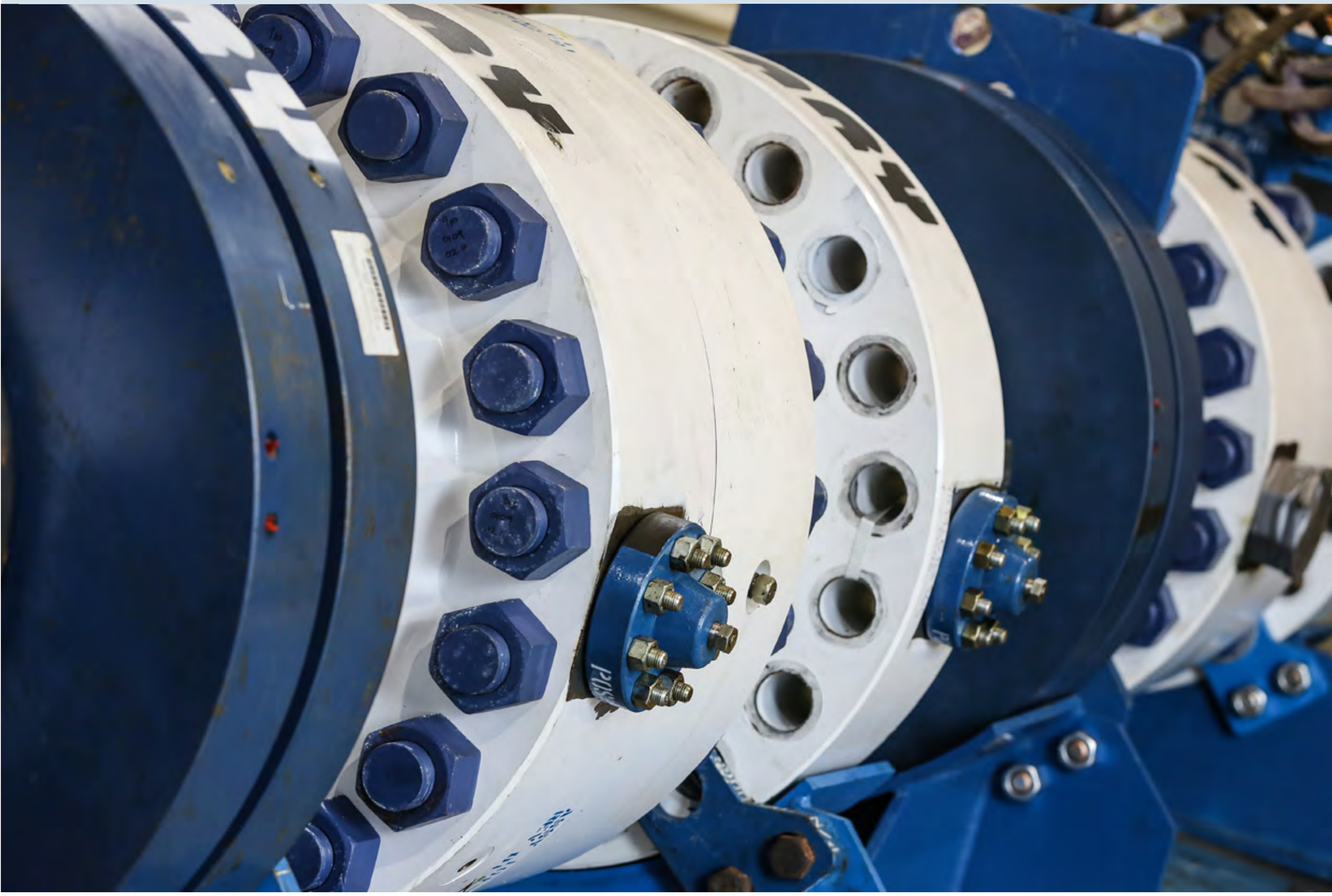
PLEXUS

safer performance | faster service | reduced costs



ANNUAL REPORT 2017

POS-GRIP®

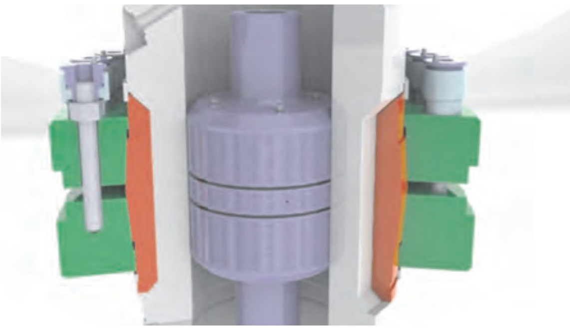
PROPRIETARY METHOD OF FRICTION GRIP ENGINEERING

POS-GRIP Technology is based on a very simple concept. A compressive force is applied on the outside of a wellhead or pipe, to flex it inwards. As the bore of the vessel moves inwards, it makes contact with an inner pipe (or hanger) on the inside. Sufficient contact force is generated to fix the inner member (hanger) in place through friction between the two components.

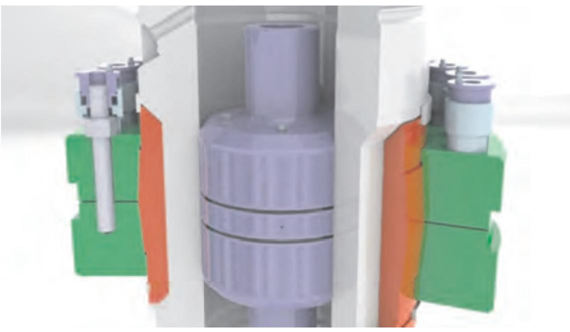
In wellheads, POS-GRIP can replace the conventional load shoulder or slips to provide an improved hanger support mechanism.

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

POS-GRIP
Production Wellhead System



POS-GRIP in OPEN Position



POS-GRIP in CLOSED Position

POS-GRIP APPLICATIONS

Wellheads

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

Connectors

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

Metal-to-metal sealing

Wellheads and connectors can both benefit from the direct contact created when the POS-GRIP metal to metal HG® seal is activated.

Financial Results

- Sales revenue £4.75m (2016: £11.23m)
- Adjusted EBITDA £2.48m loss (2016: £1.56m loss)
- Operating loss £7.03m (2016: £6.8m loss)
- Loss after tax £5.70m (2016: £5.79m loss)
- Basic loss per share 5.41p (2016: 6.39p loss per share)
- Net cash £6.5m (2016: net cash £9.9m)

Whilst the Company remains committed to distributing dividends to its shareholders, the Directors believe that in view of the challenging oil price environment 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

- Plexus' proprietary POS-GRIP friction grip technology wellhead equipment enabled the Company to win new business despite continuing subdued levels of exploration activity as a result of the extended period of low oil prices:
  - Purchase order from operator Masirah for an exploration well in Oman
  - Four-year framework agreement with Centrica Norway to supply surface wellhead and mudline equipment services for jack up exploration wells of all pressure ratings in the Norwegian sector of the North Sea
  - Extension of an existing agreement with Shell Brunei to supply both HPHT and standard pressure wellhead systems and services for three exploration wells in Brunei
  - New customer contract win from Nexen Petroleum U.K. Limited ('Nexen'), a subsidiary of CNOOC Limited for an exploration well in the Central North Sea
  - First purchase order for the Company's Tersus™ TRT Mudline Suspension System ('MLS') equipment from LLC Gusar (OOO Gusar) Ltd ('Gusar'), Plexus' licensing partner in Russia
  - Initial purchase order from Aker BP for an exploration well offshore Norway
  - Four-year contract with Maersk Oil North Sea UK Limited, for the provision of standby wellhead, mudline suspension systems and associated services including initial purchase order
- Additional orders won post period end:
  - First order from Rosneft (TNK Vietnam B.V) ('Rosneft Vietnam'), a subsidiary of leading Russian oil and gas company, Rosneft for exploration well offshore Vietnam using POS-GRIP high pressure high temperature ('HPHT') adjustable rental wellhead equipment – in line with strategy to gain exposure to new geographies and markets
  - First production well order from long-standing customer Centrica North Sea Limited ('Centrica') for a gas well in the UK Southern North Sea - in line with strategy to extend the application of POS-GRIP technology beyond jack-up exploration and into mainstream production and subsea applications

Corporate Highlights

- Post period end, a conditional Business Purchase Agreement ('BPA') signed for the sale of Plexus' jack-up exploration business to a subsidiary of top three global oil and gas services supplier TechnipFMC ('TFMC') which provides major industry recognition of Plexus' POS-GRIP technology and triggers a switch in strategic focus to the roll-out of POS-GRIP products into new markets such as production and decommissioning. Outstanding conditions relate to the transfer of employees and the novation of commercial contracts.
- Collaboration Agreement to be signed with TFMC at Completion to explore the development of new and existing products based on POS-GRIP for roll-out into new markets within the wider energy sector which could extend to production, subsea, geothermal and fracking applications
- Current product suite based on POS-GRIP technology can cater for all stages of the cycle from exploration to production to decommissioning

- Cash rich, debt free balance sheet due to be further strengthened following completion of the sale of the jack-up exploration business to TFMC with initial £15m cash consideration less certain adjustments payable on completion
- Three-year earn-out up to a maximum additional payment value of £27.5m allows Plexus to benefit from anticipated pick-up in exploration activity and TFMC's extensive global presence
- Bank facilities available to the Group with the Bank of Scotland comprise as from 1 October 2016 a two year £5m revolving credit facility, and in addition to a reducing five year £1.5m term loan (with a current balance of £0.7m) which was put in place in September 2014 to part fund the purchase of a building in Aberdeen and which runs to August 2019

Chief Executive Ben van Bilderbeek said:

"Following the post period end signing of a conditional BPA to sell our jack-up exploration business to leading oil and gas service and equipment company TechnipFMC, this will be our last set of accounts as a company whose core business is the supply of rental wellhead equipment and associated running tools to the niche jack-up exploration market. Going forward, Plexus will be 100% focused on replicating within the wider energy industry the success our proprietary POS-GRIP technology has had in jack-up exploration. This has seen our equipment deployed by blue-chip operators such as BP, Centrica, Maersk, Royal Dutch Shell, Statoil and Total on over 350 wells worldwide and in the process set new higher standards in terms of performance and safety. We already have a suite of POS-GRIP products designed for use in other energy sub-sectors and, with this in mind, the recent announcement of a first contract with Centrica to supply our production wellhead equipment bodes well for the future.

"Results are, by their nature, backward-looking, and our full year financial performance goes a long way to justifying the decisive action we have taken in recent years to realign our cost base to the lower oil price environment and the associated significant reduction in the levels of capital investment seen across the upstream industry, particularly in relation to exploration drilling. According to the International Energy Agency's World Energy Investment 2017 report, upstream investment recorded a 44% drop between 2014 and 2016. Such a sharp fall in investment has inevitably led to lower levels of exploration and consequently lower demand during this period for our best in class jack-up exploration wellheads. This has been reflected in our full year financial results: 57.7% decrease in revenue to £4.75m for the year to 30 June 2017 (2016: £11.23m) with the UK and European revenues decreasing by 59.7%; an EBITDA loss of £2.48m (2016: £1.56m loss); a loss after tax of £5.7m (2016: £5.79m loss) after incurring £4.47m of depreciation and amortisation and a basic loss per share of 5.41p (2016: 6.39p loss per share).

"Thanks to a cash rich, debt free balance sheet; a streamlined cost base; a fully paid up inventory of jack-up exploration wellheads; and long-standing relationships with a blue-chip customer base, Plexus has been positioned to withstand a lower oil price. Prior to the downturn, we had become the dominant supplier of HPHT wellheads in the North Sea jack-up exploration market with a near 100% market share, and had made inroads in other parts of the world, having won orders to supply operators with equipment for wells being drilled in geographies such as Asia, West Africa, Australasia, and Venezuela. Despite the drop off in activity, we have continued to win orders where there has been business to be won. Post period end, we were delighted to announce an order for a well to be drilled by Russian supermajor Rosneft in Vietnam, a double first for Plexus in terms of a new customer and a new geography. However, as the full year numbers demonstrate, there can be no doubt that the challenging trading conditions of the past two years have acted as a brake on our plans to position POS-GRIP as an enabling technology in the energy industry.

"The sale of our jack-up exploration business to top tier oil and gas service and equipment provider, TFMC, promises to re-establish the momentum behind the business. As well as allowing us to benefit from a sustained recovery in jack-up exploration drilling activity through the three year earn-out agreement with TFMC, we expect the disposal to accelerate industry awareness and the roll-out of our POS-GRIP friction based method of engineering across the wider energy sector and beyond jack-up exploration applications. The disposal repositions Plexus as an IP development and licensing business and importantly provides industry validation for our family of POS-GRIP enabled equipment, which is scientifically proven to be superior to conventional technology in terms of performance, reliability, safety and cost savings. Furthermore, the implementation of the Collaboration Agreement between ourselves and TFMC, where we will look to work together to develop our existing POS-GRIP IP for applications outside of jack-up exploration, represents a major endorsement of the technology's potential to make safer and more efficient equipment for use in the wider energy industry, including geothermal, fracking and wind energy.

"The timing of the transaction with TFMC is in our view extremely apposite, particularly when viewed against the wider context of an energy industry which is undergoing a structural shift including consolidation. At the same time our sector is showing signs of renewed appetite for investment, albeit from subdued levels, on the back of a more stable oil price. In this year's BP Statistical Review, BP's chief executive Bob Dudley wrote, 'The energy mix is shifting towards cleaner, lower carbon fuels, driven by environmental needs and technological advances.' Much debate surrounds the speed of this shift and the future makeup of the energy sector, but one thing is for certain: the world will continue to need energy, be it from renewable sources or cleaner hydrocarbons such as natural gas. We believe that our engineering led POS-GRIP technology is energy source neutral in terms of its range of applications. Whether gas or renewables, POS-GRIP can deliver significant operational benefits, saving operator's considerable time and money while at the same time increasing overall standards and safety. Indeed, if an application is required to operate under extreme temperatures or pressures we believe that our technology comes into its own, as we have shown out in the field many times over. POS-GRIP has set new standards in jack-up exploration and we look forward to achieving the same success in other areas inside and outside of the energy industry."

Summary of Results for the year ended 30 June 2017

	2017 **£'000**	2016 £'000
Revenue	**4,749**	11,227
Adjusted EBITDA (Page 12)	**(2,483)**	(1,560)
Operating loss	**(7,031)**	(6,798)
Loss after taxation	**(5,701)**	(5,790)
Loss per share (pence)	**(5.41)**	(6.39)

Contents

Chairman's Statement

Business progress

This year's results reflect the continued downturn in the industry, as operators' level of capital expenditure, particularly in the area of exploration drilling activity remained depressed. Plexus' traditional markets have for many years been the UKCS and the ECS, and whereas in the prior year European revenues remained more resilient than the UK, this year the North Sea as a whole was impacted. These trading conditions resulted in a 57.7% decrease in revenue to £4.75m for the year to 30 June 2017 (2016: £11.23m), which was circa 10% ahead of market expectations; an adjusted EBITDA loss of £2.48m (2016: loss of £1.56m); a loss after tax of £5.7m slightly improved on the prior year (2016: loss of £5.79m) and a basic loss per share of 5.41p (2016: 6.39p loss per share). It should be noted that the loss is after the Group incurred £4.47m of depreciation and amortisation costs.

Globally the International Energy Agency ('IEA') reported that oil and gas investment continued to tumble in 2016 at a rate of decline close to the collapse of 2015, and in fact was little more than half the peak level of 2014 when oil prices started to fall sharply. The IEA called this "an unprecedented contraction" and although the pace of the decline varies by region, companies, and type of asset, it is important to note that the IEA points out that a significant share of the contraction is due to reduced drilling which impacted the year being reported on. Crucially the IEA further highlight the new projects that are expected to go forward as being those where costs have been cut sharply, which once again highlights the importance of Plexus' ability to deliver significant operational time savings to operators that can run to millions of dollars per well. Importantly, despite the fall in overall revenues, Plexus was still able to win new customers in new territories, and in particular Nexen in the UK and Rosneft in Vietnam who joined a range of blue chip customers including AkerBP, Centrica, Brunei Shell Petroleum, Maersk and Total.

Post period end we believe the reputation that Plexus has been able to establish for its innovative wellhead equipment led to the announcement last month of the intended sale of the Plexus jack-up exploration rental wellhead business activities to a division of TechnipFMC for up to £42.5m, subject to the fulfilment of certain conditions. This is a clear endorsement of the unique strengths of Plexus' proprietary technology and represents a significant strategic step, as it realigns Plexus as an IP led research and development business which will now pursue other applications, such as production and subsea wellhead supply either organically or through licensees. The transaction will enable greater resources and focus to be brought to bear on the development of new and existing POS-GRIP applications outside of jack-up drilling, particularly it is hoped through a new collaboration agreement to be signed with TFMC on Completion to establish a framework and steering committee to work together on potential new applications.

Overview

Plexus is first and foremost an innovative and specialist IP-led business. Our ground-breaking POS-GRIP friction grip technology, which was originally sponsored by Exxon, has been used on over 350 exploration wells across the world by a blue-chip roster of operators. Exploration wells however, are just one of a number of applications our POS-GRIP friction-based method of engineering can be deployed on, both within the oil and gas sector and the wider energy industry.

Our objective has always been to develop and commercialise a suite of best-in-class POS-GRIP products serving a wide range of markets, each of which can offer the customer the same range of benefits in terms of performance, reliability, cost saving and safety. If any piece of equipment incorporates POS-GRIP technology, we want customers to immediately see it as best in class. To get to this point, we first had to ensure the industry recognised the superior nature and cost effectiveness of our equipment compared to the competition. The post period end sale of our jack-up exploration business to TFMC, a top three oil and gas service and equipment company, with a market cap of circa US$12 billion, and over 40,000 employees with operations in 48 countries, provides the recognition we have been working towards and can provide a platform for growth going forward.

With technology lying at the heart of what we do, a natural model for the Company to adopt is the capital light, low cost and high margin licensing route, widely adopted to good effect by companies in other sectors such as computer software and IT. This has been our objective from the outset and last year we were delighted to secure a jack-up exploration application licensing agreement with two leading independent oil and gas services companies covering the important Russian and CIS markets. Despite signing this licensing agreement, which is not included in the sale of the Jack-up Business, we recognised at an early stage that to become a supplier of critical equipment to an industry that has traditionally taken its time to embrace change, we could not just wait for business to come to Plexus. We needed to go to the market directly and have operators try out our equipment in field conditions so that they could experience for themselves the benefits and cost advantages of our best in class wellheads. The jack-up exploration market provided the perfect showcase for our technology as, thanks to the temporary nature of exploration wells, it enabled us to adopt a rental and services model, rather than the more capital-intensive manufacturing alternative required for larger markets such as production.

This strategy has proved to be highly successful. In a relatively short period of time, Plexus became the dominant supplier of wellheads and associated equipment for HPHT wells in the North Sea; our equipment has been used on over 350 wells; a who's who of operators have become long-standing customers; we have been approached by operators to work jointly with them to apply our technology to new products such as a subsea wellhead; and as far as we are aware Plexus wellheads are the only ones to have passed a new set of higher standards recently prescribed by a major operator. All of the above were key steps that have led to the signing of the conditional BPA for the sale of our jack-up exploration business to TFMC. For a top tier supplier to acquire this business following an extensive due diligence process, we believe, represents a major vote of confidence in our technology. Furthermore the signing on sale completion of a collaboration agreement with us to explore applying POS-GRIP to new products in different markets in our view highlights how POS-GRIP is a game-changing technology that raises the standards of critical equipment such as wellheads.

POS-GRIP was designed to address a number of limitations associated with conventional wellhead technology, particularly in terms of metal to metal sealing. By providing operators with superior solutions which offer unique safety and operational advantages, while at the same time delivering significant time and cost savings, POS-GRIP has raised wellhead standards especially for HPHT applications to equal or exceed those of premium couplings. The benefits of our technology have been proven many times over in exploration wells drilled out in the field; often in the most challenging environments. The recognition that there are numerous applications and products which could benefit from the POS-GRIP method of engineering, in our view, lies behind TFMC's decision to explore potential areas of future collaboration. These are anticipated to range from oil and gas production, subsea and connector technical solutions, to the development of initiatives to make equipment safer and more efficient for use in the wider oil and gas industry, including geothermal and fracking.

Gaining industry recognition of our technology is not just a milestone, it also promises to transform our business over the coming years. Following completion of the deal, our already debt free, cash rich balance sheet will be further strengthened by receipt of the initial consideration payment. Together with the removal of the outgoings associated with running the jack-up exploration business and a three-year earn-out, which will see Plexus receive a third of revenues generated from revenues up to a cap of £27.5 million, Plexus will be in a position to adopt the licensing operating model more befitting of an IP-led technology company. This will allow us to move onto the next phase of our development, one which will see us focus on commercialising POS-GRIP in other larger markets both within and outside the energy sector.

We already have a suite of POS-GRIP based products targeting markets outside jack-up exploration that have been tried and tested and, in some cases, have already been successfully deployed by operators out in the field. For example, in March 2015 Plexus was awarded a contract by Centrica Energy Exploration and Production to supply and rent our POS-SET Connector™ utilising POS-GRIP friction grip engineering, for use on abandonment operations on a gas well originally drilled 35 years ago in 1982 offshore Holland. As a large number of ageing wells reach the end of their lives in the North Sea and other regions, the Directors believe the abandonment market has significant growth potential and as a result could become an important new revenue stream for the Company.

Post period end in September 2017, we received a purchase order from Centrica North Sea Limited to supply our POS-GRIP "HG" 10,000psi adjustable production wellhead for a gas production well in the UK Southern North Sea. This contract represents the first order Plexus has been awarded by Centrica for a production well, having previously supplied the operator with wellhead equipment for a number of exploration wells in the North Sea. Post the sale of the jack-up exploration business, the larger production market is one of several markets we will be targeting, so it is highly encouraging to have won this contract from Centrica. Indeed this is not our first production well order: we have previously supplied Tullow in the North Sea, BP in Azerbaijan and the BP Amethyst gas field in the Southern North Sea with our POS-GRIP production wellheads.

In addition to the Connector and surface production wellheads, Plexus has, over the years, invested heavily in R&D and IP development covering a wide range of areas and applications outside jack-up exploration. In particular our Python™ Subsea Wellhead, which we believe sets a new best in class and safest standard for subsea wellheads, was developed via a Joint Industry Project supported by BG, Royal Dutch Shell, Wintershall, Maersk, Total, Tullow Oil, eni, Senergy, and Oil States Industries Inc. Although subsea drilling activity has also been adversely impacted by the industry downturn we are confident that this innovative subsea wellhead, which was designed to meet a range of industry targets such as instant casing hanger lockdown, will have a major role to play. Other products within our family of POS-GRIP enabled applications include HPHT dual marine risers, which provide a safer, technically superior and cost-efficient solution for use on jack-up rigs; an innovative HPHT Tie-Back connector product; and a new well tree product. Meanwhile, other markets where we believe POS-GRIP enabled products can raise standards and optimise performance include the renewable energy sectors of wave energy, wind turbines, geothermal and gas storage.

In addition to rolling-out new POS-GRIP products, Plexus will continue to target international markets including the Gulf of Mexico, India, the Middle East and Russia, geographies where we expect activity levels to remain relatively high going forward. With this in mind, we were pleased to be awarded a follow-on contract for an exploration well offshore Oman during the year under review and post period we were awarded a contract with new customer Rosneft Vietnam, a subsidiary of leading Russian oil and gas company, Rosneft. We expect this contract, which will see Plexus supply its POS-GRIP HPHT adjustable rental exploration wellhead equipment for an exploration well offshore Vietnam, to help raise the profile of Plexus with Rosneft and other operators in Russia through our Russian licensing partners.

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 many other E&P and service companies across the world, led to Plexus having to restructure and reduce staff numbers and overheads. Such cost control measures were regrettable and I look forward to the level of both exploration and production activity increasing and Plexus once again being able to increase its workforce.

Outlook

Our goal is to replicate the success we have had in jack-up exploration in other markets within the energy industry, including surface production. With the production sector being many times the size of jack-up exploration, achieving the same success here would be truly transformational for Plexus. Our production wellheads, like all our products including the connector technology, are based on the same POS-GRIP method of engineering as our exploration equipment and so offer operators superior qualities in terms of performance, reliability and safety as well as significant time and cost savings. As a result, we believe our production wellheads have the potential to become the go-to equipment for operators all over the world whether supplied by Plexus or future commercial partners. Crucially we hope we can achieve this in a much shorter timeframe than it took for our jack-up exploration equipment to become established as the wellhead equipment of choice for use on the most challenging wells, such as the Total Solaris well in the North Sea which was the highest pressure well ever drilled in that location.

Several reasons lie behind our confidence. At the micro level, we are not starting from scratch: operators are already familiar with what POS-GRIP-enabled wellheads deliver as they have been used on over 350 wells worldwide. Furthermore, it will no longer just be Plexus extolling the benefits of POS-GRIP, top tier supplier TechnipFMC will be offering our technology to their extensive client base for use in jack-up exploration wells. At the macro level, the long-term dynamics of the oil and gas industry very much play to our strengths, specifically natural gas' increasingly key role in the hydrocarbon energy mix. If targeted reductions in C02 emissions are to be met across the globe, cleaner hydrocarbons such as natural gas will have to displace dirtier fossil fuels such as coal.

The global industry is already seeing the impact of this trend. According to the BP Energy Outlook 2017, gas is the fastest growing fuel and is set to overtake coal as the second-largest fuel source by 2035. In April 2017, for the first time since the 1880s, Britain went a full day using electricity that was not generated by coal. Speaking at the time, Duncan Burt, head of real-time operations at the National Grid, told the Daily Telegraph, "It's a very proud moment for us to be there on the first day when we weren't burning coal…Days like this will become more and more common in the next two or three years, and by the early 2020s burning coal will become increasingly rare." As the FT further reported, "Gas has been critical to Britain's success in pushing coal to the brink of elimination from its electricity system". Maarten Wetselaar, Head of Shell's gas business, sees gas playing an important role going forward. Speaking to the FT he said, "Renewables will dominate in the long run but during the transition, and maybe even at the end of it, there will need to be a stable source of electricity that can step in when wind and solar are not available…I'm absolutely convinced that gas will provide that role." In the same article, Mr Wetselaar adds, "Heavy transport by ships, trucks and buses can't be electrified and the lowest carbon alternative is for them to use LNG".

To continue growing during what amounts to a structural shift towards cleaner fuels, the majors are increasingly prioritising gas projects over oil. Big Oil is morphing into Big Gas. As Andrew Ward of the FT wrote on 7 September 2017, "The $14bn Prelude project, led by Royal Dutch Shell, is the latest in a surge of new LNG capacity which promises to reshape the oil and gas industry — and with it, the energy markets they serve. Chevron's Wheatstone LNG development in Australia is due to start producing this month, on the heels of its nearby Gorgon project last year, after a combined $88bn of investment. ExxonMobil, BP, Total and Eni have also made big commitments." It is not just the operators who are changing their business mix. The FT on 30 October 2017 reported that Mitsui & Co, one of Japan's largest trading companies, is moving its energy operations away from oil to liquefied natural gas in response to growing Asian demand for cleaner fuels. In the article Mitsui's chief executive Tatsuo Yasunaga is quoted as saying, "We're not that keen on liquid, we are now shifting more to gas…Beyond 2020 we have seen lots of opportunities, and demand will be increasing significantly. Now we have to prepare the supply side". Plexus is well placed to capitalise on what has been called a 'dash for gas'. We believe we have the best metal to metal sealing system technology available which is crucial for gas drilling. As a result, our equipment is ideally suited to the high pressures and high temperatures associated with gas wells, as demonstrated by the £3.3 million contract from Total E&P Norge AS in 2015 to supply the Solaris exploration well, a technically challenging Ultra HPHT well offshore Norway.

Regardless of how fast the majors restructure their portfolios in favour of gas, there is a more pressing need that requires addressing. As the International Energy Agency's World Energy Investment 2017 report states, "falling investment points to a risk of market tightness and under-capacity at some point down the line. A drop in upstream oil and gas activity and the recent slowdown in the sanctioning of conventional oil fields to its lowest level in more than 70 years may lead to tighter supply in the near future. Given depletion of existing fields, the pace of investment in conventional fields will need to rise to avoid a supply squeeze, even on optimistic assumptions about technology and the impact of climate policies on oil demand. The energy transition has barely begun in several key sectors, such as transport and industry, which will continue to rely heavily on oil, gas and coal for the foreseeable future." Remi Eriksen, the boss of Norway's DNV GL, a leading risk assurance expert in the global energy industry, adds: "There will be oil and gas in the future, and there will need to be further exploration of our resources because the depletion of existing reserves will be faster than the drop-in demand". Clearly the ongoing demand for hydrocarbons, and the need for the exploration and drilling activity that inevitably goes with it, has some way to go yet.

In a similar vein, in this year's BP Statistical Review, Group Chief Economist Spencer Dale wrote of the "the growing gravitational pull of the longer-run energy transition that is under way." Energy markets are changing. Plexus is changing too. Post-sale we will have a structure and model that will allow us to develop and market other POS-GRIP products in multiple sectors within the energy market including renewables. We will however not be alone. Thanks to our intended Collaboration Agreement we will be looking to work with TFMC to maximise the potential of POS-GRIP to raise standards across the industry, establish POS-GRIP as the enabling technology of the energy sector, and in the process, generate significant value for our shareholders.

J Jeffrey Thrall
Non-Executive Chairman
15 November 2017

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 during the year under review were predominantly derived 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 that Plexus will be actively pursuing both organically and with international partners. Furthermore, the Directors believe that the Company's proprietary technology has additional wide-ranging applications both within and outside the oil and gas industry.

The post period end signing of a conditional BPA for the sale of the niche jack-up exploration wellhead rental operations to a division of leading oil and gas service and equipment provider TechnipFMC realigns Plexus predominantly as an engineering and IP led product design, development and licensing business. Following Completion, Plexus retains the right to pursue jack-up exploration related business in Russia and the CIS, the third largest hydrocarbon producing market in the world, and where it has existing licence agreements with LLC Gusar and CJSC Konar. Plexus retains upside exposure to the resumption of jack-up exploration drilling activity through the three year earn-out arrangement which forms part of the terms of the sale agreement with TFMC. The Company remains free to pursue the much larger surface production market and in due course the subsea market. Positively in this regard on 25 September 2017, Plexus announced a production equipment order for Centrica, its first production order since 2006, for a gas production well in the UK Southern North Sea.

Financial Results

Revenue

Revenue for the year was £4.75m, down 57.7% from £11.23m in the previous year. The decline in sales revenue is a result of the continued low level of activity in the jack-up exploration market in Plexus traditional markets, particularly the UKCS and ECS. Encouragingly certain territories such as India and the Middle East are more active and it is areas such as these where Plexus believes TFMC can reach more effectively.

Positively the Group had a number of orders from first time customers both domestically and in Asia such as Nexen in the North Sea and Rosneft in Vietnam, with 23.9% of revenue being achieved from "new customers".

The rental of exploration wellheads and related equipment and services accounted for approximately 94% of revenue reflecting the fact that the Company's organic business model remained focused during the period on the supply of jack-up rental surface exploration wellhead equipment and services. HPHT rental equipment and related services continued to account for the majority of sales revenues declining to £3.80m down from £8.21m last year, a decrease of 53.7%, and accounted for 80.2% of total sales, compared to 73.2% in the prior year. Standard pressure equipment sales decreased by 63.3% to £0.66m from £1.80m in the prior year, and accounted for 13.9% of total sales compared to 16.0% in the prior year. This year re-billable expenses revenues made up £0.25m compared to £0.68m last year for items such as freight, shipping and equipment hire.

Plexus continued to invest for the future and in its technology with total R&D spend, excluding test fixtures totalling £0.63m compared to £1.86m last year.

Margin

Gross margin reduced to 20.6% (compared to 46.6% in the previous year). The decline in margin is largely driven by decline in revenue along with the fixed nature of the depreciation charge at £2.5m. This makes up 66% of the cost of sales balance compared to 42% in the prior year.

Overhead expenses

The financial year to June 2017 has seen the full year benefits of a number of cost saving initiatives which were identified and implemented during the prior financial year. These were put in place to conserve cash and reduce expenditure following the decline in trading activities and, following the reduction in personnel and infrastructure related overheads, have resulted in significant cost savings being made which decreased to £7.94m from £11.28m in the previous year, a reduction of 29.6%.

During the year to June 2017 there was a further headcount reduction programme to “right size” the Group to fit current trading conditions. Salary staff costs reduced to £3.87m from £6.56m, whilst the employee headcount at the year-end was 68 compared to 81 for the prior year, a decrease of 16.0%. All other categories of overhead expenditure experienced cost savings when compared to the prior year with the exception being bank charges following the cost of the renewed the banking facilities in October 2016.

Adjusted EBITDA

The directors use Adjusted EBITDA as a non-GAAP measure to assess the Group’s business. The directors consider Adjusted EBITDA, approximating as it does to the cash generated by or used in the business, to be the most appropriate measure of the underlying performance of the Group’s business in the period.

Adjusted EBITDA for the year (before non-recurring restructuring costs of £0.07m) was a loss of £2.48m, compared to a loss of £1.56m (before IFRS 2 share based payment charges of £0.02m) the previous year. Adjusted EBITDA is calculated as follows:

	2017	2016
	£’000	£’000
Operating (Loss)/profit	**(7,031)**	(6,798)
Add back:		
–Depreciation	**3,438**	3,488
–Amortisation	**1,034**	980
–Restructuring costs	**69**	755
–Fair value adjustment to asset held for sale	**8**	–
–Gain on disposal	**(1)**	(6)
–Share based payments charges	**–**	21
Adjusted EBITDA	**(2,483)**	(1,560)

Loss before tax

Loss before tax of £7.03m compared to a loss last year of £6.92m. The loss was after absorbing depreciation and amortisation charges which are in line with last year at £4.47m compared to £4.47m for the prior year.

Tax

The Group shows an income tax credit of £1.33m for the year compared to a tax credit of £1.13m 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 19% (2016: 16%). 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.

EPS

The Group reports basic earnings loss per share of 5.41p compared to a loss per share of 6.39p in the prior year.

Cash and Statement of Financial Position

The net book value of property, plant and equipment including items in the course of construction and the property held for sale at the year-end was £12.37m compared to £15.57m last year. Capital expenditure on tangible assets decreased to £0.29m compared to £1.96m last year in line with cash conservation initiatives. The net book value of intangible assets, including IP rights, R&D and software, decreased by 2.8% to £13.68m compared to £14.08m last year. Capital expenditure on intangibles totalled £0.63m compared to £1.9m last year, a decrease of 66.8%. Receivables decreased to £1.0m compared to £1.7m last year. Net cash closed at £6.50m (cash and cash equivalents of £7.18m less bank loans of £0.68m compared to net cash of £9.88m last year (cash and cash equivalents of £15.86m less bank loans of £5.98m) reflecting net cash outflow for the year of £3.38m (net decrease in cash of £8.69m per Statement of Cash Flows plus net decrease in bank borrowings of £5.30m). The reduction in bank borrowing represents repayment of the £5.0m drawn down revolving credit facility in addition to £0.30m of repayments on the property term loan reducing the balance from £0.98m to £0.68m. Banking facilities remain unchanged following their renewal in October 2016 and comprise of a £5m revolving credit facility in addition to a reducing five year £1.5m term loan (with a current balance of £0.68m) 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 the expected cash inflow from the TFMC transaction and the cash balances held are anticipated to be adequate to meet current on-going working capital, capital expenditure, R&D and related project commitments.

Intellectual Property (‘IP’)

The Group carries in its statement of financial position goodwill and intangible assets of £14.45m, a decrease of 2.7% from £14.85m last year. This represents investment of £0.63m less the annual amortisation charge of £0.98m, 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 66.1% year on year from £1.86m to £0.63m. 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 clearly key to protecting, developing, and broadening the range of proprietary POS-GRIP friction-grip method of engineering applications and related IP. More particularly this reduction reflects the strategy of focusing on essential R&D as part of our cost control expenditure as well as the fact that our IP and product development suite has never been stronger following the completion of a number of R&D driven projects including the Python subsea wellhead.

IFRS 2 (Share Based Payments)

No IFRS 2 charges have been included in the accounts, in line with reporting standards following the completion of the vesting period of all share options. 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 £nil 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 continued 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 normal dividend at the earliest opportunity, and in addition will, following completion of the TFMC transaction, assess the on-going capital requirements of the business and if appropriate may consider paying a proportion of the proceeds to shareholders by way of a special dividend.

Operations

During the year, the Company's operational focus was centred on its jack-up exploration business which resulted in a number of orders and contracts being awarded to Plexus, both within the reporting period and post period end. In line with the Company's strategy to expand its geographic reach away from its dominant position in the North Sea, several of these contracts are for wells which are located in territories that are being actively targeted by Plexus. Details of all these contracts are provided below.

In tandem with the ordinary course of business, a number of strategic initiatives were pursued during the period. These culminated in the post period end signing of a conditional BPA for the sale of the jack-up exploration business to TFMC, with whom Plexus will also at completion enter into a Collaboration Agreement to explore opportunities for new, safer and more efficient POS-GRIP technology based applications into significantly larger markets, particularly within the target applications of production, subsea and decommissioning.

Contracts announced during the year under review include:

- January 2017 – Purchase order from Masirah for an exploration well in Oman
- January 2017 – Four-year framework agreement with Centrica Norway to supply surface wellhead and mudline equipment services for jack up exploration wells of all pressure ratings in the Norwegian sector of the North Sea
- February 2017 – Extension of an existing agreement with Shell Brunei to supply both HPHT and standard pressure wellhead systems and services for three exploration wells in Brunei
- March 2017 – New customer contract win from Nexen Petroleum U.K. Limited ('Nexen') a subsidiary of CNOOC Limited for an exploration well in the Central North Sea
- April 2017 – First purchase order for Plexus' Tersus™ TRT Mudline Suspension System ('MLS') equipment from LLC Gusar (OOO Gusar) Ltd ('Gusar'), the Company's partner in Russia
- May 2017 – Initial purchase order from Aker BP for an exploration well offshore Norway
- June 2017 – 4 year contract with Maersk Oil North Sea UK Limited, for the provision of wellhead, mudline suspension systems and associated services including initial purchase order

Plexus continued to invest in R&D despite the ongoing challenging trading environment, albeit at a reduced level excluding test fixtures of £0.63m compared to £1.86m in the prior year, a reduction of 66.1%. R&D remains an important operational activity and underpins and further develops the value of our IP and ability to extend the range of applications of POS-GRIP technology. Innovation in the oil and gas industry continues to be an essential part of developing both cost saving initiatives and ever safer drilling methods, and Plexus is confident that it can continue to play an important role in delivering such solutions whilst raising wellhead standards to a level that conventional technology cannot reach, such as passing test standards equivalent to those used for premium couplings.

Staff and staff development continues to be important to the Group, and following a sustained period of depressed operational activity there was concern the technical skills of those who fulfil specific technical roles would diminish and would find it challenging to perform their role effectively and efficiently when activity increased again. To ensure this is not the case, a full review of each individual's abilities was completed during the second half of the financial year, highlighting areas that have not been refreshed during low levels of operational activity, and suitable in-house training modules were made available to ensure the necessary skill levels were maintained. The review was completed in February, and in-house training carried out during March and April. The training programme was received very well by the technical staff and noted as beneficial and a worthwhile refresher of the skills they have already developed.

Competency across the business has continued to evolve and broaden; particularly within workshop and office based staff areas. The workshop competency system has been developed under the OPITO standards with a view to being accredited by OPITO. The office based competency system will not be developed under the OPITO standard as it is a concise system that supports the requirements of the ISO9001:2015, which Plexus is currently transitioning to. Although this system is in its infancy, an action plan is in place to ensure all staff are under assessment within the first quarter of 2018.

In light of the increasingly concerning activities and resultant human misery that have brought about the much needed Modern Slavery Act 2015, a review of the requirements was carried out and a focus group was formed (HR, Executive Assistant, Contracts & Supply Chain) to create a Business Code of Conduct, Supplier Code of Conduct, Modern Slavery Statement and Whistleblowing procedure suitable for the business needs. Plexus takes such matters very seriously, and it is considered good practice that Plexus manages its supply chain in line with the Modern Slavery Act to support the legislative requirement placed on the majority of our clients. In addition, these business tools have proven to be essential in recent tendering processes as companies' awareness levels about this pernicious crime increase.

Staffing figures at the end of June 2017 were 68 employees including 2 international employees, which compares to a total of 81 in the prior year.

Health and Safety is an operational area where Plexus remains fully committed to delivering the highest practical safety standards in everything we do each and every day. We continue to maintain a positive safety culture which is aligned with our Company Safety Values and are pleased to report our HSE culture remains strong across the business and this is reflected by our LTCF and TRCF percentages both being zero, with no major findings during our most recent LRQA certification surveillance audits set against the OHSAS 18001:2007 standard.

Quality also remains a key focus in the delivery of our products and services demonstrated by no major findings in our recent LRQA ISO 9001:2008 surveillance audit and the successful recertification of our API monogram licences for 6A and 17D products.

We continue to seek opportunities for continual improvement and have fully revised our Business Management System not only to comply with our current certification standards but also to meet the new ISO 9001:2015 standard. We aim to complete our transition to this by the end of January 2018 ahead of the September 2018 deadline, again demonstrating our relentless commitment to attain and sustain the highest standards possible and allow us to respond quickly to client demands. We recognise it is important that we maintain our facilities so that they comply with applicable regulations and equally promote our commitment to the welfare of our employees. We have just completed several relevant improvement projects including replacing the Plexus House workshop roofs as well as modifications to the water supply to comply with the recent changes to the Scottish Water Bylaws 2014 and The Water Supply (Water Fittings) (Scotland) Bylaws.

IT services and support is an area that continues to be in the headlines with increasing levels of online fraud and related criminality. Plexus is committed to delivering comprehensive and robust IT systems safely and securely to its employees and business partners. The IT Department provides technology leadership for Plexus, including governance, information security, software development and expertise in deploying modern information technologies to improve company efficiency, especially during challenging trading conditions. Plexus relies on its own in-house developed software systems, the ultimate goal of which is to provide employees with timely and convenient access to appropriate information and services, whether sales, cost, or asset related. The commercial demands of any business drive information technology needs and the ability to develop in-house solutions allows us to maximise the productivity of employees and react quickly to changing business and customer demands.

The ever-changing, and seemingly increasing, risks from cyber breaches presents an ongoing threat to the security of our systems. Defending against cyber-attacks and keeping up to date with evolving policies and regulations is a complex and time-consuming task. To guarantee that the confidentiality, integrity and accessibility of information is maintained, Plexus has continually evolved its security defences to minimise such cyber risks. To ensure that the Plexus IT infrastructure, systems and data are as secure as possible Plexus is currently working towards ISO 27001 accreditation, which will help ensure that both internal and external risks are minimised. Such certification provides customers and key stakeholders with the confidence that security risks are taken and addressed seriously.

Strategy and Future Developments

Technology

Plexus' unique and patented POS-GRIP technology involves applying compressive force to the outside of a wellhead or pipe, to flex it inwards. As the bore of the vessel moves inwards, it makes contact with an inner pipe (or hanger) on the inside. Sufficient contact force is generated to hold the inner member (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 contact areas, virtual elimination of movement between parts, fewer components, simplified design and assembly, enhanced corrosion resistance, simpler manufacture, long term integrity, annulus management, and reduced installation 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' POS-GRIP enabled product suite includes the Python subsea wellhead as well as the POS-SET Connector™ for use in the growing decommissioning market. Importantly 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 POS-SET Connector, which is designed to re-connect to bare conductor pipe for well re-entry or permanent abandonment operations, creates a solid connection with reliable sealing directly against the pipe, and retains bend and load capabilities at 80% of pipe strength. The directors believe Plexus' wellhead equipment sets a new standard. 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 no longer need to be the weak link in the well architecture chain.

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

Business Model and Markets

The Company is proprietary technology driven and its extensive patent protected IP and many years' worth of know-how has been successfully deployed in hundreds of wells around the world. Its superior performance, safety and operational advantages have given it an enviable position in the niche jack-up exploration market, and the directors believe that this success can be leveraged and extended to the wider energy sector including production, subsea, geothermal and fracking applications based on its POS-GRIP technology.

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 individual contracts have been secured as far afield as China, Russia, Egypt, Cameroon, Trinidad, Venezuela, and Morocco. The exploration wellhead contracts have been supplied from a rental fleet of owned inventory of which the majority are for 15,000psi HPHT; as opposed to standard pressure 10,000psi wellheads.

Having secured a leading position in jack-up exploration drilling, the directors believe Plexus is well placed to pursue its strategy of breaking into the significantly larger and more mainstream volume production wellhead and subsea markets both organically and in conjunction with partners including licensees. In line with this, the Company announced in September 2017 that it had been awarded a contract with Centrica North Sea Limited to supply its POS-GRIP "HG" 10,000psi adjustable production wellhead for a gas production well in the UK Southern North Sea. Plexus had previously supplied Centrica with equipment for a number of exploration wells in the North Sea. This latest order was particularly encouraging for the Company, as production wellheads are required for entire field life conditions particularly suited to POS-GRIP technology and seals, and the size of the market for production wellheads is many times that of jack-up exploration.

Strategy

Plexus' long-term goal is to establish POS-GRIP technology as a new industry standard for wellhead and metal sealing designs, whilst continuing to develop new products, which can also offer multiple benefits and advantages to the industry in terms of improved safety, functionality, and cost and time savings. An example of such extensions for POS-GRIP technology is the Company's connector technology which is ideal for high integrity, low fatigue applications. The directors believe wellhead connectors, riser connectors, subsea jumper connectors, pipeline connectors, tether tensioners and even vessel mooring connectors can all benefit from the simplicity of POS-GRIP.

The sale of the Jack-up Business to TFMC represents a clear endorsement of Plexus' proprietary technology and marks a significant strategic step for the Company. It realigns Plexus as an IP-led research and development business and will enable greater resources and focus on the development of new and existing POS-GRIP applications outside jack-up drilling, particularly through the collaboration agreement to be signed with TFMC, which establishes a framework for the two parties to work together on potential new applications.

Having proven the significant advantages of Plexus POS-GRIP wellheads for jack-up exploration applications to a wide range of mostly international oil companies ('IOCs'), and having completed the sale of the Jack-up Business to TFMC, Plexus will be able to focus on extending its business activities into the volume land, platform and subsea sectors. This strategy will be pursued both organically (as highlighted by the Centrica production wellhead order in September 2017) and also through licensees and partners.

Following the pending completion of the sale of the Jack-up Business to TFMC, Plexus will be focused on:

(a) **Continued operation of remaining business, contracts and products**

The Company will continue to focus on current projects which are not part of the sale, and will pursue the development of opportunities with existing products such as POS-GRIP "HG" production wellheads. Plexus will continue to target international customers in other territories including Gulf of Mexico, India, Middle East and Russia, where it is thought there will be opportunities due to ongoing and planned drilling activity. The recent award of an exploration contract with new customer Rosneft Vietnam, a subsidiary of leading Russian oil and gas company Rosneft, is anticipated to help raise the profile of Plexus with Rosneft and other operators in Russia and the CIS (which is a territory that Plexus has retained the rights to).

(b) **Maximisation of Earn-out from the Jack-up Business**

The Company intends to prioritise the maximisation of three years' worth of earn-out revenues from the Jack-up Business through the provision of, inter alia, sales and technical support to TFMC.

(c) **Work with TFMC through the scope of the Collaboration Agreement and the joint steering committee on key POS-GRIP products**

The Company and TFMC have reviewed certain topics that can be suited for joint work under the Collaboration Agreement. Should discussions progress successfully this could lead to further commercial IP-led opportunities.

(d) **Design/Development of new and existing POS-GRIP products/applications**

The Company has identified a number of products and applications which it believes would benefit from the integration of POS-GRIP technology. The Company intends to selectively apply its resources to capitalise on these opportunities, examples of which include:

- Existing applications of POS-GRIP HG® Wellheads, such as HPHT Production Wellheads and Adjustable Production Wellheads
- New applications of POS-GRIP HG Wellheads and other IP, such as land wellheads, fracking heads, geothermal systems and well abandonment and decommissioning
- Existing applications for the Python subsea wellheads system, such as deepwater exploration drilling and HPHT subsea production
- Further developments around the Python subsea system, such as Annulus Access remedial capability and subsea Xmas Trees.

(e) **Research & Development**

Plexus has always been an innovative IP-led business and the Board intends to devote appropriate resources to continue its ongoing innovative and proprietary technology driven approach.

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. The analysis of these is included in the financial results section of this report. Non-financial indicators include Health and Safety statistics, equipment utilisation rates, geographical diversity of revenues and customers, geo political considerations, effectiveness of various research and development initiatives; for example in relation to new patent activity and inventions and appropriate employee headcount numbers and turnover rates.

Following the sale of the jack-up exploration wellhead equipment and services business described in Note 27 the key performance indicators of the Group will change to reflect the strategy of the business in relation to the exploitation of its proprietary technology, with the focus on non-financial key performance indicators expected to be on research and development initiatives and commercialisation objectives.

Principal Risks and Risk Management

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

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

Plexus participates in a global market where the exploration and production of oil and gas reserves and even the access to those reserves can be adversely impacted by changes in political, operational, and environmental circumstances. The current global political landscape continues to demonstrate how any combination of such factors can generate risks and uncertainties that can undermine stable trading conditions, such as Iran making efforts to return to the world hydrocarbon supply stage, America continuing to aggressively pursue its fracking activities, extreme financial and economic deterioration in Venezuela, the speed and scale of reform recently announced in Saudi Arabia and wide ranging sanctions on Russia. A specific example of political risk are the aforementioned sanctions, and in extreme circumstances even regime change or a military coup. As a supplier to the global oil and gas industry it is clear that Plexus can be adversely impacted by such events, which can disrupt the markets and compromise the ability to execute work for customers and/or collect payment for services performed. Such risks also extend to legal and regulatory issues and it is important to understand that these can change at short notice. To help address and balance such risks, the Group has sought to broaden its geographic footprint and customer base, as well as actively looking to forge commercial relationships with larger industry players.

Looking closer to home, 'BREXIT' continues to generate much speculation and uncertainty about its timing and eventual impact in terms of for example staff recruitment from abroad, export negativity if duties were to apply and potentially volatile exchange rates. 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 Euros 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 continues to move away from coal as part of the COP21 climate change objectives and the ongoing need to reduce CO_2 emissions. However the commercial and environmental dynamics between traditional hydrocarbons in terms of coal, oil and gas is not the only trend to consider. New technologies, particularly in relation to renewables, alternative energies and developments such as the increasing use of electric vehicles and corresponding improvements in battery storage life, wind and wave energy, could all in the future prove very disruptive to the traditional oil and gas industry and therefore demand for exploration and production equipment and services.

(c) **Technology**

The Group is now beginning to turn towards the commercialisation, marketing and application of its POS-GRIP friction-grip technology beyond jack-up rental exploration wellhead equipment, both with regard to expanding into the surface land and platform production market sector, as well as the subsea market where the Plexus POS-GRIP Python subsea wellhead offers numerous operational and performance benefits. Current and future contract opportunities may be adversely affected by technology related factors outside the Group's control, especially where new product developments are concerned. These may include unforeseen equipment design issues, test delays during a contract and final testing, and delayed acceptances of deliveries, as well as the slow uptake by operators which could lead to possible abortive expenditure and write downs, reputational risk and potential customer claims or onerous contractual terms. Such risks may materially impact on the 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 partners and customers.

(d) **Competitive risk**

The Group operates in highly competitive markets and often competes directly with large multi-national corporations who have greater resources and are more established, and who are more resilient to extended adverse trading conditions. Major oil service and equipment company consolidations that have taken place over the last few years have magnified such issues as competitors reduce in number but increase in size. 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 since 2015 when the oil price and corresponding drilling activity fell significantly. 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 will hopefully minimise this risk.

(f) **Liquidity and finance requirements**

In an economic climate that remains in many ways uncertain 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. Furthermore after a sustained period of record low interest rates signs are emerging that the cost of money will increase and this could also have a negative impact on business activity. Although access to capital could be an issue, completion of the disposal of the Plexus jack-up business Plexus will deliver additional cash to add to its existing reserves. 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 significantly reduced, and therefore is more likely to be related to client satisfaction and/or trade sanction issues. Customer payments can involve extended periods of time especially from countries where exchange control regulations can delay the transfer of funds outside those countries. As Plexus begins to establish international licensee relationships there may be instances whereby certain capital payments could be due some way into the future and as such greater credit risk than exists under normal payments terms could apply. The Group's exposure to credit risk is monitored continuously.

(h) **Risk assessment**

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

Graham Stevens
Director
15 November 2017

Board of Directors

Jerome Jeffrey Thrall BBA MBA (aged 67), 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 69), 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 59), Finance Director

Graham has broad experience in financial, corporate, and operational management within both public and private companies including J Sainsbury plc, BSM Group Limited, Sketchley Group plc, and Fii Group plc. He has been involved in a range of industries as a director, investor, and advisor, and overseen a number of acquisitions and disposals, as well as the implementation of turn around and growth strategies. Graham was, until its successful sale to Betsson AB earlier this year, 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 Asset Information Management solutions used by leading companies in asset intensive industries, including oil and gas.

Craig Francis Bryce Hendrie M.Eng(Oxon) (aged 44), 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 63), 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. Until recently, Geoff was contracted as an independent consultant to Maersk Oil UK for their Culzean HPHT development. Prior to that he was a Principal Drilling Equipment Engineer with Maersk Oil in Denmark and before that 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 (Age 58), 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 40), Non -Executive Director

Kunming 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 2017.

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 11. In addition, the Strategic Report on page 11 includes references to and additional explanations of amounts included in the annual accounts. Where guidelines make reference to the provision of key performance indicators the directors are of the opinion certain financial and non-financial indicators included in the highlights on page 1, the Strategic Report on page 11, and the Directors' Report on page 23 meet this requirement. The directors have provided a description of the principal risks and uncertainties facing the Group in the Strategic Report on page 18.

Directors who served during the year

J. Jeffrey Thrall
Ben van Bilderbeek
Graham Stevens
Craig Hendrie
Geoff Thompson
Charles Edward Jones
Kunming Liu

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 £0.65m (2016: £1.96m), 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 £7.03m (2016: loss £6.92m), are set out on page 37.

The directors do not recommend the payment of a final dividend for the year ended 30 June 2017 (2016: nil).

Corporate governance

This is the subject of a separate report set out on page 26.

Related party transactions

Details of related party transactions are set out in note 26 in the financial statements.

Financial instruments and risk management

The Group maintains a commercial objective of contracting in sterling whenever possible. In circumstances where this is not possible, the 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 9 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 2017 were as follows:

	Number of Ordinary Shares of 1p each 2017	Number of Ordinary Shares Of 1p each 2016
J. Jeffrey Thrall[1]	44,295,513	44,295,513
Ben van Bilderbeek[2]	58,077,461	58,077,461
Graham Stevens	15,100	15,100
Craig Hendrie	12,600	12,600
Geoff Thompson	–	–
Charles Edward Jones	–	–
Kunming Liu	–	–

1. J. Jeffrey Thrall, has an indirect beneficial interest in a company which controls 32.477% of Mutual Holdings Limited. The number of Ordinary shares held by Mutual Holdings Limited in the Company at 30 June 2017 was 42,700,001 (2016: 42,700,001). Additionally, J. Jeffrey Thrall has an indirect beneficial interest in Nazdar Limited, a company which holds 1,591,512 Ordinary shares in the Company and he holds 4,000 Ordinary shares directly.

2. Ben van Bilderbeek is settlor of a trust which controls 59.962% of the shares of Mutual Holdings Limited and the entire issued share capital of OFM Investment Limited. At 30 June 2017, Mutual Holdings Limited held 42,700,001 shares and OFM Investment Limited held 15,069,767. Additionally, Ben van Bilderbeek holds 307,693 Ordinary shares directly.

Retirement and re-election of Directors

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

Substantial shareholdings and interests

Shares

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

	% issued share capital
Mutual Holdings Limited 42,700,001	40.50%
Liontrust Investment Partners LLP 15,991,668	15.17%
OFM Investment Limited 15,069,767	14.30%
LLC Gusar 6,790,393	6.42%
Hargreave Hale 5,126,582	5.59%
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 29.

Employees

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

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each director has taken steps that they ought to have taken as a director to make themself 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 21 December 2017. 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

Graham Stevens
Director
15 November 2017

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 2017 the Board (including transactional committees, but not including the Audit and Remuneration committees) met a total of ten 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 2017 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 2017 the Remuneration Committee did not meet.

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	10	5	2	2	0	0
Ben van Bilderbeek	10	5	–	–	–	–
Graham Stevens	10	10	–	–	–	–
Craig Hendrie	10	10	–	–	–	–
Geoff Thompson	10	4	–	–	–	–
Charles Edward Jones	10	5	2	2	0	0
Kunming Liu	10	4	–	–	–	–

Retirement and re-election

Mr Thrall, Mr Stevens and Mr Jones 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 32.

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.

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 analysis includes oil and gas exploration companies with broadly similar market capitalisations and numbers of employees, as well as oil and gas service companies where, although the market capitalisation range is wide, it is still relevant as these are the sort of companies with which Plexus may compete for talent. 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 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 £	**2017 Total £**	2016 Total £
Executive Directors						
Ben van Bilderbeek	227,000	22,089	–	–	**249,089**	348,732
Graham Stevens	124,850	11,332	–	–	**136,182**	317,646
Craig Hendrie	100,000	821	14,350	–	**115,171**	166,454
Non-executive Directors						
J Jeffrey Thrall	19,500	–	–	–	**19,500**	27,083
Geoff Thompson	12,000	–	–	–	**12,000**	16,667
Charles Edward Jones	18,000	–	–	–	**18,000**	40,432
Kunming Liu	18,000	–	–	–	**18,000**	10,000
Christopher Fraser	–	–	–	–	**–**	42,250
Total	519,350	34,242	14,350	–	**567,942**	969,264

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 30/06/15	Granted During 15/16	Lapsed During 15/16	Exercised During 15/16	No of Options At 30/06/16	Granted During 16/17	Lapsed During 16/17	Exercised During 16/17	No of Options At 30/06/17	Date of Grant	No of Options Vested At 30/06/17	Expiry Date	Exercise Price (£)
B. van Bilderbeek	194,152	–	–	–	194,152	–	–	–	194,152	09/12/05	194,152	08/12/25	0.59
B. van Bilderbeek	65,902	–	–	–	65,902	–	–	–	65,902	20/06/07	65,902	19/07/27	0.385
B. van Bilderbeek	332,110	–	–	–	332,110	–	–	–	332,110	17/12/09	332,110	16/12/19	0.41
B. van Bilderbeek	169,642	–	–	–	169,642	–	–	–	169,642	25/03/11	169,642	24/03/21	0.60
G. Stevens	138,407	–	–	–	138,407	–	–	–	138,407	09/12/05	138,407	08/12/25	0.59
G. Stevens	43,177	–	–	–	43,177	–	–	–	43,177	20/06/07	43,177	19/07/27	0.385
G. Stevens	217,795	–	–	–	217,795	–	–	–	217,795	17/12/09	217,795	16/12/19	0.41
G. Stevens	101,042	–	–	–	101,042	–	–	–	101,042	25/03/11	101,042	24/03/21	0.60
C. Hendrie	254,407	–	–	–	254,407	–	–	–	254,407	09/12/05	254,407	08/12/25	0.59
C. Hendrie	43,177	–	–	–	43,177	–	–	–	43,177	20/06/07	43,177	19/07/27	0.385
C. Hendrie	217,795	–	–	–	217,795	–	–	–	217,795	17/12/09	217,795	16/12/19	0.41
C. Hendrie	105,853	–	–	–	105,853	–	–	–	105,853	25/03/11	105,853	24/03/21	0.60

Non-executive 2005 Share Option Scheme

Name	No of Options At 30/06/15	Granted During 15/16	Lapsed During 15/16	Exercised During 15/16	No of Options At 30/06/16	Granted During 16/17	Lapsed During 16/17	Exercised During 16/17	No of Options At 30/06/17	Date of Grant	No of Options Vested At 30/06/17	Expiry Date	Exercise Price (£)
J. Thrall	40,169	–	–	–	40,169	–	–	–	40,169	09/12/05	40,169	08/12/25	0.59
G. Thompson	100,000	–	–	–	100,000	–	–	–	100,000	08/06/10	100,000	07/06/20	0.60

No options are expected to lapse at the AGM.

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 8 June 2017 the Company entered into deeds of amendment with Ben van Bilderbeek, Graham Stevens, Craig Hendrie, and eleven employees in respect of options granted to them on 20 June 2007 under the scheme, to enable each holder to exercise these particular options up until 19 June 2027, subject to all other terms of the scheme rules.

The lowest mid-market price of the Company's shares in the year to 30 June 2017 was 57.00p on 8 August 2016, and the high in the period to 30 June 2016 was 125.00p on 11 January 2017. The mid-market price on 30 June 2016 was 66.00p.

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the 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

Graham Stevens
Director
15 November 2017

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

Opinion

We have audited the financial statements of Plexus Holdings Plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 30 June 2017, which comprise:

- the Group statement of comprehensive income for the year ended 30 June 2017;
- the Group and Parent Company statements of financial position as at 30 June 2017;
- the Group and Parent Company statements of cash flows and statements of changes in equity for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

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

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 30 June 2017 and of the Group's loss for the period then ended;
- the Group's financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;
- the Parent Company's financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union as applied in accordance with the requirements of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £350,000, based on a percentage of Group's result for the period.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £10,000. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

The Group and its subsidiaries are accounted for from one central operating location, the Group's registered office. Our audit was conducted from the main operating location and all Group companies were within the scope of our audit testing.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter
Valuation of goodwill and intangible assets	
Goodwill arising on a business combination is not amortised but is assessed annually for impairment. Intangible assets are amortised and assessed for impairment where there are indications that impairment may have occurred.	We obtained projected cash flows for exploitation of the intellectual property and other intangible assets and tested the underlying assumptions. We benchmarked the discount rate used and carried out impairment where there are indications that sensitivity analysis to reduce the assumed rates of revenue growth under different exploitation scenarios. We are satisfied that no impairment provision is required.

Carrying value of inventory and rental assets	
Rental assets are depreciated and assessed for impairment where there are indications that impairment may have occurred. Inventory is held at the lower of cost and net realisable value.	We tested a sample of inventory and rental assets to ensure that orders and contracts to ensure the appropriate cost is recorded. We tested cut off around the year end. Our testing of inventory and rental assets indicated that revenue is being recognised appropriately and in the correct accounting period. We considered the terms of the business sale described in Note 27, under which the majority of inventory and rental assets are to be disposed after the reporting date and are satisfied that the assets are carried at the lower of cost and net realisable value.
Revenue recognition	
Revenue is recognised in accordance with the accounting policy set out in the financial statements.	We tested a sample of orders and contracts to ensure the appropriate amount of income had been recognised and tested revenue cut off around the reporting date. Our testing of revenue indicated that revenue is being recognised appropriately and in the correct accounting period.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our audit

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report and Strategic Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception:

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

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

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

Stephen Bullock (Senior Statutory Auditor)
for and on behalf of
Crowe Clark Whitehill LLP
Statutory Auditor
London
15 November 2017

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2017

	Notes	**2017** **£'000**	2016 £'000
Revenue	*2*	**4,749**	11,227
Cost of sales		**(3,770)**	(5,994)
Gross profit		**979**	5,233
Administrative expenses		**(7,941)**	(11,276)
Restructuring costs	*8*	**(69)**	(755)
Operating loss	*4*	**(7,031)**	(6,798)
Finance income	*6*	**59**	69
Finance costs	*7*	**(61)**	(187)
Loss before taxation		**(7,033)**	(6,916)
Income tax credit	*9*	**1,331**	1,126
Loss attributable to the owners of the parent		**(5,702)**	(5,790)
Other comprehensive income		**–**	–
Total comprehensive income for the year attributable to the owners of the parent		**(5,702)**	(5,790)
Loss per share	*10*		
Basic		**(5.41p)**	(6.39p)
Diluted		**(5.41p)**	(6.39p)

All income arises from continuing operations

Consolidated Statement of Financial Position

at 30 June 2017

	Notes	2017 £'000	2016 £'000
Assets			
Goodwill	*11*	**767**	767
Intangible assets	*12*	**13,678**	14,080
Property, plant and equipment	*14*	**11,976**	15,567
Deferred tax asset	*9*	**287**	–
Total non-current assets		**26,708**	30,414
Asset held for sale	*15*	**396**	–
Inventories	*16*	**6,840**	6,726
Trade and other receivables	*17*	**1,008**	1,747
Current income tax asset	*9*	**966**	229
Cash and cash equivalents		**7,178**	15,863
Total current assets		**16,388**	24,565
Total Assets		**43,096**	54,979
Equity and Liabilities			
Called up share capital	*19*	**1,054**	1,054
Share premium account		**36,893**	36,893
Share based payments reserve	*20*	**767**	766
Retained earnings		**2,575**	8,277
Total equity attributable to equity holders of the parent		**41,289**	46,990
Liabilities			
Deferred tax liabilities	*9*	–	468
Bank loans	*23*	**375**	675
Total non-current liabilities		**375**	1,143
Trade and other payables	*18*	**1,132**	1,546
Bank loans	*23*	**300**	5,300
Total current liabilities		**1,432**	6,846
Total liabilities		**1,807**	7,989
Total Equity and Liabilities		**43,096**	54,979

These financial statements were approved and authorised for issue by the board of directors on 15 November 2017 and were signed on its behalf by:

Graham Stevens
Director

Craig Hendrie
Director

Company Number: 03322928

Consolidated Statement of Changes in Equity

for the year ended 30 June 2017

	Called Up Share Capital £'000	Share Premium Account £'000	Share Based Payments Reserve £'000	Retained Earnings £'000	Total £'000
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**
Total comprehensive income for the year	–	–	–	(5,702)	(5,702)
Net deferred tax movement on share options	–	–	1	–	1
Balance as at 30 June 2017	**1,054**	**36,893**	**767**	**2,575**	**41,289**

Consolidated Statement of Cash Flows

for the year ended 30 June 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Loss before taxation		**(7,033)**	(6,916)
Adjustments for:			
Depreciation, amortisation and impairment charges		**4,472**	4,471
Gain on disposal of property, plant and equipment		**(1)**	(2)
Charge for share based payments		–	21
Investment income		**(59)**	(69)
Interest expense		**61**	187
Changes in working capital:			
Increase in inventories		**(114)**	(175)
Decrease in trade and other receivables		**739**	5,554
Decrease in trade and other payables		**(414)**	(1,750)
Cash (used)/generated from operating activities		**(2,349)**	1,321
Income taxes (paid)/refunded		**(160)**	34
Net cash (used)/generated from operating activities		**(2,509)**	1,355
Cash flows from investing activities			
Purchase of intangible assets		**(632)**	(1,900)
Purchase of property, plant and equipment		**(287)**	(1,956)
Proceeds of sale of property, plant and equipment and intangibles		**45**	61
Interest received		**59**	69
Net cash used in investing activities		**(815)**	(3,726)
Cash flows from financing activities			
Repayment of loans and banking facilities		**(5,300)**	(300)
Interest paid		**(61)**	(187)
Net proceeds from issue of new ordinary shares		–	16,923
Proceeds from share options exercised		–	34
Equity dividends paid		–	(1,564)
Net cash (outflow)/inflow from financing activities		**(5,361)**	14,906
Net (decrease)/increase in cash and cash equivalents		**(8,685)**	12,535
Cash and cash equivalents at 1 July 2016		**15,863**	3,328
Cash and cash equivalents at 30 June 2017	*22*	**7,178**	15,863

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), IFRS 16 (Leases) is not expected to have a material impact on the future results of the Group.

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, refurbishment costs on rental assets and other costs which are directly attributable to revenue generating projects.

b. Going concern

The Group's activities and an outline of the developments taking place in relation to its products, services and marketplace are considered in the Strategic Review on pages 11 to 20 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 £7.2m and bank facilities of £5.675m comprising a £5m revolving credit facility which has not been drawn down and a term loan facility which had a balance of £0.675m, and which is repayable in quarterly instalments of £75k with the final repayment due by September 2019.

On 19 October 2017 the Group announced the sale of its wellhead exploration equipment and services business for jack-up applications (the "Jack-up Business") to FMC Technologies Limited ("TFMC"), a subsidiary of TechnipFMC (Paris:FTI) (NYSE:FTI) one of the leading oil & gas service and equipment companies (the "Disposal").

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

The Disposal follows the signing of a conditional Business Purchase Agreement ("BPA") by Plexus, POSL and TFMC. Under the terms of the BPA, the Plexus Group will receive an initial gross cash consideration of £15,000,000, subject to certain adjustments, with an additional sum of up to £27,500,000 payable dependent on the future performance of the Jack-up Business during a three-year earn-out period. The earn-out has the potential to increase the total cash consideration to £42,500,000.

Accordingly, after careful enquiry and review of available financial information, including projections and cash flows for the period to 30 November 2018, 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. *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 (m) below.

e. *Income taxes and deferred taxation*

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

The current income tax credit is calculated on the basis of the tax laws enacted or substantively enacted at the 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.

f. 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. In making these calculations Management have not included an assessment of the terminal value. The company's Weighted Average Cost of Capital for discounting purposes has been measured at 10.87%. A discounted cashflow model has been prepared for both an organic sales model and a licensing sales model. The cashflows are based upon approved budgets for the following 12 months, beyond this they are based upon management's expectations of future developments.

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.

g. Intangible assets and amortisation

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

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

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

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

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

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

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

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

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

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

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

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

The value in use calculation is based on cash flow forecasts derived from the most recent financial model information available. Although the Group's technology is proven and has proven commercial value the exploitation of opportunities beyond the rental wellhead exploration equipment services market are at a relatively early stage and the commercialisation process is expected to be a long term one. The cash flow forecasts therefore extend to 2037 to ensure the full benefit of all current projects is realised. The rationale for using a timescale up to 2037 with growth projections which increase in the first five years and decline thereafter, is that as time progresses, Plexus expects to gain an increasing foothold in the subsea and other equipment markets which are already well established.

The key assumptions used in these calculations include discount rate, revenue projections, growth rates, expected gross margins and the lifespan of the Group's technology. Management estimates the discount rates using pre-tax rates that reflect current market assessments of the time value of money and risks specific to the Group and the markets in which it operates. Revenue projections, growth rates, margins and technology lifespans are all estimated based on the latest business models and the most recent discussions with customers, suppliers and other business partners.

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.

h. Property, plant and equipment

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

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

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

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

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

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

i. Cash and cash equivalents

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

j. Foreign currencies

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

The functional currency of the Group is pounds sterling.

k. Leases

Operating lease rentals are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease. 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.

l. Inventory

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

m. 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.

n. 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.

o. 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.

p. 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.

q. 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.

r. 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.

s. Significant judgements made by management

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

The principal areas in which significant judgements have been made by management are as follows:

The directors' have considered the sale of the Group's wellhead jack-up rental exploration equipment services business announced on 19 October 2017. The directors consider that at the reporting date the disposal did not meet the criteria set out in IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations. The directors consider that the sale meets the criteria set out in IAS 10 'Events after the Reporting Period' and have treated the transaction as a non-adjusting event after the reporting date.

The directors' have prepared projections of future revenues expected to be derived from exploiting the Group's intangible assets in future periods (following the disposal of the wellhead rental exploration equipment services business) as part of their consideration of impairment. Although the core technology is proven and has proven commercial value, the projections are subject to a significant degree of judgement because of the relative lack of track record of commercial exploitation outside the wellhead exploration equipment services business.

The directors have considered the recognition of a deferred tax asset in relation to future utilisation of trading losses. That recognition is predicated on a judgement in relation to the probable extent that sufficient taxable profit will be available against which the unused tax losses can be utilised.

t. 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 (f) and 1 (g).

2. Revenue

	2017	2016
	£'000	£'000
By geographical area		
UK	**475**	1,241
Europe	**3,099**	7,636
Rest of World	**1,175**	2,350
	4,749	11,227

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:

	2017	2016
	£'000	£'000
Customer 1	**1,159**	3,696
Customer 2	**1,706**	1,328
Customer 3	**691**	–

4. Group operating loss

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

	2017	2016
	£'000	£'000
Depreciation of tangible assets	**3,438**	3,488
Amortisation of intangible assets:		
– Intellectual property rights	**330**	330
– Research and development	**668**	612
– Computer software	**36**	38
Operating lease charges:		
– land and buildings	**418**	436
– other	**84**	143
Group restructuring costs	**69**	755
Foreign currency exchange loss	**8**	24
Gain on disposal of property, plant and equipment	**(1)**	(6)
Directors' emoluments	**568**	969
Inventories recognised as expense	**212**	636
Inventory write down provision	**81**	283
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 29 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:

	2017 Number	2016 Number
Management	**11**	12
Technical	**47**	83
Administrative	**15**	32
	73	127

The aggregate payroll costs of these persons were as follows:

	2017 £'000	2016 £'000
Wages and salaries	**3,841**	7,144
Social security costs	**306**	743
Redundancy and termination payments	**69**	619
Pension contributions to defined contribution plans	**150**	345
Share based payments	**–**	21
	4,366	8,872

Details of Directors remuneration is given in the remuneration report on page 29 and this forms part of the financial statements.

6. Finance income

	2017 £'000	2016 £'000
Bank interest receivable	**55**	63
Other interest	**4**	6
	59	69

7. Finance costs

	2017 £'000	2016 £'000
On bank loans and overdraft	**61**	187
	61	187

8. Restructuring Costs

	2017	2016
	£'000	£'000
Redundancy and termination payments	**69**	619
Relocation costs	–	136
	69	755

9. Income tax expense

(i) The taxation charge for the year comprises:	**2017**	2016
	£'000	£'000
UK Corporation tax:		
Current tax on income for the year	–	5
Adjustment in respect of prior years	**(526)**	(383)
	(526)	(378)
Foreign tax		
Current tax on income for the year	**2**	61
Adjustment in respect of prior years	**(52)**	56
	(50)	117
Total current tax credit	**(576)**	(261)
Deferred tax:		
Origination and reversal of timing differences	**(1,054)**	(628)
Short term timing differences	–	64
Difference between qualifying fixed assets and capital allowances	–	(643)
Share based payments charged to the Income Statement	–	151
Adjustment in respect of prior years	**298**	193
Total deferred tax	**(756)**	(863)
Total tax credit	**(1,331)**	(1,126)

The effective rate of tax is 19% (2016: 16%)

(ii) Factors affecting the tax charge for the year	**2017**	2016
	£'000	£'000
Loss on ordinary activities before tax	**(7,033)**	(6,916)
Tax on (loss)/profit at standard rate of UK corporation tax of 19.75% (2016: 20%)	**(1,389)**	(1,383)
Effects of:		
Expenses not deductible for tax purposes	**229**	554
Effect of change in tax rate	**114**	(61)
Tax adjustments on share based payments	**(8)**	151
Foreign tax rates	**2**	108
Adjustments in respect of prior year	**(279)**	(192)
Group income not subject to tax	–	(303)
Total tax (credit)/charge	**(1,331)**	(1,126)

9. Income tax expense (continued)

(iii) Movement in deferred tax (asset)/liability balance

	2017	2016
	£'000	£'000
Deferred tax liability at beginning of year	**468**	212
(Credit)/charge to Statement of Comprehensive Income	**(756)**	(863)
Deferred tax movement on share options recognised in equity	**1**	1,119
Deferred tax (asset)/liability at end of year	**(287)**	468

(iv) Deferred tax (asset)/liability balance

The deferred tax liability balance is made up of the following items:	**2017**	2016
	£'000	£'000
Difference between depreciation and capital allowances	**643**	1,001
Share based payments	**(96)**	(88)
Tax losses	**(705)**	(445)
Tax provisions	**(129)**	–
Deferred tax (asset)/liability at end of year	**(287)**	468

10. Loss per share

	2017	2016
	£'000	£'000
Loss attributable to shareholders	**(5,702)**	(5,790)
	Number	Number
Weighted average number of shares in issue	**105,386,239**	90,597,415
Dilution effects of share schemes	**1,108,692**	2,135,987
Diluted weighted average number of shares in issue	**106,494,931**	92,733,402
Basic Loss per share	**(5.41p)**	(6.39p)
Diluted Loss per share	**(5.41p)**	(6.39p)

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

Diluted earnings per share calculations include additional shares to reflect the dilutive effect of 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.

11. Goodwill

	£'000
Cost	
As at 1 July 2015	760
Additions	7
As at 30 June 2016 and 2017	**767**
Impairment	
As at 1 July 2015, 2016 and 2017	–
Net Book Value	
As at 30 June 2017	**767**
As at 30 June 2016	767

Note 1(f) provides information on the Goodwill.

12. Intangible fixed assets

	Intellectual Property £'000	Patent and Other Development £'000	Computer Software £'000	Total £'000
Cost				
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
Additions	–	632	–	632
As at 30 June 2017	**6,440**	**13,681**	**331**	**20,452**
Amortisation				
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
Charge for the year	330	668	36	1,034
As at 30 June 2017	**3,681**	**2,823**	**270**	**6,774**
Net Book Value				
As at 30 June 2017	**2,759**	**10,858**	**61**	**13,678**
As at 30 June 2016	3,089	10,894	97	14,080

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

13. 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 Islands	Investment Holding	100%
Plexus Applied Technologies Limited	Scotland	Dormant	100%

The Group's investments are unlisted.

14. 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 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
Additions	–	132	65	90	–	287
Transfers	–	–	126	(126)	–	–
Reclassified to assets held for sale	(455)	–	–	–	–	(455)
Disposals	–	(26)	(1,489)	–	(2)	(1,517)
As at 30 June 2017	**3,924**	**706**	**28,832**	**22**	**32**	**33,516**
Depreciation						
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
Charge for the year	250	72	3,112	–	4	3,438
On disposals	–	(26)	(1,453)	–	(2)	(1,481)
Reclassified to assets held for sale	(51)	–	–	–	–	(51)
As at 30 June 2017	**1,007**	**296**	**20,210**	**–**	**27**	**21,540**
Net Book Value						
As at 30 June 2017	**2,917**	**410**	**8,622**	**22**	**5**	**11,976**
As at 30 June 2016	3,571	350	11,579	58	9	15,567

15. Asset Held for sale

	2017 £'000	2016 £'000
Cost	**455**	–
Accumulated depreciation	**(51)**	–
Net book value	**404**	–
Fair value adjustment	**(4)**	–
Cost of sale	**(4)**	–
	396	–

The asset held for sale relates to a property that was sold on 14 July 2017. The Group had entered into a sale agreement prior to the year end. In line with IFRS5 the asset is held for sale at fair value less costs of sale.

16. Inventories

	2017 £'000	2016 £'000
Raw materials and consumables	**1,773**	1,925
Work in progress	**60**	52
Finished goods and goods for resale	**5,007**	4,749
	6,840	6,726

17. Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	**565**	1,100
Prepayments and other amounts	**443**	647
	1,008	1,747

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

	2017 £'000	2016 £'000
Not past due	**565**	744
Past due 0-30 days	–	344
Past due 30+ days	–	12
	565	1,100

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

	2017 £'000	2016 £'000
Trade payables	**259**	337
Non trade payables and accrued expenses	**873**	1,209
	1,132	1,546

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

	2017 £'000	2016 £'000
Due within 30 days	**871**	1,256
Due in 30 – 90 days	**78**	100
Due in 90 days – 6 months	**110**	70
Due in 6 months – One year	**73**	120
	1,132	1,546

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

19. Share Capital

	2017	2016
	£'000	£'000
Authorised:		
Equity: 110,000,000 (2016: 110,000,000) Ordinary shares of 1p each	**1,100**	1,100
Allotted, called up and fully paid:		
Equity: 105,386,239 (2016: 105,386,239) Ordinary shares of 1p each	**1,054**	1,054

20. Share based payments

Share options have been granted to subscribe for ordinary shares, which are exercisable between 2006 and 2027 at prices ranging from £0.385 to £1.18. At 30 June 2017 there were 3,850,398 options outstanding.

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

On 9 July 2015 the directors approved an amendment to the rules of the scheme such that the Company is permitted to extend the exercise period for options granted under the scheme by a further ten years. Subsequently on 8 June 2017 the Company entered into deeds of amendment with Ben van Bilderbeek, Graham Stevens, Craig Hendrie, and eleven employees in respect of options granted to them on 20 June 2007 under the scheme, to enable each holder to exercise these particular options up until 19 June 2027, subject to all other terms of the scheme rules.

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

	2017		2016	
	No of shares	**Weighted Average exercise price**	No of shares	Weighted Average exercise price
Outstanding at the beginning of the period	**4,053,574**	**0.53**	4,077,739	0.53
Granted during the period	**–**	**–**	–	–
Lapsed due to failure to meet TSR criteria during the period	**–**	**–**	–	–
Forfeited during the period by leaving employment	**(203,176)**	**0.51**	(4,322)	0.56
Exercised during the period	**–**	**–**	(19,843)	0.50
Outstanding at the end of the period	**3,850,398**	**0.53**	4,053,574	0.53
Exercisable at the end of the period	**3,850,398**	**0.53**	4,053,574	0.53

20. Share based payments (continued)

The aggregate of the estimated fair values of the options granted that are outstanding at 30 June 2017 is £704k (2016: £736k). The inputs to the Stochastic model for the computation of the fair value of the options are as follows:

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

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

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

The Group has recognised an expense in the current year of £nil (2016: £21k) towards equity settled share based payments.

The weighted average contractual life of the share options outstanding at the end of the period is 4 years 8 months.

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

	2017 **£'000**	2016 £'000
(Decrease)/Increase in cash in the year	**(3,385)**	12,835
Movement in net (debt)/cash in year	**(3,385)**	12,835
Net cash/(debt) at start of year	**9,888**	(2,947)
Net cash at end of year	**6,503**	9,888

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	15,863	(8,685)	7,178
Bank loans	(5,975)	5,300	(675)
Total	9,888	(3,385)	6,503

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.

As the Group does not use foreign exchange hedges, the consolidated statement of comprehensive income would be affected by a gain/loss of approximately £12k (2016: £15k) 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 (2016: £nil) 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 £9k (2016: £15k) 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 £50k (2016: £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.

23. Financial instruments and risk management (continued)

(b) Credit risk

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

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.

The currency composition of trade receivable at the year-end was:

	2017	2016
	£'000	£'000
Sterling	**547**	984
US Dollar	**18**	116
	565	1,100

(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.

23. Financial instruments and risk management (continued)

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 2017				
Cash and liquid resources	– Sterling	6,939	2	6,941
	– US Dollar	113	16	129
	– Euro	3	–	3
	– Malaysian Ringgit	–	99	99
	– Singapore Dollars	–	6	6
	– Swiss Francs	–	–	–
		7,055	123	7,178
30 June 2016				
Cash and liquid resources	– Sterling	15,453	6	15,459
	– US Dollar	155	13	168
	– Malaysian Ringgit	–	169	169
	– Singapore Dollars	–	51	51
	– Swiss Francs	–	16	16
		15,608	255	15,863

At 30 June 2017 the Group had £7,178k 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.

The Group has facilities of £5,675k that are secured by a fixed and floating charge over the assets of the Group. At 30 June 2017 the Group had drawn £675k on those facilities. The interest payable is on a floating rate basis and ranged between 2.7% and 2.8% in the year. The facility comprises of a £5,000k revolving credit facility, which has not been drawn down and a balance of £675k outstanding on a term loan repayable over the period to September 2019.

23. Financial instruments and risk management (continued)

The interest rate and currency profiles of the Group's financial liabilities at 30 June 2017 are as follows:

	Floating rates £'000	Non-interest bearing £'000	Book and fair value £'000
30 June 2017			
Bank term loan – Sterling	675	–	675
30 June 2016			
Bank revolving credit facility – Sterling	5,000	–	5,000
Bank term loan – Sterling	975	–	975

Maturity of Financial Liabilities:

	Due within 1 Year £'000	Due between 2–5 Years £'000	Due after 5 Years £'000	Total £'000
30 June 2017				
Bank term loan – Sterling	300	375	–	675
Total	300	375	–	675
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

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:

	2017 £'000	2016 £'000
Within one year	**322**	365
Within two to five years	**966**	1,280
After five years	**1,505**	1,505
	2,793	3,150

The Group had no capital commitments as at 30 June 2017 (2016: nil).

25. Contingent liabilities

The Group had no contingent liabilities as at 30 June 2017 (2016: £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:

	2017 **£'000**	2016 £'000
Purchase of goods and services from Other Related Parties	**488**	602
Payables to Other Related Parties	**33**	–
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. Subsequent Events

On 19 October 2017 the Group announced the sale of its wellhead exploration equipment and services business for jack-up applications (the "Jack-up Business") to FMC Technologies Limited ("TFMC"), a subsidiary of TechnipFMC (Paris:FTI) (NYSE:FTI) one of the leading oil & gas service and equipment companies (the "Disposal").

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

The Disposal follows the signing of a conditional Business Purchase Agreement ("BPA") by Plexus, POSL and TFMC. Under the terms of the BPA, the Plexus Group will receive an initial gross cash consideration of £15,000,000, subject to certain adjustments, with an additional sum of up to £27,500,000 payable dependent on the future performance of the Jack-up Business during a three-year earn-out period. The earn-out has the potential to increase the total cash gross consideration to £42,500,000.

27. Subsequent Events (continued)

The tables below summarise the financial impact of the disposal on the reported results of the Group:

Year ended 30 June 2017

	Disposal £'000	Remaining £'000	Reported £'000
Revenues	4,545	204	4,749
Loss before taxation	(2,312)	(4,721)	(7,033)
Net assets	13,830	27,459	41,289

Year ended 30 June 2016

	Disposal £'000	Remaining £'000	Reported £'000
Revenues	11,193	34	11,227
Loss before taxation	(1,415)	(5,501)	(6,916)
Net assets	16,208	30,782	46,990

28. 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 11 and the directors' report on page 23.

Parent Company Statement of Financial Position

at 30 June 2017

	Notes	**2017**	2016
		£'000	£'000
Assets			
Intangible assets	*3*	**13,118**	13,424
Investments	*4*	**8,294**	8,294
Total Non-current assets		**21,412**	21,718
Trade and other receivables	*5*	**11,946**	1,168
Cash at bank and in hand	*8*	**2,841**	15,364
Corporation tax receivable		**465**	–
Total current assets		**15,252**	16,532
Total Assets		**36,664**	38,250
Equity and Liabilities			
Called up share capital	*7*	**1,054**	1,054
Share premium account		**36,893**	36,893
Share based payments reserve		**326**	326
Retained earnings		**(2,611)**	(1,330)
Total equity attributable to equity holders of the company		**35,662**	36,943
Liabilities			
Deferred tax liabilities		**812**	894
Total non-current liabilities		**812**	894
Trade and other payables	*6*	**190**	413
Total current liabilities		**190**	413
Total liabilities		**1,002**	1,307
Total Equity and Liabilities		**36,664**	38,250

The company's loss for the year was £1,281k (2016: loss £2,455k)

These financial statements were approved and authorised for issue by the board of directors on 15 November 2017 and were signed on its behalf by:

Graham Stevens
Director

Craig Hendrie
Director

Company Number: 03322928

Parent Company Statement of Changes in Equity

for the year ended 30 June 2017

	Called Up Share Capital £'000	Share Premium Account £'000	Share Based Payments Reserve £'000	Retained Earnings £'000	Total £'000
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**
Total comprehensive income for the period	–	–	–	(1,281)	(1,281)
Balance as at 30 June 2017	**1,054**	**36,893**	**326**	**(2,611)**	**35,662**

Parent Company Statement of Cash Flows

at 30 June 2017

	Notes	**2017**	2016
		£'000	£'000
Cash flows from operating activities			
Loss before taxation		**(1,828)**	(2,714)
Adjustments for:			
Amortisation		**938**	883
Charge for share based payments		**–**	21
Investment income		**(224)**	(93)
Changes in working capital:			
(Increase)/decrease in trade and other receivables		**(10,778)**	3,407
(Decrease)/increase in trade and other payables		**(223)**	223
Cash (used)/generated from operations		**(12,115)**	1,727
Income taxes paid		**–**	–
Net cash (used)/generated from operations		**(12,115)**	1,727
Cash flows from investing activities			
Purchase of intangible assets		**(632)**	(1,861)
Interest received		**224**	93
Proceeds from sale of intangible assets		**–**	3
Net cash used in investing activities		**(408)**	(1,765)
Cash flows from financing activities			
Net proceeds from issue of new ordinary shares		**–**	16,923
Proceeds from share options exercised		**–**	34
Equity dividends paid		**–**	(1,564)
Net cash generated from financing activities		**–**	15,393
Net (decrease)/increase in cash and cash equivalents		**(12,523)**	15,355
Cash and cash equivalents at 1 July 2016		**15,364**	9
Cash and cash equivalents at 30 June 2017	*8*	**2,841**	15,364

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 (g) 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 (g) 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 £1,281k (2016: loss of £2,455k).

3. Intangible fixed assets

	Intellectual Property £'000	Patent and Other Development £'000	Total £'000
Cost			
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
Additions	–	632	632
As at 30 June 2017	**4,171**	**13,415**	**17,586**
Amortisation			
As at 30 June 2015	1,373	1,274	2,647
Charge for the year	271	612	883
As at 30 June 2016	1,644	1,886	3,530
Charge for the year	270	668	938
As at 30 June 2017	**1,914**	**2,554**	**4,468**
Net Book Value			
As at 30 June 2017	**2,257**	**10,861**	**13,118**
As at 30 June 2016	2,527	10,897	13,424

Patent and other development costs are internally generated.

4. Investments

	£'000
Subsidiary undertakings	
As at 30 June 2015	8,294
As at 30 June 2016	8,294
As at 30 June 2017	**8,294**

2. **Loss for the year** (continued)

The Company's subsidiary undertakings are:

Subsidiary undertaking	Address and Country of Registration	Nature of Business	Percentage of Ordinary Shares held
Plexus Ocean Systems Limited	Johnstone House, 52-54 Rose Street, Aberdeen, AB10 1HA, Scotland	Supply of wellheads and associated equipment for oil and gas drilling	100%
Plexus Limited	Johnstone House, 52-54 Rose Street, Aberdeen, AB10 1HA, Scotland	Dormant	100%
Plexus Holdings USA, Inc.	4295 San Felipe #1200, Houston, TX 77027, USA	Investment Holding	100%
Plexus Ocean Systems US, LLC	4295 San Felipe #1200, Houston, TX 77027, USA	Investment Holding	100%
Plexus Deepwater Technologies Limited	4295 San Felipe #1200, Houston, TX 77027, USA	Dormant	100%
Plexus Response Services Limited	1, Caribbean Place, P.O. Box 97 Leeward Highway, Providenciales, Turks & Caicos Islands	Commercial exploitation of subsea applications	100%
Plexus Subsea International Limited	1, Caribbean Place, P.O. Box 97 Leeward Highway, Providenciales, Turks & Caicos Islands	Commercial exploitation of subsea applications	100%
Plexus Ocean Systems (Malaysia) Sdn Bhd	Level 16, Tower C, Megan Avenue II, 12, Jalan Yap Kwan Seng, 50450, Kuala Lumpur, Malaysia	Supply of wellheads and associated equipment for oil and gas drilling	100%
Plexus Ocean Systems (Brunei) Sdn Bhd	Ground Floor Unit 30 Block D Simpang 21, Kg Menglait Gadong BE4119, Bandar Seri Begawan. Brunei Darussalam	Supply of wellheads and associated equipment for oil and gas drilling	100%
Plexus Ocean Systems (Singapore) Pte. Ltd.	137 Telok Ayer Street 08-01,Singapore Singapore	Supply of wellheads and associated equipment for oil and gas drilling	100%
Afrotel Corporation Ltd	1, Caribbean Place, P.O. Box 97 Leeward Highway, Providenciales, Turks & Caicos Islands	Investment Holding	100%
Plexus Applied Technologies Limited	Johnstone House, 52-54 Rose Street, Aberdeen, AB10 1HA, Scotland	Dormant	100%

5. Trade and other receivables

	2017 **£'000**	2016 £'000
Receivables due from group companies	**11,865**	1,068
Prepayments and other amounts	**81**	100
	11,946	1,168

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

	2017 **£'000**	2016 £'000
Trade payables	**28**	83
Non trade payables and accrued expenses	**162**	330
	190	413
The maturity of ageing of trade and non-trade payables at the year-end was:		
Due within 30 days	**38**	199
Due in 30 – 90 days	**32**	108
Due in 90 days – 6 months	**120**	106
Due in 6 months – One year	**–**	–
	190	413

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

	2017 **£'000**	2016 £'000
Authorised:		
Equity: 110,000,000 (2016: 110,000,000) Ordinary shares of 1p each	**1,100**	1,100
Allotted, called up and fully paid:		
Equity: 105,386,239 (2016: 105,386,239) Ordinary shares of 1p each	**1,054**	1,054

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

	2017	2016
	£'000	£'000
Movement in net cash in year	**(12,523)**	15,355
Net cash at start of year	**15,364**	9
Net cash at end of year	**2,841**	15,364

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.

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 £nil (2016: £15k).

(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.

9. Financial instruments and risk management (continued)

(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 2017 (2016: £nil).

11. Contingent liabilities

The Company had no contingent liabilities as at 30 June 2017 (2016: £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 borrowings of £12,103k less sales of £1,306k during the year increasing the balance owed from £1,031k to £11,828k

As at 30 June 2017 Plexus Holdings plc has an outstanding balance of £37k from Plexus Ocean Systems (Singapore) Pte Ltd (2016: £37k).

13. Subsequent Events

On 19 October 2017 the Group announced the sale of its wellhead exploration equipment and services business for jack-up applications (the "Jack-up Business") to FMC Technologies Limited ("TFMC"), a subsidiary of TechnipFMC (Paris:FTI) (NYSE:FTI) one of the leading oil & gas service and equipment companies (the "Disposal").

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

The Disposal follows the signing of a conditional Business Purchase Agreement ("BPA") by Plexus, POSL and TFMC. Under the terms of the BPA, the Plexus Group will receive an initial gross cash consideration of £15,000,000, subject to certain adjustments, with an additional sum of up to £27,500,000 payable dependent on the future performance of the Jack-up Business during a three-year earn-out period. The earn-out has the potential to increase the total gross consideration to £42,500,000.

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	**Kerin Williams 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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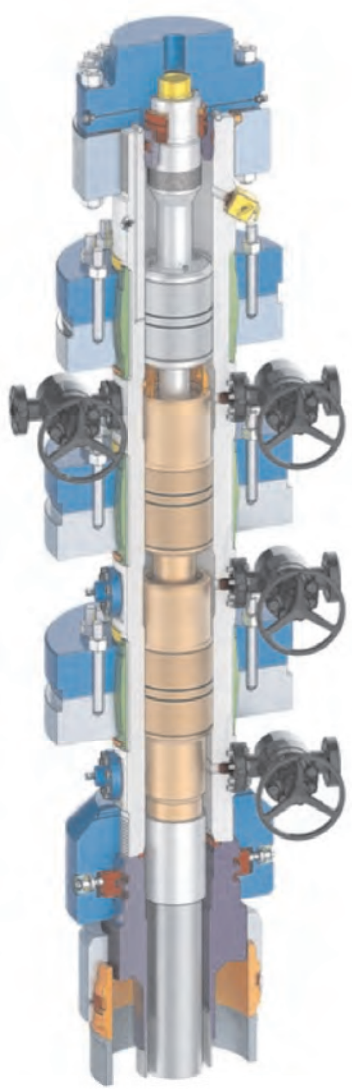
POS-GRIP "HG" PRODUCTION WELLHEADS

OFFERING THE HIGHEST STANDARDS IN SAFETY AND INTEGRITY; DESIGNED TO BE QUICK AND SIMPLE TO INSTALL



- "HG" metal-to-metal seals provide weld quality high integrity sealing
- Hangers are extremely simple one-piece components
- Pack-offs and lock-down mechanisms are eliminated
- Adjustable hangers are available for tensioned casing/tubing and tieback applications
- Hangers are easily removed even after years of production for workovers / side-tracks
- Available up to 20,000 psi

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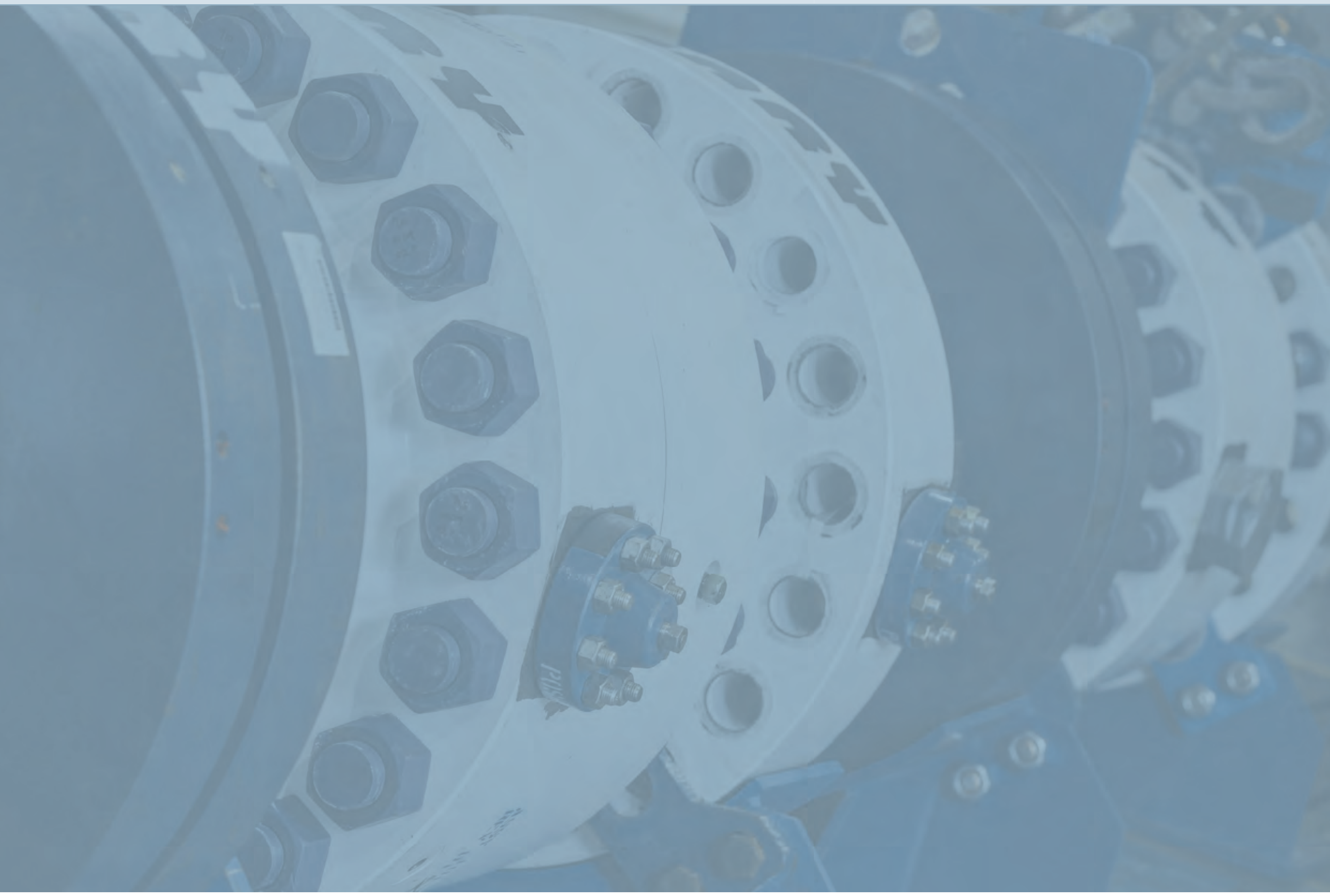

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