Plexus Holdings PLC / Index: AIM / Epic: POS / Sector: Oil equipment & services
29 March 2012

Plexus Holdings plc ('Plexus' or 'the Group')

Interim Results for the six months ended 31st December 2011

Plexus Holdings plc, the AIM quoted oil and gas engineering services business and owner of the proprietary POS-GRIP® friction-grip method of wellhead engineering announces its interim results for the six months to 31 December 2011.

Highlights

Financial

- 24% increase in sales revenue to £9.3m (2010: £7.5m)
- 17% increase in EBITDA to £3.0m (2010: £2.6m) – (before IFRS2 share based payment charges)
- 33% increase in profit before tax to £1.5m (2010: £1.1m)
- 70% increase in capital investment of £1.7m (2010: £1.0m) – of which £0.9m (2010: £0.6m) was rental inventory
- 67% increase in Research and Development ('R&D') to £0.5m (2010: £0.3m)

Operating

- Strong forward order book including:
    - New High Pressure/High Temperature ('HP/HT') customer wins with Vantage Drilling Company Inc. to supply a major Malaysian national oil and gas operator for offshore East Malaysia, and Santos Ltd for offshore Western Australia
    - HP/HT contract wins with existing blue chip customers Gaz de France Suez E&P Ltd and Centrica Energy in the North Sea, and 10,000 psi standard pressure contract wins for existing customers Niko Resources (Trinidad & Tobago) Limited offshore Trinidad, and two year extension of framework agreement with Applied Drilling Technology International the turnkey drilling division of Transocean Drilling U.K. Limited
    - POS-GRIP subsea crossover to production technology and well capability project gained further traction with a £0.5m HP/HT 15,000 psi engineering design contract award from Wintershall Noordzee B.V
- Joint Industry Project ('JIP') to develop and commercialise a new and safer POS-GRIP subsea wellhead ('HGSS™') gaining significant momentum - secured major consulting partners Shell International Exploration and Production B.V., Maersk Oil North Sea UK Ltd., Wintershall Noordzee B.V., the UK entity of the world's largest offshore drilling company, and post period end Tullow Oil plc
- Signed licensing, manufacturing, distribution, and agency agreement with Breda Energia S.p.A ('Breda') for the supply and servicing of POS-GRIP products worldwide to Italian oil and gas major ENI S.p.A
- Post period end, Maersk Oil North Sea UK Limited agreed to contribute £0.26m towards the development and final testing of up to 20,000 psi mudline tieback wellhead system development JIP programme – commercialisation is targeted for mid-2012

Corporate

- Successful post period end placing of £6.2m of new and existing ordinary shares - £2m raised before expenses to support growth strategy, increase liquidity and broaden the institutional shareholder base
- Board changes post period end – Robert Adair retired as non-executive Chairman, Christopher Fraser joined as a non-executive director, and Jeff Thrall moved from non-executive director to non-executive Chairman
- Bank facilities renewed in September 2011 comprising a £5m credit facility on a three year revolving basis with an additional £1m overdraft on a yearly term
- Basic earnings per share of 1.46p (2010: 1.32p)
- 11.4% increase in interim dividend of 0.39p per share approved for payment on 27 April 2012 to members appearing on the register on 10 April 2012

Plexus' Chief Executive Ben van Bilderbeek said,

"I am pleased to report an excellent set of results for the first six months of our financial year. This period has been particularly active for the Company on a number of fronts, including new contract wins with leading industry players in new territories; the completion of a breakthrough licensing agreement with Breda; the progressing of two key JIP's regarding our HP/HT Tieback wellhead system and our new innovative HGSS subsea wellhead design initiative. Additionally, at the corporate level, post period end we completed a successful share placing which has increased the liquidity in our shares and also broadened our institutional shareholder base.

"Whether the growing support for our proprietary POS-GRIP friction grip technology comes from our customers or our investors, there is an increasing recognition that Plexus has the potential to become a leading specialist oil and gas wellhead services company that will offer a new wellhead standard for surface and in time, subsea applications. This progress I believe will see Plexus transformed from offering equipment that is often selected as a wellhead of necessity to that of a wellhead of choice. The unique advantages our equipment offers in terms of safety, operational performance, and cost savings will, I am certain, become more relevant in a world where greater regulation and health and safety requirements drive the need for, and use of, the best and safest available technology.

"For these reasons, I am looking to the future with confidence. This view is further enhanced by a number of recently published reports that point to increasing levels of capital expenditure by oil and gas operators around the world, particularly in the global deep water arena. 'Barclays 2012 E&P Spending' report estimates that global expenditure will reach a new record of US$598bn in 2012, an increase of 10% from 2011's previous record. Importantly Barclays sees "considerable upside" to these spending forecasts believing that operators are being conservative with their estimates. Furthermore, increasing oil prices will drive further capital spending increases, and Barclays' view is that exploration is likely to be at the forefront of such spending growth which bodes well for our Company and its future growth.

"In turn, I would like to take this opportunity to thank Robert Adair who recently retired from the board after six years' service, and to welcome Christopher Fraser onto the board as a new non-executive director. Christopher will in particular be able to help us with various international regulatory and legislative related initiatives that have become ever more pertinent over the last two years, post major incidents including the Gulf of Mexico and offshore Australia.

"Finally, due to the positive trading over the last six month period and strong outlook, I am delighted to announce that the directors of the Group have approved the payment of an increased interim dividend of 0.39p per share which will be paid on 27 April 2012."

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 the Group made significant progress in the first half of the year as the increase in activity levels seen at the last year end continued both in terms of organic activity with existing and new customers, and also in relation to a number of important on-going strategic initiatives. This performance resulted in a 24% increase in turnover to £9.3m, a 17% increase in EBITDA to £3.0m (before IFRS 2 share based payment charges), and a 33% increase in profit before tax to £1.5m, all of which underpins the decision to increase the interim dividend by 11.4% to 0.39p per share. In addition to winning a number of important contracts, particularly the rental of equipment for HP/HT exploration wells, significant progress was made in relation to our JIP to design, develop, and market a new subsea wellhead over the next eighteen months. We were delighted to welcome Shell, Maersk Oil, Wintershall, the UK entity of the world's largest offshore drilling company, SafeKick Ltd and Tullow Oil as consulting partners to the project which we believe will be a key element in bringing the new HGSS subsea wellhead design to market in due course. Our subsea engineering recruitment programme is also going well in a tight labour market due, we believe, to the interest in the innovative nature of our proprietary technology.

Additionally post period end we were pleased to announce a £260,000 funding from Maersk Oil towards the Company's 20,000 psi HP/HT Mudline Tieback wellhead system JIP development programme. The Tieback system design, which will utilise Plexus' metal-to-metal 'HG'® seals, will allow HP/HT exploration wells and pre-drilled production wells to be converted into either subsea or platform producing wells. These wells, which have an estimated cost of between £50m - £300m, are currently abandoned after drilling and to date there is no other technology in the market which can 'save' or 'convert' such wells. Furthermore, the HP/HT Mudline Tieback technology has the potential to shorten the development cycle of an oil and gas field by several years and in turn provide substantial financial benefits, as it would allow the pre-drilling of production wells to commence before a production platform is put in place. Testing and manufacturing of the prototype is underway with assembly scheduled for the third quarter of this financial year. Final deployment and commercialisation is targeted for mid-2012.

Operating Review

The first half of the financial year has been particularly active in terms of sales activity thanks to a number of contract wins with new and existing customers, and the progression of a number of strategic initiatives. We are increasingly confident that the need for and recognition by the industry of the benefits of our proprietary POS-GRIP friction grip method of engineering will continue to accelerate over the coming years, especially as demand for energy, oil prices, and the importance of HP/HT fields, in particular subsea exploration and development activities, are all anticipated to grow.

As a patented proprietary engineering led business we are able to demonstrate that our suite of technology when applied to wellhead equipment is able to offer users unique advantages and best in class solutions in terms of safety, cost, time savings, and operational performance over conventional equipment. By focusing initially on exploration jack-up surface drilling applications and then establishing a reputation in the more technically challenging HP/HT arena, we have gained the confidence of the industry. Indeed our standing has reached the point where we have been directly encouraged by the industry to now extend our range of equipment and activities into the important subsea wellhead sector. Our confidence in the role that we will be able to play in the future is strengthened further by the number of regulatory initiatives being promoted following major incidents in the Gulf of Mexico and offshore Australia, with a particular emphasis on the need for operators to select the 'best available and safest' technology ('BAST'), particularly for subsea operations. It would appear that a degree of prescriptiveness is developing and this is something that we welcome as we believe that POS-GRIP will be able to meet these new stringent technical criteria. These include making it mandatory to be able to detect and manage sustained casing pressure ('SCP'), the need for two independent test barriers across each flow path during well completion activities, and the proper installation, sealing, and locking of the casing or liner. Government bodies that are particularly involved in the need for such changes include the UK's Department of Energy and Climate Change ('DECC'), and the USA's Bureau of Ocean Energy Management, Regulation and Enforcement ('BOEMRE'), both of whom we have had direct dialogues with.

The growing interest in our wellhead equipment and the advantages that it delivers to the user was clearly evident at the bi-annual international "Offshore Europe" trade show in Aberdeen in September 2011. Plexus had one outdoor and one indoor stand where the level of interest in our equipment and technology was significant. It is interest such as this which we believe bodes well for two key ongoing Joint Industry Projects, namely a HP/HT Tie-Back system design up to 20,000 psi, and secondly our new HGSS POS-GRIP subsea wellhead design and development project.

The HP/HT Tie-Back system design was given a further boost post period end when Maersk provided tangible support by contributing £0.26m towards the development and final testing at a stage where we are targeting commercialisation for mid-2012. The Tie-Back project is particularly innovative in that it will utilise our 'metal-to-metal' HG seals and allow for the first time HP/HT exploration wells and pre-drilled production wells to be converted to either subsea or platform producing wells. It should be noted that to date there is no system available that can 'save' or 'convert' such wells, which means that currently such exploration and pre-drilled production wells are abandoned each having cost an estimated £50m to £300m . Although there are a relatively small number of such wells being drilled at any one time, there will clearly be a compelling financial and operational case for an operator to select our new system, and we anticipate that this will deliver additional sales for the Group in the future.

The more recent HGSS subsea wellhead JIP project to develop and commercialise a safer subsea wellhead to address the technical weaknesses of conventional systems, highlighted after a number of subsea incidents, is gaining momentum with the recruitment of a number of key personnel with direct experience in the subsea field, and the opening of a dedicated building to house the project in Aberdeen. Of particular note was the interest and support shown by a number of major operators who have joined the JIP as consulting partners, who will work with Plexus to ensure that their experience and preferences for how a new subsea wellhead needs to perform will be incorporated into the specifications and performance criteria. These include Shell International Exploration and Production B.V., Maersk Oil North Sea UK Ltd, Wintershall Noordzee B.V., the UK entity of the world's largest offshore drilling company, and post period end Tullow Oil plc. We are very excited about this project which is expected to run until late 2013, and believe that it has the potential to deliver a superior subsea wellhead that will meet the future demands of the industry and regulators at a time when the importance and critical nature of the wellhead is being more widely recognised.

Of course operational developments such as these have to be supported by the ongoing investment in rental inventory, personnel, infrastructure, and research and development. We have therefore continued to grow our personnel numbers and have committed to a significant capital expenditure programme which has increased by 70% over the same period last year, of which rental inventory accounted for the largest share. At the same time research and development activity increased by 67% and continues to be an important part of our business. Such investment drives future growth and value creation, with additional benefits such as new patents as well as continuations and improvements of existing intellectual property ('IP') which when registered protect the newly developed IP for a further twenty years. Looking ahead, the fact that the majority of our revenues and profits derive directly from our patents and IP, we believe the Group will benefit from the forthcoming 'Patent Box' tax regime whereby, subject to confirmation of exact parameters, it has been announced that from 2013 profits generated in such a way will attract a reduced corporation tax rate of 10%.

Such investment and expenditure inevitably needs financing, and we have always endeavoured to strike a balance between deploying free cash flow and bank facilities, whilst keeping more than adequate headroom to be able to address unforeseen circumstances such as delayed contract start dates. Bank facilities were therefore renewed during the period and comprise a £5m credit facility on a three year revolving basis with an additional £1m overdraft on a yearly term. In addition, post period end, a successful placing of £6.2m of new and existing ordinary shares was completed, with £2m raised before expenses for Plexus to support our growth strategy including the HGSS JIP project, whilst at the same time increasing liquidity in our shares and broadening the institutional shareholder base.

Interim Results

Revenue for the six month period ended 31 December 2011 was £9.3m, which is £1.8m above the previous year's figure of £7.5m. The rental wellhead associated services and equipment business activities for exploration drilling contracts accounted for over 95% of sales revenues. The largest sales component remains the supply of our HP/HT wellhead equipment which increased to £7.7m compared to £5.5m last year, and accounted for approximately 82% of total revenues compared to 73% last year, an increase of 39.8%. Revenue generated by the rental of 10,000 psi standard pressure wells decreased to £0.9m from £1.6m last year in part reflecting reduced activity in North Sea exploration activities during the period, which for all pressures accounted for 44% of sales against 66% the previous year.

First half gross margins increased to 70.1% from 61.6% in the comparative period last year. The increase in margin is largely driven by the growth in activity levels associated with higher margin HP/HT rental activities, as well as to a lesser extent lower equipment refurbishment costs due to certain on-going contracts where costs have fallen as a result of equipment not being returned to the Plexus Aberdeen facility until a later date.

There was an anticipated increase in administration expenses during the six month period to £5.0m compared to £3.5m last year as we continue to invest in personnel and infrastructure to support sales growth across an ever growing range of territories and also our new subsea wellhead development project. The proportion of these expenses as a percentage of sales revenues increased to 53.9% as opposed to 46.3% in the previous year.

Profit before tax increased 33.4% to £1.5m compared to the equivalent period last year (2010: £1.1m). This excellent performance was achieved after absorbing depreciation and amortisation costs totalling £1.33m in the period essentially unchanged from £1.35m for the same period last year. This consistent level of depreciation and amortisation reflects the on-going investment in Plexus' asset rental equipment inventory which has increased rental assets and added two HP/HT rental wellhead sets in the period. Profit before tax is stated after charges for share based payments under IFRS2; the charge for the half year to December 2011 is £0.13m, which compares to £0.08m for the corresponding period last year. The Group has provided for a charge to UK Corporation tax at a rate of 26% which is expected to be the rate of tax for the full year and compares to a rate of 28% last year. The effective rate of tax for the six months is 20% (2010: 4%) after the application of both R&D tax credits relating to both the current and prior years and offsets for disallowable expenditure. As a result of the higher tax charge profit after tax increased 11% to £1.2m compared to the equivalent period last year (2010: £1.1m). Basic earnings per share amounted to 1.46p per share (2010: 1.32p).

The balance sheet continues to reflect the on-going investment in operations. Property, plant and equipment including items in the course of construction stand at £8.1m as at the end of December 2011 compared to £8.4m at the end of December 2010, a slight decrease explained by depreciation exceeding investment during the period. This investment continues to be driven by on-going capital expenditure primarily in the expansion of rental inventory assets which increased by 57.2% to £0.93m from £0.59m, as well as R&D activity which increased by 57.8% to £0.48m against £0.30m in the same period last year. As a result of strong cash flow the Group closed the period end with net cash of £0.1m after paying a final dividend of £0.34m during the period and the increased capital and R&D expenditure. The £2.0m raised before expenses from the post period end share placing combined with bank facilities totalling £6.0m, comprising a three year revolving £5.0m credit facility and an additional £1.0m overdraft facility agreed on a yearly term, are anticipated to be more than adequate to fund planned increases in R&D activity, further rental inventory, and JIP projects capital expenditure over the next 18 to 24 months.

Outlook

This excellent set of financial results in terms of increased sales revenues, margins, and profit before tax all bodes well for the second half of the financial year, and demonstrates that the on-going efforts the Group is making to grow and develop its wellhead rental business, together with a number of strategic initiatives, are gaining momentum. The increase in the interim dividend is an indication of the Board's confidence in the progress the Group is making.

We continue to see a growing industry acceptance of our proprietary patented friction-grip wellhead technology. This tangible support is coming not just from exploration rental contract wins, but also from the recently announced consulting partner status contributions to our subsea wellhead development JIP from such operators as Shell, Tullow, and Wintershall. Financial support has also come from Maersk Oil North Sea UK Limited with funding for the development and final testing of our up to 20,000 psi HP/HT Mudline Tieback project to enable exploration wellheads to be converted for use in production drilling which is nearing completion.

We are also seeing a number of industry trends and developments which we believe will further underpin the future growth and potential of the Group. In particular awareness surrounding the critical function of a wellhead has been raised by recent well control incidents around the world especially for subsea oil and gas operations, and this is manifesting itself through various regulatory initiatives aimed at delivering step changes in safety and performance standards which we believe POS-GRIP technology is well placed to meet. For example, the Drilling Safety Rule, brought in by BOEMRE in the USA in 2010, is focused on wellbore integrity, well control equipment and procedures and also the need for technical features of the type that we are working on delivering subsea. At the same time, wellhead equipment integrity is being recognised as key, and a Survey Report released in February in association with the Well and Intervention World Middle East conference 2012 reported that participants identified wellhead integrity as the second most important activity that needs to be developed and improved across oil and gas operators globally.

In addition to on-going technical and safety improvement initiatives, we believe that an important new business opportunity is emerging in the North Sea. Due to the heightened awareness of the need for spill response and well control contingencies by both regulators and the industry itself, there is likely to be a need for wellhead equipment to be on permanent stand-by. Such equipment would be reserved and maintained in a ready to go deployment state, and would of course provide additional rental revenues beyond actual drilling activities. We would hope that such a requirement would extend over time to other territories.

As the price of oil continues to increase we see additional opportunities arising in the North Sea. A recent report by Wood Mackenzie, the industry consultants, suggested that appetite was growing for UK exploration acreage in bidding for new licenses, and that investment was expected to stay high until 2014. This positive trend is widely expected to be reinforced and accelerated by the new package of tax reforms announced in the recent Budget. In particular North Sea operators will benefit from a permanent lock-in on tax reliefs associated with the cost of dismantling old platforms which, combined with new "field allowances", could according to Oil and Gas UK stimulate up to £40bn investment during the lifetime of the North Sea basin.

Finally, I would like to thank all those involved with the Group for their hard work and commitment during the last six months. We remain confident of ongoing growth, during the current financial year, as we experience continued acceleration in market acceptance of our unique POS-GRIP technology.

Jeff Thrall
Chairman
29 March 2012

Plexus Holdings Plc
Unaudited Interim Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2011

	Six months to 31 December 2011	Six months to 31 December 2010	Year to 30 June 2011
	£ 000's	£ 000's	£ 000's
Revenue	9,326	7,539	15,421
Cost of sales	(2,786)	(2,894)	(6,152)
Gross profit	6,540	4,645	9,269
Administrative expenses	(5,022)	(3,509)	(7,594)
Operating profit	**1,518**	**1,136**	**1,675**
Finance income	6	2	16
Finance costs	(64)	(59)	(121)
Share of loss of associate	-	(1)	(1)
Fair value adjustment to associate	-	18	-
Profit before taxation	**1,460**	**1,096**	**1,569**
Income tax expense (note 5)	(290)	(41)	(326)
Profit after tax	**1,170**	**1,055**	**1,243**
Other comprehensive income	-	-	-
Total comprehensive income	**1,170**	**1,055**	**1,243**
Earnings per share (pence)			
Basic (note 6)	**1.46p**	**1.32p**	**1.55p**
Diluted (note 6)	**1.43p**	**1.30p**	**1.53p**

Plexus Holdings Plc
Unaudited Interim Consolidated Statement of Financial Position
As at 31 December 2011

	31 December 2011	31 December 2010	30 June 2011
	£ 000's	£ 000's	£ 000's
ASSETS			
Goodwill	760	759	760
Intangible assets	7,246	6,978	7,128
Financial assets	60	60	60
Property, plant and equipment	8,134	8,372	7,992
Total non-current assets	16,200	16,169	15,940
Inventories	4,619	3,335	4,049
Trade and other receivables	3,758	2,533	3,543
Current income tax assets	-	627	-
Cash and cash equivalents	4,106	4,676	3,441
Total current assets	12,483	11,171	11,033
TOTAL ASSETS	28,683	27,340	26,973
EQUITY AND LIABILITIES			
Called up share capital	802	802	802
Share premium account	15,596	15,596	15,596
Share based payments reserve	1,082	843	950
Retained earnings	3,118	2,416	2,293
Total equity attributable to equity holders of the parent	20,598	19,657	19,641
Deferred tax liabilities	276	588	299
Bank loans	4,000	4,000	4,000
Total non-current liabilities	4,276	4,588	4,299
Trade and other payables	2,926	3,095	2,687
Current income tax liabilities	883	-	346
Total current liabilities	3,809	3,095	3,033
Total liabilities	8,085	7,683	7,332
TOTAL EQUITY AND LIABILITIES	28,683	27,340	26,973

Plexus Holdings Plc
Unaudited Interim Statement of Cash Flows
For the six months ended 31 December 2011

	Six months to 31 December 2011	Six months to 31 December 2010	Year to 30 June 2011
	£ 000's	£ 000's	£ 000's
Cash flows from operating activities			
Profit before taxation	1,460	1,096	1,569
Adjustments for:			
Depreciation, amortisation and impairment charges	1,331	1,349	2,830
Loss on disposal of property, plant and equipment	35	30	83
Charge for share based payments	132	79	186
Investment income	(6)	(2)	(16)
Interest expense	64	59	121
	3,016	2,611	4,773
Increase in inventories	(570)	(3)	(717)
(Increase) / decrease in trade and other receivables	(215)	4,091	3,090
Increase / (decrease) in trade and other payables	239	(1,653)	(2,086)
Cash generated from operations	2,470	5,046	5,060
Income taxes repaid / (paid)	224	(98)	268
Net cash generated from operating activities	2,694	4,948	5,328
Cash flows from investing activities			
Acquisition of subsidiary entity	-	-	(10)
Adjustment to value of associate undertaking	-	4	(18)
Purchase of intangible assets	(368)	(346)	(699)
Purchase of property, plant and equipment	(1,285)	(657)	(1,640)
Proceeds of sale of property, plant and equipment	27	-	83
Net cash used in investing activities	(1,626)	(999)	(2,284)
Cash flows from financing activities			
Interest paid	(64)	(59)	(121)
Interest received	6	2	14
Equity dividends paid	(345)	(313)	(593)
Net cash used in financing activities	(403)	(370)	(700)
Net increase in cash and cash equivalents	665	3,579	2,344
Cash and cash equivalents at 1 July	3,441	1,097	1,097
Cash and cash equivalents at 31 December	4,106	4,676	3,441

Plexus Holdings Plc
Unaudited Interim Statement of Changes in Equity
For the six months ended 31 December 2011

	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 2010	**802**	**15,596**	**764**	**1,674**	**18,836**
Profit for the year	-	-	-	1,243	1,243
Share based payments reserve charge	-	-	186	-	186
Deferred tax movement on share options	-	-	-	(31)	(31)
Dividends	-	-	-	(593)	(593)
Balance as at 30 June 2011	**802**	**15,596**	**950**	**2,293**	**19,641**
Profit for the period	-	-	-	1,170	1,170
Share based payments reserve charge	-	-	132	-	132
Dividends	-	-	-	(345)	(345)
Balance as at 31 December 2011	**802**	**15,596**	**1,082**	**3,118**	**20,598**

Notes to the Interim Report December 2011

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

This unaudited interim report has been prepared on the basis of the accounting policies set out in the annual report for the year ended 30 June 2011 and which are also expected to apply for 30 June 2012.

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

The accounting policies are based on current International Financial Reporting Standards ("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 2012. 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 29 March 2012.

3. During the interim period the Group paid a final dividend on ordinary shares of £344,785. The directors have approved the payment of an interim dividend of 0.39p per share which will be paid on 27th April 2012 to members appearing in the register on the record date of 10th April 2012.

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 26% for the six months ended 31 December 2011 (2010: 28%) which is the estimated rate of UK tax for the full year. The effective rate of tax for the six months is 20% (2010: 4%) after adjustments made to reflect R&D tax credits received relating to the current and prior years and offsets for disallowable expenditure.

6. Basic earnings per share are based on the weighted average of ordinary shares in issue during the half-year of 80,182,569 (2010: 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 1,551,100 (2010: 748,097). The number of shares included in the calculation of fully diluted earnings per share was 81,733,669 (2010: 80,930,666).

7. The Group derives revenue from the sale of its POS-GRIP friction grip technology and associated products, the rental of wellheads utilising the POS-GRIP friction grip technology and service income principally derived in assisting with the commissioning and on-going 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 2011 are not the Company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditors, Crowe 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.

9. Post Balance Sheet Event – on 17th January 2012 the Company announced that it had conducted the placing of 7,950,628 new and existing ordinary shares of 1 penny each at 78p per share, with an aggregate value of approximately £6.2m before expenses. The placing comprised 2,564,103 new ordinary shares ('New Ordinary Shares') of 1p each shares which were issued by the Company to raise £2 million of new money before expenses. In addition, existing shareholders of the Company sold 5,386,525 existing ordinary shares ('Existing Ordinary Shares') of 1 penny each to meet demand from new and existing institutional investors (the placing of New Ordinary Shares and Existing Ordinary Shares being collectively referred to as 'the Placing').

The Company intends to use the net proceeds of the Placing of the New Ordinary Shares to support the Company's growth strategy, which remains focused on expanding both the international reach and application of its innovative POS-GRIP friction-grip wellhead technology.

Following the Placing, there are 82,746,672 Ordinary Shares in issue.