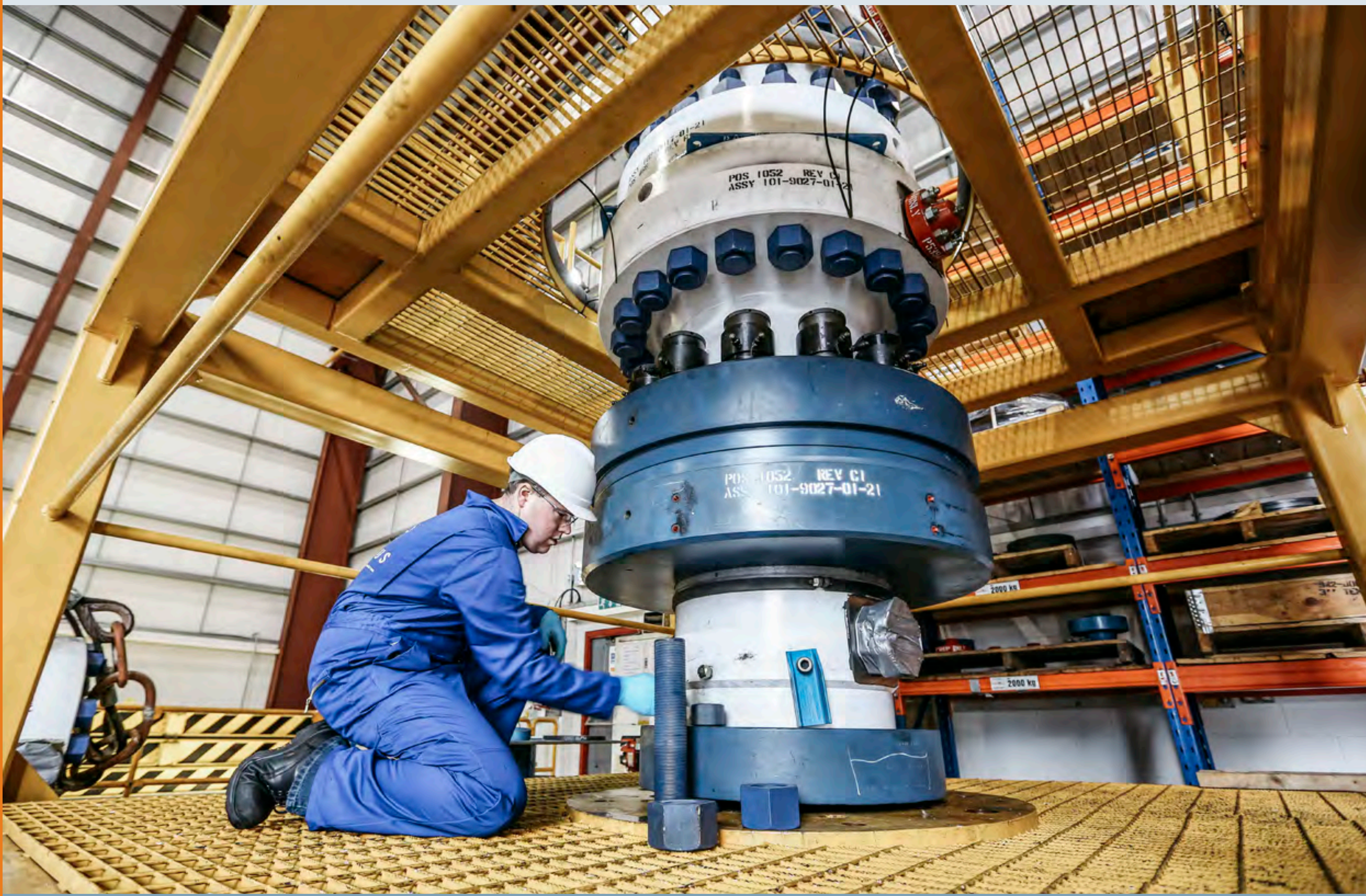
PLEXUS

safer performance | faster service | reduced costs

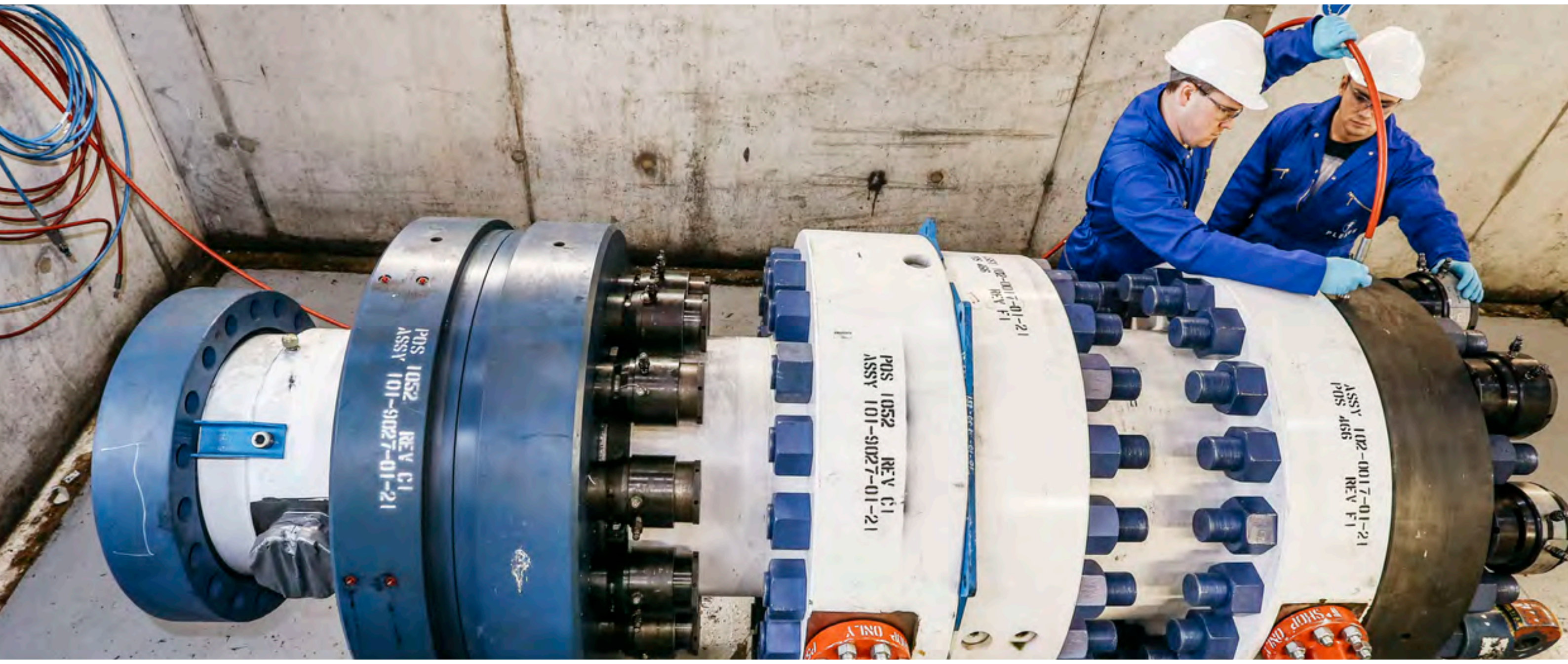


ANNUAL REPORT

2016

POS GRIP

POS-GRIP® Technology is a patented method of engineering which has the potential for a wide range of applications both within and outside the oil and gas industry. For the upstream oil and gas markets POS-GRIP has been developed to deliver a method of wellhead engineering which is safer, faster and more cost effective to use for drilling activities across exploration, production and subsea.



POS-GRIP TECHNOLOGY AND HG® SEALS

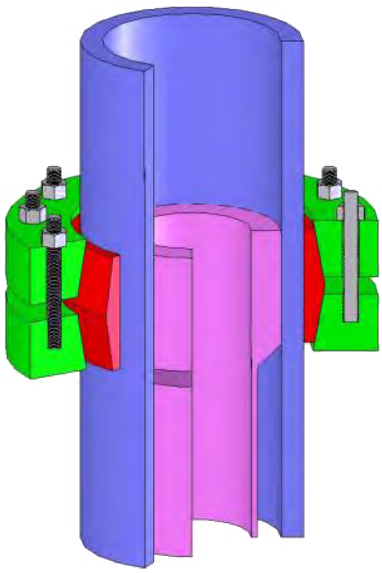
POS-GRIP is based on two very simple engineering concepts; elasticity of materials and friction. Every object moves a small amount when a force is applied to it; POS-GRIP uses this to flex a high pressure body in and out within the elastic range.

In wellheads, POS-GRIP can replace the conventional load shoulder or slips to create a high-load hanger support mechanism which is adjustable, full-bore, fully elastic, and provides instant, high-capacity lockdown.

HG seals are robust metal-to-metal seals which can be machined directly into the hanger, and are energised by use of an external POS-GRIP mechanism. External activation results in direct control of contact stresses at the sealing surface, leading to exceptional reliability and repeatability.

This simple and elegant sealing mechanism has been qualified for X-HPHT service using validation criteria well above and beyond standard industry seal performance verification requirements.

POS-GRIP Technology and HG seals have already been applied to a wide range of wellhead and connector products, where the simplicity of the system results in robust solutions which are safer to operate, cheaper to install and offer unprecedented integrity for the life of the field.



PLEXUS
POS-GRIP TECHNOLOGY

Financial Results

- Sales revenue £11.23m (2015: £28.53m)
- Adjusted EBITDA (£1.56m) loss (2015: £9.53m profit)
- Loss after tax (£5.79m) (2015: £5.43m profit)
- Basic loss per share (6.39p) (2015: 6.40p profit per share)
- Net cash of £9.9m (2015: net debt £2.9m)
- No proposed final dividend (2015: 1.75p per share)

Whilst the Company remains committed to distributing dividends to its shareholders, the Directors believe that in view of the challenging oil price environment and resulting reduction in exploration drilling activity and resultant financial performance it is prudent to continue the suspension of the payment of dividends. The Company will look to reinstate the dividend at the earliest opportunity.

Overview

- Continuing low oil prices resulting in global exploration drilling activity falling to 60 year lows, with the UK North Sea reporting the lowest levels recorded, significantly impacted the performance of the Company's core business of renting its proprietary POS-GRIP® friction-grip exploration wellhead equipment to major international oil and gas customers – resulting in a 61% fall in full year revenues
- Significant realignment of Company's cost base in response to lower revenues achieved without compromising ongoing ability to service customers, whilst retaining a commitment to Research and Development ('R&D') so as to support ongoing Plexus innovative and proprietary technology driven focus:
    - o Near 50% reduction in annualised personnel costs and general overheads from £14.0m to £7.4m
    - o R&D spend in the period, excluding costs of building test fixtures, totalled £1.98m compared to £4.12m in the same period last year, a reduction of 52%
- Focus on diversifying revenues away from the Company's traditional shallow water exploration jack-up market in the Scottish and European North Sea continental shelf where Plexus is the dominant supplier. Progress being made in expanding both Plexus' geographical footprint and the number of POS-GRIP based products:
    - o Licence agreement signed with Yantai Jereh Oilfield Services Group Co., Ltd ('Jereh') in China to facilitate the rental, sale, and manufacture of Plexus' wellhead equipment
    - o Licence agreement signed with LLC Gusar (OOO Gusar) Ltd ('Gusar'), and CJSC Konar (ZAO Konar) ('Konar'), two independent Russian oil and gas equipment manufacturers, for the rental, manufacture and servicing of Plexus' jack-up drilling wellhead exploration equipment into the Russian Federation and the other CIS states oil and gas markets
    - o Winning of a local Petronas licence to manufacture and supply Plexus' POS-GRIP wellhead equipment in Malaysia through Plexus Products (Asia) Sdn Bhd ('PPA'), the Malaysian company set up with a local partner as part of an Asian business hub
    - o Python® Subsea Wellhead launched in September 2015 as a result of a successful Joint Industry Project ('JIP') supported by BG, Royal Dutch Shell, Wintershall, Maersk, Total, Tullow Oil, eni, Senergy, and Oil States Industries Inc., as a new best in class and safest standard for the multi-billion dollar subsea market sector – the next milestone for this project will be an initial order for the deployment of the prototype
    - o Collaboration with Aquaterra Energy to develop lightweight HPHT dual barrier marine risers to provide a safer, technically superior and cost efficient solution for use on jack-up rigs as an alternative to semi-submersible installation
    - o Tersus™ Mudline equipment supplied to Masirah Oil Limited where the safety and time savings of POS-GRIP were evaluated against traditional slip and seal systems which cannot offer installation through the blow out preventer
- Reduction in capital investment in POS-GRIP rental wellhead assets as part of cash conservation measures to £1.76m (2015: £2.53m) – prior years capex spend on rental wellhead inventory has resulted in surplus capacity during the current down cycle. As a result Plexus will be able to respond quickly when drilling activity picks up and will avoid the need for further investment for the foreseeable future
- Four purchase orders for rental wellhead equipment awarded in the second half of the year, including two outside the North Sea

- US$0.6m initial well contract with new customer Masirah Oil Limited ('Masirah'), majority owned by leading technology driven oil and gas company REX International Holdings Limited (REXIH: Singapore) for oil exploration offshore Oman; a new country and new region
- £0.9m purchase order with Talisman Malaysia Limited ('Talisman'), part of integrated global energy group REPSOL (MC: REP), for an exploration well offshore Malaysia
- £0.6m purchase order with Det norske for HPHT rental exploration equipment offshore Norway
- £0.6m additional purchase order with Det norske for an exploration well offshore Norway

Corporate Highlights

- Initiatives taken to strengthen balance sheet to navigate the current challenging low oil price environment and support specific initiatives:
    - Subscription by Jereh China in new shares of the Company, representing 5% of the new issued share capital of Plexus for c. £8m net of expenses
    - Subscription by Gusar in new shares of the Company, representing 7% of the new issued share capital of Plexus for c. US$5m net of expenses
    - £6m placing of new shares of the Company with new and existing shareholders which included CEO Ben van Bilderbeek investing £200,000 in new Ordinary Shares – proceeds to enable Plexus to pursue global opportunities and support target activities in new regions; supporting Python subsea wellhead prototype trial programme; strengthen working capital position and support targeted R&D spend towards complementary products
- Board changes:
    - Appointment of Ms Kunming Liu to the Board as a Non-Executive Director in place of another Non-Executive Director
- Post period end the Bank of Scotland Corporate have agreed to renew facilities for a two year £5m revolving credit facility - in addition the Group has a reducing five year £1.5m term loan (with a current balance of £0.9m) which was put in place in September 2014 to part fund the purchase of an additional building in Aberdeen and which runs to August 2019

Chief Executive Ben van Bilderbeek said:

"As Plexus is an IP led engineering services company supplying the global oil and gas sector, our year end results reflect the sharp drop in oil prices which fell to a 13 year low of c.US$27 per barrel in January 2016. These trading conditions have in turn led to a widely reported and unprecedented fall in exploration activity, particularly in Plexus' core North Sea UKCS and ECS markets which are relatively expensive regions for E&P companies to operate in. With the global energy market experiencing a surplus of production, and profit margins proving elusive in higher cost regions cutting exploration budgets represents an easy win, and this has translated in significantly lower order levels for our best in class rental exploration jack-up wellheads. Whilst we are disappointed with this set of results, particularly following on from a record prior year we regard the current cyclical downturn as just one backwards step in what we believe will prove to be a highly rewarding journey for our shareholders. It is important to note that strategic progress continues to be made in turning Plexus from an Aberdeen based supplier of a ground breaking technology to the local North Sea oil and gas industry jack-up exploration drilling operators, to a global business setting a new industry standard for wellheads across a range of applications in terms of performance, reliability and safety; one which conventional alternatives cannot attain.

"Despite the current difficult trading environment, thanks to the proven superiority of our rental wellheads, together with the growing number of blue chip operators such as eni, Maersk, Royal Dutch Shell, Statoil, and Total, which all have first-hand experience of the unique benefits our equipment delivers, we are confident we will over time continue to win market share and increasingly be viewed by the industry as the supplier of choice due to the proven superior nature of our metal sealing technology and the major time savings that we can deliver. Cycles will come and go within our sector, however the benefits of our POS-GRIP technology will endure, meaning that demand for Plexus' wellhead equipment should increase as the global demand for hydrocarbons continues to rise. Operators are continuing to target resources in challenging and hostile environments, while having to meet more stringent safety and regulatory requirements and keep a tight rein on costs, and it is precisely this combination of factors that we address to the extent that our equipment can be cost negative to the operator as a result of the value of time savings. Certain parts of the world such as the Arctic particularly embody such concerns and requirements and we are confident that in time, through our Russian partners we will be able to play an important role in the supply of both exploration and production wellheads to the region. Furthermore, as the industry works to find ways to curb global CO2 emissions, natural gas, which is the cleanest fossil fuel by some distance when compared to coal and oil will have to account for a larger proportion of the hydrocarbon fuel mix going forward. As a recognised HPHT wellhead specialist this is a positive trend for our company.

"Plexus is ideally placed to help the oil and gas industry meet the challenges of drilling in the 21st century. One such example was our contract win last year to supply the Total operated ultra-HPHT Solaris well, offshore Norway; believed to be the highest pressure well ever drilled in the North Sea and which has now been successfully completed. In addition Plexus equipment now meets a tough new set of higher industry test standards proposed by a major IOC which are designed to establish casing hanger system qualification procedures that better reflect the requirements of actual applications. The testing involves numerous additional combined temperature, load, and pressure cycles which delivers a much more robust qualification programme; much closer to true field life conditions. By contrast, I believe conventional wellheads with their many moving parts, and their operational limitations and capabilities belong in the past when general standards for safety, reliability and performance were arguably not set as high as they are today and we anticipate will continue to be in the future.

"It was for such reasons that a group of leading oil and gas operators approached Plexus in 2011 to develop a new subsea wellhead design based on our POS-GRIP friction-grip method of engineering which has to date been successfully used on over 400 jack-up exploration wells across the world. Working with our blue chip Joint Industry Partners, BG, eni, Royal Dutch Shell, Maersk, Total, Wintershall, Tullow Oil, Senergy, and Oil States Industries Inc. Plexus launched the Python subsea wellhead at the SPE Offshore Europe Exhibition, Aberdeen in September 2015. Python provides a range of unique and technologically superior advanced features with increased safety, reduced cost and operational efficiency capabilities. Thanks to our patent protected POS-GRIP technology, Python offers 'instant casing hanger lockdown' and provides direct, metal to metal, weld quality, high integrity sealing. In contrast to current technologies, Python eliminates the need for many components used in conventional subsea wellhead designs such as lock rings and wear bushings, resulting in enhanced reliability and fewer installation trips which translates into significant cost savings that can run to millions of dollars for operators. As an example, on a standard pressure subsea well, the Python subsea wellhead may only require eight installation trips compared to up to 15 for a conventional wellhead. With each trip costing circa US$750,000, Python could therefore offer savings of over US$5m per well. This combination of enhanced performance, increased safety and significant cost savings is, in our view particularly compelling in the current cost and safety conscious environment, and provides me with great confidence that we will over the coming years be able to replicate the success we have enjoyed with our exploration jack-up drilling in the much larger and more valuable subsea market.

"I do recognise however, that before our disruptive technology can realise its full potential across a range of applications, we first have to ensure Plexus emerges from the current downturn ready to continue to play an important role in the oil services marketplace. The 'lower for longer oil prices' mantra has dominated market sentiment during the past year and with "longer" unfortunately seemingly prevailing over "lower" inevitably this has dominated our organic and strategic planning. The only certainty that can be used for planning purposes is that no one can truly claim to know how long or damaging the current cyclical downturn will be. With this in mind, during the year under review we initiated in March a significant reduction in our cost base including an annualised 54% reduction in personnel costs. The full effect of this rationalisation programme will of course be seen in the 2016/17 financial year, and is intended to move the Company towards a neutral cash consumption position, assuming no further sharp deterioration in trading. As a further buffer against the current market conditions and to strengthen our balance sheet, we raised US$5m via a share subscription in April as a way of further strengthening our licence relationship with our new Russian partner, Gusar, and a further £6m via a share placing with new and existing shareholders in June. Both exercises were priced close to the prevailing share price at the time. In our view the lack of need to offer new shares at a heavy discount, as many in the sector have had to do, is testament to the strength of our technology and our successful track record prior to the collapse in exploration activity in our traditional markets.

"Having a strong balance sheet, along with a cost base that more fully matches the reduced level of revenues, was not just undertaken to ensure we navigate the cycle from a position of strength. It will also enable Plexus to continue with its international expansion initiatives, as we look to repeat the success we have had in the North Sea and establish Plexus as the go to provider of best in class wellhead equipment globally. Despite the challenging trading conditions, much progress has been made in terms of Plexus beginning to address the far larger subsea and volume surface production multi-billion dollar wellhead markets, as well as the establishment of international relationships and licensees. We are focusing on such international initiatives being the first of a number of similar agreements which have the advantage of being able to enter new markets without incurring up front capital costs. Such a business model means that if current trading conditions continue for a long time we always have the opportunity to consider becoming a pure licencing marketing company rather than an operational one, which would enable us to focus full time on selling and promoting our patented method of engineering so as to maximise licensing royalty opportunities rather than our equipment. The licensing agreements we already have in place, and those we are looking to secure in major markets that to date remain untapped by us, are therefore a key part of our strategy to accelerate the global uptake of our POS-GRIP technology.

"Thanks to the steps we have taken over the course of the year, we believe Plexus today is in a stronger position than it was when the downturn set in, albeit that we have had to restructure the business. Encouragingly there are signs that some stability is beginning to return to the oil price as a result of recent OPEC meeting initiatives designed to better balance production levels with demand, and once these are better understood by the market we would expect operators to begin planning the recommencement of their exploration drilling programmes. Such new activity is of course key for avoiding a 'supply crunch' as it must not be forgotten that fields deplete on average up to 9% per annum and the combination of the large drop off in drilling activity whilst demand is stable or growing is a toxic mix, which could well lead to a price shock in the upwards direction. Crucially, we entered this challenging trading period as the owners of unique patented IP, and we will come out of it with the same unique patented IP, which means that the same opportunities always open to us continue to be available; not the case for a number of "me too" companies. When activity recovers I am confident that Plexus will more than make up lost ground especially as we have inventory on the ground ready to deploy at short notice, and will be able to go on and fulfil our potential to become a major supplier of the best in class wellhead equipment for types of drilling applications around the world."

Summary of Results for the year ended 30 June 2016

	2016	2015
	£'000	£'000
Revenue	**11,227**	28,526
Adjusted EBITDA	**(1,558)**	9,531
(Loss) / Profit before taxation	**(6,916)**	5,938
Basic (Loss) / earnings per share (pence)	**(6.39)**	6.40

Contents

Chairman's Statement

Business progress

This year's results are in stark contrast to the prior year which delivered record sales and profits and resulted in a 60.6% decrease in revenue to £11.23m for the year to 30 June 2016 (2015: £28.53m) with the UK and European revenues decreasing by 64.6%; an EBITDA loss of £1.56m (2015: profit £9.53m); a loss after tax of £5.79m (2015: profit £5.43m) and a basic loss per share of 6.39p (2015: 6.40p profit per share). The trading climate, particularly for exploration drilling has been extremely difficult with the International Energy Agency ('IEA') reporting in September that oil discoveries have slumped to their lowest level since 1952. Annual investment in oil and gas projects has fallen from $780bn to $450bn over the last two years in an unprecedented collapse, with a recovery not expected until 2017 onwards. The IEA's World Energy Investment 2016 report went as far as stating that "There is evidence that cuts in exploration activities have already resulted in a dramatic decline in new oil discoveries, dropping to levels not seen in the last 60 years". Such industry trends have been acutely felt in the North Sea where costs are higher than many other regions, and as Plexus is the major supplier of jack-up drilling wellheads in the North Sea we have been particularly affected. The extent to which the North Sea has deteriorated is evidenced by Government figures published in August which confirmed a 96% plunge in Scotland's North Sea oil revenue, tumbling from £1.8bn in 2014-15 to just £60m in 2015-16. The only silver lining in such pronouncements for the industry, if not the consumer, is that it is widely reported that with drillers not finding enough oil to replace what is being depleted the ground is being prepared for an oil price spike. Plexus has wellhead inventory on standby and are therefore in a strong position to react quickly and regain and indeed exceed our past activity levels. Despite the existence of such challenging trading conditions, which are impacting not only operators and service companies, Plexus has continued to pursue a number of R&D and international trading development initiatives as we look to move away from our traditional North Sea orientated business activities. Such initiatives range from licence agreements, to new product developments and launches including our new Python subsea wellhead design, collaboration with Aquaterra Energy, gaining a new customer in the new territory of Oman, and supplying one of our X-HPHT wellheads to Total for their Solaris well in the North Sea which we believe to be the highest pressure well yet drilled in that location.

Overview

Plexus has to date supplied its best in class wellhead equipment to blue chip operators including BG, BP, eni, GDF, Maersk, Shell Statoil and Total for use on over 400 wells worldwide. Being able to offer unique and patented equipment that is superior in terms of performance, reliability and safety has seen Plexus become the go to provider for wellheads for wells located in some of the harshest and most challenging environments in the world, including the North Sea, where Plexus has become firmly entrenched as the dominant supplier of HPHT and X-HPHT wellheads. The June 2015 award to Plexus of a £3.3m contract from Total E&P Norge AS to supply the Solaris exploration well, a technically challenging Ultra HP/HT well offshore Norway, believed to be the highest pressure well drilled in the North Sea to date, is testament to our high standing in this region.

Like all providers of critical equipment to the oil and gas industry, our full year financial results reflect the major retrenchment seen in the price of oil (over) the last two years. The 50% plus fall in Brent Crude from the US$100 level it traded at consistently for the best part of five years has led to operators of all sizes increasing their focus on cash preservation. Due to the higher levels of risk and capital involved and the ability to rely on shorter contract commitments with suppliers, scaling back exploration activity is the low hanging fruit for operators looking to reduce budgets in the midst of a downturn. This cycle has been no different, aside from the speed and severity of the cut backs which has seen investment in exploration falling to 60 year lows. According to global consultancy group Wood MacKenzie, 2015 saw US$40bn invested globally into exploration (including seismic and drilling activity) a mere 40% of 2014's US$100bn. In terms of well count, in 2016 Wood MacKenzie further reported that just 209 wells were drilled up to August, compared to 680 in 2015, 1,167 in 2014 and an historic long term average of 1,500 per annum. Similarly, in the UKCS, a region where Plexus has a dominant market position, exploration is estimated to have dropped to a 45-year low after Oil & Gas UK reported just 13 wells were drilled in 2015. As Plexus' historic focus has been supplying wellhead equipment for exploration wells in the North Sea we have been heavily impacted with the 12 months under review seeing the Company's last five-year sequence of reporting strong growth in term of revenues, EBITDA and dividends come to an abrupt halt.

Importantly, Plexus was able to take swift and decisive action during the year to not only realign the business to the lower oil price environment and the associated lower levels of exploration, but to also accelerate our 'capital light' strategy to seek to expand into new geographies and sub sectors of the oil and gas industry, such as the high volume land and platform production market. Significantly downsizing the cost base to match lower activity levels while at the same time expanding into new markets do not ordinarily go hand in hand. We have been able to make progress on both these fronts because, unlike many suppliers to the oil and gas industry, Plexus is first and foremost a proprietary IP technology company. This means that we can scale back our infield operational activities and related overheads without compromising the value and relevance of our POS-GRIP IP, whilst being able to continue to work on communicating the unique benefits of the technology to potential trading partners and licensees without having to commit large amounts of capital.

In an era where cash conservation and a strong balance sheet is important it is helpful to note that like many companies operating in the technology space, Plexus' investment profile has largely been front ended: an initial R&D led IP development and inventory build-up phase which required significant capital investment is now largely complete. Plexus has incurred circa £22m of capex over the last five years, and today we have 62 rental wellhead sets which if fully utilised are capable of supporting sales revenues of up to £40m per annum. Furthermore, thanks to having a long working life, we do not envisage having to set aside significant funds to replace our wellheads for the foreseeable future as they are subject to rolling refurbishment programmes. From a cash consumption perspective investment requirements going forward can therefore be viewed as being essentially discretionary rather than a critical component of our growth strategy which combined with being debt free, helps ensure the maintenance of a strong balance sheet. Moreover, being a provider of equipment which we maintain is superior to all other available conventional alternatives opens up a number of different avenues for Plexus to get its equipment to market, including the direct rental and sale of equipment and services to operators, as well as the licensing out of our technology to third party manufacturers, a non-capital intensive route to market which can fast track growth once initial traction is gained.

With our equipment tried and tested by a number of international blue chip oil and gas operators we believe that Plexus is now in an excellent position to pursue licensing opportunities with suitable partners, and in the process accelerate the take-up of our technology in new geographies that to date we have not chosen to pursue such as Brazil, GOM, India and the Middle East. Licensing agreements are typically used by IP led companies to break into new markets without the need to invest in expensive manufacturing, distribution and sales networks and can help to secure local partners with established relationships in the respective target markets they serve. With this in mind, during the year under review we completed a licence agreement with Yantai Jereh Oilfield Services Group covering China and other territories. We followed this up with an agreement to partner with two independent Russian oil and gas equipment manufacturers, Gusar and Konar, which saw us enter the important market of the Russian Federation and other CIS states. Under the terms of the agreement, Gusar and Konar will rent, manufacture and service our jack-up drilling wellhead exploration equipment in return for paying Plexus a licence fee based on a multiple of EBITDA generated by Gusar's POS-GRIP related business as well as royalties based on the value of sales. No licence revenue has arisen in the current year however we are hopeful this will be an important income stream in future years as Russia is one of three main global producers. We are keen to secure similar licensing agreements in other areas of the world and we are currently in discussions with potential partners covering the significant Middle Eastern and Mexican markets.

The expansion of our geographic footprint over the period has not been limited to the licensing agreements we have struck in China and Russia. During the year, Plexus Products (Asia) Sdn Bhd ('PPA'), a Malaysian company we established with a local oil and gas partner as part of our strategy to create a fully operational Asian business hub, secured a local licence with PETRONAS, the Malaysian National Oil Company, to manufacture and supply POS-GRIP wellhead equipment in Malaysia. Although this region is experiencing the same significant slowdown in activity as many other territories, in February 2016 it won first order worth an estimated £0.9m with Talisman Energy.

Gaining access to the Russian market via our agreement with Gusar is a milestone development and has the potential to generate significant value for Plexus. In addition to being ranked the third largest producer of petroleum in 2014 by the IEA alongside the USA and Saudi Arabia, it has been estimated that Russia holds almost a quarter of the world's proven natural gas reserves and 5% of global crude reserves. As well as the size of the reserve numbers, the bias towards gas in the reserve mix makes Russia a very important target market for Plexus, as our equipment is ideally suited to the high pressures and high temperatures associated with gas wells. Furthermore, the Russian energy sector is among the most active in the world. This is particularly the case in the huge land and platform production sector as major operators in the region focus on drilling production wells to maintain, let alone increase output. Indeed, this month it was reported that as a result of the launch of several greenfields, Russian oil output gained around 200,000 barrels per day in September alone to a post-Soviet record of 11.18m barrels per day. In terms of well numbers and drilling activity levels it was further reported in September that Rosneft alone plans to drill 1,700 new wells every year from 2017 up from 750 in 2014, and that it is also increasing the use of advanced drilling techniques.

As well as marking Plexus' entry into Russia, the Gusar jack-up wellhead equipment licensing agreement is anticipated to extend to entering into the huge land and platform production well market and in the process deliver a key strategic objective for the Company. It has always been our intention to prove our equipment and technology in exploration before tackling the larger and more valuable production wellhead sector which is estimated as being over ten times the size of the jack-up market. In addition to being a much larger market than exploration equipment, production equipment can also be viewed as being a more defensive area of the upstream sector, which could provide a degree of protection in any future downturn as exploration activity is typically the first to be cut back by operators keen to conserve cash. As Statoil ASA Chief Executive Officer Eldar Saetre said earlier this year: "Exploration activity is among the easiest of things to regulate, to take up and down. It's not necessarily the right way to think. We need to keep a long-term perspective and maintain exploration activity through downturns as well, and Statoil has." By contrast, a production well is likely to have already been significantly de-risked and typically starts generating revenues within a much shorter time frame. The promise of early revenues can therefore protect a late stage development/production project from being deferred or worse. Our entry into the production market is therefore significant as it will reduce our exposure to the more cyclical areas of the upstream sector and is in line with our strategy to have a more balanced product mix for Plexus, one that serves the whole life cycle of a project from exploration to abandonment and is thus less exposed to future downturns.

A further market opportunity that we have taken our POS-GRIP technology into, and one which arguably is more defensive than exploration and production applications, is the increasingly important decommissioning market. Here too, we are confident that Plexus is well placed to win market share based on the uniquely enabling capabilities and solutions that we can offer operators. Progress is already being made, and in March 2015 we announced a purchase order to supply Centrica Energy Exploration and Production ('Centrica') with our POS-SET Connector™ for abandonment operations on a gas well originally drilled 34 years ago in 1982, offshore Holland. The Connector, which utilises POS-GRIP friction grip engineering, facilitates abandonment operations as it enables operators to re-establish a connection onto rough conductor casing that has been previously cut above the seabed. In full scale testing, the Plexus connector can achieve 80% of the bending and tensile strength of the parent pipe, which is significantly better than conventional alternatives. We anticipate that this order will prove to be the first of many for Plexus as the abandonment market opens up, which we believe will grow significantly as a large number of ageing wells reach the end of their lives in the North Sea and other regions. The latest Activity Survey published by Oil & Gas UK shows how resilient spending has been in this sub-sector despite the volatile trading conditions: £1bn was spent on decommissioning in the UKCS in 2015, the same figure as 2014. Encouragingly the same report forecasts spend in this sub-sector will rise to £1.5bn in 2016 and £2bn in 2017.

Outperforming conventional technology in terms of operational efficiencies, time savings, and safety is a consistent theme which runs through our growing family of POS-GRIP enabled products. Our new Python subsea wellhead, launched in September 2015, is no different. With the support of our Joint Industry Partners, BG, eni, Royal Dutch Shell, Maersk, Total, Wintershall, Tullow Oil, Senergy, and Oil States Industries Inc., we set out to establish a new safer and best in class standard for subsea wellheads. Four years on and we believe we have done just that after our Python subsea wellhead successfully passed the new tougher test standards proposed by a major international operator for use by the industry. In our view, our new subsea wellhead design addresses the key technical issues and requirements highlighted by regulators following the Gulf of Mexico incident in April 2010; delivering substantial efficiencies and time savings, and taking key metal-to-metal sealing functions to a standard that we believe uniquely meets or exceeds those of premium couplings. Python offers a unique set of features including instant casing hanger lockdown eliminating the need for many complex components that our competitors' designs require including lock rings, lockdown sleeves and wear bushings which often prove problematic in the field. For Plexus, Python will give us access to the multi-billion dollar subsea exploration and production market. Were we to have the same level of success we have to date enjoyed in our traditional jack-up exploration and production market, where we have a circa 10% global share, the impact on the Company would be transformational.

Our Python subsea wellhead is not the only new product we have launched during the year under review. Our Tersus-PCT HPHT Tie-Back connector product with its unique operational and cost saving advantages is also now being marketed to the industry. Like Python, the Tie-Back connector is based on our POS-GRIP technology being able to offer operators significant capital cost savings thanks to being the first product on the market which allows HPHT exploration and pre-drilled production wells to be converted to either subsea or platform producing wells.

Following a period in which we have been able to announce and launch a number of new products and achieve a number of higher test standard milestones, we believe that awareness is growing about our POS-GRIP technology making drilling activity safer while at the same time offering considerable time and cost savings to the operator. Indeed, other suppliers to the oil and gas industry have approached us to incorporate POS-GRIP into their product offering, as demonstrated by our partnership with Aquaterra Energy ('AE') to offer a light-weight, low-cost, high pressure riser ('HPR') system for use from jack-up rigs. The combination of AE's riser products and Plexus' POS-GRIP technology enables an inner liner to be installed inside a conventional HPR to provide full 15,000 PSI capability. These systems allow for safe effective drilling, completion, work over and abandonment activities to be completed on subsea wells from jack-up rigs. The HPR provides a structurally sound, pressure retaining conduit between the subsea wellhead and the rig's surface BOP and is capable of withstanding environmental and operational conditions expected during the HPR service life. We are keen to pursue further partnerships with suitable companies such as Aquaterra both within and outside the oil and gas industry, and such a strategy fits with one of our earlier goals of applying the POS-GRIP method of engineering to a range of products both within and outside of the oil and gas industry.

Staff

On behalf of the Board I would like to thank all our employees both past and present for their dedication and hard work during a challenging oil and gas industry trading environment which, like with many other E&P and service companies across the world necessitated Plexus initiating a redundancy programme. Such cost control measures are regrettable and I look forward to the level of exploration and production activity increasing and Plexus once again being in a position to expand its valued workforce.

Outlook

The significant fall in exploration activity and investment to 60 year lows is clearly unwelcome, specifically in terms of the impact it has had on our financial performance during the year under review and the current financial year, and has driven the necessary measures we have had to take to realign our cost base closer to the reduced levels of orders and order visibility, which continues at the current time. On a more positive note however we, like many other interested observers believe that the sharp fall seen in the number of exploration wells drilled across the world has sown the seeds for the next upturn due to an impending 'supply crunch' which has the potential to result in a strong recovery in the price of oil that could go a long way to match the steepness of the decline.

On the supply side it is no coincidence that with fewer exploration wells being drilled, fewer discoveries are being made. According to the consultant group Wood MacKenzie, 2015 saw only 2.7 billion barrels of new supply discovered, the lowest number since 1947. 2016 could well see exploration plumb new depths, as up to the end of August, just 736 million barrels of conventional crude had been found. Nils-Henrik Bjurstroem from Oslo-based consultants Rystad Energy AS said such a low number of discoveries "will definitely be a strong impact on oil and gas supply, and especially oil." For now, the lack of new finds is being masked by the huge volumes of oil being pumped into the market as part of the policy adopted by OPEC and Russia to defend market share. With fewer discoveries being made to replenish reserves however, the supply glut that is currently occupying the markets could quickly go into reverse.

Meanwhile on the demand side, the U.S. Energy Information Administration estimates that the daily global demand for oil will grow to 105.3 million barrels in 2026 from 94.8 million barrels this year. Such sentiment was supported by Ben Van Beurden, the CEO of Royal Dutch Shell Plc who recently stated that he sees demand rising by between 1 million to 1.5 million barrels a day and that in order to meet these growth estimates oil companies will need to invest about US$1 trillion a year. If the run rate of oil discoveries does not pick up, Wood Mackenzie estimates there will be a 4.5 million barrel per day shortfall in global supplies by 2035. When combining the lack of new discoveries and the removal of approximately 5% of global supply from the market each year due to natural decline rates it is easy to forecast considerably higher oil prices in the future. Paal Kibsgaard, chief executive of Schlumberger, the world's largest oil services company, would appear to agree: "The magnitude of the E&P investment cuts are now so severe that it can only accelerate production decline and the consequent upward movement in the oil price."

When looking to the future it must be noted that oil and gas markets are not just cyclical in nature; structural changes also play a role in driving the industry forward. One of these is the increased regulatory scrutiny faced by operators around the world following well-documented disasters such as Macondo in the Gulf of Mexico in 2010. As Plexus' wellheads can be proven to be superior in terms of performance, reliability and safety in all operating environments from standard to extreme HPHT conditions, we feel Plexus is ideally placed to benefit in a world of heightened regulatory oversight. We believe that it was for this reason that Total selected us as the wellhead supplier for its ultra-HPHT Solaris well in the North Sea, and also why Royal Dutch Shell approached us four years ago to take our surface designs and develop a POS-GRIP enabled subsea wellhead. In short the heightened levels of regulation being seen across the industry play to Plexus' strengths and therefore bode well for the future.

A further key structural driver set to play an increasing role in the oil and gas industry in the years ahead is environmental. If oil and gas companies are to manage the conflicting pressures of maximising production and revenues for their shareholders while making a contribution towards reducing carbon dioxide ('CO2') emissions, then a move away from dirtier fossil fuels such as coal to cleaner hydrocarbons such as natural gas is needed. The numbers speak for themselves: on a CO2 emitted per unit of energy output or heat content basis, the EIA calculates natural gas emits 117 pounds of CO2 per million British thermal units ('Btu') of energy. This is around half the 228.6 pounds of CO2 emitted by coal. Meanwhile diesel fuel and heating oil emit 161.3 pounds of CO2; and gasoline 157.2 pounds. Interestingly, we are already seeing a renewed focus on natural gas among the majors. Such considerations are already impacting on the industry hydrocarbon mix, and in the UK as an example in the three-month period April to June this year coal accounted for just under 6% of electricity generation down from over 20% in the same period in 2015, and gas increased from just under 30% to more than 45%. At the corporate level Royal Dutch Shell's recent acquisition of BG Group can partly be explained by the latter's strong presence in global LNG markets. In addition, as was reported in a recent article in the Wall Street Journal, Total SA has set itself a target to increase its LNG production capacity by 50% by 2020; while BP is aiming for gas to account for around 60% of its production by the end of the decade, compared to 44% in H1 2016. With Plexus having the best metal to metal sealing system technology available for gas we believe the Company is in an excellent position to capitalise on such a trend.

When considering the outlook for both Plexus and the oil and gas industry it is pertinent to remember that many of the key geopolitical drivers for the oil price and related investment decisions can be decided by a handful of individuals and organisations. Whether it has been the significant increase in shale drilling and oil and gas production in the USA; Saudi Arabia wanting to maintain market share even at the cost of consuming a significant share of its own foreign reserves as it makes up the shortfall between revenues and expenditure; or Iran wanting to regain its place in the global supply chain such drivers are all out of our control. However, one key and eagerly awaited recent positive development was this month's OPEC deal and the sign of shifting attitudes that it conveyed. OPEC seems to have finally accepted reality and the fact that the market forces behind unconventional production in the USA, Canada and elsewhere are not going to go away and that in the case of Saudi Arabia and others their foreign reserves were just not large enough to outlast such pressures. This means that OPEC appears to have accepted that low prices are just not sustainable and that a rebalancing now needs to take place, which again can only be helpful for the future of Plexus and the wider industry. Further evidence of such changing sentiment by the major producers was in evidence at this month's World Energy Congress in Istanbul where President Putin of Russia said that Russia supports "the recent initiative by OPEC to fix oil production limits" and that the era of oil and gas will not come to an end in the foreseeable future. Perhaps even more encouragingly at this month's Oil and Money Conference in London Rex Tillerson, Chief Executive ExxonMobil and several other senior oil executives told the conference that fossil fuels would be needed for decades to come to meet the energy needs of a growing world population.

Looking to the future, in order to ensure Plexus maximises its potential in the years ahead, and in the process firmly establishes itself as the standard bearer for delivering best in class wellhead equipment in terms of performance, reliability and safety all over the world, it has been necessary for us to firstly ensure that we were in a strong position to navigate the sharp downturn in the current cycle. From the outset we assumed the worst case scenario that oil prices would stay 'lower for even longer' rather than just 'lower for longer' and we have taken appropriate action. This included a comprehensive restructuring of our cost base which included a regrettable near halving of our workforce, as well as a major strengthening of our balance sheet firstly via a subscription for new ordinary shares with a value of US$5m by Gusar, our partner in Russia, which was then followed by a placing of £6m with new and existing shareholders. We were delighted that despite the challenging markets, both capital raising exercises were priced close to the prevailing market price of our shares. We view this as testament to the strength of our technology and the potential for Plexus to deliver significant shareholder value over the coming years.

J Jeffrey Thrall
Non-Executive Chairman
28 October 2016

Strategic Report

Principal Activity

The Group markets a patented friction grip method of engineering for oil and gas field wellheads and connectors, named POS-GRIP. This involves deforming one tubular member against another within the elastic range to effect gripping and sealing. This superior method of engineering for wellheads offers a number of important advantages to operators, particularly for HPHT applications and can include improved technical performance, improved integrity of metal seals, significant installation time savings, reduced operating costs and enhanced safety. Revenues predominantly derive from the rental of POS-GRIP wellheads for jack-up exploration, although the range of commercial and safety benefits of POS-GRIP also apply to surface land and platform production and subsea wellheads which are significantly bigger market sectors which Plexus is now actively pursuing organically and with international partners such as Gusar, Russia. Furthermore, the Directors believe that the Company's proprietary technology has additional wide ranging applications both within and outside the oil and gas industry.

Financial Results

Revenue

Revenue for the year was £11.23m, down 60.6% from £28.53m in the previous year. The decline in sales was most acute in the UKCS where the year on year reduction was 88.3% and was a direct result of the significant slowdown in exploration drilling activities not only in the North Sea but also across the world. Revenues derived from a number of on-going and new contracts from customers around the world including Asia and the Americas. On a positive note Asia generated just over £2m of sales and accounted for 18.2% of total sales which was up as a percentage of sales from 9.2% in the prior year. The extent of the decline in the UKCS was highlighted by Government data released a few months ago which reported that there was a 96% plunge in Scotland's North Sea oil revenue and this situation has resulted in a quarter of North Sea jobs being lost and a number of independent oil explorers and oilfield services companies going out of business.

The rental of exploration wellhead and related equipment and services accounted for approximately 91% of revenue reflecting the fact that the Company's organic business model remained focused on the supply of jack-up rental surface exploration wellhead equipment and services. It is anticipated that as Plexus' strategy to widen its scope of activities to include the surface production, subsea, and decommissioning markets both in the North Sea and internationally then this weighting towards the jack-up market will decline as Plexus becomes more diversified. HPHT rental equipment and related services continued to account for the majority of sales revenues declining to £8.22m down from £25.23m last year, a decrease of 67.4%, and accounted for 73.2% of total sales, compared to 88.4% in the prior year. Standard pressure equipment sales decreased by 7.1% to £1.79m from £1.94m in the prior year, and accounted for 7.1% of total sales compared to 6.8% in the prior year. This year re-billable expenses revenues made up £0.68m compared to £1.24m last year for items such as freight, shipping and equipment hire. Despite the major fall in oil and gas prices and resulting decline in sales, we continued to invest for the future and incurred capital expenditure on rental assets of £1.76m as compared to £2.53m in the prior year, a year on year decrease of 30.4%.

Margin

Gross margins reduced to 46.6% (compared to 69.9% in the previous year) as a result of higher depreciation, project costs, and pricing constraints. The majority of rental activity sales continued to be HPHT which delivers higher margins than lower pressure equipment contracts.

Overhead expenses

In line with the reduction of sales revenues it was necessary and important to conserve cash and reduce personnel and infrastructure related overheads which decreased to £11.28m from £14.93m in the previous year, a reduction of 20.16%. The cost reduction exercise was initiated in January and implemented from March and therefore these are not annualised savings. The full effect of the overhead reduction programme will be seen in the current 2016/17 financial year, where it is estimated that on a like for like 12 month equivalent basis when looking at pre and post the full savings effect overheads would be approximately 50%. In the year being reported salary staff costs reduced to £6.56m from £9.87m, whilst the employee headcount at the year-end was 81 compared to 157 for the prior year, a decrease of 48.4%. Other items which decreased year on year as a result of the decreased activity levels, staff decreases, and reduction of infrastructure were recruitment fees, training, health and safety, overseas base costs, advertising and marketing, and travel and subsistence.

Adjusted EBITDA

Adjusted EBITDA for the year (before IFRS 2 share based payment charges of £0.02m and non-recurring restructuring costs of £0.76m) was a loss of £1.56m, compared to £9.53m profit (before IFRS 2 share based payment charges of £0.02m) the previous year. Adjusted EBITDA is calculated as follows:

	2016	2015
	£'000	£'000
Operating (Loss) / profit	**(6,798)**	5,020
Add back:		
–Depreciation	**3,488**	3,070
–Amortisation	**980**	811
–Restructuring costs	**755**	–
–Share based payments charges	**21**	21
–(Gain) / loss on disposal	**(6)**	20
–Share of profit of associate	**–**	236
–Gain on disposal of associate	**–**	352
–Rounding	**–**	1
Adjusted EBITDA	**(1,560)**	9,531

Loss before tax

Loss before tax of (£6.92m) compared to a profit last year of £5.94m. This loss was after absorbing higher depreciation and amortisation charges of £4.47m, up from £3.88m last year, the largest component being depreciation of rental assets which increased by 13.6%, reflecting the continued investment in Plexus' wellhead rental inventory. The loss before tax is stated after an IFRS 2 charge for share based payments under reporting standard IFRS 2; the charge for the full year is £0.02m compared to £0.02m last year.

Tax

The Group shows an income tax credit of £1.13m for the year as compared to a tax charge of £0.51m for the prior year. The income tax credit for the year is driven by the loss incurred during the financial period.

The Group has an effective tax rate for the year of 16% (2015: 9%). The effective rate of tax is lower than the current standard UK corporation rate of 20% as a result of SME enhanced R&D tax credits, which arise from the Group's ongoing R&D programme. In addition there has been a significant reduction in the deferred tax computation in relation to share options recognised in equity following a decline in the share price during the financial year to 63.3p on 30 June 2016 compared to 220p on 30 June 2015.

EPS

The Group reports basic loss per share of 6.39p compared to earnings per share of 6.40p in the prior year.

Cash and Statement of Financial Position

The statement of financial position reflects the investment in operations during the year and in particular on-going capital expenditure and funds received as a result of share subscriptions by strategic partners and a share placing. The net book value of property, plant and equipment including items in the course of construction was £15.57m compared to £17.15m last year. Capital expenditure on tangible assets decreased to £1.96m compared to £7.02m last year. The higher spend last year included the acquisition of a 36,000 sq.ft work shop and office facility in Aberdeen in September 2014 for £2.04m. The net book value of intangible assets, including IP rights, R&D and software, increased by 6.6% to £14.08m compared to £13.17m last year. Capital expenditure on intangibles totalled £1.90m compared to £3.54m last year, a decrease of 43.2%. Receivables decreased to £1.7m compared to £7.3m last year. Net cash closed at £9.89m (cash and cash equivalents of £15.86m less bank loans of £5.98m compared to net borrowings of £2.95m last year (bank loans £6.28m less cash and cash equivalents of £3.3m) reflecting net cash inflow for the year of £12.84m (net increase in cash of £12.54m per Statement of Cash Flows plus net decrease in bank borrowings of £0.30m). This closing net cash position changed materially year on year at positive £9.9m compared to negative £2.9m, and reflects the subscription by Jereh in July 2015 for new ordinary shares representing 5% of the issued share capital of Plexus for circa £8m; the subscription by Gusar in April 2016 for new ordinary shares representing 7% of the new issued share capital of Plexus for circa US$5m and a £6m placing in June 2016 of new shares with new and existing shareholders. Post period end the Group's bank - Bank of Scotland Corporate – has agreed to provide facilities for a two year £5m revolving credit facility. In addition the Group has a reducing five year £1.5m term loan (with a current balance of £0.9m) which was put in place in September 2014 to part fund the purchase of the additional building in Aberdeen and which runs to August 2019. These facilities combined with cash balances are anticipated to be adequate to meet current on-going working capital, capital expenditure, R&D and related project commitments.

Intellectual Property ('IP')

The Group carries in its statement of financial position goodwill and intangible assets of £14.85m, an increase of 6.6% from £13.93m last year, reflecting the Group's on-going investment in and commitment to the development of its proprietary POS-GRIP technology, the most important elements of which continued to be in relation to the POS-GRIP friction-grip method of engineering and the new Python subsea wellhead. The Directors have considered whether there have been any indications of impairment of its IP and have concluded, following a detailed asset impairment review, that there is no impairment. The Directors therefore consider the current carrying values to be appropriate. Indications of impairment are considered annually.

Research and Development

R&D expenditure including patents was reduced by 46.4% year on year from £3.47m to £1.86m. This reduction must not be taken as a sign that R&D ceases to be an important and necessary part of our activities, as such investment is key to protecting, developing, and broadening the range of proprietary POS-GRIP friction-grip method of engineering applications and related IP. There are two main drivers for this reduction – one was the coming to the end of the JIP to design and develop the new Python subsea wellhead, and the other was the decision to focus on essential R&D as part of our strategy to control expenditure during the current challenging trading period. Such essential R&D, and the patent protections that can form part of it is arguably even more important where an industry continues to look to reduce costs in the supply chain, combined with the need for ever greater safety disciplines, both of which Plexus wellhead equipment is able to fulfil, especially in relation to unconventional drilling. In the case of Russia, the Deloitte "2016 Russian Oil & Gas Outlook Survey" highlighted the importance of R&D for operators where one of the questions posed was how compared to 2015 the respondents saw their R&D costs changing, and 75% of the industry experts thought they will increase. Such investment has culminated, in addition to the Python subsea wellhead which offers operators a unique range of operational and cost saving advantages, in a range of POS-GRIP products which include the Tersus-PCT HPHT Tie-back connector which for the first time allows HPHT exploration and pre-drilled production wells to be converted to either subsea or platform producing wells; the new POS-SET Connector which is designed to enable operators to re-establish a connection onto rough conductor casing for the expanding abandonment market; a low cost wellhead system for the volume production market – WellTree™ and HPHT dual barrier marine risers in collaboration with Aquaterra. All of these product innovations have been made possible through combining ongoing investment with the proven nature of POS-GRIP, and we are confident that along with our partners we will continue to identify new ways to develop and deploy our technology.

IFRS 2 (Share Based Payments)

IFRS 2 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 £0.02m which compares to £0.02m last year.

Dividends

While the Company remains committed to distributing dividends to its shareholders, the Directors believe that in view of the challenging oil price environment and resulting reduction in exploration drilling activity and resultant financial performance it is prudent to continue the suspension of the payment of dividends. The Company will look to reinstate the dividend at the earliest opportunity.

Operations

The major operational driver for the year being reported on as well as the current year to date, is the material decline in operators' capital expenditure and drilling activity levels, particularly in exploration drilling; a result of the collapse in the oil price which is only just beginning to see signs of a mild recovery. Although this has been particularly marked in the North Sea, these are global issues and cannot be avoided, although we are increasing our efforts to pursue sales opportunities outside of Europe with some success such as a new customer win in Oman. In response to such hostile trading conditions Plexus initiated a range of cash conservation and significant cost reduction measures in the second half of the year; the most important of which was personnel related. Unfortunately, after over ten years of expansion, headcount was reduced to 81 from 157 on a year-end comparison basis. This reduction, along with other cost reduction measures, was carefully planned to ensure that the lower level of sales anticipated for the foreseeable future will support the reduced headcount and cost structure, and if necessary further adjustments will be made. On a positive note our fully invested rental wellhead inventory is capable of being deployed at short notice which can support sales of circa £40m. Efforts are now being increased to move into the land, platform and subsea arenas, although jack-up drilling remained our core activity and contracts awarded by existing and new customers included the following:

- June 2015 – a £3.3m ultra HP/HT wellhead equipment order was received from new customer Total offshore Norway - believed to be the deepest and highest pressure well ever drilled in the North Sea estimated at 17,000 – 19,000psi, was successfully completed during the year
- July 2015 – local Petronas licence secured by Plexus' Malaysian joint venture company Plexus Products (Asia) Sdn Bhd
- September 2015 – official launch of Python subsea wellhead prototype at SPE Offshore Europe in Aberdeen following the culmination of a successful JIP with a number of oil majors participation – efforts now ongoing to secure a first order for this important product development
- September 2015 – collaboration agreement signed with Aquaterra Energy Ltd to jointly supply an industry first jack-up deployable (as opposed to semi-submersible rigs) HPHT dual barrier marine riser utilising POS-GRIP technology
- January 2016 – US$0.6m standard pressure contract win with new customer Masirah Oil Limited in new territory Oman – initially for one well with a possible two additional wells to follow
- February 2016 – £0.9m contract secured by Plexus Malaysian joint venture Plexus Products (Asia) Sdn Bhd with Talisman Malaysia Limited, part of Repsol Group for an exploration well offshore Malaysia
- March 2016 – £0.6m contract win for the supply of HPHT wellhead equipment with long term customer Det norske for an exploration well offshore Norway
- May 2016 – £0.6m further purchase order from Det norske for a standard pressure exploration well utilising HPHT equipment for offshore Norway

Plexus continues to invest in R&D and although such expenditure reduced by 46.4% compared to the prior year, R&D remains an important operational activity and underpins the value of our IP and ability to further develop POS-GRIP technology based products. Innovation in the oil and gas industry continues to be an essential part of developing ever safer drilling methods, and Plexus is confident that it can play an important role in delivering such solutions whilst raising wellhead standards to a level that conventional technology cannot reach, such as passing test standards equivalent to those used for premium couplings.

Staff and staff development are important disciplines for a service company whether we are expanding or not, and correctly trained and motivated staff are key. Unfortunately during the second half of the year being reported, the focus concentrated on managing the staff redundancy programme and further cost saving exercises, including salary reductions and a reduction to employee benefits. Consequently, following the consultation period, which commenced early February during the three month period March to May 45 staff were made redundant from both our UK head office and international locations and a companywide salary reduction based on a percentage reduction, dependent on salary band was implemented. Furthermore, a consultation process was undertaken during June to reduce the employee benefits package. All cost reduction initiatives were successfully implemented and the desired cost saving outcomes were achieved. The rightsizing exercise across the business has now placed a focus on redistribution of some tasks/responsibilities across the business, with a number of employees absorbing additional tasks. To document this and ensure all required tasks are covered, an exercise was undertaken to review all job descriptions to ensure all new job descriptions are issued to staff in Q3 calendar year of 2016. Alongside these staff reduction programmes the Competency Management System has continued to be developed, and an additional department within the business has recently developed and implemented full competency standards for their discipline. We are continuing to roll out this system, with an ambition to have all safety critical disciplines develop and implement standards within the competency system by Q1 calendar year of 2017. Staffing figure total at the end of June 2016 was 81 employees which compares to the prior year closing staff number of 157.

Health and Safety is important for all companies and industries, but is a critical discipline in the oil and gas industry. Plexus remains fully committed to delivering the highest safety standards possible despite implementing a range of cost cutting initiatives, and continues to maintain a positive safety culture which is aligned with our Company Safety Values evident throughout the organisation. This discipline is achieved by continual development and implementation of a programme of initiatives, engaging with all levels of staff and sharing our safety messages and performance, via our health and safety branding STAR SAFETY. A recertification audit by LRQA (our system certifying body) in December 2015 and subsequent surveillance audit of our ISO 9001 and BS OHSAS 18001 Management Systems, had a positive outcome resulting in our certification being extended until 2018. This is a tangible demonstration that we are operating to the recognised industry and national standards and we continue to collaborate with our clients and industry bodies to share HSE best practice and information. We continue to manage our safety risks through assessment, implementation of controls, continual monitoring, and engaging and developing staff to meet the competency levels required. We always reinforce the compelling message that the health and well-being of our employees is the crucial feature of our HSE and HR strategy, as our workforce is key to the successful delivery of our services. We encourage our personnel to get involved and have confidence to intervene and to challenge any unsafe act or condition, suggest improvements, and to ensure transparent reporting that meets our desired safety culture.

IT services and support are key operational areas for Plexus. Plexus relies on a variety of IT systems, both in-house and proprietary, to manage and deliver safe and secure services for the business. Importantly, like many companies Plexus continues to be at risk of cyber-security threats. During the past year we have begun working towards ISO 27001 accreditation which will help ensure that both such internal and external risks are minimised. Certification provides customers and key stakeholders with the confidence that security risks are taken and addressed seriously. The IT infrastructure has again undergone significant upgrades to ensure that the systems are capable of reacting quickly to the ever changing demands put on it by the business and its suppliers and customers. The main improvements have included networking and telecommunication upgrades as well as improvements to our cyber security intrusion detection systems. These upgrades have combined to increase our security from external risks whilst increasing employees' access to data from any location worldwide. Business support solutions carried out during the year were mainly focused on the development of the in-house Manufacturing Requirements Planning system. This system will help to provide an optimal use of resources and allow for enhanced collecting and formation of business data which in turn will allow improved and more efficient planning of work through the system.

Strategy and Future Developments

Technology

Plexus' unique and patented POS-GRIP technology is a simple concept which involves applying compressive force to the outside of a wellhead or pipe, to flex it inwards. As the bore of the vessel moves inwards, it makes contact with an inner pipe (or hanger) on the inside. Sufficient contact force is generated to hold the inner member (hanger) in place through friction between the two components, and creates a superior metal-to-metal seal. The Company's strategy is primarily focused on delivering the highest standard of wellhead design for the upstream oil and gas markets around the world, and one which is already proven to be uniquely advantageous in terms of safety features, operational efficiency, and cost savings for jack-up drilling especially HPHT applications.

POS-GRIP wellhead designs deliver many advantages over conventional "slip and seal" and "mandrel hanger" wellhead technologies for surface exploration and land and platform production applications. These include larger metal-to-metal seal areas, virtual elimination of movement between parts, fewer components, simplified design and assembly, enhanced corrosion resistance, simpler manufacture, long term integrity, annulus management, and reduced installation cost. Key components of Plexus wellheads can include proprietary superior HG seals; robust metal-to-metal seals which can be machined directly into the hanger, and are energised by use of the external POS-GRIP mechanism. Plexus has recently added both the new Python subsea wellhead to its product suite as well as the POS-SET Connector™ for use in the growing decommissioning market which is designed to re-connect to bare conductor pipe for well re-entry or permanent abandonment operations. The POS-SET Connector creates a solid connection with reliable sealing directly against the pipe, and retains bend and load capabilities at 80% of pipe strength. The Python subsea wellhead eliminates the need for wear bushings, pack-offs, lock-rings, and lockdown sleeves, whilst delivering instant rigid lock-down in all directions, fully reversible for ease of workover, side-tracking or abandonment. These design simplifications and features not only reduce the risk of installation problems and safety issues, they also significantly reduce installation time and the number of trips that are needed such that it has been independently estimated that up to US$10m of savings are possible for a deep water well. The directors believe Plexus' wellhead equipment sets a new standard which can include matching and even exceeding those required for premium couplings and, having secured a leading position in jack-up exploration drilling, is well placed to pursue its strategy of breaking into the significantly larger and more mainstream volume production wellhead and subsea markets both organically and in conjunction with partners including licensees.

As with any game changing technology that has the potential to become a new global standard, there has to be sound and genuine reasons for customers to select the equipment. Apart from the operational time saving and related safety benefits, at an engineering level the Company has scientifically proven that its technology can uniquely raise the integrity of wellhead testing and sealing to that of premium couplings, which supports its claim that wellheads should not be, and indeed now do not need to be, the weak link in the well architecture chain.

POS-GRIP friction-grip technology has wide ranging applications both within and outside the oil and gas industry. As POS-GRIP is a method of engineering and not a product in its own right, where there is an opportunity for the technology to improve the performance of conventional products, the Company will look to integrate POS-GRIP so that the benefits together with HG sealing can be realised.

Business Model and Markets

Historically Plexus' has focused on supplying adjustable wellhead equipment and associated running tools on a rental basis for the relatively niche jack-up exploration drilling in the UK Continental Shelf ('UKCS') and has achieved a near 100% market share. This market has over the years expanded into the ECS (Norway, Netherlands and Denmark) and contracts have been secured as far afield as China, Russia, Egypt, Cameroon, Trinidad, Venezuela, and Morocco. The exploration wellhead contracts are supplied from a rental fleet of owned inventory of which the majority are HPHT as opposed to standard pressure 10,000psi wellheads as these are increasingly demanded where added benefits and features are appreciated. The wellhead equipment is typically rented for an agreed initial set period that may typically range from 60 to 180 days depending on pressure rating. Where a well runs on beyond the initial agreed period a pro-rata day rate is then charged to the operator until the well is completed and the equipment returned. The steep decline in exploration drilling activity in the North Sea has accelerated the need and goal of expanding the target markets beyond Europe. Plexus also provides service technicians to install and maintain its equipment at various stages during the drilling of a well.

Exploration rental contracts enable the customer to experience and learn about the many benefits of POS-GRIP technology on temporary wells, rather than those used for production where typically the wellhead equipment is in place for the life of the well and are therefore sold rather than rented. Renting wellheads also delivers a greater gross margin to Plexus as the cost of sales is essentially repairs and maintenance. However with new partners such as Gusar in Russia, the Company is looking to expand business activities to include the development of a Plexus POS-GRIP surface production wellhead suitable for the volume land production market working on a license royalty model. Renting equipment from an inventory enables Plexus to outsource all of its wellhead manufacturing to a select number of third parties, and as a result avoid having to invest in and develop in-house manufacturing capabilities with attendant fixed overheads. Such a business model has proven to be beneficial in the current trading climate as although Plexus revenues have declined significantly it is able to adjust and reduce its overhead which does not involve a factory.

The traditional Plexus jack-up wellhead exploration market is estimated to be worth circa USD$400m per annum. By contrast the combined value of the global land and platform production wellhead and subsea wellhead markets is many times greater and runs into billions of dollars. In the case of the overall subsea market a Douglas-Westwood analyst report last May calculated that deepwater expenditure will total US$137bn for 2016 to 2020, with Africa and the Americas accounting for 87% of this. Therefore, even with the well reported global decline in general capital expenditure and the deferral and cancellation of projects by operating companies, the business potential that these market sectors offer to Plexus and its partners is substantial.

Depressed oil markets saw Brent Crude fall during the financial year by 76% from circa USD$112 on 1 July 2014 to a low of USD$27 in January 2016. It is not surprising therefore that operators are focusing closely on securing significant cost savings across their operations which has resulted in an industry wide push for supply chain savings at all levels of drilling operations. As Plexus' equipment can deliver material cost savings to the operator at the same time as providing a superior wellhead solution, it is hoped that such trading conditions can have a silver lining in terms of capturing operator's interest due to the unique combination of enhanced safety and operational time and cost savings that Plexus wellheads offer. In the case of Plexus' surface jack-up wellheads these can be supplied at a rental cost that equates to less than the time savings for the operator, thereby making them cost negative. Similarly, the Company's new Python subsea wellhead will also deliver such substantial cost savings benefits, and can also be cost negative. Cost saving and safety features such as these underpin Plexus' business model and the value of its IP as it enters new international markets directly or through licensees.

Strategy

Having proven the significant advantages of Plexus POS-GRIP wellheads for jack-up exploration applications to a wide range of mostly international oil companies ('IOC's), the challenge now for Plexus whilst waiting for its organic exploration led business to recover is to extend its business activities into the volume land and platform and also the subsea sectors. This strategy can be pursued both organically and also through licensees and partners. It should not be underestimated however that the wellhead business is dominated by a small number of mostly American multi-national oil services companies such as GE who continue to dominate the industry. In fact, as a clear illustration of these market dynamics just five companies account for over 90% of the subsea wellhead business. Despite such challenges Plexus believes that its wellhead equipment is gaining traction and awareness among major operators of its wellhead systems is increasing which bodes well over the longer term.

Plexus' long-term goal is to establish POS-GRIP technology as a new industry standard for wellhead and metal sealing designs, whilst continuing to develop new products which can also offer multiple benefits and advantages to the industry in terms of improved safety, functionality, and cost and time savings. An example of such extensions for POS-GRIP technology is our connector technology which is ideal for high integrity, low fatigue applications. Wellhead connectors, riser connectors, subsea jumper connectors, pipeline connectors, and even vessel mooring connectors we believe can all benefit from the simplicity of POS-GRIP. To support this strategy a key milestone achieved during the year, which delivers significant credibility to the science based claims that we can make for our equipment, was the completion of our Python subsea wellhead design where an independent test report summary considered the combined thermal, pressure and axial load testing of a production casing hanger with our integral HG sealing system configured for use with the Python subsea wellhead design. This test which was put in place by a major IOC was initiated to establish qualification procedures that better reflect the true requirements of actual applications rather than the lower test standards required by current industry standards. This new more rigorous approach adds numerous additional combined temperature, load, and pressure cycles whilst requiring the testing of a complete hanger/sealing system, and requires testing at the extremes of the product tolerance ranges. We believe that successfully qualifying to these much more stringent test requirements uniquely places Plexus at the forefront of test standard passes, and supports our claim that we can match those standards required for premium couplings.

Alongside our various product and engineering led strategies we are also implementing a strategy to expand from our historically dominant position in the North Sea into new geographical areas and sizeable markets that to date have not been targeted such as the GOM and offshore Mexico, India and the Middle East.

R&D continues to be central to the Company's strategy of investing time and capital into new product development and improving the application of POS-GRIP technology, and underpins our product extension strategic initiatives. As part of the Group's strategy of conserving cash and reducing overheads R&D spend has been significantly reduced and excluding the cost of building test fixtures R&D spend decreased 46.4% to £1.86m during the last financial year. R&D was focused on such products as WellTree, the HP/HT Tie-Back connector, the new POS-SET Connector and the Python subsea wellhead. All of these product innovations are in line with Plexus' goal to extend the POS-GRIP product reach into new and commercially attractive markets which can be addressed organically or with partners. Relevant R&D activity adds value and leads to new inventions, product designs, and IP. Plexus continues to pursue an active strategy of protecting existing and securing new IP and patents and to date these remain unchallenged which underlines the uniqueness of our technical solutions.

Key Performance Indicators

The Directors monitor the performance of the Group by reference to certain financial and non-financial key performance indicators. The financial indicators include revenue, EBITDA, profit and loss, earnings per share and working capital resources and requirements. Non-financial indicators include Health and Safety statistics, equipment utilisation rates, geographical diversity of revenues and customers, effectiveness of various research and development initiatives for example in relation to new patent activity and inventions, and appropriate employee headcount numbers and turnover rates.

Principal Risks and Risk Management

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

(a) **Political, legal and environmental risks**

Plexus participates in a global market where the exploration and production of oil and gas reserves and even the access to those reserves can be adversely impacted by changes in the political, operational, and environmental landscape. The last eighteen months have clearly demonstrated how any combination of such factors can be so detrimental and generate in many cases risks and uncertainties that can undermine stable trading conditions such as Iran making efforts to return to the world hydrocarbon supply stage, and Saudi Arabia implementing a strategy to maintain its market share goals at whatever cost. A specific example of political risk is the introduction of sanctions, and in extreme circumstances even regime change or a coup. As a supplier to the industry it is clear that Plexus can be adversely affected by such events which disrupt the markets and can compromise the ability to execute work for customers and/or collect payment for services performed. Such risks also extend to legal and regulatory issues and it is important to understand that these can change at short notice, especially as a result of incidents such as happened in the GOM. To help address and balance such risks, the Group has continued to broaden its geographic footprint and customer base.

Closer to home, following the UK Referendum result 'BREXIT' continues to generate a fair amount of speculation and uncertainty about timing and eventual impact in terms of for example staff recruitment, export negativity if duties were to apply and exchange rates. It is of course at an early stage and Article 50 has not yet been served. Our current thinking is that staff recruitment when activity levels pick up is not currently a major concern, and weaker Sterling actually makes our products and services cheaper to customers outside of the UK. In addition some of our sales are in dollars and this could generate a small currency gain opportunity when converted to Sterling. Also as we see our equipment as being a unique option for customers we would anticipate that BREXIT is likely to have a lesser impact for Plexus than it may have on other companies and industries. However if we need to manufacture more equipment for rent or sale, the cost of raw material, and in particular steel may increase if Sterling's weakness continues.

(b) **Oil and Gas Sector Trends**

It is readily understood that the world is actively moving away from coal as part of the COP21 climate change objectives and the need to reduce CO2 emissions. However the battle between traditional hydrocarbons in terms of coal, oil and gas is not the only trend to consider. New technologies particularly in relation to renewables, alternative energies and developments such as the increasing use of electric vehicles and corresponding battery life, wind and wave energy could all in the future prove very disruptive to the traditional oil and gas industry.

(c) **Technology**

The Group is still at a relatively early stage in the commercialisation, marketing and application of its POS-GRIP friction-grip technology beyond jack-up rental exploration wellhead equipment, both with regard to expanding into the surface land and platform production market sector, and particularly the subsea market where the new Python subsea wellhead was only launched last September at the SPE Offshore Europe Exhibition, Aberdeen. Current and future contract opportunities may be adversely affected by technology related factors outside the Group's control, especially where new product developments are concerned. These may include unforeseen equipment design issues, test delays during a contract and final testing and delayed acceptances of deliveries, which could lead to possible abortive expenditure and write downs, reputational risk and potential customer claims or onerous contractual terms. Such risks may materially impact on the Group. To mitigate this risk, the Group continues to invest in developing and proving the technology and has a policy of on-going training of our own personnel and where appropriate our customers.

(d) **Competitive risk**

The Group operates in highly competitive markets and often competes directly with large multi-national corporations who have greater resources and are more established, and who are arguably more resilient to extended adverse trading conditions. Unforeseen product innovation or technical advances by competitors could adversely affect the Group and lead to a slower take up of the Group's proprietary technology. To mitigate this risk Plexus maintains an extensive suite of patents and trademarks, and actively continues to develop and improve its IP to ensure that it continues to be able to offer unique superior wellhead design solutions.

(e) **Operational**

Plexus, like many other oil service companies, has had to make significant reductions in its workforce numbers for the first time since being admitted to the AIM market in 2005. Therefore, when the anticipated upturn comes in drilling activity it is possible that the industry and Plexus could experience difficulties in rehiring past or new employees and this could deprive Plexus of the key personnel necessary for expanding operational activities as well as research and development initiatives at the rate that may be required. To help mitigate this risk Plexus has developed effective recruitment and training procedures, which combined with the appeal of working in a company with unique technology and engineering solutions which will hopefully minimise this risk.

(f) **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 completing two share subscription events with strategic investors as well as a share placing with existing and new shareholders. In addition, the Group successfully renewed bank facilities with Bank of Scotland.

(g) **Credit**

The main credit risk is attributable to trade receivables. As the majority of the Group's customers are large international oil companies the risk of non-payment is much reduced, and therefore is more likely to be related to client satisfaction and/or trade sanction issues. Customer payments can involve extended period of times especially from countries where exchange control regulations can delay the transfer of funds outside those countries. As Plexus begins to establish licensee relationships there may be instances whereby certain capital payments could be due some way into the future and as such greater credit risk than exists under normal payments terms could apply. The Group has credit risk management policies in place and exposure to credit risk is monitored continuously.

(h) **Risk assessment**

The Board has established an on-going process for identifying, evaluating and managing the more significant risk areas faced by the Group. One of the Board's control documents is a detailed "Risks assessment & management document" which categorises risks in terms of - business (including IT), compliance, finance, cash, debtors, fixed assets, other debtors/prepayments, creditors, legal, and personnel. These risks are assessed on a regular basis and can be associated with a variety of internal and external sources including regulatory requirements, disruption to information systems including cyber-crime, control breakdowns and social, ethical, environmental and health and safety issues.

Ben van Bilderbeek
Chief Executive
28 October 2016

Board of Directors

Jerome Jeffrey Thrall BBA MBA (aged 66), Non-Executive Chairman

Jeff joined Thrall Enterprises, Inc. ('TEI'), a family owned holding company headquartered in Chicago, USA, in 1980 as vice president of corporate development of TEI's subsidiary, Nazdar Company, a manufacturer and distributor of ink jet, screen printing, flexo inks and supplies. Jeff was named President of TEI in 1995. 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 68), Chief Executive

Ben founded the Plexus business in 1986. He has more than 40 years' experience in the industry in both engineering and management roles and previously held senior positions with Vetco Offshore Industries, Dril-Quip, and Ingram Cactus. Following a career at Vetco, where Ben rose to the position of General Manager of UK Engineering, he went on to found his own oil and gas consultancy, 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 58), 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 43), Technical Director

After gaining a Master's Degree in Engineering Science from the University of Oxford, Craig began his career with ICI plc in 1996 as a machines engineer. He joined Plexus in 1998 and was instrumental in the development, testing and analysis of the original POS-GRIP products. As Technical Director, Craig is responsible for overseeing new technology and concept development, product testing and analysis, as well as pursuing new applications for POS-GRIP technology both internally and externally.

Geoffrey Edmund Thompson BSc (Hons) M.Eng (aged 62), Non-Executive Director

Geoff has over 40 years' experience in the international oil and gas arena. Geoff's expertise lies in the field of well equipment and well design, including High Pressure High Temperature wellhead equipment technology. He is currently contracted as an independent consultant to Maersk Oil UK for their Culzean HP/HT development, having been, until recently, a Principal Drilling Equipment Engineer with Maersk Oil in Denmark. Prior to this, Geoff 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.

Charles Edward Jones BSc M.Eng (aged 57), Non-Executive Director

Charles has over 30 years of senior management and Board experience in the energy sector. In 2007, Charles was CEO of Houston-based Forum Oilfield Technology, a global oilfield products company which he successfully merged with three other companies in 2010 to create Forum Energy Technologies (NYSE: FET) and where he remained as President until 2013. Prior to Forum, Charles was COO of privately owned Hydril Company LP, where he played a leading role in the US based drilling and downhole products company's IPO in 2000 and subsequent sale for USD$2.1 billion. Before joining Hydril, Charles served as Director of Subsea Businesses for Cooper Cameron Corporation where he developed the global subsea production business. Charles is a former Chairman of the Petroleum Equipment Suppliers Association, a Distinguished Alumni of the Cullen College of Engineering at the University of Houston and graduate of the Advanced Management Program at Harvard Business School.

Kunming Liu (aged 39), Non -Executive Director

Kunming, appointed 17 December 2015, has over 18 years' experience in corporate finance and financial accounting. She currently holds the position of Vice President and Chief Administrator of HITIC Energy, an emerging oil and gas development company based in Canada, which is a subsidiary of Jereh Oilfield Services Group, a multi-billion dollar Chinese oil services provider. Prior to this, Ms Liu was the Financial Director of Jereh Energy Services Corporation, a wholly owned subsidiary of Jereh. Additionally, Ms Liu holds a major in financial accounting from Shandong Cadres Institute of Economics and Management in China.

Directors' Report

The directors present their annual report together with the audited financial statements for the year ended 30 June 2016.

Business review

A review of the development and performance during the year consistent with the size and complexity of the business together with commentary on future developments including the main trends and factors likely to affect the business is given in the Chairman's Statement on page 6 and the Strategic Report on page 12. In addition, the Strategic Report on page 12 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 certain financial and non-financial indicators included in the highlights on page 1, the Strategic Report on page 12, and the Directors' Report on page 24 meet this requirement. The directors have provided a description of the principal risks and uncertainties facing the Group in the Strategic Report on page 19.

Directors who served during the year

J. Jeffrey Thrall
Ben van Bilderbeek
Graham Stevens
Craig Hendrie
Geoff Thompson
Charles Edward Jones
Kunming Liu (appointed 17 December 2015)
Christopher Fraser (resigned 16 December 2015)

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 £1.86m (2015: £4.12m), 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 loss before taxation of £6.92m (2015: Profit £5.94m), are set out on page 37.

The directors do not recommend the payment of a final dividend for the year ended 30 June 2016 (2015: 1.75p).

Corporate governance

This is the subject of a separate report set out on page 28.

Related party transactions

Details of related party transactions are set out in Note 64 in the financial statements.

Financial instruments and risk management

The Group maintains a commercial objective of contracting in sterling whenever possible. In circumstances where this is not possible, the Group converts foreign currency balances into sterling on receipt so far as they will not be used for future payments in the foreign currency. The Group maintains risk management policies which are set out in more detail in note 23 to the accounts.

Going concern

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

Directors' 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 2016 were as follows:

	Number of Ordinary Shares of 1p each 2016	Number of Ordinary Shares of 1p each 2015
J. Jeffrey Thrall [1]	44,295,513	42,704,001
Ben van Bilderbeek [2]	58,077,461	58,700,001
Graham Stevens	15,100	15,100
Craig Hendrie	12,600	12,600
Geoff Thompson	–	–
Charles Edward Jones	–	–
Kunming Liu (appointed 17 December 2015)	–	–
Christopher Fraser (resigned 16 December 2015)	–	10,000

1. J. Jeffrey Thrall, has an indirect beneficial interest in a company which controls 32.477% of Mutual Holdings Limited. The number of Ordinary shares held by Mutual Holdings Limited in the Company at 30 June 2015 was 42,700,001 (2014: 42,700,001). Additionally, J. Jeffrey Thrall has an indirect beneficial interest in Nazdar Limited, a company which holds 1,591,512 Ordinary shares in the Company and he holds 4,000 Ordinary shares directly.

2. Ben van Bilderbeek is one of the beneficiaries of a trust which controls 59.962% of the shares of Mutual Holdings Limited and the entire issued share capital of OFM Investment Limited. At 30 June 2015, Mutual Holdings Limited held 42,700,001 shares and OFM Investment Limited held 15,069,767. Additionally, Ben van Bilderbeek holds 307,693 Ordinary shares directly.

Retirement and re-election of Directors

Mr. van Bilderbeek and Mr. Thompson will retire by rotation at the Annual General Meeting and, being eligible, will offer themselves for re-election. Ms Liu will also retire at the Annual General Meeting having been appointed since the last AGM and, being eligible, will offer herself for re-election.

Substantial shareholdings and interests

Shares

At the date of this Annual Report the Company is aware of the following shareholdings in excess of 3% of the Company's issued ordinary share capital:

	% issued share capital
Mutual Holdings Limited 42,700,001	40.52%
OFM Investment Limited 15,069,767	14.3%
Liontrust Investment Partners LLP	12.67%
LLC Gusar 6,764,893	6.42%
Blackrock Investment Management	5.8%
JM Finn Nominees Limited	4.8%
Jereh International (Hong Kong) Co., Ltd 4,468,537	4.24%

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 31.

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.

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 8 December 2016. 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 7 (inclusive) there are three items of special business, namely the proposed resolutions numbered 8, 9 and 10, the effects of which are to renew the authority given to the directors to allot shares in the capital of the Company, to authorise the Company to make market purchases, of shares and, to dis-apply pre-emption rights. Your attention is drawn to the Notes on each of these resolutions at the foot of the Notice and to the Notes generally.

Auditors

Crowe 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

Ben van Bilderbeek
Chief Executive
28 October 2016

Corporate Governance

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 use it as a model of best practice wherever possible, given both the size and resources available to the Company.

The Board

The Board of Directors comprises three Executive Directors and four 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 2016 the Board (including transactional committees, but not including the Audit and Remuneration committees) met a total of nineteen times of which five were scheduled Board meetings.

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 Charles Jones and is scheduled to meet twice a year. It is the Audit Committee's role to provide formal and transparent arrangements for considering how to apply financial reporting and internal control best practice, whilst maintaining an appropriate relationship with the independent auditors of the Group. In order to comply with best practice that at least one member has relevant financial experience, the Chairman of the Board sits on the Audit Committee.

During the year to 30 June 2016 the Audit Committee met on two occasions.

Remuneration Committee

The Remuneration Committee comprises two Non-Executive Directors, J. Jeffrey 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 2016 the Remuneration Committee met on three occasions.

Board and committee meeting attendance

The table below shows the attendance record of individual directors at Board meetings and committees of which they are members.

	Board		Audit Committee		Remuneration Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
J. Jeffrey Thrall	19	7	2	2	3	3
Ben van Bilderbeek	19	14	–	–	–	–
Graham Stevens	19	19	–	–	–	–
Craig Hendrie	19	15	–	–	–	–
Geoff Thompson	19	6	–	–	–	–
Charles Edward Jones	19	6	2	2	3	3
Kunming Liu (appointed 17 December 2015)	11	2	–	–	–	–
Christopher Fraser (resigned 16 December 2015)	10	4	1	1	1	1

Appointment of Non-Executive Director

Kunming Liu was appointed as a Non-Executive Director on 17 December 2015. As required by Article 69.(B) of the Company's Articles of Association, Kunming Liu will retire at the Annual General Meeting to held on 8 December 2015 and, being eligible, will offer herself for re-election.

Retirement and re-election

Ben van Bilderbeek and Geoff Thompson are to retire by rotation at the Annual General Meeting and, being eligible, will offer themselves for re-election.

Shareholder relations

The Company meets with its institutional shareholders and analysts as appropriate and encourages communication with private shareholders via the AGM. In addition, the Company uses the annual report and accounts, interim statement and website (www.plexusplc.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 34.

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 commended by the Audit Committee for approval 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.

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. The Committee comprises two Non-Executive Directors J. Jeffrey Thrall and Charles Jones, and is required to meet at least once a year.

Remuneration policy

The Group's policy is to attract, retain and motivate high calibre executives capable of achieving the Group's objectives. Executive Directors receive salaries, annual bonuses (as and when appropriate), medical cover, and pension scheme contributions which are intended to be competitive within the sector in which the Group operates.

The Committee determines the policy of the overall remuneration package for Executive Directors and other senior executives. Basic salaries and benefits of all employees are reviewed every year, and the Group and the Committee as part of this annual process seeks advice from external remuneration consultants as and when appropriate. In reviewing salaries, consideration is given to personal performance, the Group's overall performance and external comparative information.

An annual performance bonus may be payable to Executive Directors and senior staff, and each year an exercise is undertaken, again in conjunction where appropriate with external remuneration consultants to look at market comparisons, benchmarks, relative performance as well as consideration of strategic progress in addition to simply financial ones. Comparator group analyses includes oil and gas exploration companies with broadly similar market capitalisations and numbers of employees, as well as oil and gas service companies where although the market capitalisation range is wide it is relevant as these are the sort of companies with which Plexus may compete for talent. A further comparator group for the Committee to consider is the FTSE AIM 100.

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 Chairman, J. Jeffrey Thrall, entered into a Letter of Appointment with the Company dated 25 November 2005 for an initial term through to the first AGM and having been re-elected as a director either party can terminate upon three months' notice being given. The subsequently appointed Non-Executive Directors, Geoff Thompson, Charles Jones and Kunming Liu, entered into their Letters of Appointment with the Company dated 8 June 2010, 18 September 2014, and 17 December 2015 respectively, and (with the exception of Kunming Liu who is to retire at the forthcoming AGM), having been re-elected as a director at the first respective AGM following their appointment, are subject to the same termination conditions as those applicable to Mr Thrall.

Directors' remuneration

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

	Short-Term Employee Benefits		Post-Employment Benefits	Share-Based Payment		
	Salary & Fees (incl. annual bonus) £	Benefits £	Pension £	IFRS 2 Charge for Share Options £	**2016 Total £**	2015 Total £
Executive Directors						
Ben van Bilderbeek	330,654	18,078	–	–	**348,732**	745,154
Graham Stevens	292,133	10,318	15,194	–	**317,646**	389,701
Craig Hendrie	144,773	907	20,775	–	**166,454**	275,655
Non-executive Directors						
J Jeffrey Thrall	27,083	–	–	–	**27,083**	32,500
Geoff Thompson	16,667	–	–	–	**16,667**	20,000
Christopher Fraser	21,250	–	–	21,000	**42,250**	51,016
Charles Edward Jones	40,432	–	–	–	**40,432**	34,976
Kunming Lee	10,000	–	–	–	**10,000**	–
Total	872,992	29,303	35,969	21,000	**969,264**	1,549,002

Directors' interest in share options

The options and awards have been granted pursuant to the Executive 2005 Share Option Scheme and Non-Executive 2005 Share Option Scheme to the following Directors:

Executive 2005 Share Option Scheme

Name	No of Options At 30/06/14	Granted During 14/15	Lapsed During 14/15	Exercised During 14/15	No of Options At 30/06/15	Granted During 15/16	Lapsed During 15/16	Exercised During 15/16	No of Options At 30/06/16	Date of Grant	No of Options Vested At 30/06/16	Expiry Date	Exercise Price (£)
B. van Bilderbeek	194,152	–	–	–	194,152	–	–	–	194,152	09/12/05	194,152	08/12/25	0.59
B. van Bilderbeek	65,902	–	–	–	65,902	–	–	–	65,902	20/06/07	65,902	19/06/17	0.385
B. van Bilderbeek	332,110	–	–	–	332,110	–	–	–	332,110	17/12/09	332,110	16/12/19	0.41
B. van Bilderbeek	169,642	–	–	–	169,642	–	–	–	169,642	25/03/11	169,642	24/03/21	0.60
G. Stevens	138,407	–	–	–	138,407	–	–	–	138,407	09/12/05	138,407	08/12/25	0.59
G. Stevens	43,177	–	–	–	43,177	–	–	–	43,177	20/06/07	43,177	19/06/17	0.385
G. Stevens	217,795	–	–	–	217,795	–	–	–	217,795	17/12/09	217,795	16/12/19	0.41
G. Stevens	101,042	–	–	–	101,042	–	–	–	101,042	25/03/11	101,042	24/03/21	0.60
C. Hendrie	254,407	–	–	–	254,407	–	–	–	254,407	09/12/05	254,407	08/12/25	0.59
C. Hendrie	43,177	–	–	–	43,177	–	–	–	43,177	20/06/07	43,177	19/06/17	0.385
C. Hendrie	217,795	–	–	–	217,795	–	–	–	217,795	17/12/09	217,795	16/12/19	0.41
C. Hendrie	105,853	–	–	–	105,853	–	–	–	105,853	25/03/11	105,853	24/03/21	0.60

Non-executive 2005 Share Option Scheme

Name	No of Options At 30/06/14	Granted During 14/15	Lapsed During 14/15	Exercised During 14/15	No of Options At 30/06/15	Granted During 15/16	Lapsed During 15/16	Exercised During 15/16	No of Options At 30/06/16	Date of Grant	No of Options Vested At 30/06/16	Expiry Date	Exercise Price (£)
J. Thrall	40,169	–	–	–	40,169	–	–	–	40,169	09/12/05	40,169	08/12/25	0.59
G. Thompson	100,000	–	–	–	100,000	–	–	–	100,000	08/06/10	100,000	07/06/20	0.60
C. Fraser	100,000	–	–	–	100,000	–	–	–	100,000	05/07/12	100,000	04/07/22	1.18

No options are expected to lapse at the AGM

The exercise of the options granted on 5 July 2012 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 AGM following end of First Assessment Period – 1 July 2012 to 30 June 2013	Up to 1⁄3 of Shares under Option
14 days after Company AGM following end of Second Assessment Period – 1 July 2013 to 30 June 2014	Up to 1⁄3 of Shares under Option
14 days after Company AGM following end of Third Assessment Period – 1 July 2014 to 30 June 2015	Up to 1⁄3 of Shares under Option
14 days after Company AGM following end of Complete Assessment Period – 1 July 2012 to 30 June 2015	Up to all Shares under Option LESS Annual Shares already capable of exercise.

On 9 July 2015 the Board of Plexus approved certain amendments to the rules of the Plexus Holdings plc 2005 Share Option Scheme (the "Plan") such that the Company is permitted to extend the exercise period for options granted under the Plan by a further ten years. Subsequently, on 9 July 2015, the Company entered into deeds of amendment with Ben van Bilderbeek, Graham Stevens, Craig Hendrie, all of whom are Directors of Plexus, in respect of options granted to them on 9 December 2005 under the Plan ("2005 Options"), to enable each holder to exercise 2005 Options up until 8 December 2025, subject to the terms of the Plan Rules.

The lowest mid-market price of the Company's shares in the year to 30 June 2016 was 40.63p on 29 February 2016, and the high in the period to 30 June 2016 was 237.57p on 21 July 2015. The mid-market price on 30 June 2016 was 63.25p.

Statement of Directors' Responsibilities

The directors are responsible for preparing the Directors' Report, Strategic Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the 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 or loss of the Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and 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 further responsible for ensuring that the Strategic Report and the Report of the Directors and other information included in the Annual Report and Financial Statements is prepared in accordance with applicable law in the United Kingdom.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website (www.plexusplc.com). The work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Ben van Bilderbeek
Chief Executive
28 October 2016

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 2016 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 26.

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.

We read all the financial and non-financial information in the Directors' Report, Chairman's Statement, Strategic Report, Corporate Governance Report, Remuneration Committee Report and any other surround information to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in performing the audit. 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 2016 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 and Strategic Report for the financial year for which the Group financial statements are prepared is consistent with the Group 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:

- 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 2016.

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

28 October 2016

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2016

	Notes	2016 £'000	2015 £'000
Revenue	2	**11,227**	28,526
Cost of sales		**(5,994)**	(8,581)
Gross profit		**5,233**	19,945
Administrative expenses		**(11,276)**	(14,925)
Restructuring costs	8	**(755)**	–
Operating (loss) / profit	4	**(6,798)**	5,020
Finance income	6	**69**	512
Finance costs	7	**(187)**	(182)
Share of profit of associate		**–**	236
Gain on disposal of associate		**–**	352
(Loss) / profit before taxation		**(6,916)**	5,938
Income tax credit / (expense)	9	**1,126**	(509)
(Loss) / profit for the year attributable to the owners of the parent		**(5,790)**	5,429
Other comprehensive income		**–**	–
Total comprehensive income for the year attributable to the owners of the parent		**(5,790)**	5,429
(Loss) / earnings per share	11		
Basic		**(6.39p)**	6.40p
Diluted		**(6.39p)**	6.16p

All income arises from continuing operations

Consolidated Statement of Financial Position

at 30 June 2016

	Notes	2016 £'000	2015 £'000
Assets			
Goodwill	12	**767**	767
Intangible assets	13	**14,080**	13,167
Property, plant and equipment	15	**15,567**	17,154
Total non-current assets		**30,414**	31,088
Inventories	16	**6,726**	6,551
Trade and other receivables	17	**1,747**	7,301
Current income tax asset		**229**	-
Cash and cash equivalents		**15,863**	3,328
Total current assets		**24,565**	17,180
Total Assets		**54,979**	48,268
Equity and Liabilities			
Called up share capital	19	**1,054**	849
Share premium account	19	**36,893**	20,141
Share based payments reserve	20	**766**	1,862
Retained earnings		**8,277**	15,628
Total equity attributable to equity holders of the parent		**46,990**	38,480
Liabilities			
Deferred tax liabilities	9	**468**	212
Bank loans	23	**675**	5,975
Total non-current liabilities		**1,143**	6,187
Trade and other payables	18	**1,546**	3,296
Current income tax liabilities		**–**	5
Bank loans	23	**5,300**	300
Total current liabilities		**6,846**	3,601
Total liabilities		**7,989**	9,788
Total Equity and Liabilities		**54,979**	48,268

These financial statements were approved and authorised for issue by the board of directors on 28 October 2016 and were signed on its behalf by:

B van Bilderbeek	**G Stevens**
Director	*Director*

Company Number: 03322928

Consolidated Statement of Changes in Equity

for the year ended 30 June 2016

	Called Up Share Capital £'000	Share Premium Account £'000	Share Based Payments Reserve £'000	Retained Earnings £'000	Total £'000
Balance as at 30 June 2014	**849**	**20,138**	**2,476**	**11,117**	**34,580**
Total comprehensive income for the year	–	–	–	5,429	5,429
Share based payments reserve charge	–	–	21	–	21
Transfer of share based payments reserve charge on exercise of options	–	–	(1)	1	–
Tax credit recognised directly in equity	–	–	–	2	2
Transfer of share based payments reserve charge on lapse of options			(38)	38	–
Issue of ordinary shares (net of issue costs)	–	3	–	–	3
Net deferred tax movement on share options	–	–	(596)	–	(596)
Dividends	–	–	–	(959)	(959)
Balance as at 30 June 2015	**849**	**20,141**	**1,862**	**15,628**	**38,480**
Total comprehensive income for the year	–	–	–	(5,790)	(5,790)
Share based payments reserve charge	–	–	21	–	21
Current year credit on share option exercise to share based payment reserve	–	–	5	–	5
Transfer of share based payments reserve charge on exercise of options	–	–	(3)	3	–
Issue of ordinary shares (net of issue costs)	205	16,752	–	–	16,957
Net deferred tax movement on share options	–	–	(1,119)	–	(1,119)
Dividends	–	–	–	(1,564)	(1,564)
Balance as at 30 June 2016	**1,054**	**36,893**	**766**	**8,277**	**46,990**

Consolidated Statement of Cash Flows

for the year ended 30 June 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
(Loss) / profit before taxation		**(6,916)**	5,938
Adjustments for:			
Depreciation, amortisation and impairment charges		**4,471**	3,881
(Gain) / loss on disposal of property, plant and equipment		**(2)**	20
Charge for share based payments		**21**	21
Investment income		**(69)**	(512)
Interest expense		**187**	182
Share of result in associate		**–**	(236)
Gain on disposal of associate		**–**	(352)
Dividend received from associate		**–**	37
Changes in working capital:			
Increase in inventories		**(175)**	(1,295)
Decrease / (increase) in trade and other receivables		**5,554**	(838)
Decrease in trade and other payables		**(1,750)**	(1,678)
Cash generated from operating activities		**1,321**	5,168
Income taxes refund / (payment)		**34**	(318)
Net cash generated from operating activities		**1,355**	4,850
Cash flows from investing activities			
Proceeds from disposal of associate		**–**	1,492
Acquisition of subsidiary		**–**	(7)
Purchase of intangible assets		**(1,900)**	(3,541)
Purchase of property, plant and equipment		**(1,956)**	(7,016)
Proceeds of sale of property, plant and equipment and intangibles		**61**	56
Interest received		**69**	4
Net cash used in investing activities		**(3,726)**	(9,012)
Cash flows from financing activities			
Drawdown of loans		**–**	2,500
Repayment of loans		**(300)**	(225)
Net proceeds from issue of new ordinary shares		**16,923**	–
Proceeds from share options exercised		**34**	3
Interest paid		**(187)**	(182)
Equity dividends paid		**(1,564)**	(959)
Net cash generated from financing activities		**14,906**	1,137
Net increase / (decrease) in cash and cash equivalents	*22*	**12,535**	(3,025)
Cash and cash equivalents at 1 July 2015		**3,328**	6,353
Cash and cash equivalents at 30 June 2016	*21*	**15,863**	3,328

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.

The Directors have considered those standards and interpretations, which have not been applied in the financial statements but are relevant to the Group's operations, that are in issue but not yet effective. The adoption of IFRS 9 (Financial Instruments) and IFRS 15 (Revenue from Contracts with Customers) is not expected to have a material impact on the future results of the Group. IFRS 16 (Leases) is expected to materially change the balance sheet with the inclusion of a right of use asset and a matching lease liability however the quantum has yet to be calculated. The impact on future results is not expected to be material.

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. Going concern

The Group's activities and an outline of the developments taking place in relation to its products, services and marketplace are considered in the Strategic Report on pages 12 to 21 along with an explanation of revenue, trading results and cash flows.

Note 23 to the Financial Statements sets out the Company's financial risks and the management of capital risks.

At the year end, the Group had cash and cash equivalents of £15.9m and bank facilities of £6.975m comprising a £5m revolving credit facility repayable in September 2016, a £1m overdraft repayable on demand, and a term loan facility which had a balance of £0.975m, and which is repayable in quarterly instalments of £75k with the final repayment due by September 2019.

The level of the Group's available funds and facilities are anticipated to provide sufficient funding for the foreseeable future.

Accordingly, after careful enquiry and review of available financial information, including projections and cash flows for the period to 31 October 2017, the Directors believe that the Company has adequate resources to continue to operate for the foreseeable future and that it is therefore appropriate to continue to adopt the going concern basis of accounting in the preparation of the consolidated and company financial statements.

c. Basis of consolidation

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

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

The financial statements of the Company and its subsidiaries are prepared in sterling (the functional currency), which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Group. Transactions and balances in foreign currencies are converted into sterling in accordance with the principles set forth by IAS 21 (“The Effects of Changes in Foreign Exchange Rates”). Accordingly, transactions and balances have been converted as follows:

- Monetary assets and liabilities – at the rate of exchange applicable at the balance sheet date; and
- Income and expense items – at exchange rates applicable as of the date of recognition of those items. Non-monetary items are converted at the rate of exchange used to convert the related balance sheet items i.e. at the time of the transaction. Exchange gains and losses from the aforementioned conversion are recognised in the consolidated statement of comprehensive income.

d. Associate

An associate is an entity over which the Group is in a position to exercise significant influence through participation in the financial and operating policy decisions of the investee, but that is not a subsidiary or a jointly controlled entity.

The results, assets and liabilities of an associate are incorporated in these financial statements using the equity method of accounting. Under the equity method, the investment in an associate entity is carried in the balance sheet at cost, plus post-acquisition changes in the Group’s share of net assets of the associate, less distributions received and less any impairment in value of the investment. The Group income statement reflects the Group’s share of the results after tax of the associate entity. The Group statement of other comprehensive income reflects the Group’s share of any income and expense recognised by the associate entity outside profit and loss.

Financial statements of associate entities are prepared for the same reporting year as the Group. Where necessary, adjustments are made to those financial statements to bring the accounting policies used into line with those of the Group.

Unrealised gains on transactions between the Group and its associate entities are eliminated to the extent of the Group’s interest in the associate entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The Group assesses investments in associate entities for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication of impairment exists, the carrying amount of the investment is compared with its recoverable amount, being the higher of its fair value less costs to sell and value in use. Where the carrying amount exceeds the recoverable amount, the investment is written down to its recoverable amount.

The Group ceases to use the equity method of accounting on the date from which it no longer has joint control over, or significant influence in the associate, or when the interest becomes held for sale.

e. *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.

f. *Income taxes and deferred taxation*

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

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

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

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

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

As set out in note 20 the Group operates a share option scheme. Where the market price of the shares at the year-end exceeds the option price there is a potential tax deduction. This is treated as a deferred tax asset. The portion of the expected future tax deduction which is less than or equal to the associated cumulative IFRS2 charge is recognised in the income statement. The balance of the credit is recognised directly in equity.

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

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

The cash flows are based upon a 10-year period which is the period covered by the relevant patents, and, in accordance with historical trends and current expectations, an average growth rate for the organic income streams of 13.9% has been applied to periods beyond the current budget. In making these calculations Management have not included an assessment of the terminal value. The Company's Weighted Average Cost of Capital for discounting purposes has been measured at 10.87%. The cashflows are based upon approved budgets for the following 12 months, beyond this they are based upon management's expectations of future developments.

In addition, management have considered an indicative fair value less costs to sell (FVLCS) valuation of goodwill and intangibles estimated by adjusting implied valuations of the Group from recent placings for the estimated fair value of tangible assets and liabilities and other factors. Management noted that this indicative FVLCS value exceeded the carrying value.

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 substantial movement (over 30%) in any of these assumptions before there would be any impairment to intangible assets.

h. Intangible assets and amortisation

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

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

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

Computer software is amortised over 2 to 5 years on a straight line basis.

In all cases the amortisation period represents the expected useful life of the asset.

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

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

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

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

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

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

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

The cash flows are based upon a 10-year period which is the period covered by the relevant patents, and, in accordance with historical trends and current expectations, an average growth rate for the organic income streams of 13.9% has been applied to periods beyond the current budget. In making these calculations Management have not included an assessment of the terminal value. The company's Weighted Average Cost of Capital for discounting purposes has been measured at 10.87%. The cashflows are based upon approved budgets for the following 12 months, beyond this they are based upon management's expectations of future developments.

In addition, management have considered an indicative fair value less costs to sell (FVLCS) valuation of goodwill and intangibles estimated by adjusting implied valuations of the group from recent placings for the estimated fair value of tangible assets and liabilities and other factors. Management noted that this indicative FVLCS value exceeded the carrying value.

It would require a substantial movement (over 30%) in any of these assumptions before there would be any impairment to intangible assets.

Any impairment loss would be recognised immediately in the Statement of Comprehensive Income.

i. Property, plant and equipment

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

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

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

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

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

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

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 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. 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.

p. Dividends

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

q. 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.

r. 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.

s. 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.

t. 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.

u. Key assumptions and sources of estimation

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

The 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.

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

When measuring goodwill and intangible assets for impairment a range of assumptions are required and these are detailed in the Goodwill and Intangible Asset notes 1 (g) and 1 (h).

2. Revenue

	2016 £'000	2015 £'000
By geographical area		
UK	**1,241**	10,591
Europe	**7,636**	14,471
Rest of World	**2,350**	3,464
	11,227	28,526

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

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:

	2016 £'000	2015 £'000
Customer 1	**3,696**	4,224
Customer 2	**1,328**	4,175
Customer 3	**–**	3,593
Customer 4	**–**	3,356
Customer 5	**–**	3,342

4. Group operating loss

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

	2016 £'000	2015 £'000
Depreciation of tangible assets	**3,488**	3,070
Amortisation of intangible assets:		
– Intellectual property rights	**330**	329
– Research and development	**612**	454
– Computer software	**38**	28
Operating lease charges:		
– land and buildings	**436**	554
– other	**143**	147
Group restructuring costs	**755**	–
Foreign currency exchange loss	**24**	68

4. Group operating loss (continued)

Loss on disposal of property, plant and equipment	**(6)**	20
Directors' emoluments	**969**	1,552
Inventories recognised as expense	**636**	2,368
Inventory write down provision	**283**	105
Auditors' remuneration:		
Fees payable to the Company's auditors for:		
The audit of the Company's annual accounts	**10**	10
The audit of the Company's subsidiary pursuant to legislation	**30**	30
Audit related assurance services	**3**	3
Total audit fees	**43**	43

Key management are considered to be the Board of Directors and details of Directors' remuneration are given in the remuneration report on page 31 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:

	2016 Number	2015 Number
Management	**12**	12
Technical	**83**	104
Administrative	**32**	38
	127	154

The aggregate payroll costs of these persons were as follows:

	2016 £'000	2015 £'000
Wages and salaries	**7,144**	10,005
Social security costs	**743**	867
Redundancy and termination payments	**619**	–
Pension contributions to defined contribution plans	**345**	443
Share based payments	**21**	21
	8,872	11,336

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

6. Finance income

	2016 £'000	2015 £'000
Bank interest receivable	**63**	–
Other interest	**6**	4
Derecognition of financial liability	**–**	508
	69	512

The derecognition of a financial liability of £nil (2015: £508k) relates to the end of a contract where no legal liability remained. This is a non-cash transaction.

7. Finance costs

	2016	2015
	£'000	£'000
On bank loans and overdraft	**187**	182
Other interest	**–**	–
	187	**182**

8. Restructuring Costs

	2016	2015
	£'000	£'000
Redundancy and termination payments	**619**	–
Relocation costs	**136**	–
	755	–

9. Income tax expense

(i) The taxation charge for the year comprises:	**2016**	2015
	£'000	£'000
UK Corporation tax:		
Current tax on income for the year	**5**	353
Adjustment in respect of prior years	**(383)**	(483)
	(378)	(130)
Foreign tax		
Current tax on income for the year	**61**	263
Adjustment in respect of prior years	**56**	9
	117	272
Total current tax (credit)/charge	**(261)**	142
Deferred tax:		
Origination and reversal of timing differences	**(628)**	253
Short term timing differences	**64**	-
Difference between qualifying fixed assets and capital allowances	**(643)**	36
Share based payments charged to the Income Statement	**151**	(3)
Adjustment in respect of prior years	**191**	81
Total deferred tax	**(865)**	367
Total tax (credit)/charge	**(1,126)**	509

The effective rate of tax is 16% (2015: 9%)

9. Income tax expense (continued)

(ii) Factors affecting the tax charge for the year	**2016**	2015
	£'000	£'000
(Loss) / profit on ordinary activities before tax	**(6,916)**	5,938
Tax on (loss) / profit at standard rate of UK corporation tax of 20% (2015: 20.75%)	**(1,383)**	1,232
Effects of:		
Expenses not deductible for tax purposes	**554**	187
Income from and gain on sale of associate not subject to tax	**–**	(122)
Derecognition of financial liability not subject to tax	**–**	(105)
Effect of R&D tax credits	**–**	(521)
Effect of change in tax rate	**(61)**	(10)
Tax adjustments on share based payments	**151**	1
Foreign tax rates	**108**	240
Adjustments in respect of prior year	**(192)**	(393)
Group income not subject to tax	**(303)**	–
Total tax (credit) / charge	**(1,126)**	509

(iii) Movement in deferred tax liability balance	**2016**	2015
	£'000	£'000
Deferred tax liability / (asset) at beginning of year	**212**	(751)
(Credit) / charge to Statement of Comprehensive Income	**(865)**	367
Deferred tax movement on share options recognised in equity	**1,121**	596
Deferred tax liability at end of year	**468**	212

(iv) Deferred tax liability balance	**2016**	2015
The deferred tax liability balance is made up of the following items:	**£'000**	£'000
Difference between depreciation and capital allowances	**1,001**	1,600
Share based payments	**(88)**	(1,361)
Tax losses	**(445)**	(27)
Deferred tax liability/(asset) at end of year	**468**	212

10. Dividends

	2016	2015
	£'000	£'000
Ordinary Shares Interim paid for the period to 31 December 2015 of nil (2015: 0.51p) per share	**–**	433
Ordinary Shares Final dividend for the year ended 30 June 2016 of nil (2015: 1.75p) per share paid and recognised in 2016	**–**	1,564

11. (Loss) / earnings per share

	2016	2015
	£'000	£'000
(Loss) / profit attributable to shareholders	**(5,790)**	5,429
	Number	Number
Weighted average number of shares in issue	**90,597,415**	84,896,300
Dilution effects of share schemes	**2,135,987**	3,205,091
Diluted weighted average number of shares in issue	**92,733,402**	88,101,391
Basic (Loss) / earnings per share	**(6.39p)**	6.40p
Diluted (Loss) / earnings per share	**(6.39p)**	6.16p

Basic (Loss)/ 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. As a loss was made in the current year the option schemes are considered to be anti-dilutive.

12. Goodwill

	£'000
Cost	
As at 1 July 2014	760
Additions	7
As at 30 June 2015	767
Additions	–
As at 30 June 2016	**767**
Impairment	
As at 1 July 2014	–
As at 30 June 2015	–
As at 30 June 2016	**–**
Net Book Value	
As at 30 June 2016	**767**
As at 30 June 2015	767

Note 1(g) provides information on the Goodwill.

13. Intangible fixed assets

	Intellectual Property £'000	Patent and Other Development £'000	Computer Software £'000	Total £'000
Cost				
As at 30 June 2014	6,440	7,720	226	14,386
Additions	–	3,473	68	3,541
As at 30 June 2015	6,440	11,193	294	17,927
Additions	–	1,860	37	1,897
Disposals	–	(4)	–	(4)
As at 30 June 2016	**6,440**	**13,049**	**331**	**19,820**
Amortisation				
As at 30 June 2014	2,692	1,089	168	3,949
Charge for the year	329	454	28	811
As at 30 June 2015	3,021	1,543	196	4,760
Charge for the year	330	612	38	980
On Disposals	–	–	–	–
As at 30 June 2016	**3,351**	**2,155**	**234**	**5,740**
Net Book Value				
As at 30 June 2016	**3,089**	**10,894**	**97**	**14,080**
As at 30 June 2015	3,419	9,650	98	13,167

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

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 Limited	Scotland	Dormant	100%
Plexus Holdings USA, Inc.	USA	Investment Holding	100%
Plexus Ocean Systems US, LLC	USA	Investment Holding	100%
Plexus Deepwater Technologies Limited	USA	Dormant	100%
Plexus Response Services Limited	Turks and Caicos Islands	Commercial exploitation of subsea applications	100%
Plexus Subsea International Limited	Turks and Caicos Islands	Commercial exploitation of subsea applications	100%
Plexus Ocean Systems (Malaysia) Sdn Bhd	Malaysia	Supply of wellheads and associated equipment for oil and gas drilling	100%
Plexus Ocean Systems (Brunei) Sdn Bhd	Brunei	Supply of wellheads and associated equipment for oil and gas drilling	100%
Plexus Ocean Systems (Singapore) Pte. Ltd.	Singapore	Supply of wellheads and associated equipment for oil and gas drilling	100%
Afrotel Corporation Ltd	Turks and Caicos	Investment Holding Islands	100%
Plexus Applied Technologies Limited	Scotland	Dormant	100%

The Group's investments are unlisted.

15. Property, plant and equipment

	Buildings £'000	Tenant Improvements £'000	Equipment £'000	Assets under Construction £'000	Motor Vehicles £'000	Total £'000
Cost						
As at 30 June 2014	974	430	25,393	260	44	27,101
Additions	3,405	2	1,544	2,054	11	7,016
Transfers	–	–	2,140	(2,140)	–	–
Disposals	–	–	(533)	–	(7)	(540)
As at 30 June 2015	4,379	432	28,544	174	48	33,577
Additions	–	168	588	1,200	–	1,956
Transfers	–	–	1,316	(1,316)	–	–
Disposals	–	–	(318)	–	(14)	(332)
As at 30 June 2016	**4,379**	**600**	**30,130**	**58**	**34**	**35,201**
Depreciation						
As at 30 June 2014	405	126	13,257	–	29	13,817
Charge for the year	153	56	2,854	–	7	3,070
On disposals	–	–	(461)	–	(3)	(464)
As at 30 June 2015	558	182	15,650	–	33	16,423
Charge for the year	250	68	3,164	–	6	3,488
On disposals	–	–	(263)	–	(14)	(277)
As at 30 June 2016	**808**	**250**	**18,551**	**–**	**25**	**19,634**
Net Book Value						
As at 30 June 2016	**3,571**	**350**	**11,579**	**58**	**9**	**15,567**
As at 30 June 2015	3,821	250	12,894	174	15	17,154

16. Inventories

	2016 £'000	2015 £'000
Raw materials and consumables	**1,925**	2,265
Work in progress	**52**	124
Finished goods and goods for resale	**4,749**	4,162
	6,726	6,551

17. Trade and other receivables

	2016 £'000	2015 £'000
Trade receivables	**1,100**	6,562
Prepayments and other amounts	**647**	739
	1,747	7,301

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

	2016 £'000	2015 £'000
Not past due	**744**	5,248
Past due 0-30 days	**344**	1,022
Past due 30+ days	**12**	292
	1,100	6,562

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

18. Trade and other payables

	2016 £'000	2015 £'000
Trade payables	**337**	1,430
Non trade payables and accrued expenses	**1,209**	1,866
	1,546	3,296

The maturity of ageing of trade and other payables at the year-end was:

	2016 £'000	2015 £'000
Due within 30 days	**1,256**	1,699
Due in 30 – 90 days	**100**	870
Due in 90 days – 6 months	**70**	727
Due in 6 months – One year	**120**	–
	1,546	3,296

19. Share Capital

	2016 £'000	2015 £'000
Authorised:		
Equity: 110,000,000 (2015: 110,000,000) Ordinary shares of 1p each	**1,100**	1,100
Allotted, called up and fully paid:		
Equity: 105,386,239 (2015: 84,902,196) Ordinary shares of 1p each	**1,054**	849

19. Share Capital (continued)

Share issues during the year:	Number of shares	Share capital £'000	Share premium £'000	Total £'000
At 30 June 2015	84,902,196	849	20,141	20,990
On 7 July 2015	4,468,537	45	7,893	7,938
On 9 December 2015	19,843	–	10	10
On 25 April 2016	6,764,893	68	3,250	3,318
On 29 June 2016	9,230,770	92	5,599	5,691
At 30 June 2016	**105,386,239**	**1,054**	**36,893**	**37,947**

	Number of shares	Price per share	Aggregate nominal value £	Total aggregate £
On 7 July 2015				
- Share subscription	4,468,537	180p	44,685	8,043,367
9 December 2015				
- Share options	10,096	41p	101	4,139
- Share options	9,747	60p	97	5,848
25 April 2016				
- Share subscription	6,764,893	52.05p	67,648	3,521,127
29 June 2016				
- Share placing	9,230,770	65p	92,307	6,000,000

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 2025 at prices ranging from £0.385 to £1.18. At 30 June 2016, there were 4,053,574 options outstanding.

The Company has an unapproved share option scheme for the directors and employees of the Group. Options are exercisable at the quoted mid-market price of the Company's shares on the date of grant. The options may vest in three equal portions, at the end of each of three assessment periods, provided that the option holder is still employed by the Group at vesting date and that the Total Shareholder Return (TSR) performance conditions are satisfied. Options that do not meet the TSR criteria at the first available vesting date may vest at the end of the complete assessment period, provided that the compounded TSR performance is met over the complete assessment period. Vested but unexercised options ordinarily expire on the tenth anniversary of the date of grant. The options are equity settled.

On 9 July 2015 the directors approved an amendment to the rules of the scheme such that the Company is permitted to extend the exercise period for options granted under the scheme by a further ten years. Subsequently on 9 July 2015 the Company entered into deeds of amendment with Ben van Bilderbeek, Graham Stevens, Craig Hendrie, J. Jeffrey Thrall and one employee in respect of options granted to them on 9 December 2005 under the scheme, to enable each holder to exercise these particular options up until 8 December 2025, subject to all other terms of the scheme rules.

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

20. Share based payments (continued)

	2016		2015	
	No of shares	**Weighted Average exercise price**	No of shares £'000	Weighted Average exercise price
Outstanding at the beginning of the period	**4,077,739**	**0.53**	4,172,540	0.53
Granted during the period	**–**	**–**	–	–
Lapsed due to failure to meet TSR criteria during the period	**–**	**–**	–	–
Forfeited during the period by leaving employment	**(4,322)**	**0.56**	(85,278)	0.56
Exercised during the period	**(19,843)**	**0.50**	(9,523)	0.385
Outstanding at the end of the period	**4,053,574**	**0.53**	4,077,739	0.53
Exercisable at the end of the period	**4,053,574**	**0.53**	4,044,405	0.52

The weighted average share price at the time of exercise was £1.95 (2015: £1.81).

The aggregate of the estimated fair values of the options granted that are outstanding at 30 June 2016 is £736k (2015: £740k). The inputs to the Stochastic model for the computation of the fair value of the options are as follows:

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

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

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

The Group has recognised an expense in the current year of £21k (2015: £21k) towards equity settled share based payments.

The weighted average contractual life of the share options outstanding at the end of the period is 5 years.

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

	2016 £'000	2015 £'000
Increase/(decrease) in cash in the year	**12,835**	(3,025)
Cash inflow from increase in net debt	**–**	(2,275)
Movement in net cash/(debt) in year	**12,835**	(5,300)
Net (debt)/cash at start of year	**(2,947)**	2,353
Net cash/(debt) at end of year	**9,888**	(2,947)

22. Analysis of net cash/(debt)

	At beginning of year £'000	Cash flow £'000	At end of year £'000
Cash in hand and at bank	3,328	12,535	15,863
Bank loans	(6,275)	300	(5,975)
Total	(2,947)	12,835	9,888

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.

(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.

23. Financial instruments and risk management (continued)

As the Group does not use foreign exchange hedges, the consolidated statement of comprehensive income would be affected by a gain/loss of approximately £15k (2015: £241k) 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 £nil (2015: £79k) by a reasonably possible 10 percentage point fluctuation down/up in the exchange rate between sterling and the euro, by a gain/loss of approximately £15k (2015: £38k) by a reasonably possible 10 percentage point fluctuation down/up in the exchange rate between sterling and the Malaysian Ringgit.

(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 £48k (2015: £48k) 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 currency composition of trade receivable at the year-end was:

	2016 **£'000**	2015 £'000
Sterling	**984**	4,605
US Dollar	**116**	1,777
Euro	**–**	180
	1,100	6,562

(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**
30 June 2016				
Cash and liquid resources	– Sterling	15,453	6	15,459
	– US Dollar	155	13	168
	– Euro	–	–	–
	– Malaysian Ringgit	–	169	169
	– Singapore Dollars	–	51	51
	– Swiss Francs	–	16	16
		15,608	255	15,863
30 June 2015				
Cash and liquid resources	– Sterling	1,589	–	1,589
	– US Dollar	560	73	633
	– Euro	616	–	616
	– Malaysian Ringgit	–	381	381
	– Singapore Dollars	–	109	109
		2,765	563	3,328

At 30 June 2016 the Group had £15,863k of cash. The average rate of interest earned in the year is on a floating rate basis and ranged between 0% and 1.25% on sterling deposits.

Cash is categorised as loans and receivables.

23. Financial instruments and risk management (continued)

The Group has facilities of £6,975k that are secured by a fixed and floating charge over the assets of the Group. At 30 June 2016 the Group had drawn £5,975k on those facilities. The interest payable is on a floating rate basis and ranged between 3.0% and 3.1% in the year. The facility comprises of a £5,000k revolving credit facility repayable in September 2016, a balance of £975k outstanding on a term loan repayable over the period to September 2019 and a £1,000k overdraft repayable on demand.

The interest rate and currency profiles of the Group's financial liabilities at 30 June 2016 are as follows:

	Floating rates £'000	Non-interest bearing £'000	Book and fair value £'000
30 June 2016			
Bank revolving credit facility – Sterling	5,000	–	5,000
Bank term loan – Sterling	975	–	975
30 June 2015			
Bank revolving credit facility – Sterling	5,000	–	5,000
Bank term loan – Sterling	1,275	–	1,275

Maturity of Financial Liabilities:

	Due within 1 Year	Due between 2–5 Years £'000	Due after 5 Years £'000	Total £'000
30 June 2016				
Bank revolving credit facility – Sterling	5,000	–	–	5,000
Bank term loan – Sterling	300	675	–	975
Total	5,300	675	–	5,975
30 June 2015				
Bank revolving credit facility – Sterling	–	5,000	–	5,000
Bank term loan – Sterling	300	975	–	1,275
Total	300	5,975	–	6,275

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

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:

	2016 **£'000**	2015 £'000
Within one year	**365**	334
Within two to five years	**1,280**	378
After five years	**1,505**	–
	3,150	712

The Group had no capital commitments as at 30 June 2016 (2015: nil).

25. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2016 (2015: £nil).

26. Related party transactions

Control

No one party owns a controlling interest in the Company.

Ultimate parent company

There is no ultimate parent company.

Transactions

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

	2016 **£'000**	2015 £'000
Purchase of goods and services from Other Related Parties	**602**	448
Payables to Other Related Parties	**–**	29
Repayables from Other Related Parties	**9**	–

Other related parties were @SIPP (Pension Trustees) Limited, OFM Holdings Limited and Plexus Properties International Limited. The transactions related to accommodation, rent and related charges. @SIPP (Pension Trustees) Limited are the trustees of Ben van Bilderbeek's pension fund. OFM Holdings Limited is a trust of which Ben van Bilderbeek's family are beneficiaries. Plexus Properties International Limited is a company in which Ben van Bilderbeek's family are shareholders.

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

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 Strategic Report on page 12 and the Directors' Report on page 24.

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 2016 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.

We read all the financial and non-financial information in the Directors' Report, Chairman's Statement, Strategic Report, Corporate Governance Report, Remuneration Committee Report and other surround information to identify material inconsistencies with the audited Financial Statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in performing the audit. 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 2016;
- 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.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic 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 2016.

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

28 October 2016

Parent Company Statement of Financial Position

at 30 June 2016

	Notes	2016 £'000	2015 £'000
Assets			
Intangible assets	3	**13,424**	12,450
Investments	4	**8,294**	8,294
Total Non-current assets		**21,718**	20,744
Trade and other receivables	5	**1,168**	4,575
Cash at bank and in hand	8	**15,364**	9
Total current assets		**16,532**	4,584
Total Assets		**38,250**	25,328
Equity and Liabilities			
Called up share capital	7	**1,054**	849
Share premium account	7	**36,893**	20,141
Share based payments reserve		**326**	864
Retained earnings		**(1,330)**	2,689
Total equity attributable to equity holders of the company		**36,943**	24,543
Liabilities			
Deferred tax liabilities		**894**	595
Total non-current liabilities		**894**	595
Trade and other payables	6	**413**	190
Total current liabilities		**413**	190
Total liabilities		**1,307**	785
Total Equity and Liabilities		**38,250**	25,328

These financial statements were approved and authorised for issue by the board of directors on 28 October 2016 and were signed on its behalf by:

B van Bilderbeek
Director

G Stevens
Director

Company Number: 03322928

Parent Company Statement of Changes in Equity

for the year ended 30 June 2016

	Called Up Share Capital £'000	Share Premium Account £'000	Share Based Payments Reserve £'000	Retained Earnings £'000	Total £'000
Balance as at 30 June 2014	**849**	**20,138**	**892**	**330**	**22,209**
Total comprehensive income for the period	–	–	–	3,294	3,294
Share based payments reserve charge	–	–	21	–	21
Transfer of share based payments reserve charge on exercise of options	–	–	–	–	–
Transfer of share based payments charge on lapse of options	–	–	(24)	24	–
Issue of ordinary shares (net of issue costs)	–	3	–	–	3
Deferred tax movement relating to share options	–	–	(25)	–	(25)
Dividends	–	–	–	(959)	(959)
Balance as at 30 June 2015	**849**	**20,141**	**864**	**2,689**	**24,543**
Total comprehensive income for the period	–	–	–	(2,455)	(2,455)
Share based payments reserve charge	–	–	21	–	21
Current year credit on share option exercise to share based payment reserve	–	–	5	–	5
Issue of ordinary shares (net of issue costs)	205	16,752	–	–	16,957
Deferred tax movement relating to share options	–	–	(564)	–	(564)
Dividends	–	–	–	(1,564)	(1,564)
Balance as at 30 June 2016	**1,054**	**36,893**	**326**	**(1,330)**	**36,943**

Parent Company Statement of Cash Flows

at 30 June 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
(Loss)/profit before taxation		**(2,714)**	3,717
Adjustments for:			
Amortisation		**883**	723
Charge for share based payments		**21**	21
Investment income		**(93)**	(624)
Changes in working capital:			
Decrease/(increase) in trade and other receivables		**3,407**	(353)
Increase in trade and other payables		**223**	52
Cash generated from operations		**1,727**	3,536
Income taxes paid		**–**	–
Net cash generated from operations		**1,727**	3,536
Cash flows from investing activities			
Purchase of intangible assets		**(1,861)**	(3,473)
Proceeds from sale of intangible assets		**3**	-
Interest received		**93**	116
Net cash used in investing activities		**(1,765)**	(3,357)
Cash flows from financing activities			
Net proceeds from issue of new ordinary shares		**16,923**	–
Proceeds from share options exercised		**34**	3
Equity dividends paid		**(1,564)**	(959)
Net cash generated from/(used in) financing activities		**15,393**	(956)
Net increase/(decrease) in cash and cash equivalents		**15,355**	(777)
Cash and cash equivalents at 1 July 2015		**9**	786
Cash and cash equivalents at 30 June 2016	*8*	**15,364**	9

Notes to the Parent Company Financial Statements

1. Summary of significant accounting policies

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

a. Basis of preparation

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

The Directors have considered those standards and interpretations, which have not been applied in the financial statements but are relevant to the Company's operations, that are in issue but not yet effective and do not consider that any will have a material impact on the future results of the Company.

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

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

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

b. Income taxes and deferred taxation

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

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

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

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

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

As set out in note 20 of the Group accounts, the Company operates a share option scheme. Where the market price of the shares at the year-end exceeds the option price there is a potential tax deduction. This is treated as a deferred tax asset. The portion of the expected future tax deduction which is less than or equal to the associated cumulative IFRS2 charge is recognised in the income statement. The balance of the credit is recognised directly in equity.

c. *Intangible assets and amortisation*

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

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

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

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

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

The carrying value of intangible assets is reviewed on an on-going basis by the directors and, where appropriate, provision is made for any impairment in value. It would require a substantial movement (over 30%) in the assumptions employed in valuations before there would be any impairment to intangible assets.

Potential impairment of intangible assets has been reviewed and is outlined in note 1 (h) in the Group accounts, with no impairment required.

d. *Investments*

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

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

e. *Cash and cash equivalents*

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

f. *Foreign currencies*

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

g. Pensions

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

h. Dividends

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

i. Classification of financial instruments issued by the Group

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

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

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

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

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

j. Share based payments

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

k. Key assumptions and sources of estimation

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

2. Loss for the year

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 loss after tax for the year was £2,455k (2015: profit of £3,294k).

3. Intangible fixed assets

	Intellectual Property £'000	Patent and Other Development £'000	Total £'000
Cost			
As at 30 June 2014	4,171	7,453	11,624
Additions	–	3,473	3,473
As at 30 June 2015	4,171	10,926	15,097
Additions	–	1,861	1,861
Disposals	–	(4)	(4)
As at 30 June 2016	**4,171**	**12,783**	**16,954**
Amortisation			
As at 30 June 2014	1,103	821	1,924
Charge for the year	270	453	723
As at 30 June 2015	1,373	1,274	2,647
Charge for the year	271	612	883
Disposals	–	–	–
As at 30 June 2016	**1,644**	**1,886**	**3,530**
Net Book Value			
As at 30 June 2016	**2,527**	**10,897**	**13,424**
As at 30 June 2015	2,798	9,652	12,450

Patent and other development costs are internally generated

4. Investments

	£'000
Subsidiary undertakings	
As at 30 June 2014	8,294
As at 30 June 2015	8,294
As at 30 June 2016	**8,294**

4. **Investments** (continued)

The Company's subsidiary undertakings are:

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

Note 1(h) in the Group accounts provides additional information on investments.

5. **Trade and other receivables**

	2016 £'000	2015 £'000
Receivables due from group companies	**1,068**	4,472
Prepayments and other amounts	**100**	103
	1,168	4,575

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

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

6. Trade and other payables

	2016	2015
	£'000	£'000
Trade payables	**83**	43
Non trade payables and accrued expenses	**330**	147
	413	190
The maturity of ageing of trade and non-trade payables at the year-end was:		
Due within 30 days	**199**	43
Due in 30 – 90 days	**108**	147
Due in 90 days – 6 months	**106**	–
Due in 6 months – One year	**–**	–
	413	190

Trade and other payables are classified as other financial liabilities and are held at amortised cost. The carrying value approximates fair value.

7. Share capital

	2016	2015
	£'000	£'000
Authorised:		
Equity: 110,000,000 (2015: 110,000,000) Ordinary shares of 1p each	**1,100**	1,100
Allotted, called up and fully paid:		
Equity: 105,386,239 (2015: 84,911,719) Ordinary shares of 1p each	**1,054**	849

Share issues during the year:

	Number of shares	Share capital £'000	Share premium £'000	Total £'000
At 30 June 2015	84,902,196	849	20,141	20,990
On 7 July 2015	4,468,537	45	7,893	7,938
On 9 December 2015	19,843	-	10	10
On 25 April 2016	6,764,893	68	3,250	3,318
On 29 June 2016	9,230,770	92	5,599	5,691
At 30 June 2016	**105,386,239**	**1,054**	**36,893**	**37,947**

7. Share capital (continued)

During the period the Group issued new shares as a result of the following transactions:

	Number of shares	Price per share £'000	Aggregate nominal value £'000	Total aggregate value £'000
On 7 July 2015				
- Share subscription	4,468,537	180p	44,685	8,043,367
9 December 2015				
- Share options	10,096	41p	101	4,139
- Share options	9,747	60p	97	5,848
25 April 2016				
- Share subscription	6,764,893	52.05p	67,648	3,521,127
29 June 2016				
- Share placing	9,230,770	65p	92,307	6,000,000

The excess net proceeds have been credited to the share premium account.

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

	2016 £'000	2015 £'000
Movement in net cash in year	**15,355**	(777)
Net cash at start of year	**9**	786
Net cash at end of year	**15,364**	9

9. 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.

9. Financial instruments and risk management (continued)

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 £15k (2015: £nil).

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

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

10. Operating lease commitments/Financial commitments

The Company had no capital commitments as at 30 June 2016 (2015: £nil).

11. Contingent liabilities

The Company had no contingent liabilities as at 30 June 2016 (2015: £nil).

12. Related party transactions

Control

No one party owns a controlling interest in the Company.

Ultimate parent company

There is no ultimate parent company.

Transactions

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

Plexus Ocean Systems Limited, a wholly owned subsidiary made net purchases of £340k from Plexus Holdings plc, reducing the balance owed from £4,435k to £1,031k.

As at 30 June 2016 Plexus Holdings plc has an outstanding balance of £37k from Plexus Ocean Systems (Singapore) Pte Ltd (2015: £37k).

Corporate Information

Directors	**Jerome Jeffrey Thrall**† (Non-Executive Chairman) **Bernard Herman van Bilderbeek** (Chief Executive) **Graham Paul Stevens** (Finance Director) **Craig Francis Bryce Hendrie** (Technical Director) **Geoffrey Edmund Thompson** (Non-Executive Director) **Charles Edward Jones**† (Non-Executive Director) **Kunming Liu** (Non-Executive Director) † Member of Audit and Remuneration committees
Registered Office	42-50 Hersham Road Walton-on-Thames Surrey KT12 1RZ
Company Number	03322928
Company Secretary	**Douglas Armour FCIS** **Equiniti David Venus Limited** 42-50 Hersham Road Walton-on-Thames Surrey KT12 1RZ
Nominated Adviser and Broker	**Cenkos Securities plc** 66 Hanover Street Edinburgh EH2 1EL 6.7.8 Tokenhouse Yard London EC2R 7AS
Auditor	**Crowe Clark Whitehill LLP** St Bride's House 10 Salisbury Square London EC4Y 8EH
Solicitors to the Company	**Fox Williams LLP** 10 Finsbury Square London EC2A 1AF **Ledingham Chalmers LLP** 52-54 Rose Street Aberdeen AB10 1HA
Registrars	**SLC Registrars** 42-50 Hersham Road Walton-on-Thames Surrey KT12 1RZ

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