Plexus Holdings PLC/Index: AIM/Epic: POS / Sector: Oil equipment & services
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Plexus Holdings plc ('Plexus' or 'the Group')
Interim Results for the six months ended 31st December 2009

Plexus Holdings plc, the AIM quoted oil and gas engineering services business and owner of the proprietary POS-GRIP® method of wellhead engineering announces its interim results for the six months to 31 December 2009.

Highlights

- Sales of rental POS-GRIP wellheads and support services total £6.5m (2008: £6.7m)
- EBITDA of £1.4m (2008: £1.2m) – (before IFRS2 share based payment charges
- Profit before tax £0.13m (2008: £0.04m)
- Growing recognition of the benefits of POS-GRIP for high pressure/high temperature ('HP/HT') applications with sales up 59% versus same period last year
- HP/HT contract wins with Talisman Energy Inc at £1.5m, GDF Suez Egypt at £600,000, and Maersk Oil North Sea UK Limited ('Maersk') for an estimated £3m
- Further contract wins for POS-GRIP wellhead technology with Dubai Petroleum Establishment, Transocean Drilling U.K. Limited, and Wintershall Noordzee B.V.
- Post period end awarded three contracts with new customers in new territories - a subsidiary of Bowleven plc in Cameroon, Cairn Energy PLC Group in Tunisia, and Sonangol Pesquisa e Producao ('Sonangol') in Angola
- 15,000 psi HP/HT Mudline Tieback project attracted initial financing commitments from two large international operators
- Continued capital investment of £1.1m (2008: £1.6m)
- R & D spend increased to £0.36m (2008: £0.18m)
- 5.8% increase in interim dividend of 0.33p per share approved for payment on 1 April 2010
- Basic and fully diluted earnings per share of 0.11p (2008: 0.04p)

Plexus' Chief Executive Ben van Bilderbeek said, "Plexus has continued to make solid progress resulting in first half results ahead of management expectations. As has been widely reported, 2009 was a difficult period for the oil services sector where a combination of global uncertainty, worldwide financial pressures, and depressed oil prices impacted operators' investment decision making and resultant initiation of new projects. Whilst

Plexus was not immune from these adverse conditions, we have continued to win new clients. Indeed since the end of December we secured contracts with major new customers in North Africa and West Africa, which has seen the Company further expand its geographic footprint into Tunisia, Cameroon, and Angola.

“As a result of our progress, I am pleased to announce that the directors have approved the payment of an increased interim dividend of 0.33p per share which will be paid on Thursday 1 April 2010 to members appearing in the register on the record date of 26 March 2010.

“Looking to the future we are beginning to see signs of increased activity and expect a stronger order book to develop in the second half of the calendar year and beyond. At the same time we have a number of exciting initiatives underway relating to the continued development of our proprietary POS-GRIP method of engineering as well as progressing what we see as a clear need to improve the existing industry wellhead equipment standards, particularly for HP/HT applications. I firmly believe that such activities and the operational advantages of POS-GRIP including improved technical performance, installation time savings, and reduced operating costs and enhanced safety will play a key role in POS-GRIP gaining wider recognition and acceptance within the industry. This ultimately will enable us to engage in a significant way with potential licensees and alliance partners over the coming years.”

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

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Chairman's Statement

Business Progress

I am pleased to report that despite operating in challenging market conditions Plexus has continued to win important contracts for the supply of its POS-GRIP wellhead technology from a range of new and existing customers, both in the North Sea and further afield in Asia and Africa. As our reputation within the industry grows, and the understanding of the wide range of operational benefits that our proprietary POS-GRIP wellhead equipment delivers expands, we have begun to see an increased level of tender activity from a broader range of operators. Furthermore our ability to call upon a rental inventory for exploration wells that is now balanced across the three main pressure spectrums also enhances our ability to respond to customer needs where short lead times are required. All of these factors have helped to underpin a solid performance which is slightly ahead of management expectations.

Operating Review

Plexus has continued to focus on winning contracts from both existing customers (Dubai Petroleum Establishment, Maersk, and Wintershall Noordzee B.V.) and new customers (including GDF Suez Egypt, Cairn Energy plc Group, and Sonangol). In addition we have made further investments in infrastructure and management systems which are designed to ensure that we meet and service the growing needs of our globally diverse customer base. This strategy is proving successful and has led to expanding business activities in the African region where initial business in Egypt has now expanded during the period and post period end to include Cameroon, Tunisia, and Angola. At the same time we are ideally positioned to take advantage of potential increased activity in the North Sea where the UK continental shelf alone is estimated to hold significant reserves of 25 billion barrels according to Oil and Gas UK.

As part of our expansion plans we are investing £500k in the construction of a new assembly and test building at our main facility in Dyce Aberdeen, which was announced in August last year and is due to be completed by end of April 2010. The building has been specially designed to allow more efficient handling, assembly, qualification and testing of our POS-GRIP HP/HT wellhead systems. The facility will provide 4,000 square feet of additional workshop area and includes a 50 tonne and a 25 tonne overhead crane and a test pit to enable the function and pressure testing of larger HP/HT and Extreme HP/HT ('X-HP/HT') wellhead and equipment assemblies. This increased capability further demonstrates to the industry our confidence in the future and strengthens our capacity to respond to the growing demand for HP/HT exploration and production equipment and services.

In addition to infrastructure investment and ongoing additions to our extensive wellhead rental inventory, Plexus doubled its research and development spend to £361k against the same period last year. This investment reflects Plexus' confidence that our POS-GRIP technology can continue to extend the life of its extensive patent suites through an ongoing innovative continuations programme, and that the POS-GRIP method of engineering can be extended into areas beyond our existing range of wellhead products.

One such initiative which we hope holds significant commercial upside for Plexus, concerns our ongoing project designed to demonstrate to the industry that a 15,000 psi HP/HT Mudline Tieback can be achieved for HP/HT exploration wells and pre-drilled production wells by using POS-GRIP set metal to metal "HG" ® seals. We believe that there will be significant advantages when this technology is realised for both exploration wells and field developments. Currently, HP/HT exploration wells are permanently abandoned after drilling whether the well is commercially viable or not as there is no acceptable technical solution available to convert these wells to subsea or platform production wells. As each HP/HT exploration well could cost anywhere from £50m to £200m to drill, these are very expensive 'throw away' investments which if avoided, should be of great interest to the industry. Secondly, HP/HT Mudline Tieback technology would allow the pre-drilling of production wells for an HP/HT field development to commence before the production platform is ready, potentially shortening the development cycle of the field by several years. Furthermore, any customer wanting to take advantage of POS-GRIP Tieback technology would also benefit from using POS-GRIP wellheads at the surface for the drilling and production tieback. The first important stage following our completion of a 'proof of concept' exercise was inviting industry partners to participate in a Joint Industry Project and I am pleased report that two large international operators have now agreed to participate with an initial financing commitment. Such developments support the belief that ownership of specialist proprietary technology is an important element of future success for oilfield service companies.

Another important milestone achieved post period end in the area of systems and procedures concerns the successful certification of the Plexus management system for both ISO 9001:2008 and OHSAS 18001:2007. This process, which is an increasingly important part of customer requirements, followed on from our focus on 'Quality, Health, Safety, and Environment' ('QHSE') and the implementation of the Plexus Excellence Programme two years ago. The lengthy and extensive accreditation process has taken approximately 12 months, and our operational team have done an excellent job ensuring that we met both accreditation standards first time. The ISO 9001 certification and the OHSAS 18001 Occupational Health and Safety Management System are both applicable to the 'design, management of manufacture, assembly, associated testing, sale, rental, installation and operation of wellhead and mudline equipment for the oil and gas industry'. Such accreditations authorised by ISO and issued by Lloyds Register Quality Assurance Limited are recognised throughout the industry, and by our customers, as important operational and commercial achievements.

Plexus continues to promote and communicate the safety advantages offered by its through the Blow Out Preventer ('BOP') POS-GRIP wellhead design as businesses and legislators around the world increasingly focus on the importance of safety and are reminded of the significant negatives associated with product failures. These concerns have been elevated by relatively recent events such as the introduction of the "Corporate Manslaughter and Homicide Act 2007" which became effective in 2008 in the UK and, by the recent high profile Toyota case where design and test standards have been called into question. Plexus cannot see any reason for spool type (often known as 'slip and seal') wellheads to be used where the removal of the BOP is required to cut casing. We maintain that this procedure costs time and generates unnecessary risk. In addition the generally accepted American Petroleum Institute ('API') standards are based around conventional and historical wellhead designs and we maintain that they do not ensure the integrity of such equipment. This is because API does not specify multi-sample testing for wellheads and some seals are not tested at all. Indeed API test standards for wellhead seals are much less stringent than those for casing and tubing couplings. We believe that this is because conventional wellhead designs have historically not been able to pass such higher standards, due to seals moving during testing and because annular pockets are non-concentric. We maintain that under API standards this results in the wellhead being the 'weak link' in the system for seal integrity. The fact that API does not require multi-sample testing for wellheads seals, and that extrapolation of results is allowed for seals one standard size smaller and larger than tested, and between a larger and smaller size, in our opinion invalidates the current API test standard as a means of ensuring that such a qualified product will function in the field as intended.

Conversely, Plexus can demonstrate that the POS-GRIP wellhead design addresses such issues. As we continue to make progress in communicating this important message to our peers and other interested parties around the world we are confident that our business will benefit accordingly. In the meantime Plexus' POS-GRIP equipment and key components continue to meet required API standards where certification is required by customers.

As this report highlights Plexus remains active on many fronts. We are confident that our reputation for supplying innovative and, we believe, superior wellhead equipment is growing and has resulted in Plexus being active in more parts of the world and with more customers than ever before. In addition we are exploring opportunities in the USA, Middle East, and China, and are considering establishing an international operating subsidiary which in time would be expected to be responsible for sales and operational activities outside of Europe.

Financial Results

Turnover for the six month period ended 31 December 2009 was £6.5m which was slightly below the previous year and is in line with the anticipated weighting of sales towards the second half of the year. The rental wellhead and associated services business activities for exploration drilling contracts accounted for over 90% of sales revenues. The largest sales component remains the supply of our HP/HT wellhead equipment which accounted for approximately 80% of total revenues and compares favourably to 48.6% for the same period last year.

Gross margins have increased to 54.1% in the first half of the year from 49.2% in the comparative period last year as a result of the increase in HP/HT activities compared to the same period in the previous year.

Administration expenses have increased slightly year on year and totalled £3.3m for the period, up from £3.2m last year. This increase in part stems from higher research and development costs, and the costs of ensuring that we deliver the required level of service and support to our increasing number of customers operating in a wider variety of geographical locations.

The profit before tax of £0.13m is up substantially from the previous year (2008: £0.04m), after absorbing depreciation and amortisation increases which totalled £1.18m in the period against £0.97m for the same period last year. This increase reflects the further growth and investment in Plexus' rental asset inventory, which is necessary to support future growth and as operational activities broaden geographically requiring equipment to be based in a variety of locations. The profit before tax is stated after charging amortisation of share based payments under IFRS2; the charge for the half year to December 2009 is £0.08m compared to £0.12m in the corresponding period last year. The Group has provided for a charge to UK Corporation tax at a rate of 30% which is expected to be the rate of tax for the full year and compares to a rate of 31% last year. Earnings per share amounted to 0.11p per share (2008: 0.04p) on a fully diluted basis.

The balance sheet continues to reflect the ongoing investment in operations with property, plant and equipment including items in the course of construction increasing to £8.2m at the end of December 2009 from £7.9m at the end of December 2008. This continued to be primarily driven by ongoing investment in the expansion of rental inventory as well as research and development activity and the part construction of a new assembly and test building due to be completed by the end of April 2010. Net borrowings closed at £2.65m compared to £1.34m at the June year end reflecting in part the Group's investment in ongoing expansion of the rental fleet of equipment, as well as the payment of higher corporation tax of £0.7m compared to £0.02m the prior year, and the payment of the final year end dividend of £0.3m. The Group remained well within its bank facilities with Bank of Scotland Corporate which were increased last year in anticipation of the tightening of bank credit, and which now total £5.0m comprising a three year revolving £4.0m credit facility and an additional £1.0m overdraft facility agreed on a yearly term. The margin averages 2.2% over LIBOR.

Outlook

The oil price has begun to stabilise to a level where more projects are viable enabling the international oil and gas companies to fund increased capital expenditure and exploration activity. Therefore although there are inevitably lead times between the placing of orders and the generation of revenue, we anticipate a corresponding increase in sales activity over the next few months and in the next financial year. In the short and medium term we have a number of key contracts in place around the world which underpin current management expectations and a stronger second half year performance. We are also confident that we are well positioned to benefit from the anticipated upturn in the strategically important North Sea as a result of government tax incentives to encourage the development of hard to reach reservoirs, and the granting of a wider range of new licences for oil and gas field exploration.

Our belief in the growing importance of HP/HT applications and the correspondent need for suitable superior and enabling technology has been validated by the significant year on year increase in HP/HT sales. I am in no doubt that the wider industry is becoming more aware and receptive to the specification of POS-GRIP equipment and the significant operational advantages that it delivers in terms of safety and time savings. These developments, combined with our strategy of maintaining an active dialogue with various key industry entities including standards organisations and health and safety bodies, places Plexus firmly in the ‘strong technology’ category. We believe that we can clearly demonstrate that our equipment differentiates itself from the limitations that apply to traditional alternatives which we maintain are less safe and more complicated with associated performance limitations. For these reasons I look forward to the future with growing confidence and remain convinced that Plexus will be able to play a significant role in not only exploiting the growing number of unconventional reservoirs around the world which need exploring, but also in time penetrate the much larger volume production wellhead market, and in so doing attract the interest of potential licensees and alliance partners.

Finally I would like to thank all those involved with the Company for their hard work and commitment during the last six months.

Robert Adair
Chairman
17th March 2010

Plexus Holdings Plc
Unaudited Interim Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2009

	Six months to 31 December 2009	Six months to 31 December 2008	Year to 30 June 2009
	£ 000's	£ 000's	£ 000's
Revenue	6,473	6,703	15,105
Cost of sales	(2,974)	(3,406)	(6,364)
Gross profit	3,499	3,297	8,741
Administrative expenses	(3,312)	(3,156)	(6,799)
Operating profit	**187**	**141**	**1,942**
Finance income	1	7	8
Finance costs	(60)	(110)	(197)
Share of profit of associate	3	4	45
Profit before taxation	**131**	**42**	**1,798**
Income tax expense (note 5)	(39)	(13)	(780)
Profit after tax	**92**	**29**	**1,018**
Other comprehensive income	-	-	-
Total comprehensive income	**92**	**29**	**1,018**
Earnings per share (pence)			
Basic (note 6)	**0.11p**	**0.04p**	**1.27p**
Diluted (note 6)	**0.11p**	**0.04p**	**1.27p**

Plexus Holdings Plc
Unaudited Interim Consolidated Balance Sheet
As at 31 December 2009

	31 December 2009	31 December 2008	30 June 2009
	£ 000's	£ 000's	£ 000's
ASSETS			
Goodwill	722	722	722
Intangible assets	6,647	6,644	6,618
Financial assets	60	80	60
Investment in associate	1	-	1
Property, plant and equipment	8,181	7,933	8,335
Total non-current assets	15,611	15,379	15,736
Inventories	3,161	3,130	3,794
Trade and other receivables	5,033	5,932	4,799
Cash and cash equivalents	1,944	447	2,655
Total current assets	10,138	9,509	11,248
TOTAL ASSETS	25,749	24,888	26,984
EQUITY AND LIABILITIES			
Called up share capital	802	802	802
Share premium account	15,596	15,596	15,596
Share based payments reserve	628	485	550
Retained earnings	1,286	816	1,499
Total equity attributable to equity holders of the parent	18,312	17,699	18,447
Deferred tax liabilities	563	511	546
Bank loans	4,000	-	4,000
Total non-current liabilities	4,563	511	4,546
Trade and other payables	2,261	2,487	3,331
Current income tax liabilities	16	370	660
Borrowings	597	3,821	-
Total current liabilities	2,874	6,678	3,991
Total liabilities	7,437	7,189	8,537
TOTAL EQUITY AND LIABILITIES	25,749	24,888	26,984

Plexus Holdings Plc
Unaudited Interim Cash Flow Statement
For the six months ended 31 December 2009

	Six months to 31 December 2009	Six months to 31 December 2008	Year to 30 June 2009
	£ 000's	£ 000's	£ 000's
Cash flows from operating activities			
Profit before taxation	131	42	1,798
Adjustments for:			
Depreciation, amortisation and impairment charges	1,178	972	2,139
Loss on disposal of property, plant and equipment	-	-	24
Charge for share based payments	78	125	190
Investment income	(1)	(7)	(8)
Interest expense	60	110	197
	1,446	1,242	4,340
Decrease / (increase) in inventories	633	348	(316)
(Increase) / decrease in trade and other receivables	(234)	978	2,084
Decrease in trade and other payables	(1,071)	(908)	(29)
Cash generated from operations	774	1,660	6,079
Income taxes paid	(666)	(19)	(517)
Net cash generated from operating activities	108	1,641	5,562
Cash flows from investing activities			
Deferred consideration in respect of acquisition of subsidiary entity	-	(133)	(151)
Acquisition of financial asset	-	(80)	(80)
Adjustment to value of associate undertaking	-	-	(1)
Purchase of intangible assets	(238)	(185)	(370)
Purchase of property, plant and equipment	(815)	(1,374)	(2,736)
Net cash used in investing activities	(1,053)	(1,772)	(3,338)
Cash flows from financing activities			
Loans drawn down	-	-	4,000
Interest paid	(59)	(104)	(207)
Interest received	1	5	32
Equity dividends paid	(305)	-	(250)
Net cash (used in) /generated from financing activities	(363)	(99)	3,575
Net (decrease) /increase in cash and cash equivalents	(1,308)	(230)	5,799
Cash and cash equivalents at 1 July	2,655	(3,144)	(3,144)
Cash and cash equivalents at 31 December	1,347	(3,374)	2,655

Plexus Holdings Plc
Unaudited Interim Statement of Changes in Equity
For the six months ended 31 December 2009

	Called Up Share Capital	Share Premium Account	Share Based Payments Reserve	Retained Earnings	Total
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
Balance as at 1 July 2008	**802**	**15,596**	**360**	**787**	**17,545**
Profit for the year	-	-	-	1,018	1,018
Share based payments reserve charge	-	-	190	-	190
Deferred tax movement on share options	-	-	-	(56)	(56)
Interim ordinary dividends	-	-	-	(250)	(250)
Balance as at 30 June 2009	**802**	**15,596**	**550**	**1,499**	**18,447**
Profit for the period	-	-	-	92	92
Share based payments reserve charge	-	-	78	-	78
Final ordinary dividends	-	-	-	(305)	(305)
Balance as at 31 December 2009	**802**	**15,596**	**628**	**1,286**	**18,312**

Notes to the Interim Report December 2009

1. This interim financial information does not constitute statutory accounts as defined in section 435 of the Companies Act 2006 and is unaudited.

For the first time in this unaudited interim report the Group has adopted IAS 1 (revised) Presentation of Financial Statements and IFRS 8 Operating Segments; other than the effect of adopting these revised standards this unaudited interim report has otherwise been prepared on the basis of the accounting policies set out in the annual report for the year ended 30 June 2009 and which are also expected to apply for 30 June 2010.

The interim financial information is compliant with IAS 34 – Interim Financial Reporting.

The accounting policies are based on current IFRS, International Financial Reporting Interpretation Committee ("IFRIC") interpretations and current International Accounting Standards Board ("IASB") exposure drafts that are expected to be issued as final standards and adopted by the EU such that they are effective for the year ending 30 June 2010. These standards are subject to ongoing review and endorsement by the EU and further IFRIC interpretations and may therefore be subject to change.

2. This interim report was approved by the board of directors on 17th March 2010.

3. During the interim period the Group paid a final dividend on ordinary shares relating to the year ended 30 June 2009 of £305,000. The directors have approved the payment of an interim dividend of 0.33p per share which will be paid on Thursday 1 April 2010 to members appearing in the register on the record date of 26 March 2010.

4. There were no other gains or losses to be recognised in the financial period other than those reflected in the Statement of Comprehensive Income.

5. Taxation on the operating profit after interest has been provided at a rate of 30% for the six months ended 31 December 2009 (2008: 31%) which is the estimated effective rate of UK tax for the full year.

6. Basic and pre-exceptional earnings per share are based on the weighted average of ordinary shares in issue during the half-year of 80,182,569 (2008: 80,182,569). The calculation of fully diluted earnings per share is based on the weighted average number of ordinary shares in issue plus the dilutive effect of outstanding share options being 100,622 (2008: 416,346). The number of shares included in the calculation of fully diluted earnings per share was 80,283,191 (2008: 80,598,915).

7. The Group derives turnover from the sale of its POS-GRIP technology and associated products, the rental of wellheads utilising the POS-GRIP technology and service income principally derived in assisting with the commissioning and ongoing service requirements of its equipment. These income streams are all derived from the utilisation of the technology which the Group believes is its only segment. Business activity is not subject to seasonal or cyclical fluctuations.

8. The comparative figures for the financial year ended 30 June 2009 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors, Horwath Clark Whitehill LLP, and delivered to the registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498(2) or (3) of the Companies Act 2006.