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

27 March 2014

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

Interim Results for the six months ended 31 December 2013

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 2013.

Highlights

Financial

- 12% increase in sales revenue to £12.64m (2012: £11.31m)
- 8% increase in EBITDA to £3.66m (2012: £3.38m)
- 13% increase in profit after tax to £1.54m (2012: £1.36m)
- 21% increase in Research and Development ('R&D') to £0.71m (2012: £0.59m)

Operating

- Strong sales performance for POS-GRIP rental wellhead equipment – number of new supply contracts from both existing and first time international oil and gas operators, particularly for high pressure high temperature ('HP/HT') applications
- Norwegian sector of the North Sea generated contract wins for two HP/HT rental wellhead systems from Statoil Petroleum AS ('Statoil') with a value of circa £2.5m, and an additional HP/HT wellhead system for an appraisal well for Centrica Energi Norway
- Securing of third Australian customer with new customer Eni Australia Limited ('Eni Aus') (adding to existing customers Apache Energy Australia and Santos Ltd) contracting for the supply of standard pressure rental equipment for an exploration well offshore Australia
- Post period end a further new customer Maersk Oil Denmark contracted for an exploration well in the Danish North Sea, and AGR Well Management Limited ('AGR') agreed a new three year contract which generated a first contract for a new user Svenska Petroleum Exploration AB ('Svenska') in a new territory Guinea Bissau, our second in West Africa
- Wintershall Noordzee B.V. post period end renewed for a further three years a contract to supply surface wellhead and mudline equipment services for exploration activities in the North Sea offshore Netherlands
- Further diversification away from the UK Continental Shelf ('UKCS') was demonstrated by an additional two wells for Glencore Exploration Cameroon Ltd ('Glencore') which we hope together with the Svenska new user win will help underpin additional opportunities in the West African region
- HP/HT Tie-Back product saw the full 'internals' testing cycle successfully completed, and the 'externals' testing requirements will be completed over the next few months after which time sales initiatives will commence to run alongside the installation of a to be identified prototype opportunity
- Joint Industry Project ('JIP') to develop and commercialise a new and safer POS-GRIP subsea wellhead ('HGSS®') is progressing well, and post period end secured further industry recognition with Senergy Holdings Limited ('Senergy') in February joining existing JIP consulting partners Eni S.p.A., Maersk, Shell International Exploration and Production B.V. ('Shell'), Total E&P Recherche Developpement SAS ('Total'), Tullow Oil plc, Wintershall, and Oil States Industries Inc.

Corporate

- Strategy to create an Asian business hub underway to service markets including Australia, Brunei, Indonesia, Malaysia, Thailand, and Singapore – premises secured in Singapore and

negotiations underway with a potential Malaysian partner in relation to securing a Petronas licence for the supply of wellhead equipment
- Acquisition of a 25% interest in a private manufacturer of specialist oil and gas equipment for a consideration of £0.73m
- £2.50m raised from the issue of new ordinary shares before expenses to support growth strategy focused on international expansion and extending the range of POS-GRIP applications, as well as increasing liquidity and broadening the institutional shareholder base
- Significant increase in R&D spend, excluding costs of building test fixtures, increased by 21% to £0.71m, and intellectual property ('IP') spend on legal costs for patent filings increased 109% to £0.07m
- Sir Ian Wood's "UKCS Maximising Recovery Review: Final Report" published 24 February 2014 – emphasises the importance of making more of HP/HT resource potential, deploying the best and most cost effective technology, and leveraging the capabilities of the UK's own oil and gas supply chain
- Bank facilities renewed in October 2013 comprising a £5m credit facility on a three year revolving basis with an additional £1m overdraft on a yearly term
- 12% increase in basic earnings per share to 1.85p (2012: 1.65p)
- 9% increase in interim dividend to 0.48p per share approved for payment on 25 April 2014 to all shareholders appearing on the register of members on the record date 4 April 2014

Plexus' Chief Executive Ben van Bilderbeek said,

"I am delighted to report another set of strong results for the first six months of our financial year, a period where we have continued to drive forward our important new HGSS subsea wellhead JIP, as well as developing sales initiatives designed to increase our POS-GRIP presence outside of the North Sea where a significant decline in exploration activity has been widely reported. One such initiative is the establishment of an Asian hub which I believe will in the future play an important role in the growth of our business.

"Our organic rental wellhead exploration business activities continue to make good progress with the addition of further new customers in new territories. I am confident that additional opportunities beyond our traditional core markets will present themselves as the reputation of POS-GRIP technology and the benefits it delivers in terms of safety and operational time and cost savings continues to grow. Looking longer term I am particularly pleased with the progress we are making with various strategic initiatives including our important new HGSS subsea wellhead design JIP which Senergy has recently joined as an additional consulting partner, as well as the early stage activities in relation to our Plexus Singapore and Plexus Malaysia subsidiaries. In addition, an in-depth independent technology study that we commissioned some months ago to analyse and compare our POS-GRIP friction-grip technology against conventional wellhead systems is close to conclusion. I believe this report will empirically demonstrate that POS-GRIP is genuinely the best available and safest technology ('BAST'), and indeed a new and superior wellhead standard that can address many of the concerns that regulators and operators around the world are raising in relation to certain technical challenges. These include instant casing hanger lock down and long term metal-to-metal sealing requirements. Such initiatives will further help us communicate the significant commercial opportunity that exists for both Plexus and potential future joint venture or licensing partners, and which would accelerate the "available" element of BAST requirements.

"It is important not to lose sight of the foundations of our current and future success and why I believe our POS-GRIP wellhead equipment can eventually compete globally with our large established multi-national competitors. Wellheads are the weak link in respect of qualification standards, but now can be designed to be qualified as the strong link in the well chain, even exceeding the integrity of premium couplings. Our unique ability to do this is the result of being able to deliver sufficient 'force' to the casing hanger interface to keep the assembly rigid under all operating conditions, whether surface or subsea, and eliminating the systemic design deficiencies of conventional systems.

"Our ability to deliver such benefits is becoming ever more relevant and important to the industry. Indeed whilst the oil price remains stable at around the USD$100 range and operating costs increase in relation to the technical difficulties of new projects such as offshore fields in deep water, the need to contain and control costs is growing in importance as was recently highlighted at the IHS Cera Week conference in Houston. The chief executive of Total, Christophe de Margerie was recently quoted as saying that Total is introducing a new process for designing projects to build in cost control right from the start and reshape relationships with service companies. He said that you need to create a new culture with safety and the environment first, but that "at the same time, cost is important" and "to achieve a project with lower cost is good". As Plexus wellheads are proven to deliver significant cost savings on surface applications to the extent that our service is often cost negative to the operator, we are confident that in subsea applications our POS-GRIP method of engineering can do even better by eliminating many installation trips which in some areas of the world can cost as much as USD$2m each, depending on water depth. In addition to these very important operational cost benefits, I would like to re-emphasise that our subsea wellhead design will also address significant systemic design deficiencies thereby improving long term safety to operations and the environment. For these reasons we are increasingly confident in our future prospects and the value of our unique combination of safety and cost benefits, including long term seal integrity that we can offer existing and future customers.

"Looking closer to home, I was delighted to note in the Budget last week that the Chancellor further endorsed the Sir Ian Wood report published in February 2014 aimed at maximising recovery of the UK's remaining oil and gas reserves when he said that he would "take forward all recommendations". In particular the Chancellor announced incentives to develop HP/HT fields which demand higher spending and where for exploration our technology has been proven to be particularly beneficial. Mr Osborne also promised a review of "the whole tax regime to make sure it is fit for purpose of extracting every drop of oil we can". Already the industry body Oil and Gas UK has according to Malcolm Webb the chief executive, predicted that the widening of allowances could encourage a further £5bn - £6bn investment in new North Sea projects, which would reverse the current decline and potentially increase our UKCS activity level considerably. As Ed Daniels the chairman of Shell UK Ltd recently wrote, talk of the need for the UK to find the next North Sea is premature and "the real North Sea still has a bright future".

"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 0.48p per share which will be paid on 25 April 2014."

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

Ben van Bilderbeek	Plexus Holdings PLC	Tel: 020 7795 6890
Graham Stevens	Plexus Holdings PLC	Tel: 020 7795 6890
Derrick Lee	Cenkos Securities PLC	Tel: 0131 220 9100
Alan Stewart	Cenkos Securities PLC	Tel: 0131 220 9774
Felicity Edwards	St Brides Media & Finance Ltd	Tel: 020 7236 1177
Frank Buhagiar	St Brides Media & Finance Ltd	Tel: 020 7236 1177

Chairman's Statement

Business Progress

I am pleased to report that the Group continued to make good progress in the first half of the year as we built on the record performance and activity levels reported at the last year end at both the organic rental wellhead business activity level, where we again gained new customers in new territories, and in relation to a number of on-going and new strategic initiatives. This performance resulted in a 12% increase in turnover to £12.64m, an 8% increase in EBITDA to £3.66m (before IFRS 2 share based payment charges), and a 13% increase in profit after tax to £1.54m. This continued success and the momentum that we believe we are building in relation to communicating the significant operational and safety benefits of POS-GRIP technology, all help underpin the decision to increase the interim dividend by 9% to 0.48p share.

Organically the on-going mix of rental wellhead exploration contract wins was pleasing particularly in the expanding HP/HT market where our reputation and the market's awareness of the benefits of POS-GRIP friction-grip wellheads continues to grow, for example with our third customer win in Australia with Eni Aus. Such contracts lessen our historic dependence on the UKCS at a time when exploration activities have shown a marked decline, however there are very encouraging signs that with appropriate tax breaks and government incentives there could well be a UKCS renaissance which we believe would be very positive for our closer to home business activities. Strategically we have been progressing on a number of fronts. These include focusing on establishing an Asian sales and service hub where we have contracted for office and service base space in Singapore from the 1 February 2014, and are progressing negotiations with a local Malaysian Joint Venture partner as part of our goal of obtaining a Petronas licence for the supply of wellhead equipment. In addition we are progressing our existing HGSS new subsea wellhead design JIP where we were recently pleased to announce that Senergy the well engineering expert and member of Lloyd's Register has joined as a new consulting partner. Senergy has importantly committed to assist the JIP by providing an installation time and cost study of the HGSS design against existing conventional subsea wellhead products which we believe will demonstrate empirically the projected major cost and safety benefits of HGSS to oil and gas operators.

Operating Review

The first half of the financial year has once again been a period of expansion with on-going investment in personnel, rental wellhead inventory, and infrastructure both in the UK and abroad. Such investment is essential as it ensures that we continue to build firm foundations for our growth strategy, and importantly our ability to respond to customer requirements for what we believe is superior wellhead equipment in terms of safety, time savings, and operational performance. The extent to which we are now moving beyond the North Sea (both UK and Europe), is reflected in our sales mix for the first half period where the Rest of the World accounted for 49% of sales compared to 28% for the same period last year. HP/HT gas applications in high technology oil and gas fields continued to account for circa 86% of all sales revenues.

It is important to remember that the oil and gas industry is highly regulated, and post the 2010 Gulf of Mexico incident there is a significantly heightened sense and awareness of the importance of safety from both a procedural and a technical perspective. This incident led directly to a renewed emphasis, and indeed implied legal requirement, for operators to select the BAST equipment solution. Such regulatory initiatives are pertinent to the wellhead, which we believe is the most important and often ignored component of an oil and gas well, and is in effect the 'foundation' of a well. It is important to understand that a wellhead fulfils several critical functions including the ability to resist huge mechanical loads resulting from pressure and temperature inside the well, as well as external forces induced by the sheer weight of casing and the well control system installed on top of it. Furthermore the wellhead must also be able to lock down casing hangers with sufficient capacity to withstand open well blowout conditions (particularly critical for HP/HT environments), and wellhead annular seals have to provide a mechanical sealing barrier across the annuli as a second line of defence above the cement seal between the casing strings. One of our key tasks therefore is to prove to the industry and regulators that POS-GRIP wellheads are indeed the BAST solution both for surface exploration and production applications, and in due course also for subsea.

Such external regulatory factors are directly relevant to our core business model which is to offer a proven patented proprietary wellhead technology to the industry, one we believe is uniquely able to deliver superior safety and integrity features. In response to such developments we are working at the request of the industry through our HGSS JIP to bring our POS-GRIP technology from the surface to subsea. The goals of the new subsea wellhead design include instant casing hanger lock down; avoidance of acknowledged problems with the use of lock rings and lock down sleeves as required by other wellhead designs; rigid metal annular seal technology qualified to match the standards for premium casing couplings; and in due course annulus monitoring and bleed-off capability to address sustained casing pressure situations with diagnostic and remedial capability. To date such monitoring capability is simply not available or has proved impossible for conventional competing systems. Our JIP partners now importantly include Eni S.p.A.; Maersk; Shell; Senergy; Total; Tullow Oil; Wintershall; and Oil States Industries Inc.

Good progress is being made with the subsea HGSS JIP, and we are pleased to report that the project continues to advance in line with the estimated schedule previously reported, with completion of the concept testing programme planned for the beginning of the fourth quarter 2014. Key milestones continue to be reached, all raw materials for the qualification test fixtures have now been delivered, and the manufacture of the first components has begun. Our target is to qualify the new HGSS wellhead system to a standard that exceeds the requirements as defined by the API, which for the first time will match the integrity of premium casing couplings, and in our view make the wellhead the strong link rather than the weak link in the well chain. Qualification testing is expected to start in the second quarter 2014, with completion targeted for early fourth quarter of calendar year 2014, at which point the JIP will move to building a prototype and target a first time installation in 2015.

Our second JIP which is nearing completion is the design of an up to 20,000 psi HP/HT Tie-Back connector product which has been sponsored by Maersk. The Tie-Back product utilising POS-GRIP friction-grip technology is innovative and unique. Utilising our 'metal-to-metal' HG® seals it will for the first time allow HP/HT exploration and pre-drilled production wells to be 'converted' to either subsea or platform producing wells. To date this has never been considered possible due to the limitations of threaded connections which cannot be reliably engaged and disengaged in a subsea, remote, HP/HT environment, and is a further demonstration of how the simplicity of design and operational execution of our non-threaded connector technology is so advantageous. Clearly the ability to convert such wells delivers significant financial benefits to operators who would previously have had no choice but to abandon such a well and 'write off' the capital cost which we estimate as ranging from £50m to £300m. The Tie-Back design has now been fully tested to a standard equivalent to ISO 13679 FDIS 2011 CAL IV as used for casing connection qualification. The connection was tested with 20,000 psi internal pressure, 10,000 psi external pressure, at temperatures of between 0 and 350 degrees Fahrenheit, with tension and compressive loads in excess of 2.2 million pounds and applying a bending force equivalent to 40% of the Connection Yield strength. The conclusion of these testing milestones means that we are now beginning to market this product where some interest is already being shown ahead of seeking a field trial with a suitable operating partner.

Such operational growth and strategic initiatives all need to be supported by on-going investment in and expansion of key functions and areas including personnel, infrastructure, rental inventory, IT, research and development, and IP. Personnel numbers increased by 27 to 139 compared to the previous half year period end, and currently stand at 145. Not only do we look to recruit suitably skilled staff, but we place great emphasis on training, development, and retention. Much is being achieved this year in terms of such development, and the training budget for this financial year has trebled, which includes last December's launch of "Progression@Plexus" a performance management programme focused on career progression and personal development. Capital expenditure as planned is lower than the prior year's record levels, and totalled £1.8m for two additional HP/HT rental wellhead sets, bringing the total number of sets in our inventory to sixty-two. Investment in IT, both software and hardware continued, with SharePoint 2013 installed to help employees better share information, manage projects, and access organisation wide business processes. A purchasing module was also completed which will allow for better control of our supply chain. Helping to underpin our future rental and sales opportunities is our Research and Development activity which increased by 21% as we continue to invest in the development of our proprietary technology. Meanwhile expenditure on IP related legal costs in relation to patent filings to further expand our patent suite increased 109%.

These operational initiatives and our expenditure on tangible and intangible assets clearly need to be funded, and we continually work to ensure a suitable balance is struck between deploying free cash flow and utilising external funding, whilst ensuring a prudent level of headroom. Bank facilities were renewed during the period, comprising of a three year revolving £5.0m credit facility, and an additional £1.0m overdraft facility agreed on a yearly term. In addition during the period a successful placing of new shares raised £2.5m before expenses. This had the further advantage of increasing liquidity and broadening our institutional shareholder base.

Interim Results

Revenue for the six month period ended 31 December 2013 was £12.6m, a 12% increase on the previous year's figure of £11.3m. The rental wellhead equipment and associated services business activities for exploration drilling contracts accounted for over 93% of sales revenues. The largest sales component remains the supply of our HP/HT wellhead equipment which increased by 15% to £10.9m compared to £9.5m last year, and accounted for approximately 86% of total revenues compared to 84% last year.

Revenue generated by the rental of 10,000 psi standard pressure wells decreased by 24% to £1.1m from £1.5m last year, reflecting the widely reported reduced activity in North Sea exploration activities, which for all pressures accounted for 51% of sales against 72% the previous year. Conversely the Rest of the World sales outside of the North Sea accounted for 49% of sales up from 28% last year in part reflecting our increased diversification.

First half gross margins remained strong at 69.0% compared to 70.7% in the comparative period last year. The level of gross margin achieved once again reflects the activity levels associated with higher margin HP/HT rental operations as opposed to low pressure equipment contracts.

There was an anticipated increase in administration and overhead expenses during the six month period to £6.9m compared to £6.2m last year as we continued to invest in personnel and infrastructure. This planned increase in expenditure was not only in relation to supporting sales growth from an increased range of customers and territories, and our HGSS subsea wellhead JIP development project, but also for the on-going development and training of our staff who are so important to a growing company in a critical industry. Personnel numbers increased by 9% during the period to 139, an increase of 27 compared to the previous year as part of our on-going plan to increase our organic activities capacity and strategic initiatives, and has since increased by a further six. The proportion of these expenses as a percentage of sales revenues decreased marginally to 54.3% as opposed to 54.9% in the previous year.

Profit before tax increased 10% to £1.90m compared to the equivalent period last year (2012: £1.73m). This improved performance was achieved after absorbing higher rental asset and other property, plant and equipment depreciation and amortisation costs totalling £1.68m in the period up from £1.40m for the same period last year, an increase of 20%. The higher level of depreciation and amortisation reflects the record increase in capital expenditure and resultant addition of ten HP/HT wellhead sets during the last financial year. On-going investment in Plexus' rental wellhead equipment inventory continued, and a further two HP/HT rental wellhead sets were added to our inventory during the period. Profit before tax is stated after charges for share based payments under IFRS2; the charge for the half year to December 2013 is £0.01m, which compares to £0.13m for the corresponding period last year. The Group has provided for a charge to UK Corporation tax at a rate of 22% which is expected to be the rate of tax for the full year and compares to a rate of 24% last year. The effective rate of tax for the six months is 19% (2012: 21%) after the application of both R&D tax credits relating to both the current and prior years and offsets for disallowable expenditure. It is expected that in the future a respectable improvement to our tax charge will be achieved as a result of the application of the relatively new 'Patent Box' regime which started on 1 April 2013, and where an element of our profits should become taxable at a lower 10% rate. Following the acquisition of a 25% interest in a private manufacturer of specialist oil and gas equipment in July 2013, a share of profits from the associate has for the first time been recorded as £0.11m. Profit after tax increased 13% to £1.54m compared to the equivalent period last year (2012: £1.36m). Basic earnings per share amounted to 1.85p per share (2012: 1.65p).

The balance sheet continues to reflect the on-going investment in operations and IP related strategic initiatives in line with our growth strategy. Property, plant and equipment including items in the course of construction stand at £13.4m as at the end of December 2013, compared to £11.1m at the end of December 2012, an increase of 21%. This increase in tangible assets follows on from the last financial year's record level of capital expenditure investment, and continues to be focussed primarily on the expansion of rental inventory assets which in the period totalled £1.8m a planned decrease of 42% compared to £3.1m last year, as well as R&D activity which increased by 21% to £0.71m against £0.56m in the same period last year. IP continues to be an important component of our balance sheet and the development and protection of new IP will support our business in the subsea space for up to twenty years. As a result spend on IP and associated legal costs for patent filings increased 109% to £0.07m. This continued investment reflects our confidence in the superior nature of our proprietary technology and equipment, and scale of the market opportunity that exists. With regards to cash flow, £2.6m was paid to suppliers for capex during the period compared to £3.5m in the same period last year. The Group closed the period end with net cash of £2.7m after paying a final dividend of £0.4m during the period and incurring capital expenditure and R&D, together totalling £2.6m. The £2.5m issue of ordinary shares raised before expenses from the successful and oversubscribed December 2013 share placing, together with receipts totalling £0.4m in relation to the exercise of options, 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) will be deployed to fund future activities. These include planned R&D activity, on-going rental inventory additions, capital expenditure related to the HGSS subsea JIP project over the next 12 to 18 months, and support for the early stages of the Asian hub sales and service strategy.

Outlook

I am pleased with this set of financial results and the growth in sales and profits achieved in a period where once again we have been able to secure new customers in new territories outside of the UKCS where a significant slowdown in exploration activity has been widely reported. This performance and the increased spread of our areas of operation, particularly in West Africa and Asia, provides confidence for the second half and furthermore supports the Board's decision to once again increase the interim dividend.

As we look forward I am particularly encouraged that, despite well reported geopolitical events and turmoil around the world, the global oil and gas industry continues to plan and invest for increasing levels of demand for oil and gas. Barclays recently published their "Global 2014 E&P Spending Outlook" and reported that exploration and production ('E&P') spending is set to reach a new record of USD$723bn in 2014, up 6.1% from USD$682bn in 2013 which would be the fifth consecutive year of growth. Importantly the report states "that the mix of spending is poised to shift away from large infrastructure projects towards greater drilling, evaluation, and completion activity". This positive spending outlook was recently extended over a much longer time horizon by Rex Tillerson the Chairman and CEO of Exxon Mobil Corporation in a presentation made in Brazil on 18 March - "Outlook for Energy: Prospects for 2040". One of the conclusions was that the world will need all forms of energy over the next 25 years to meet a 35% increase in demand driven by population growth, improved living standards, and growing urbanisation. I should point out however that oil and gas is of course regionally structured and can be subject to significant variations. For example Barclays expect to see the fastest growth to take place in the Middle East, Latin America and Russia where currently Plexus does not operate, although we have identified Russia as a potential new market. I was also interested to note that the Barclays report believes that the Chinese market could open up by as much as 50% in the next five years, and this would fit well with our declared strategy to build an Asian sales and service hub.

In terms of the UKCS, which remains our most important market, I should point out that exploration and appraisal drilling has been shown to be declining significantly. The Deloitte Petroleum Services Group ('PSG') published their report for 2013 in January 2014, which noted that although the number of fields starting production rose to the highest level for five years, there was a noticeable drop in exploration and drilling activity. Oil & Gas UK reported that during 2013 only 15 wells were drilled compared to 44 in 2008. Although Plexus has been able to expand its sales activities outside of the UKCS, to the extent that the UKCS accounted for 29% of revenues in the first half compared to 41% in the same period last year, it is relevant to report on the current situation as, if it can be reversed, it is likely that it would benefit Plexus significantly in the future. In this regard Graham Sadler, the managing director of PSG, helpfully said that more needs to be done to encourage drilling on the UKCS, including incentives for exploration activity, while Oil & Gas UK economics director Mike Tholen said that a doubling of exploration spending may be needed to maintain the rate of discoveries required to keep production rates close to current levels into the next decade". This view was powerfully reinforced by Sir Ian Wood's February 2014 report for the Government "UKCS Maximising Recovery Review". The report makes a number of key recommendations on how to ensure continued investment in the area to address UKCS exploration being at a "worrying" all-time low, and needing Government action such as tax breaks. The report called on the Government to "urgently assess the potential to stimulate exploration" and stated that "the fiscal regime failed to provide sufficient incentive to explore". Encouragingly the Government has immediately taken this message on board and Ed Davey the Energy Secretary declared on the day of publication that he accepted Sir Ian's recommendations in full, "and the Coalition Government will start implementing them immediately", and that this was a "huge opportunity" to exploit remaining deposits which are a "massive prize". This overdue set of initiatives, if implemented effectively, should ensure that the UKCS continues to underpin our growth aspirations outside of the North Sea. Already the industry has acted favourably – for example Maersk Oil CEO Jakob Thomasen said: "The proposed HP/HT allowance provides a welcome boost to new and challenging projects and can contribute to energy security, jobs and the economy."

Currently whichever markets we operate in, jack-up rig exploration rental wellhead business activities remain our core business where significant expansion opportunities exist in regions such as Asia, Gulf of Mexico, Middle East and Russia, as well as closer to home. It is important to remember however that it is not just about accessing expanding markets or avoiding declining ones, but that wellheads and control equipment are a global multi-billion dollar industry and that we have yet to address either the major surface production wellhead market, or the exploration and production subsea market. We are confident however that the innovative and uniquely enabling benefits of our POS-GRIP friction-grip technology which delivers significant safety, operational, and cost advantages, combined with the growing awareness and reputation of Plexus and POS-GRIP and the increased need and demand for BAST technology, means that in time we will penetrate all wellhead markets, and achieve our goal of becoming a new standard. Furthermore we continue to be confident that such a breakthrough will most likely be achieved in association with a large scale joint venture or licensing partner or partners who would be able to leverage a global presence, and deliver significant value creation for our shareholders.

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 on-going growth during the current financial year and beyond, as market awareness and acceptance of our unique POS-GRIP technology continues to gain momentum. Even at a time when various geopolitical tensions and ever increasing technical challenges present themselves to the industry as a whole, I believe that the clear need for BAST equipment safety standards will help to ensure more value creation for our shareholders, and in due course the global recognition of POS-GRIP wellheads as a new superior standard.

Jeff Thrall
Chairman
26 March 2014

Plexus Holdings Plc
Unaudited Interim Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2013

	Six months to 31 December 2013	Six months to 31 December 2012	Year to 30 June 2013
	£ 000's	£ 000's	£ 000's
Revenue	12,643	11,314	25,566
Cost of sales	(3,923)	(3,313)	(7,402)
Gross profit	8,720	8,001	18,164
Administrative expenses	(6,865)	(6,207)	(13,772)
Operating profit	**1,855**	**1,794**	**4,392**
Finance income	3	4	7
Finance costs	(65)	(70)	(130)
Share of profit of associate	105	-	-
Profit before taxation	**1,898**	**1,728**	**4,269**
Income tax expense (note 5)	(360)	(363)	(1,213)
Profit after tax	**1,538**	**1,365**	**3,056**
Other comprehensive income	-	-	-
Total comprehensive income	**1,538**	**1,365**	**3,056**
Earnings per share (pence)			
Basic (note 6)	**1.85p**	**1.65p**	**3.69p**
Diluted (note 6)	**1.76p**	**1.57p**	**3.51p**

Plexus Holdings Plc
Unaudited Interim Consolidated Statement of Financial Position
As at 31 December 2013

	31 December 2013	31 December 2012	30 June 2013
	£ 000's	£ 000's	£ 000's
ASSETS			
Goodwill	760	760	760
Intangible assets	9,173	8,161	8,691
Investment in associate	830	-	-
Property, plant and equipment (note 8)	13,426	11,103	13,168
Deferred tax assets	789	2,411	545
Total non-current assets	24,978	22,435	23,164
Inventories	5,352	6,607	6,032
Trade and other receivables	4,462	5,603	4,922
Cash and cash equivalents	6,734	1,976	2,609
Total current assets	16,548	14,186	13,563
TOTAL ASSETS	41,526	36,621	36,727
EQUITY AND LIABILITIES			
Called up share capital	849	827	828
Share premium account	20,138	17,280	17,288
Share based payments reserve	2,803	3,796	2,741
Retained earnings	7,612	5,008	6,335
Total equity attributable to equity holders of the parent	31,402	26,911	27,192
Deferred tax liabilities	-	-	-
Bank loans	4,000	4,000	4,000
Total non-current liabilities	4,000	4,000	4,000
Trade and other payables	5,459	4,542	5,226
Current income tax liabilities	665	1,168	309
Total current liabilities	6,124	5,710	5,535
Total liabilities	10,124	9,710	9,535
TOTAL EQUITY AND LIABILITIES	41,526	36,621	36,727

Plexus Holdings Plc
Unaudited Interim Statement of Cash Flows
For the six months ended 31 December 2013

	Six months to 31 December 2013	Six months to 31 December 2012	Year to 30 June 2013
	£ 000's	£ 000's	£ 000's
Cash flows from operating activities			
Profit before taxation	1,898	1,728	4,269
Adjustments for:			
Depreciation, amortisation and impairment charges	1,683	1,398	2,956
Loss on disposal of property, plant and equipment	60	59	108
Loss on expiry of option	-	60	60
Charge for share based payments	12	132	141
Investment income	(3)	(4)	(7)
Interest expense	65	70	130
Share of result in associate	(105)	-	-
	3,610	3,443	7,657
Decrease / (increase) in inventories	680	(560)	15
Decrease in trade and other receivables	460	457	1,138
Increase / (decrease) in trade and other payables	233	(790)	(106)
Cash generated from operations	4,983	2,550	8,704
Income taxes paid	(4)	(19)	(926)
Net cash generated from operating activities	4,979	2,531	7,778
Cash flows from investing activities			
Acquisition of associate	(725)	-	-
Purchase of intangible assets	(796)	(663)	(1,491)
Purchase of property, plant and equipment	(1,729)	(3,192)	(6,650)
Proceeds of sale of property, plant and equipment	42	41	125
Net cash used in investing activities	(3,208)	(3,814)	(8,016)
Cash flows from financing activities			
Proceeds from issue of new ordinary shares	2,500	-	-
Transaction costs from issue of new ordinary shares	(170)	-	-
Proceeds from share options exercised	541	-	9
Interest paid	(65)	(70)	(130)
Interest received	3	4	7
Equity dividends paid	(455)	(414)	(778)
Net cash generated from / (used in) financing activities	2,354	(480)	(892)
Net increase / (decrease) in cash and cash equivalents	4,125	(1,763)	(1,130)
Cash and cash equivalents at 1 July	2,609	3,739	3,739
Cash and cash equivalents at 31 December	6,734	1,976	2,609

Plexus Holdings Plc
Unaudited Interim Statement of Changes in Equity
For the six months ended 31 December 2013

	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 2012	**827**	**17,280**	**1,726**	**4,057**	**23,890**
Total comprehensive income for the year	-	-	-	3,056	3,056
Share based payments reserve charge	-	-	141	-	141
Share options exercised	1	8	-	-	9
Deferred tax movement on share options	-	-	874	-	874
Dividends	-	-	-	(778)	(778)
Balance as at 30 June 2013	**828**	**17,288**	**2,741**	**6,335**	**27,192**
Total comprehensive income for the period	-	-	-	1,538	1,538
Share based payments reserve charge	-	-	12	-	12
Issue of ordinary shares	10	2,490	-	-	2,500
Share issue costs	-	(170)	-	-	(170)
Share options exercised	11	530	(194)	194	541
Deferred tax movement on share options	-	-	244	-	244
Dividends	-	-	-	(455)	(455)
Balance as at 31 December 2013	**849**	**20,138**	**2,803**	**7,612**	**31,402**

Notes to the Interim Report December 2013

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 2013 and which are also expected to apply for 30 June 2014.

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 2014. These standards are subject to on-going 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 26th March 2014.

3. During the interim period the Group paid a final dividend on ordinary shares of £455,428. The directors have approved the payment of an interim dividend of 0.48p per share which will be paid on 25th April 2014 to members appearing in the register on the record date of 4th April 2014.

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 22% for the six months ended 31 December 2013 (2012: 24%) which is the estimated rate of UK tax for the full year. The effective rate of tax for the six months is 19% (2012: 21%) 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 83,208,567 (2012: 82,746,672). 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 4,196,929 (2012: 3,991,426). The number of shares included in the calculation of fully diluted earnings per share was 87,405,496 (2012: 86,738,095).

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 Group acquired the whole issued share capital of a private company which holds a 25% interest in a private UK engineering company which is a manufacturer of specialist oil and gas equipment. The consideration for the purchase was £725,000 and it is reported as an associate interest.

9. Property, plant and equipment

	Buildings £'000	Tenant Improve-ments £'000	Equipment £'000	Assets under Constru-ction £'000	Motor Vehicles £'000	Total £'000
Cost						
As at 1 July 2012	685	213	17,094	851	47	18,890
Additions	287	140	736	5,487	-	6,650
Transfers	-	-	5,679	(5,679)	-	-
Disposals	-	-	(915)	-	(5)	(920)

As at 30 June 2013	972	353	22,594	659	42	24,620
Additions	2	-	265	1,462	-	1,729
Transfers	-	-	1,689	(1,689)	-	-
Disposals	-	-	(436)	-	-	(436)
As at 31 December 2013	**974**	**353**	**24,112**	**432**	**42**	**25,913**
Depreciation						
As at 1 July 2012	259	39	9,434	-	13	9,745
Charge for the year	66	37	2,279	-	12	2,394
On disposals	-	-	(685)	-	(2)	(687)
As at 30 June 2013	325	76	11,028	-	23	11,452
Charge for the year	46	23	1,298	-	2	1,369
On disposals	-	-	(334)	-	-	(334)
As at 31 December 2013	**371**	**99**	**11,992**	**-**	**25**	**12,487**
Net book value						
As at 31 December 2013	**603**	**254**	**12,120**	**432**	**17**	**13,426**
As at 30 June 2013	647	277	11,566	659	19	13,168
As at 30 June 2012	426	174	7,660	851	34	9,145

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

	Number of shares	**Price per share**	**Aggregate nominal value**	**Total aggregate value**
			£	**£**
29 July 2013				
- Share options	31,313	41.00p	313	12,838
- Share options	5,064	60.00p	51	3,038
	36,377		364	15,876
5 December 2013				
- Issue of new shares	1,020,408	245.00p	10,204	2,500,000
- Share options	125,445	38.50p	1,254	48,296
- Share options	439,871	41.00p	4,399	180,347
- Share options	38,630	54.75p	386	21,150
- Share options	310,152	59.00p	3,102	182,990
- Share options	153,118	60.00p	1,531	91,871
	2,087,624		20,876	3,024,654
Total	2,124,001		21,240	3,040,530
Split by type				
Issue of new shares	1,020,408		10,204	2,500,000
Share options	1,103,593		11,036	540,530
Total	2,124,001		21,240	3,040,530

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

11. The comparative figures for the financial year ended 30 June 2013 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.