliver specific safety, operational, and cost saving features in a way that conventional equipment does not. The R&D investment being made in this project has been validated by a number of major international oil and gas operators joining the JIP as consulting partners and they are contributing their experience and future requirements to the design and development process. A second project is the HP/HT Mudline Tie-Back wellhead system product which has benefitted from Maersk Oil North Sea UK Limited contributing £0.26m towards the final development stage and on-going testing. A third project is a £0.5m design project for a subsea wellhead HP/HT crossover system for Wintershall Noordzee B.V. R&D spend increased by 104.6%, including cost of building new test fixtures, to £1.38m from £0.67m in the prior year, and is expected to continue during the 2012/13 financial year.

## Financial Review continued

### IFRS 2 (Share Based Payments)

IFRS2 charges have been included in the accounts, 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 £0.25m which compares to £0.19m last year.

#### **Dividends**

The Company announced on 29 March 2012 the payment of an increased interim dividend of 0.39p per share which was approved for payment on 27 April 2012.

In further recognition of the Group's on-going progress the Directors have decided to propose a 16.3% increase in the final dividend of 0.5p per share for the year ending 30 June 2012 compared to 0.43p last year, which will be recommended for formal approval at the Annual General Meeting to be held on 28 November 2012. Subject to this the dividend will be paid on 14 December 2012.

#### **Graham Stevens**

Finance Director

15 October 2012

### **Board of Directors**

### Jerome Jeffrey Thrall BBA MBA (aged 62), Non-Executive Chairman

Jeff joined Thrall Enterprises, Inc. ('TEI'), a family owned holding company headquartered in Chicago, USA, in 1980 as vice president of corporate development of TEI's subsidiary, Nazdar Company, a manufacturer and distributor of screen printing and digital inks and supplies. Jeff was named President of TEI in 1995. Jeff is also Managing Director of GSI Technologies, a printer of functional electronic products and industrial graphics. Prior to joining TEI, Jeff's professional career included a number of appointments in investment banking, commercial lending and administration.

#### Bernard Herman van Bilderbeek BSc M.Eng (aged 64), Chief Executive

Ben founded the Plexus business in 1986. He has more than 35 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. In 1996 Ben regained the Plexus Ocean Systems Limited name through which POS-GRIP technology was invented and then developed and commercialised for the oil services wellhead equipment market.

#### Graham Paul Stevens BA (Hons) (aged 54), Finance Director

Graham has broad experience in financial, corporate, and operational management within both public and private companies including J Sainsbury plc, BSM Group Limited, Sketchley Group plc, and Fii Group plc. He has been involved in a range of industries as a director, investor, and advisor, and overseen a number of acquisitions and disposals, as well as the implementation of turn around and growth strategies. Graham is a non-executive director of Netplay TV PLC, the AIM listed largest UK interactive TV gaming company. He was previously a non-executive director of NRX Global Inc. the worldwide leader in Asset Information Management solutions used by leading companies in asset intensive industries, including oil and gas.

### Craig Francis Bryce Hendrie M.Eng(Oxon) (aged 39), Technical Director

After gaining a Masters Degree in Engineering Science from the University of Oxford, Craig began his career with ICI plc in 1996 as a machines engineer. He joined Plexus in 1998 and was instrumental in the development, testing and analysis of the original POS-GRIP products. Craig is now Managing Director of Plexus in Aberdeen and is also responsible for overseeing new technology and concept development, product testing and analysis and day to day operations of the company.

#### Geoffrey Edmund Thompson BSc (Hons) M.Eng (aged 58), Non-Executive Director

Geoff has over 37 years' experience in the international oil and gas arena. Geoff's expertise lies in the field of wellhead equipment including high pressure high temperature (HP/HT) technology. He has recently joined Maersk Oil in Denmark as a Principal Drilling Equipment Engineer, but prior to this, he was contracted as an independent consultant for 31 years advising international operators and oil service companies including a number of Shell Group Operating Companies on well equipment and all mechanical aspects of well design and technology. Additionally Geoff has an established relationship with the Company having worked with Plexus on an independent basis previously.

#### Christopher James Watts Fraser (aged 49), Non-Executive Director

Christopher has experience in managing large, diverse corporate projects in complex business environments on a global scale. His wide-ranging career includes two terms as a Member of Parliament, as well as a number of years as a management consultant and corporate advisor. Christopher also founded and ran an international marketing and communications group, which had clients in the oil and gas sector.

# **Directors' Report**

The directors present their annual report together with the audited financial statements for the year ended 30 June 2012.

#### **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 417 of the Companies Act 2006 ('the 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 4 and the Chief Executive's Review on page 8. In addition the Financial Review on page 11 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 11, and the Directors' Report on page 15 meet this requirement. The directors have provided a description of the principal risks and uncertainties facing the Group in the Corporate Governance Report on page 18.

#### Research and development

The Group actively engages in an on-going research and development programme designed to expand and develop the range of commercial applications deriving from its proprietary POS-GRIP technology. For the year research and development expenditure including the cost of building new test fixtures totalled £1.38m (2011: £0.67m), being amounts expensed through the Statement of Comprehensive Income and capitalised on the Statement of Financial Position during the year.

#### Results and dividends

The results for the year, showing a profit before taxation of £3.09m (2011: £1.57m), are set out on page 27.

The directors have proposed a final dividend for the year ended 30 June 2012 of 0.5p per share (2011: 0.43p).

### **Key performance indicators**

Details and review of key performance indicators are included within the Financial Review on page 11.

#### 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 18.

### **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.

# **Directors' Report** continued

#### 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.

#### **Future developments**

Details of future developments are provided within the Chairman's Statement on page 4.

#### **Director's 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 2012 were as follows:

	Number of	Number of
	<b>Ordinary Shares</b>	<b>Ordinary Shares</b>
	of 1p each	of 1p each
	2012	2011
J Jeffrey Thrall <sup>1</sup>	59,400,001	60,700,001
Ben van Bilderbeek <sup>2</sup>	58,700,001	60,000,001
Graham Stevens	12,600	12,600
Craig Hendrie	12,600	12,600
Geoff Thompson	_	_
Christopher Fraser (appointed 15 March 2012)	_	n/a
Robert Adair (retired 28 February 2012) <sup>3</sup>	n/a	3,505,425

- 1. Jeffrey Thrall, in addition to his own beneficial interest of 700,000 ordinary shares held by Thrall Enterprises, has an indirect beneficial interest in a company which controls 23.625% of Mutual Holdings Limited. The number of shares held by Mutual Holdings Limited in the Company is shown in the table above.
- 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. Robert Adair was interested by way of being life tenant of a settlement of which he is a trustee and as a director of Skye Investments Limited.

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. Hendrie will retire by rotation at the Annual General Meeting and, being eligible, will offer himself for re-election.

Mr. Fraser will retire at the Annual General Meeting having been appointed during the year and, being eligible, will offer himself 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 58,700,001	70.9
J M Finn Nominees Limited 5,142,776	6.2
BlackRock Investment Management 3,029,429	3.7

## 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 21.

# **Directors' Report** continued

### 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 2012 were 43 days and 35 days respectively (2011: 48 days and 31 days respectively), calculated in accordance with the requirements set down in the Act. 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 subsequent to 30 June 2012

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 auditor is 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 auditor is aware of that information.

#### **Annual General Meeting**

The Annual General Meeting of the Company will be held on 28 November 2012. 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 8 (inclusive) there are two items of special business, namely the proposed resolutions numbered 9 and 10, the effects of which are to renew the authority given to the directors to allot shares comprised in the authorised, but un-issued share capital of the Company, to authorise the Company to make market purchases, of shares and, to dis-apply pre-emption rights. Your attention is drawn to the Notes on each of these resolutions at the foot of the Notice and to the Notes generally.

#### **Auditors**

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

### **Company number**

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

By order of the Board

**Douglas Armour FCIS** 

Company Secretary

15 October 2012

# **Corporate Governance Report**

#### Introduction

Although the rules of AIM do not require the Company to comply with the UK Corporate Governance Code (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 in respect of each meeting 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 2012 the Board met a total of six times.

#### **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, J. Jeffrey Thrall and Christopher Fraser 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 2012 the Audit Committee met on two occasions.

### **Remuneration Committee**

The Remuneration Committee comprises two Non-executive Directors, J. Jeffery Thrall and Christopher Fraser 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 2012 the Remuneration Committee met on four occasions.

#### Retirement and re-election

Mr. Hendrie is to retire by rotation at the Annual General Meeting and, being eligible, will offer himself for re-election.

Mr. Fraser, having been appointed during the year, is required under the articles of association of the Company to retire at the next Annual General Meeting following his appointment and, being eligible, may offer himself for re-election. A resolution for his re-election will be proposed at the Annual General Meeting.

## Corporate Governance Report continued

#### **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) to provide further information to shareholders.

#### **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 24.

#### 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 appropriate 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.

## Corporate Governance Report continued

#### 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. As a supplier to the industry we in turn can be adversely affected by such events. To help address such risks, the Group has continued to expand its geographic footprint and customer base.

#### (b) Technology

The Company is still at a relatively early stage in the commercialisation, marketing and application of its technology, particularly with regard to new product developments. 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 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.

#### (d) Liquidity and finance requirements

In an economic climate that remains volatile and unpredictable it has become increasingly possible for both existing and potential sources of finance to be closed to businesses for a variety of reasons that have not been an issue in the past. Some of these may even relate to the lender itself in terms of its own capital ratios and lending capacity. Although this is a potential risk the Group took appropriate steps during the year to mitigate this risk by successfully renewing and extending its bank facilities with Bank of Scotland Corporate.

### Risk assessment

The Board has established an on-going 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 J. Jeffrey Thrall and Christopher Fraser, and is required to meet at least once a year.

#### **Remuneration policy**

Remuneration packages are designed to be competitive. Executive Directors receive salary, annual bonuses, share options, medical cover and a pension scheme to which the Group makes contributions.

#### **Service contracts**

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

#### **Pensions**

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

#### **Non-executive Directors**

The Non-executive Directors entered into Letters of Appointment with the Company dated 25 November 2005 for an initial term through to the first AGM and having all been re-elected as directors either party can terminate upon three months' notice being given. The subsequently appointed Non-executive Directors, Geoff Thompson and Christopher Fraser, entered into their Letters of Appointment with the Company dated 8 June 2010 and 15 March 2012 respectively, and, in the case of Geoff Thompson, having been re-elected as a director at the AGM held in 2010, is subject to the same termination conditions as applicable to his fellow Non-executive Directors.

### **Directors' remuneration (audited information)**

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

	Short-	Term	Post-	Share-		
	Employee		Employment	Based		
	Be	nefits	Benefits	Payment		
				IFRS 2		
				Charge		
				for Share		
	Salary	Benefits	Pension	Options	2012	2011
	£	£	£	£	Total	Total
<b>Executive Directors</b>						
Ben van Bilderbeek	402,328	10,182	_	34,178	446,688	293,480
Graham Stevens	237,532	6,833	20,673	21,686	286,724	185,967
Craig Hendrie	255,060	746	21,657	22,029	299,492	188,866
Non-executive Directors						
Robert Adair	19,479	_		_	19,479	27,500
J Jeffrey Thrall	25,061	_		_	25,061	22,000
Geoff Thompson	20,000	_		12,540	32,540	32,506
Christopher Fraser	8,750	_	- –	_	8,750	_
Augusto Da Mota						14,667
Total	968,210	17,761	42,330	90,433	1,118,734	764,986

# Remuneration Committee Report continued

### **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**

								No of		
No of			No of			No of		Options		
Options	Granted	Lapsed	Options	Granted	Lapsed	Options	Date	Vested		Exercise
At	During	During	At	During	During	At	of	At	Expiry	Price
30/06/10	10/11	10/11	30/06/11	11/12	11/12	30/06/12	Grant	30/06/12	Date	(£)
388,304	_	_	388,304	_	_	388,304	09/12/05	388,304	08/12/15	0.59
65,902	_	_	65,902	_	_	65,902	20/06/07	65,902	19/06/17	0.385
332,110	-	-	332,110	_	_	332,110	17/12/09	205,676	16/12/19	0.41
_	169,642	-	169,642	_	_	169,642	25/03/11	_	24/03/21	0.60
254,407	-	-	254,407	_	_	254,407	09/12/05	254,407	08/12/15	0.59
43,177	_	-	43,177	_	_	43,177	20/06/07	43,177	19/06/17	0.385
217,795	_	_	217,795	_	_	217,795	17/12/09	134,881	16/12/19	0.41
-	101,042	-	101,042	_	_	101,042	25/03/11	_	24/03/21	0.60
254,407	_	_	254,407	_	_	254,407	09/12/05	254,407	08/12/15	0.59
43,177	-	-	43,177	_	_	43,177	20/06/07	43,177	19/06/17	0.385
217,795	_	-	217,795	_	_	217,795	17/12/09	134,881	16/12/19	0.41
_	105,853	_	105,853	_	_	105,853	25/03/11	_	24/03/21	0.60
	Options At 30/06/10 388,304 65,902 332,110  254,407 43,177 217,795  254,407 43,177 217,795	388,304 - 65,902 - 332,110 - 169,642 254,407 - 43,177 - 217,795 - 101,042 254,407 - 43,177 -	Options Granted At During 30/06/10 10/11 10/11 388,304	Options Granted At During At 30/06/10         Lapsed During At 30/06/11         Options At 30/06/11           388,304         -         -         388,304           65,902         -         -         65,902           332,110         -         -         332,110           -         169,642         -         169,642           254,407         -         -         254,407           43,177         -         -         43,177           217,795         -         -         217,795           -         101,042         -         101,042           254,407         -         -         254,407           43,177         -         -         43,177           217,795         -         -         217,795	Options Granted At During         Lapsed During         Options Granted At During           30/06/10         10/11         10/11         30/06/11         11/12           388,304         -         -         388,304         -           65,902         -         -         65,902         -           332,110         -         -         332,110         -           - 169,642         -         169,642         -           254,407         -         254,407         -           217,795         -         217,795         -           - 101,042         -         101,042         -           254,407         -         254,407         -           43,177         -         254,407         -           43,177         -         43,177         -           217,795         -         217,795         -           217,795         -         217,795         -	Options Granted At During         Lapsed During During         Options Granted During At During         Lapsed During During           30/06/10         10/11         10/11         30/06/11         11/12         11/12           388,304         —         —         388,304         —         —           65,902         —         —         65,902         —         —           332,110         —         —         332,110         —         —           —         169,642         —         —         —           254,407         —         —         254,407         —         —           43,177         —         —         217,795         —         —           —         101,042         —         —         —           254,407         —         —         254,407         —         —           43,177         —         —         254,407         —         —           43,177         —         —         254,407         —         —           43,177         —         —         254,407         —         —           254,407         —         —         254,407         —         —	Options Granted At During At During 30/06/10         Lapsed During 10/11         Options Granted During At During 20/11         Lapsed During At During 20/11         Options Granted During 20/11         Lapsed During 20/11         At During 20/11         During 20/11         At During 20/11         During 20/11         At During 20/11/21         At During 20/11/21         At 30/11/21         At 30/11         At 30/11	$\begin{array}{c ccccccccccccccccccccccccccccccccccc$	No of Options Granted Options Granted At During At 30/06/10         Lapsed During At 10/11         During Options Granted At During Options O	Options Granted At During At During 30/06/10         Lapsed During 10/11         Options Granted During At During 30/06/12         Lapsed During During At During 30/06/12         Options Grant At During 30/06/12         Date State At During 30/06/12         At During 30/06/12         At During At During 30/06/12         At During 30/06/17         At During

### Non-executive 2005 Share Option Scheme

									No of		
	No of			No of			No of		Options		
	Options	Granted	Lapsed	Options	Granted	Lapsed	Options	Date	Vested		Exercise
	At	During	During	At	During	During	At	of	At	Expiry	Price
Name	30/06/10	10/11	10/11	30/06/11	11/12	11/12	30/06/12	Grant	30/06/12	Date	(£)
R. Adair	80,339	_	_	80,339	n/a	n/a	n/a	09/12/05	n/a	08/12/15	0.59
A. Da Mota	60,254	n/a	n/a	n/a	n/a	n/a	n/a	09/12/05	n/a	08/12/15	0.59
J. Thrall	40,169	_	-	40,169	_	-	40,169	09/12/05	40,169	08/12/15	0.59
G. Thompson	100,000	_	_	100,000	_	_	100,000	08/06/10	28,600	07/06/20	0.60
No options are ex	epected to la	pse at the	AGM.								

The exercise of the options granted on 17 December 2009 and 8 June 2010 are subject to the following vesting conditions being satisfied:

Date Option capable of exercise	Number of Shares over which Option could be capable of exercise depending on TSR Growth
14 days after Company Annual General Meeting (AGM) following end of First Assessment Period – 1 July 2009 to 30 June 2010	Up to $\frac{1}{3}$ of Shares under Option
14 days after Company AGM following end of Second Assessment Period – 1 July 2010 to 30 June 2011	Up to $\frac{1}{3}$ of Shares under Option
14 days after Company AGM following end of Third Assessment Period – 1 July 2011 to 30 June 2012	Up to $\frac{1}{3}$ of Shares under Option
14 days after Company AGM following end of Complete Assessment Period – 1 July 2009 to 30 June 2012	Up to all Shares under Option LESS Annual Shares already capable of exercise.

# Remuneration Committee Report continued

The exercise of the options granted on 25 March 2011 are subject to the following vesting conditions being satisfied:

Date Option capable of exercise	Number of Shares over which Option could be capable of exercise depending on TSR Growth
14 days after Company Annual General Meeting (AGM) following end of First Assessment Period – 1 July 2010 to 30 June 2011	Up to $\frac{1}{3}$ of Shares under Option
14 days after Company AGM following end of Second Assessment Period – 1 July 2011 to 30 June 2012	Up to $\frac{1}{3}$ of Shares under Option
14 days after Company AGM following end of Third Assessment Period – 1 July 2012 to 30 June 2013	Up to $\frac{1}{3}$ of Shares under Option
14 days after Company AGM following end of Complete Assessment Period – 1 July 2010 to 30 June 2013	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 year to 30 June 2012 was 49.25p on 9 August 2011, and the high in the period to 30 June 2012 was 128p on 4 May 2012. The mid-market price on 30 June 2012 was 118p.

# 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 financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the Group and of the profit of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union;
- 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 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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). Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

We have audited the group financial statements of Plexus Holdings plc for the year ended 30 June 2012 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows and the related notes numbered 1 to 27.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report, Chairman's Statement, Corporate Governance Report and Remuneration Committee Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's affairs as at 30 June 2012 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

# Independent Auditor's Report to the Shareholders of Plexus Holdings plc cont.d

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Other matter

We have reported separately on the parent company financial statements of Plexus Holdings plc for the year ended 30 June 2012.

### **Matthew Stallabrass**

Senior Statutory Auditor for and on behalf of Crowe Clark Whitehill LLP, Statutory Auditor London 15 October 2012

# **Consolidated Statement of Comprehensive Income**

for the year ended 30 June 2012

	Notes	2012 £'000	2011 £'000
Revenue Cost of sales	2	19,706 (5,727)	15,421 (6,152)
Gross profit Administrative expenses		13,979 (10,770)	9,269 (7,594)
Operating profit	4	3,209	1,675
Finance income	6	8	16
Finance costs	7	(129)	(121)
Share of loss of associate		_	(1)
Profit before taxation	4	3,088	1,569
Income tax expense	8	(657)	(326)
Profit after taxation and total comprehensive			
income for the year attributable to the owners of the parent		2,431	1,243
Earnings per share	10		
Basic		2.99p	1.55p
Diluted		2.92p	1.53p

All income arises from continuing operations

# **Consolidated Statement of Financial Position**

at 30 June 2012

	Notes	2012 £'000	2011 £'000
Assets			
Goodwill	11	760	760
Intangible assets	12	7,762	7,128
Financial assets	13	60	60
Property, plant and equipment	15	9,145	7,992
Deferred tax assets	8	473	
Total non-current assets		18,200	15,940
Inventories	16	6,047	4,049
Trade and other receivables	17	6,060	3,543
Cash and cash equivalents		3,739	3,441
Total current assets		15,846	11,033
Total Assets		34,046	26,973
Equity and Liabilities			
Called up share capital	19	827	802
Share premium account	19	17,280	15,596
Share based payments reserve	20	1,201	950
Retained earnings		4,582	2,293
Total equity attributable to equity holders of the parent		23,890	19,641
Liabilities			
Deferred tax liabilities	8	_	299
Bank loans	23	4,000	4,000
Total non-current liabilities		4,000	4,299
Trade and other payables	18	5,332	2,687
Current income tax liabilities		824	346
Total current liabilities		6,156	3,033
Total liabilities		10,156	7,332
Total Equity and Liabilities		34,046	26,973

These financial statements were approved and authorised for issue by the board of directors on 15 October 2012 and were signed on its behalf by:

B van Bilderbeek	<b>G</b> Stevens
Director	Director

Company Number: 03322928

# **Consolidated Statement of Changes in Equity**

for the year ended 30 June 2012

	Called Up Share Capital £'000	Share Premium Account £'000	Share Based Payments Reserve £'000	Retained Earnings £'000	Total £'000
Balance as at 1 July 2010	802	15,596	764	1,674	18,836
Total comprehensive income for the period	_	_	_	1,243	1,243
Share based payments reserve charge	_	_	186	_	186
Deferred tax movement on share options	_	_	_	(31)	(31)
Dividends	_	_	_	(593)	(593)
Balance as at 30 June 2011	802	15,596	950	2,293	19,641
Total comprehensive income for the period	. –	_	_	2,431	2,431
Share based payments reserve charge	_	_	251	_	251
Issue of ordinary shares	25	1,975	_	_	2,000
Share issue costs	-	(291)	_	_	(291)
Deferred tax movement on share options	_	_	_	525	525
Dividends	_	_	_	(667)	(667)
Balance as at 30 June 2012	827	17,280	1,201	4,582	23,890

# **Consolidated Statement of Cash Flows**

for the year ended 30 June 2012

	Notes	2012 £'000	2011 £'000
Cash flows from operating activities			
Profit before taxation		3,088	1,569
Adjustments for:		3,000	1,505
Depreciation, amortisation and impairment charges		2,709	2,830
Loss on disposal of property, plant and equipment		70	83
Charge for share based payments		251	186
Investment income		(8)	(16)
Interest expense		129	121
Changes in working capital:		12)	121
Increase in inventories		(1,998)	(717)
(Increase)/decrease in trade and other receivables		(2,517)	3,090
Increase/(decrease) in trade and other payables		2,645	(2,086)
mercase/ (decrease) in trade and other payables			(2,000)
Cash generated from operating activities		4,369	5,060
Income taxes (paid)/repaid		(426)	268
meome taxes (paid)/ repaid		<del>(420)</del>	
Net cash generated from operating activities		3,943	5,328
The cash generated from operating activities			
Cash flows from investing activities			
Acquisition of subsidiary entity		_	(10)
Adjustment to value of associate undertaking		_	(18)
Purchase of intangible assets		(1,150)	(699)
Purchase of property, plant and equipment		(3,471)	(1,640)
Proceeds of sale of property, plant and equipment		55	83
Net cash used in investing activities		(4,566)	(2,284)
Cash flows from financing activities		• • • •	
Proceeds from issue of new ordinary shares		2,000	_
Transaction costs from issue of new ordinary shares		(291)	_
Interest paid		(129)	(121)
Interest received		8	14
Equity dividends paid		(667)	(593)
Net cash generated from/(used in) financing activities		921	(700)
Net increase in cash and cash equivalents		298	2,344
Cash and cash equivalents at 1 July 2011		3,441	1,097
Cash and Cash equivalents at 1 July 2011			
Cash and cash equivalents at 30 June 2012	23	3,739	3,441

### **Notes to the Consolidated Financial Statements**

#### 1. Summary of significant accounting policies

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

#### a. Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board as adopted by the European Union and therefore comply with the EU IAS Regulation and are in accordance with the Companies Act 2006.

As at the date of approval of these financial statements, the following standards and interpretations were in issue but not yet effective:

- Issued but not yet EU adopted
- IFRS 1 Amendments Severe hyperinflation and removal of fixed dates for first time adoption
- IFRS 9 Financial instruments
- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of interests in other entities
- IFRS 13 Fair value measurement
- IAS 1 (amended) Presentation of items of other comprehensive income
- IAS 12 (amended) Deferred tax: recovery of underlying assets
- IAS 19 (amended) Employee benefits
- IAS 27 Separate financial statements
- IAS 28 Investments in associates and joint ventures
- IFRIC 20 Stripping costs in the production phase of a surface mine
- Issued but not yet EU adopted
- IFRS 7 (amended) Financial instruments disclosures

The Directors do not anticipate that the adoption of these standards and interpretations in future reporting periods will have a material impact on the Group's results.

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

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

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

### Notes to the Consolidated Financial Statements continued

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

#### c. Revenue

Revenue 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 on a straight-line basis. 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 construction contracts is recognised in accordance with paragraph (n) 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.

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

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

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

- Industry acceptance will result in continued growth of the business,
- Prices will rise with inflation,
- Staff wage inflation will be higher than general inflation but will not rise in line with sales.

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

The cash flows are based upon a 14 year period, the remaining life of the intellectual property, and a revenue growth rate of 5% has been applied to periods beyond the current budget. The company's Weighted Average Cost of Capital for discounting purposes has been measured at 10%. The cashflows are based upon approved budgets for the following 12 months, beyond this they are based upon management's expectations of future developments.

Management regularly assesses the sensitivity of the key assumptions and the probability that any of them would change to the degree that the carrying value would exceed the recoverable amount.

It would require a very substantial movement in any of these assumptions before there would be any impairment to goodwill.

In accordance with IFRS1, goodwill arising prior to 1 July 2007 is stated at the previous carrying amount under UK GAAP being cost less accumulated amortisation.

### e. Financial asset

The financial asset was initially recorded at fair value, being the purchase price. Subsequently, it is carried at fair value with gains or losses recognised in the statement of comprehensive income. In the absence of an active market in the asset, fair value is determined using a valuation technique with reference to market prices for similar assets. The financial asset is assessed as belonging to level 2 of the fair value hierarchy as defined in IFRS7.

#### f. Intangible assets and amortisation

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

### Notes to the Consolidated Financial Statements continued

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

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

Computer software is amortised over 2 to 4 years on a straight line basis.

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

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

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

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

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

- Industry acceptance will result in continued growth of the business,
- Prices will rise with inflation,
- Staff wage inflation will be higher than general inflation but will not rise in line with sales.

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

The cash flows are based upon a 15 year period, the remaining life of the intellectual property, and a revenue growth rate of 5% has been applied to periods beyond the current budget. The company's Weighted Average Cost of Capital for discounting purposes has been measured at 10%. The cashflows are based upon approved budgets for the following 12 months, beyond this they are based upon management's expectations of future developments.

It would require a very substantial movement in any of these assumptions before there would be any impairment to intangible assets.

An impairment loss is recognised immediately in the Statement of Comprehensive Income.

#### g. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation. Cost represents the cost of acquisition or construction, including the direct cost of financing the acquisition or construction until the asset comes into use.

### Notes to the Consolidated Financial Statements continued

Depreciation is provided to write off the cost or valuation of property, plant and equipment less the estimated residual value by equal instalments over their estimated useful economic lives as follows:

Buildings Over the remaining life of the lease on the land on which the building is

constructed

Tenant improvements Over the remaining life of the lease of the relevant building

Equipment 7% - 50% per annum

Motor vehicles 20% per annum

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

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

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

#### h. Trade receivables

Trade and other receivables are stated at their cost less impairment losses.

#### i. Trade payables

Trade and other payables are stated at cost.

### j. Cash and cash equivalents

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

#### k. Foreign currencies

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

The functional currency of the Group is pounds sterling.

#### l. Leases

Operating lease rentals are charged to the Statement of Comprehensive Income 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 statement of financial position 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.

#### m. Inventory

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

#### n. Construction 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. Revenue 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 Statement of Comprehensive Income, after deducting foreseeable losses and payments on account not matched with revenue.

Construction work in progress is included in debtors and represent revenue recognised in excess of payments on account. Where payments on account exceed revenue a payment received on account is established and included within creditors.

The stage of completion for contracts is determined according to the level of progress of each item that is included in the contract and the estimated cost to complete.

#### o. Taxation

The charge for taxation is based on the profit 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 statement of financial position date except as otherwise required by IAS 12.

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.

#### p. Pensions

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

#### g. Dividends

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

## $r. \qquad Classification \ of \ financial \ instruments \ is sued \ by \ the \ Group$

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

(a) they include no contractual obligations upon the Company (or Group as the case may be) to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company (or Group); and

(b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

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

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

#### s. Share based payments

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

#### t. Management of capital

The Group's capital is composed of share capital and retained earnings along with a share premium account. The share premium account represents amounts received for shares issued in excess of the nominal share capital less any issue costs.

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

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

#### u. Significant judgements made by management

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

A key judgement this year regards the recognition of expected credits arising from R&D tax credit claims which are still to be approved by HMRC. After taking appropriate advice from advisers on the likelihood of success of the claims the directors have decided to recognise the credits in progress as at the statement of financial position date.

#### v. Key assumptions and sources of estimation

Employee share options are valued in accordance with a Stochastic model and judgement is required regarding the choice of some of the inputs to the model. Where doubts have existed, management have gone with the advice of experts. Variations in the estimated inputs would vary the charges to the consolidated statement of comprehensive income. Full details of the model and inputs are provided in note 20.

The estimated life of the Group's rental assets for depreciation purposes is of significance to the financial statements. The life used is with reference to engineering experience of the probable physical and commercial lifespans of the assets. Changes to these estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of comprehensive income in specific periods.

The estimated life of the Group's intellectual property is estimated with reference to the lifespan of the patents which protect the knowledge and their forecast income generation. Changes to these estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of comprehensive income in specific periods.

The fair value of the financial asset is estimated using a valuation technique provided by an industry expert. Changes to these estimates can result in significant variations in the carrying value and amounts charged to the consolidated statement of comprehensive income in specific periods.

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

When measuring goodwill and intangible assets for impairment a range of assumptions are required and these are detailed above in the Goodwill and Intangible Asset notes above.

2.	Revenue	2012 £'000	2011 £'000
	By geography		
	UK	9,172	7,209
	Europe	7,009	2,103
	Rest of World	3,525	6,109
		19,706	15,421

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

### 3. Segment reporting

The Group derives revenue 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 on-going service requirements of our equipment. These income streams are all derived from the utilisation of the technology which the Group believes is its only segment.

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

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

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

	2012	2011
	£'000	£'000
Customer 1	2,978	2,502
Customer 2	2,929	193
Customer 3	2,554	2,199
Customer 4	2,108	_

### 4. Group operating profit

Profit on ordinary activities before taxation is stated after charging.

	2012 £'000	2011 £'000
Depreciation of tangible assets	2,194	2,362
Amortisation of intangible assets:	2,154	2,502
- Intellectual property rights	330	330
- Research and development	163	122
- Computer software	23	16
Operating lease charges:		
– land and buildings	311	346
- other	135	57
Foreign currency exchange loss	65	36
Loss on disposal of property, plant and equipment	70	83
Directors' emoluments	1,031	694
Inventories recognised as expense	1,436	1,299
Inventory write down provision	10	297
Auditors' remuneration:		
Fees payable to the Company's auditors for the audit of the Company's		
annual accounts	15	12
The audit of the Company's subsidiary pursuant to legislation	25	24
Total audit fees	40	36
Non-audit fees: other services	2	2

Key management are considered to be the Board of Directors and details of Directors' remuneration are given in the remuneration report on page 21 and this forms part of the financial statements.

#### 5. Staff numbers and costs

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

	2012 Number	2011 Number
Management	10	10
Technical	69	62
Administrative	22	18
	101	90
The aggregate payroll costs of these persons were as follows:		
	2012 £'000	2011 £'000
Wages and salaries	6,871	4,628
Social security costs	568	503
Pension contributions to defined contribution plans	446	392
Share based payments	264	186
	8,149	5,709

Details of Directors remuneration is given in the remuneration report on page 21 and this forms part of the financial statements.

6.	Finance income	2012	2011
		2012 £'000	2011 £'000
	Bank interest receivable	3	3
	Other interest	5	13
		8	16
_			
7.	Finance costs	2012	2011
		£'000	£'000
	On bank loans and overdraft Other interest	128 1	119 2
		129	121
8.	Income tax expense		
	(i) The taxation charge for the year comprises:	2012 £'000	2011 £'000
	UK Corporation tax: Current tax on income for the year	919	582
	Adjustment in respect of prior years	(42)	(245)
	Foreign tax	877	337
	Current tax on income for the year	27	190
	Total current tax	904	527
	Deferred tax:	(2.42)	(22.6)
	Origination and reversal of timing differences Adjustment in respect of prior years	(243) (4)	(236) 35
	Total deferred tax	(247)	(201)
	Total tax charge	657	326
	The effective rate of tax is 21% (2011: 21%)		
	(ii) Factors affecting the tax charge for the year	2012	2011
	Profit on ordinary activities before tax	£'000 3,088	£'000 1,569
	Current tax charge at 24% (2011: 26%)	741	408
	Effects of:	741	400
	Expenses not deductible for tax purposes	98	101
	Capital allowances for the year less than depreciation	40	120
	Foreign tax Adjustments in respect of prior year	12 (42)	119 (245)
	Effect of change in tax rate	55	24
	Current tax charge for the year	904	527

8.	Income tax expense (continued)			
	(iii) Movement in deferred tax balance		2012 £'000	2011 £'000
	Deferred tax liability at beginning of year		299	469
	Charge to Statement of Comprehensive Income		(247)	(201)
	Deferred tax movement on share options		(525)	31
	Deferred tax (asset)/liability at end of year		(473)	299
	(iv) Deferred tax balance		2012	2011
	The deferred tax balance is made up of the following items:		£'000	£'000
	Difference between depreciation and capital allowances		336	423
	Share based payments		(776)	(88)
	Tax losses		(33)	(36)
	Deferred tax (asset)/liability at end of year		(473)	299
9.	Dividends		2012	2011
			£'000	£'000
	Ordinary Shares Interim paid of 0.39p (2011: 0.35p) per share for the year ended 30 June 20	12	322	281
	Ordinary Shares Final dividend after the year end of 0.5p (2011: 0.43p) per share		414	345
	The proposed final dividend has not been accrued at the statement of finar	icial pos	ition da	te.
10.	Earnings per share			
		20	012	2011
		£'	000	£'000
	Profit attributable to shareholders	2,	431	1,243
		Num	ber	Number
	Weighted average number of shares in issue	81,331,	287	80,182,569
	Dilution effects of share schemes	2,055,		789,827
	Diluted weighted average number of shares in issue	83,385,	350	80,972,396
	Basic earnings per share	2.0	99p	1.55p
	Diluted earnings per share		92p	1.53p

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

Diluted earnings per share calculations include additional shares to reflect the dilutive effect of employee share schemes and share option schemes.

11.	Goodwill Cost As at 1 July 2010 Additions				<b>£'000</b> 722 38
	As at 1 July 2011 Additions				760
	As at 30 June 2012				760
	Impairment As at 1 July 2010				
	As at 1 July 2011				
	As at 30 June 2012				
	Net Book Value As at 30 June 2012				760
	As at 30 June 2011				760
	As at 30 June 2010				722
12.	Intangible fixed assets	Intellectual Property	Patent and Other Development	Computer Software	Total
	Cost	£'000	£'000	£'000	£'000
	As at 1 July 2010 Additions	6,440 -	2,084 674	119 25	8,643 699
	As at 1 July 2011 Additions	6,440	2,758 1,137	144 13	9,342 1,150
	As at 30 June 2012	6,440	3,895	157	10,492
	Amortisation As at 1 July 2010 Charge for the year	1,372 330	277 122	97 16	1,746 468
	As at 1 July 2011	1,702	399	113	2,214
	Charge for the year	330		23	516
	As at 30 June 2012	2,032	562	136	2,730
	Net Book Value As at 30 June 2012	4,408	3,333	21	7,762
	As at 30 June 2011	4,738	2,359	31	7,128
	As at 30 June 2010	5,068	1,807	22	6,897

Patent and other development costs are internally generated.

13.	Financial assets Cost	£'000
	As at 1 July 2010	80
	As at 1 July 2011	80
	As at 30 June 2012	80
	Impairment	
	As at 1 July 2010	20
	As at 1 July 2011	20
	As at 30 June 2012	20
	Net Book Value	
	As at 30 June 2012	60
	As at 30 June 2011	60
	As at 30 June 2010	60

The financial asset represents an option to purchase leasehold property.

### 14. Investments

Included within the consolidated group accounts are the following subsidiary undertakings:

Subsidiary undertaking	Country of Registration	Nature of Business	Percentage of Ordinary Shares held
Plexus Ocean Systems Limited	Scotland	Supply of wellheads and associated equipment for oil and gas drilling	100%
Plexus Holdings USA, Inc.	USA	Investment Holding	100%
Plexus Ocean Systems US, LLC	USA	Investment Holding	100%
Plexus Deepwater Technologies Limited	USA	Dormant	100%
Plexus Ocean Systems International Limited	Turks and Caicos Islands	Commercial exploitation of subsea applications	100%
Plexus Ocean Systems (Malaysia) Sdn Bhd	Malaysia	Supply of wellheads and associated equipment for oil and gas drilling	100%

## 15. Property, plant and equipment

16.

	Buildings Imp £'000	Tenant provements £'000	Equipment Co	ssets under onstruction £'000	Motor Vehicles £'000	Total £'000
Cost	((1		1.1.2.16	156	1.4	15.005
As at 1 July 2010	661	_	14,246	176	14	15,097
Arising on acquisition	24	- 01	212	1 222	14	14
Additions Transfers	24	81	212 947	1,323	_	1,640
Disposals	_	_	(666)	(947) -	_ (1)	(667)
As at 1 July 2011	685	81	14,739	552	27	16,084
Additions	_	132	573	2,734	32	3,471
Transfers	_	_	2,435	(2,435)	_	_
Disposals			(653)		(12)	(665)
As at 30 June 2012	685	213	17,094	851	47	18,890
Depreciation						
As at 1 July 2010	10	_	6,209	_	12	6,231
Charge for the year	125	_	2,233	_	4	2,362
On disposals	_	_	(500)	_	(1)	(501)
As at 1 July 2011	135	_	7,942	_	15	8,092
Charge for the year	124	39	2,022	_	9	2,194
On disposals	_	_	(530)	_	(11)	(541)
As at 30 June 2012	259	39	9,434		13	9,745
Net book value As at 30 June 2012	426	174	7,660	851	34	9,145
As at 30 June 2011	550	81	6,797	552	12	7,992
As at 30 June 2010	651		8,037	176	2	8,866
. Inventories						
					2012 £'000	2011 £'000
Raw materials and cons	umables				1,416	1,389
Work in progress					1,099	501
Finished goods and goo	ds for resale				3,532	2,159
					6,047	4,049

17.	Trade and other receivables			2012 £'000	2011 £'000
	Trade receivables Prepayments and other amounts			4,784 1,276	3,017 526
				6,060	3,543
18.	Trade and other payables			2012 £'000	2011 £'000
	Trade payables Non trade payables and accrued expenses			1,658 3,674	1,159 1,528
				5,332	2,687
	The maturity of aging of trade receivables a	t the year end was:			
	Due within 30 days Due in 30 – 90 days Due in 90 days – 6 months Due in 6 months – One year			2,329 1,387 1,616	1,118 559 1,010
				5,332	2,687
19.	Share Capital			2012 £'000	2011 £'000
	Authorised: Equity: 110,000,000 (2011: 110,000,000) Or	dinary shares of 1p ea	ach	1,100	1,100
	Allotted, called up and fully paid: Equity: 82,746,672 (2011: 80,182,569) Ordin	nary shares of 1p each	1	827	802
	Share issue during the year:	Number of shares	Share capital	Share premium	Total
	At 1 July 2011	80,182,569	£'000 802	£'000 15,596	£'000 16,398
	On 17 January 2012	2,564,103	25	1,975	2,000
	Less share issue costs	_,,,,,,,,,,	_	(291)	(291)
	At 30 June 2012	82,746,672	827	17,280	18,107

On 17 January 2012, 2,564,103 ordinary shares with an aggregate nominal value of £25,641 were issued at a price of 78p per share, with an aggregate value of £2m before expenses. The excess net proceeds have been credited to the share premium account.

#### 20. Share based payments

Share options have been granted to subscribe for ordinary shares, which are exercisable between 2006 and 2021 at prices ranging from £0.385 to £0.78. At 30 June 2012, there were 5,513,982 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:

	2012		2011		
		Weighted		Weighted	
	No of	average	No of	average	
	Shares	price	Shares	price	
Outstanding at the beginning of the period	5,619,045	0.51	4,063,987	0.47	
Granted during the period	_	_	1,634,924	0.60	
Lapsed due to failure to meet TSR criteria during					
the period	_	_	(16,585)	0.78	
Forfeited during the period by leaving					
employment	(105,063)	0.51	(63,281)	0.45	
Exercised during the period	_	_	_	_	
Outstanding at the end of the period	5,513,982	0.51	5,619,045	0.51	
Exercisable at the end of the Period	3,076,792	0.49	2,458,383	0.50	

The aggregate of the estimated fair values of the options granted that are outstanding at 30 June 2012 is £961,436 (2011: £979,158). 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 £0.78
Option exercise price at date of grant	varies from	£0.385 to £0.78
Expected volatility	varies from	35.7% to 76.6%
Expected term	varies from	4.5 years to 6.3 years
Risk-free interest rate	varies from	0.4% to 5.7%
Expected dividend yield		0% to 1.7%

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

#### 20. Share based payments (continued)

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

The Group has recognised an expense in the current year of £250,571 (2011: £185,956) towards equity settled share based payments.

The weighted average contractual life of the share options outstanding at the end of the period is 6 years and 8 months.

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

	2012 £'000	2011 £'000
Increase in cash in the year	298	2,344
Movement in net debt in year Net debt at start of year	298 (559)	2,344 (2,903)
Net debt at end of year	(261)	(559)

#### 22. Analysis of net debt

At beginning of year £'000	Cash flow £'000	At end of year £'000
3,441	298	3,739
(4,000)		(4,000)
(559)	298	(261)
	of year £'000 3,441 (4,000)	of year £'000 £'000  3,441 298  (4,000)

#### 23. Financial instruments and risk management

#### Treasury management

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

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

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

#### (a) Market risks

#### (i) Foreign currency exchange risk

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

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

The Group's main foreign exchange risk relates to movements in the sterling/US dollar and sterling/ Euro exchange rates. Movements in these rates impact the translation of US dollar and Euro denominated net assets.

As the Group does not use foreign exchange hedges, the consolidated statement of comprehensive income would be affected by a gain/loss of approximately £235k (2011: £173k) by a reasonably possible 10 percentage point fluctuation down/up in the exchange rate between sterling and the US dollar and by a gain/loss of approximately £77k (2011: £111k) by a reasonably possible 10 percentage point fluctuation down/up in the exchange rate between sterling and the Euro.

#### (ii) Interest rate risk

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

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

The consolidated income statement would be affected by gain/loss £40k (2011: £40k) by a reasonably possible 1 percentage point change down/up in LIBOR interest rates on a full year basis.

#### (iii) Price risk

The Group is not exposed to any significant price risk in relation to its financial instruments.

#### (b) Credit risk

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

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

The Group's major customers are typically large companies which have strong credit ratings assigned by international credit rating agencies. Where a customer does not have sufficiently strong credit ratings, alternative forms of security such as the trade finance instruments referred to above may be obtained. The Group's customer base is concentrated on a few major companies but management believe that the calibre of these companies means that no material credit risk provision is required.

Management review trade receivables across the Group based on receivable days calculations to assess performance. There is significant management focus on receivables that are overdue. All receivables are with large corporations with good credit history with which the entity has not experienced any recoverability issues in the past. No debtor allowance has been provided for within the accounts.

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

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

The aging of trade receivables at the year end was:	2012 £'000	2011 £'000
Not past due Past due 0-30 days Past due 30+ days	2,843 1,690 251	1,333 1,095 589
	4,784	3,017
The currency composition of trade receivable at the year end was:	2012 £'000	2011 £'000
Sterling US Dollar Euro	3,347 1,298 139	2,558 403 56
	4,784	3,017

#### (c) Liquidity risk

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

#### Financial assets and liabilities

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

	Floating rates £'000	Non-interest bearing £'000	Book and fair value £'000
<ul><li>Sterling</li></ul>	1,083	_	1,083
– US Dollar	2,010	_	2,010
– Euro	643	_	643
<ul> <li>Egyptian Pounds</li> </ul>	_	1	1
– Malaysian Ringgit		2	2
	3,736	3	3,739
- Sterling	198	_	198
– US Dollar	1,732	_	1,732
– Euro	1,110	_	1,110
– Egyptian Pounds	_	382	382
– Malaysian Ringgit	_	19	19
	3,040	401	3,441
	<ul> <li>US Dollar</li> <li>Euro</li> <li>Egyptian Pounds</li> <li>Malaysian Ringgit</li> </ul> Sterling <ul> <li>US Dollar</li> <li>Euro</li> <li>Egyptian Pounds</li> </ul>	- Sterling 1,083 - US Dollar 2,010 - Euro 643 - Egyptian Pounds - Malaysian Ringgit 3,736  - Sterling 198 - US Dollar 1,732 - Euro 1,110 - Egyptian Pounds - Malaysian Ringgit -	Tates

At 30 June 2012 the Group had £3,739,124 of cash. The average rate of interest earned in the year is on a floating rate basis and ranged between 0% and 0.1% on sterling deposits.

The Group has a facility of £6,000,000 that is secured by a fixed and floating charge over the assets of the Group. At 30 June 2012 the Group had drawn £4,000,000 on that facility. The interest payable is on a floating rate basis and ranged between 3.1% and 3.3% in the year. The facility comprises of a £5,000,000 revolving credit facility repayable in July 2013 and a £1,000,000 overdraft repayable on demand.

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

The interest rate and currency profiles of the Group's financial liabilities at 30 June 2012 are as follows:

	Floating rates £'000	Non-interest bearing £2000		rates bearing fai		Book and fair value £'000
30 June 2012	2000	2		2000		
Bank revolving credit facility – Sterling	(4,000)		_	(4,000)		
30 June 2011						
Bank revolving credit facility – Sterling	(4,000)		_	(4,000)		
Maturity of Financial Liabilities:	Due within 1 Year £'000	Due between 2–5 Years £'000	Due after 5 Years £'000	Total £'000		
30 June 2012	£ 000	£ 000	£ 000	£ 000		
Bank revolving credit facility – Sterling		4,000		4,000		
30 June 2011						
Bank revolving credit facility – Sterling		4,000		4,000		

#### 24. Operating lease commitments/Financial commitments

Operating lease commitments where the group is the lessee

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

	2012 £'000	2011 £'000
Within one year Within two to five years	492 930	342 968
After five years		1,310

Operating lease commitments where the group is the lessor

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

	2012 £'000	2011 £'000
Within one year	1,491	92
Within two to five years	_	_
After five years	-	_
	1,491	92

The Group had no capital commitments as at 30 June 2012 (30 June 2011: £nil).

### 25. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2012 (30 June 2011: £nil).

#### 26. Related party transactions

#### **Control**

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

#### 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.

#### **Transactions**

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

2012	2011
£'000	£'000
433	400

Purchase of goods and services from Other Related Parties

Other related parties were Plexus Ocean Systems (Malaysia) Sdn Bhd (whilst an associate), @SIPP (Pension Trustees) Limited and OFM Holdings Limited. The transactions related to the purchase of services and rent. @SIPP (Pension Trustees) Limited are the trustees of Ben van Bilderbeek's pension fund. OFM Holdings Limited is a trust of which Ben van Bilderbeek's family are beneficiaries.

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

### 27. General information

These financial statements are for Plexus Holdings plc ("the company") and subsidiary undertakings. The company is registered, and domiciled, in England and Wales and incorporated under the Companies Act 2006. The nature of the company's operations and its principal activities are set out in the directors' report on page 15.

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

We have audited the parent company financial statements of Plexus Holdings plc for the year ended 30 June 2012 which comprise the Parent Company Statement of Financial Position, the Parent Company Statement of Changes in Equity, the Parent Company Statement of Cash Flows and the related notes numbered 1 to 13.

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

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

#### Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

#### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report, Chairman's Statement, Corporate Governance Report and Remuneration Committee Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

#### **Opinion on financial statements**

In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 30 June 2012;
- have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

## Independent Auditor's Report to the Shareholders of Plexus Holdings plc cont.d

#### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

#### Other matter

We have reported separately on the group financial statements of Plexus Holdings plc for the year ended 30 June 2012.

#### **Matthew Stallabrass**

Senior Statutory Auditor for and on behalf of Crowe Clark Whitehill LLP, Statutory Auditor

London

15 October 2012

# **Parent Company Statement of Financial Position**

at 30 June 2012

	Notes	2012 £'000	2011 £'000
Assets			
Intangible assets	4	6,942	6,238
Investments Deferred tax assets	5 2	8,294 257	8,294
Deferred tax assets	2		
Total Non-current assets		15,493	14,532
Trade and other receivables	6	5,717	3,090
Cash at bank and in hand	9	15	17
Total current assets		5,732	3,107
Total Assets		21,225	17,639
Equity and Liabilities			
Called up share capital	8	827	802
Share premium account		17,280	15,596
Share based payments reserve		446	378
Retained earnings		1,960	176
Total equity attributable to equity holders of the company		20,513	16,952
Liabilities			
Deferred tax liabilities		_	9
Total non-current liabilities		_	9
Trade and other payables	7	712	678
Current income tax liabilities	•	_	_
Total current liabilities		712	678
Total liabilities		712	687
Total Equity and Liabilities		21,225	17,639

These financial statements were approved and authorised for issue by the board of directors on 15 October 2012 and were signed on its behalf by:

B van Bilderbeek G Stevens
Director Director

# **Parent Company Statement of Changes in Equity**

for the year ended 30 June 2012

	lled Up Share Capital £'000	Share Premium Account £'000	Share Based Payments Reserve £'000	Retained Earnings £'000	Total £'000
Balance as at 30 June 2010	802	15,596	324	(404)	16,318
Total comprehensive income for the period	_	_	_	1,181	1,181
Share based payments reserve charge	_	_	54	_	54
Deferred tax movement relating to share optic	ons –	_	_	(8)	(8)
Dividends	_	_	_	(593)	(593)
Balance as at 30 June 2011	802	15,596	378	176	16,952
Total comprehensive income for the period	_	_	_	2,265	2,265
Share based payments reserve charge	_	_	68	_	68
Issue of ordinary shares	25	1,975	_	_	2,000
Share issue costs	_	(291)	_	_	(291)
Deferred tax movement relating to share optic	ons –	_	_	186	186
Dividends	_	_	_	(667)	(667)
Balance as at 30 June 2012	827	17,280	446	1,960	20,513

# **Parent Company Statement of Cash Flows**

for the year ended 30 June 2012

N	2012 fotes £'000	2011 £'000
Cash flows from operating activities		
Profit before taxation	2,185	1,249
Adjustments for:		•
Amortisation	433	393
Charge for share based payments Investment income	68	54
Changes in working capital:	(128)	(72)
Increase in trade and other receivables	(2,627)	(285)
Increase/(decrease) in trade and other payables	34	(137)
( ( )		
Cash (used in)/generated from operations	(35)	1,202
Income taxes paid	_	_
Net cash (used in)/generated from operations	(35)	1,202
Cash flows from investing activities		
Purchase of intangible assets	(1,137)	(674)
Net cash used in investing activities	(1,137)	(674)
Cash flows from financing activities		
Proceeds from issue of new ordinary shares	2,000	_
Transaction costs from issue of ordinary shares	(291)	_
Interest received	128	72
Equity dividends paid	(667)	(593)
Net cash generated from/(used in) financing activities	1,170	(521)
Net (decrease)/increase in cash and cash equivalents	(2)	7
Cash and cash equivalents at 1 July 2011	17	10
1		
Cash and cash equivalents at 30 June 2012	9 15	17

#### 1. Summary of significant accounting policies

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

#### a. Basis of preparation

The company financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations issued by the International Accounting Standards Board as adopted by the European Union and they therefore comply with Article 4 of the EU IAS Regulation and are in accordance with the Companies Act 2006.

Under section 408(4) of the Companies Act 2006 the Company is exempt from the requirement to present its own Statement of Comprehensive Income.

As at the date of approval of these financial statements, the following standards and interpretations were in issue but not yet effective:

#### Issued but not yet EU adopted

- IFRS 1 Amendments Severe hyperinflation and removal of fixed dates for first time adoption
- IFRS 9 Financial instruments
- IFRS 10 Consolidated financial statements
- IFRS 11 Joint arrangements
- IFRS 12 Disclosure of interests in other entities
- IFRS 13 Fair value measurement
- IAS 1 (amended) Presentation of items of other comprehensive income
- IAS 12 (amended) Deferred tax: recovery of underlying assets
- IAS 19 (amended) Employee benefits
- IAS 27 Separate financial statements
- IAS 28 Investments in associates and joint ventures
- IFRIC 20 Stripping costs in the production phase of a surface mine

#### Issued but not yet EU adopted

• IFRS 7 – (amended) – Financial instruments disclosures

The Directors do not anticipate that the adoption of these standards and interpretations in future reporting periods will have a material impact on the Group's results.

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

The financial information has been prepared under the historical cost convention.

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

#### b. Intangible assets and amortisation

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

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

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

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

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

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

#### c. Investments

The investment in subsidiary and associate undertakings is stated at cost less provision for impairment. Cost is the amount of cash paid or the fair value of the consideration given to acquire the investment. Income from such investments is recognised only to the extent that the Company receives distributions from accumulated profits of the investee company arising after the date of acquisition. Distributions received in excess of such profit i.e. from pre-acquisition reserves are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

#### d. Trade receivables

Trade and other receivables are stated at their cost less impairment losses.

#### e. Trade payables

Trade and other payables are stated at cost.

#### f. Cash and cash equivalents

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

#### 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 statement of financial position date and the gains or losses on translation are included in the Statement of Comprehensive Income.

#### h. Taxation

The charge for taxation is based on the profit 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 statement of financial position date except as otherwise required by IAS 12.

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.

#### i. Pensions

Since 1 July 2007, the Group has offered 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. Prior to 1 July 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.

#### j. Dividends

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

#### k. Classification of financial instruments issued by the Group

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

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

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

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

#### l. 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.

#### m. Key assumptions and sources of estimation

Employee share options are valued in accordance with a Stochastic model and judgement is required regarding the choice of some of the inputs to the model. Where doubts have existed, management have gone with the advice of experts. Full details of the model and inputs are provided in note 20 to the Group accounts.

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

When measuring goodwill for impairment a range of assumptions are required and these are detailed in the Intangible assets note above.

## 2. Profit for the year

3.

As permitted by section 480(4) of the Companies Act 2006, the parent company's Statement of Comprehensive Income has not been included in these financial statements. The parent company's profit after tax for the year was £2,264,935 (2011: loss of £1,180,498).

Income tax expense (i) The taxation charge for the year comprises:	2012	2011
	£'000	£'000
UK Corporation tax:  Current tax on income for the year	_	_
Total current tax		
Deferred tax:		
Origination and reversal of timing differences Adjustment in respect of prior years	(80)	68
Total deferred tax	(80)	68
Total tax charge	(80)	68
The effective rate of tax is (4)% (2011: nil).		
(ii) Factors affecting the tax charge for the year	2012 £'000	2011 £'000
Profit/(loss) on ordinary activities before tax	2,184	1,249
Current tax charge at 24% (2011: 26%)	524	325
Effects of:		
Surrender of tax losses Dividend income not subject to tax	109 (639)	102
Dividend income not subject to tax	(039)	(427)
Current tax charge for the year		
(iii) Movement in deferred tax balance	2012 £'000	2011 £'000
Deferred tax liability/(asset) at beginning of year	£ 000 9	(67)
(Credit)/charge to Statement of Comprehensive Income	(80)	68
Deferred tax movement on share options	(186)	8
Deferred tax (asset)/liability at end of year	(257)	9
(iv) Deferred tax balance	2012	2011
The deferred tax balance is made up of the following items:	£'000	£'000
Difference between depreciation and capital allowances Share based payments	35 (292)	31 (22)
Deferred tax (asset)/liability at end of year	(257)	9

## 4. Intangible fixed assets

	Intellectual Property £'000	Patent and Other Development £'000	Total £'000
Cost			
As at 1 July 2010	4,171	1,817	5,988
Additions		674	674
As at 1 July 2011	4,171	2,491	6,662
Additions	_	1,137	1,137
As at 30 June 2012	4,171	3,628	7,799
Amortisation			
As at 1 July 2010	22	9	31
Charge for the year	271	122	393
As at 1 July 2011	293	131	424
Charge for the year	270	163	433
As at 30 June 2012	563	294	857
Net Book Value			
As at 30 June 2012	3,608	3,334	6,942
As at 30 June 2011	3,878	2,360	6,238
As at 30 June 2010	4,149	1,808	5,957

Patent and other development costs are internally generated.

5.	Investments	£'000
	Subsidiary undertaking As at 1 July 2010	8,294
	As at 30 June 2011	8,294
	As at 30 June 2012	8,294

The Company's subsidiar	ry undertakings are:		Percentage of Ordina	ırv
Subsidiary undertaking	<b>Country of Registration</b>	Nature of Business	Shares held	
Plexus Ocean Systems Limited	Scotland	Supply of wellheads and associated equipment for oil and gas drilling	100%	
Plexus Holdings USA, Inc.	USA	Investment Holding	100%	
Plexus Ocean Systems US, LLC	USA	Investment Holding	100%	
Plexus Deepwater Technologies Limited	USA	Dormant	100%	
Plexus Ocean Systems International Limited	Turks and Caicos Islands	Commercial exploitation of subsea applications	100%	
Plexus Ocean Systems Sdn Bhd	Malaysia	Supply of wellheads and associated equipment for oil and gas drilling	100%	
Trade and other receivabl	es			011 000
Receivables due from gro Prepayments and other a			<b>5,638</b> 3,6	077 13
			<b>5,717</b> 3,	090

Receivables due from group companies relates to an amount due from a subsidiary which is not impaired and carries no credit risk. Repayments relate to prepaid amounts for services to be consumed over the next 12 months. There is no indication of impairment of any of these amounts.

7.	Trade and other payables	2012 £'000	2011 £'000
	Trade payables	44	26
	Non trade payables and accrued expenses	668	652
		712	678
	The maturity of aging of trade payables at the year end was:		
	Due within 30 days	44	26
	Due in 30 – 90 days	28	27
	Due in 90 days – 6 months	640	625
	Due in 6 months – One year	_	_
		712	678

8.	Share Capital			2012 £'000	2011 £'000
	Authorised: Equity: 110,000,000 (2011: 110,000,00	0) Ordinary shares of 1p ea	ach	1,100	1,100
	Allotted, called up and fully paid: Equity: 82,746,672 (2011: 80,182,569)	Ordinary shares of 1p each	1	827	802
	Share issue during the year:				
	C ,	Number of shares	Share capital £'000	Share premium £'000	Total £'000
	At 1 July 2011	80,182,569	802	15,596	16,398
	On 17 January 2012	2,564,103	25	1,975	2,000
	Less share issue costs		_	(291)	(291)
	At 30 June 2012	82,746,672	827	17,280	18,107

On 17 January 2012, 2,564,103 ordinary shares with an aggregate nominal value of £25,641 were issued at a price of 78p per share, with an aggregate value of £2m before expenses. The excess net proceeds have been credited to the share premium account.

9.	Reconciliation of net cash flow to movement in net debt	2012 £'000	2011 £'000
	Movement in net cash in year	(2)	7
	Net cash at start of year	17	10
	Net cash at end of year	15	17

#### 10. Financial instruments and risk management

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

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

#### (a) Market risks

#### (i) Foreign currency exchange risk

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

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

The Company's main foreign exchange risk relates to movements in the sterling/US. Movements in this rate impacts the translation of US dollar denominated net liabilities. A reasonably possible 10% fluctuation up/down in the exchange rate between sterling and the US dollar would result in a corresponding gain/loss in the statement of comprehensive income of approximately £64k.

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

#### (ii) Interest rate risk

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

#### (iii) Price risk

The Company is not exposed to any significant price risk in relation to its financial instruments.

#### (b) Credit risk

The Company's credit risk primarily relates to its inter-company loans and inter-company receivables. Management believe that no risk provision is required for impairment.

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

### (c) Liquidity risk

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

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

#### 11. Operating lease commitments/Financial commitments

The Company had no capital commitments as at 30 June 2012 (30 June 2011: £nil).

#### 12. Contingent liabilities

The Company had no contingent liabilities as at 30 June 2012 (30 June 2011: £nil).

#### 13. Related party transactions

#### Control

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

#### Ultimate parent company

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

The Company 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.

#### **Transactions**

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

	2012	2011
	£'000	£'000
Receivables from Subsidiary Undertakings	5,638	3,077

## **Corporate Information**

Directors Jerome Jeffery Thrall† (Non-Executive Chairman)

Bernard Herman van Bilderbeek (Chief Executive)

**Graham Paul Stevens** (Finance Director)

Craig Francis Bryce Hendrie (Technical Director)
Geoffrey Edmund Thompson (Non-Executive Director)

**Christopher Fraser** † (Non-Executive Director)

†Member of Audit and Remuneration committees

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Company Secretary Douglas Armour FCIS

**David Venus & Company Limited** 

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Aberdeen AB101HA

Registrars SLC Registrars

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## **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 the offices of Cenkos Securities plc, 6.7.8 Tokenhouse Yard, London EC2R 7AS on Wednesday 28 November 2012 at 2:00 p.m., to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 8 (inclusive) will be proposed as ordinary resolutions and resolutions 9 and 10 will be proposed as special resolutions:

#### **Ordinary Business:**

#### **Report and Accounts**

1. To receive the Audited Accounts and Reports of the Directors and Auditors for the year ended 30 June 2012.

#### **Final Dividend**

2. To decide a final dividend of 0.5 pence per ordinary share as recommended by the directors to the shareholders on the register as at 26 October 2012, such dividend to be paid on 14 December 2012.

### **Remuneration Report**

3. To approve the Report on Directors' Remuneration for the year ended 30 June 2012.

#### **Re-election of Directors**

- 4. To re-elect Craig Hendrie as a director who is retiring in accordance with article 72.(B) of the Articles and being eligible, offers himself for re-election.
- 5. To re-elect Christopher Fraser as a director who is retiring in accordance with article 69.(B) of the Articles and being eligible, offers himself for re-election.

#### Re-appointment of Auditor

6. To re-appoint Crowe Clark Whitehill LLP as auditor until the conclusion of the next annual general meeting of the Company at which accounts are laid.

#### **Auditor's Remuneration**

7. To authorise the directors to determine the remuneration of the Auditor.

#### **Special Business:**

#### **Directors' Authority to Allot Shares**

8. That in substitution for all existing authorities, the directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 ("the Act") to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £248,240.01 during the period from the date of the passing of this resolution and expiring on the date of the next annual general meeting or on 30 December 2013, whichever is earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would, or might, require shares to be allotted or rights to subscribe for or convert security into shares to be granted after such expiry.

## Notice of Annual General Meeting continued

#### **Purchase of Own Shares**

- 9. That the Company be generally and unconditionally authorised to make one or more market purchases, within the meaning of Section 693(2) of the Companies Act 2006 ("the Act"), of Ordinary shares of 1p 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 4,137,333 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 1p 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 30 December 2013; 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.

#### **Authority to Dis-apply Pre-emption Rights**

- 10. That, subject to Resolution 8 above being passed and Section 551 of the Act, the Directors be empowered, pursuant to Section 570 of the Act, to allot equity securities (as defined in Section 560 of the Act) as if Section 561(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 30 December 2013 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 £82,746.67 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 727 of the Act.

Date: 15 October 2012.

By Order of the Board

#### **Douglas Armour FCIS**

Company Secretary

Registered Office: Thames House Portsmouth Road Esher Surrey KT10 9AD

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.

Your attention is drawn to the notes appearing overleaf.

## Notice of Annual General Meeting continued

#### Notes:

- 1. 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.
- 2. The form of proxy and the power of attorney 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, SLC Registrars, Thames House, Portsmouth Road, Esher, Surrey KT10 9AD, to arrive not less than 48 hours before the date set for the meeting or adjourned meeting.
- 3. In accordance with regulation 41 of the Uncertificated Securities Regulations 2001, (as amended) only those persons entered in the register of members of the company as the holders of Ordinary shares at 6.00pm on the pre-penultimate day of the AGM, 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.
- 4. **Resolution 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 by rotation and, if they are eligible, may offer themselves for reelection
- 5. **Resolution 5** Article 69.(B) of the Company's articles of association requires that any person who has been appointed as a director since the last annual general meeting, must retire at the next annual general meeting following such appointment and if they are eligible, may offer themselves for re-election. Persons retiring under the provisions of Article 69.(B) are not counted in calculating the number of directors who are required to retire by rotation which is the subject matter of Resolutions 4 above.
- 6. **Resolutions 6 and 7** 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 Crowe Clark Whitehill LLP. Resolution 7 is proposed to authorise the Board to fix the remuneration of the Auditors.
- 7. **Resolution 8** This resolution is to renew the authority given to the directors to allot shares or rights to subscribe for or convert security into shares in the capital of the Company subject to the conditions of the Act. The authority to be given by this resolution is limited to the allotment of 24,824,001 Ordinary shares representing 30% of the issued share capital at the date of this Notice and shall be in substitution for all existing authorities but shall be without prejudice to any allotment of shares or grant of rights to subscribe for or convert security into shares already made or offered or agreed to be made pursuant to such authorities.
- 8. **Resolution 9** 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 30 December 2013, 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 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.

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 10 and the note thereto).

9. **Resolution 10** – When shares are to be allotted for cash, section 561(1) of the Companies Act 2006 provides that existing shareholders have pre-emption rights and that 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 £82,746.67 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 30 December 2013, 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.

- 10. 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 the offices of Cenkos Securities plc, 6.7.8 Tokenhouse Yard, London EC2R 7AS on Wednesday 28 November 2012 at 2:00 p.m.

	OCK CAPITALS please)			••••••
sharel	nolder(s) of the above-named Company, appoint the Chair	rman of	the Mo	eeting o
and o	n my/our behalf at the Annual General Meeting of the Compan vember 2012 and at every adjournment thereof and to vote for me/us	y to be	held on W	Vednesday
	indicate with an 'X' in the spaces below how you wish you vote to be cas will vote for or against the resolutions or abstain from voting as he thinks		dication is	given you
	Resolutions	For	Against	Abstain
1.	To receive the accounts for the year ended 30 June 2012.			
2.	To declare a final dividend of 0.5p per share as recommended by the directors.			
3.	To approve the Report on Directors' Remuneration.			
4.	To re-elect Craig Hendrie as a director of the Company.			
5.	To re-elect Christopher Fraser as a director of the Company.			
6.	To re-appoint Crowe Clark Whitehill LLP as auditors of the Company.			
7.	To authorise the Board to determine the auditors' remuneration.			
8.	To authorise the directors to allot shares in the capital of the Company.			
9.	To authorise the Company to make market purchases as set out in the Notice of the Meeting.			
10.	To dis-apply pre-emption rights on allotment of equity securities as set out in the Notice of the Meeting.			

#### Notes

1. 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.

- 2. 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.
- 3. 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.
- 4. The signature of any one of joint holders will be sufficient, but the names of all the joint holders should be stated.
- 5. 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 SLC Registrars, Thames House, Portsmouth Road, Esher, Surrey KT10 9AD not less than forty-eight hours before the time appointed for holding the General Meeting or adjournment as the case may be
- 6. The completion of this form will not preclude a member from attending the Meeting and voting in person.
- 7. Any alteration of this form must be initialled.



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# **SLC Registrars**

Thames House Portsmouth Road Esher KT10 9AD FIRST FOLD

SECOND FOLD



Equipment is prepared in Aberdeen



POS-GRIP 15,000 psi HP/HT Wellheads await shipment offshore in Australia

