



30 March 2016

**Plexus Holdings plc ('Plexus' or 'the Group')**  
**Interim Results for the six months ended 31 December 2015**

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 2015.

**Financial Results**

- Sales revenue £6.76m (2014: £13.51m)
- EBITDA (£1.23m) (2014: £4.16m)
- Loss after tax (£3.5m) (2014: £1.97m)
- Basic earnings per share (3.93p) (2014: 2.32p)
- Net cash of £4.4m
- While the Company remains committed to distributing dividends to its shareholders, the Directors believe that in the current low oil price environment and resulting reduction in exploration drilling activity it is prudent to suspend the payment of dividends. The Company will look to reinstate the dividend at the earliest opportunity.

**Overview**

- Sharp contraction in exploration activity following retrenchment in oil prices, which reached a thirteen year low of c. US\$27 per barrel in January 2016, has impacted the Company's core business of renting its proprietary POS-GRIP® friction-grip exploration wellhead equipment to major international oil and gas customers around the world resulting in a c.50% reduction in Plexus' sales revenue
- Impact particularly felt in the UK North Sea where it has been reported that investment is expected to fall by almost 90% with fewer exploration wells anticipated than at any time since data started being collected in the late 1970's
- Recent signs of oil price recovery together with political and environmental pressures to accelerate move away from coal to gas, is encouraging for Plexus' core area of activity
- Strategy to build on proven technology reputation, which has resulted in Plexus establishing a dominant position in the North Sea, and expand geographic reach is bearing fruit:
  - First major licence agreement signed with Yantai Jereh Oilfield Services Group Co., Ltd ('Jereh') in China to facilitate the rental, sale, and manufacture of Plexus' wellhead equipment to supply the major Chinese, wider Asian, Brazilian, Indian and Middle Eastern oil and gas markets
  - Awarded local Petronas licence to manufacture and supply Plexus' POS-GRIP wellhead equipment in Malaysia through Plexus Products (Asia) Sdn Bhd ('PPA'), the Malaysian company set up with a local partner as part of an Asian business hub with reach to the Australian, Brunei, Indonesian, Malaysian, Thai, and Singaporean markets

- Post period end: exclusive licence agreement signed with two independent Russian oil and gas equipment manufacturers, LLC Gusar (OOO Gusar) Ltd ('Gusar'), and CJSC Konar (ZAO Konar) ('Konar') for the rental, manufacture and servicing of Plexus' jack-up drilling wellhead exploration equipment into the Russian Federation and the other CIS states oil and gas markets
- Significant progress made in new product innovation in line with strategy to expand the family of equipment based on Plexus' POS-GRIP technology:
  - Ground breaking Python® Subsea Wellhead launched in September 2015 as a new best in class and safest standard for the multi-billion dollar subsea and volume surface production market - supported by BG, Royal Dutch Shell, Wintershall, Maersk, Total, Tullow Oil, eni, Senergy, and Oil States Industries Inc. - initial prototype order now being sought
  - Collaboration with Aquaterra to develop HP/HT dual marine risers to provide a safer, technically superior and cost efficient solution for use on jack-up rigs
  - Tersus-PCT HP/HT Tie-Back connector product and its unique operational and cost saving advantages now beginning to be marketed to the industry
- Research and Development ('R&D') spend in the period, excluding costs of building test fixtures, totalled £1.3m compared to £1.4m in the same period last year reflecting Plexus' ongoing innovative and proprietary technology driven nature focus
- Capital investment in additional POS-GRIP rental wellhead assets for exploration was £1.33m, as compared to H1 2015's £1.35m - the strong inventory build over recent years is expected to reduce the need for significant capital investment in rental wellhead fleet over the course of the next upturn, which has positive implications for cash flow generation and speed of response to market demand
- Post period end activity included two purchase orders both of which were outside of the North Sea:
  - US\$0.6m initial well contract with new customer Masirah Oil Limited ('Masirah'), which is majority owned by leading technology driven oil and gas company REX International Holdings Limited (REXIH: Singapore) for oil exploration offshore Oman - represents a new country in a new region
  - £0.9m purchase order with Talisman Malaysia Limited ('Talisman'), which is a part of REPSOL Group (MC: REP), the integrated global energy group, for an exploration well offshore Malaysia

## Corporate

- Growing global awareness of both Plexus and the safety and operational benefits of POS-GRIP technology not only in relation to organic exploration drilling activities, but also in relation to production and subsea applications, as evidenced by the securing of Licensing Agreements covering China and Russia
- Subscription by Jereh China in new shares of the Company, representing 5% of the new issued share capital of Plexus for c. £8m net of expenses
- Board changes:
  - Appointment of Ms Kunming Liu to the Board as a Non-Executive Director as part of licence and share subscription agreement with Jereh – Ms Liu replaces Christopher Fraser
- Bank facilities with the Bank of Scotland currently comprise a three year term £5m revolving credit facility renewable September 2016 and a £1m overdraft payable on demand – in addition the Company has a reducing five year £1.5m term loan (with a current balance of £1.125m) which was put in place in September 2014 to part fund the purchase of the additional facility in Aberdeen.

**Plexus' Chief Executive Ben van Bilderbeek said,**

“Like all companies operating in the oil and gas sector, the rapid and sharp decline seen in the oil price over the last eighteen months, and particularly since late 2015, has significantly impacted our first half performance and current outlook as previously reported to the market. Despite this we remain positive for the future as, unlike many other oil and gas services and engineering companies, Plexus is proprietary IP driven thanks to our patent protected POS-GRIP technology providing the heart of our best in class wellhead equipment. This sets us apart from all of our competitors who use conventional wellhead technology that cannot deliver our unique standard of safety and time savings benefits. Having successfully deployed our wellhead equipment in over 400 wells around the world, we believe that the superior performance, reliability and safety of our equipment is now proven. As a result, we are confident that when exploration activity reignites we will be well placed to pick up where we left off before the downturn took hold. The basis of such confidence is perhaps best illustrated by the £3.3m Total E&P Norge AS Solaris exploration well contract win in June 2015 for a technically challenging Ultra High Pressure High Temperature well offshore Norway.

“I was pleased to see that the Chancellor in this month’s budget announced a number of tax cuts designed to increase the attractiveness of the North Sea for operators. Although I would have liked to have seen more incentives specifically targeted at encouraging exploration of the sort that work so effectively in Norway, it was still encouraging to see the abolishment of the 17% petroleum revenue tax paid by older oil and gas fields, as well as a halving of the supplementary charge imposed on oil producers from 20% to 10%. Oil and Gas UK welcomed these measures and said that the new measures would “modernise” the tax regime and make the North Sea more competitive and improve investor confidence, and confirmed that the new tax rate is now back to 2003 levels.

“We are confident that Plexus will enter the next upswing in a much stronger position than has been the case in previous growth cycles. We have a full suite of rental equipment, reducing the need to invest heavily in additional inventory in the medium term; we have an expanded product base following the launch of our Python Subsea Wellhead, Tersus-PCT HPHT Tie-back Connector, and POS-SET Connector™ which are targeting important markets outside of our traditional organic jack-up exploration business; we have a growing reputation around the globe for providing best in class wellhead equipment; we have secured licence agreements with major local partners to enter the huge Chinese and Russian volume production markets and we have established a hub in Singapore and Malaysia to service Petronas in the important wider Asian markets.

“Encouragingly, our initiatives to expand our international reach are already starting to bear fruit, notably post period end when our Malaysian JV secured a first order for a well in Malaysia and we were also awarded our first orders in Oman, a new territory for Plexus. These latest initiatives, along with the potentially transformational licencing agreements we have signed in China and Russia during the last six months, ought to be seen in the context of the natural progression in Plexus’ development, as we use our dominant position in the North Sea as a platform from which to increase our global footprint. Licensing agreements are often used in the technology sector to break into new markets as they allow companies to firstly expand without having to invest capital in manufacturing, distribution and sales infrastructure and

secondly to secure local partners with established relationships in their respective markets. We believe that the licensing model fits well with our global strategy and we will continue to pursue similar opportunities in other areas of the world, such as the Gulf of Mexico.

“Whilst I believe that the medium to long term prospects of the Company have never been better, we first have to navigate the unprecedented retrenchment seen in the oil price and the effect this has had on our traditional North Sea market and elsewhere. Such developments are for a greater part geo-political in nature and therefore difficult to anticipate and influence, but what is clear from a number of reports is that demand for hydrocarbons will continue to increase for many years to come and we do not believe that OPEC and other major producers will be content with such low oil prices for an extended period.

“Faced with the current climate of lower orders and lower revenues, we like many other companies are of course not simply waiting for a pick-up in exploration activity to return to positive cash flow. We have embarked on a series of major headcount and cost reduction measures designed to ensure we come through this cycle much leaner but still in a strong position to capitalise on the opportunities that I believe will present themselves as deferred and new drilling projects come back on stream. These include targeting major opportunities with national oil companies (‘NOCs’) with whom up until now we have had only limited interaction. NOCs have different business models and profiles to international oil companies (‘IOCs’), which have to date provided the bulk of our business, and it is noteworthy that of the US\$400 billion or so projects that have so far fallen victim to the oil price since late 2014, the majority are those operated by IOCs. In tandem with exploring new avenues of growth, the comprehensive review of our cost base has been implemented post period end, and it is important to note that this has been structured so as not to be totally at the expense of our long-held commitment to essential R&D, which we recognise as being key to the long term success of the Company. Similarly we are also mindful to safeguard our core competencies to ensure that when growth returns, we are in a strong position to respond quickly to operators’ needs.

“It is certainly our view that it is a matter of ‘when’ exploration activity picks up again rather than ‘if’. Along with the wider industry, we believe the current downturn is very much a cyclical one: put simply supply is outstripping demand driven by a combination of geo-political factors and technical innovation. A variety of reasons have been put forward for the current state of play including the US shale revolution and Saudi Arabia’s switch in priorities from protecting prices to protecting market share. Predicting how long these market dynamics will persist is not for me to do. However, with demand for energy forecast to rise strongly over the next few decades as emerging nations continue to move up the development curve, fossil fuels will be required to satisfy the lion’s share of this growth. Importantly this does not have to be incompatible with tackling climate change. For example, by increasing the proportion of cleaner natural gas in the fossil fuel mix at the expense of dirtier coal, forecast demand growth can be satisfied without a significant acceleration in global warming, as CO<sub>2</sub> emissions from natural gas are around half of those of coal and 25% less than diesel and gasoline. Such considerations are feeding directly into the economy, for example JPMorgan Chase recently announced that it is to stop direct financing of all new coal mines and new coal power plants in rich countries in the wake of the global climate accord agreed in Paris last December. The US bank has included coal projects alongside child labour on a list of “prohibited transactions” in the latest version of its environmental and social policy published on its website.

“On the supply side, the oil and gas industry is not standing still but is working hard to realign itself to today’s markets. Across the supply chain, cost savings are being sought by operators which in aggregate will lower the industry’s break even oil price. As Royal Dutch Shell’s CEO, Ben van Beurden, was recently quoted as saying “The lower the oil prices go, the lower also. . . the cost of establishing supply chains and in the end the cost of producing the oil. . . So the break-even price will come down actually with lower oil prices.” Such cost saving sentiments are positive for Plexus and in particular our latest POS-GRIP product, the Python Subsea wellhead, which we launched in Q3 2015 as a new best in class and safest standard. We developed Python as part of a Joint Industry Project requested and supported by major international oil companies including BG, eni, Maersk, Shell and Total. Thanks to Python’s greater reliability and performance, fewer installation trips are required which, in terms of savings for operators, have been independently quantified at between US\$1-2m of time costs per trip for the operator depending on water depth. This means that even at today’s lower rig rates savings running into millions of dollars per well can be achieved which is a multiple of the capital cost of the equipment itself. We are therefore highly confident that Python can make a significant contribution to lowering the break-even price of oil and gas whilst significantly increasing safety and sealing capabilities. With this in mind, we are pursuing discussions with operators for a trial of Python out in the field.

“I am encouraged by tentative signs that OPEC and non-OPEC producers are engaging in constructive dialogue, culminating in the recent announcement by Saudi Arabia and Russia to freeze production at January 2016 levels. Together with the favourable medium to long term demand profile for energy, the ingredients are in place for supply and demand to return to a much healthier equilibrium level. Needless to say we are looking forward to the next upswing and in the meantime would like to thank our customers, shareholders and staff for their ongoing support.

“Finally I would like to welcome Jereh, China as a new partner, licensee and shareholder, and also Ms Kunming Liu, our new non-executive director to the Board, and look forward to pursuing new significant commercial business opportunities across the globe with both Jereh, and also Gusar and Konar our new Russian licensees in the future.”

**For further information please visit [www.posgrip.com](http://www.posgrip.com) or contact:**

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**Chairman's Statement**

**Business Progress**

December 2015 marked Plexus' tenth anniversary as a publicly traded company. Ten years ago we came to the London Stock Exchange's AIM Market with POS-GRIP, our revolutionary patent protected friction-grip method of engineering technology for oil and gas field wellheads and connectors. At the time we said our technology, which involves deforming one tubular member against another within the elastic range of the steel to effect gripping and sealing, would set a new standard for wellhead equipment in terms of performance, reliability and safety. Initially we served the North Sea with standard pressure rental wellhead equipment. Ten years on, and after being successfully used in over 400 wells by a wide range of blue chip international and national oil company operators, Plexus has established itself as a new standard of wellhead, particularly for the most challenging HP/HT wells in the North Sea and beyond where safety and metal to metal sealing integrity is so important. Our strategy now is to accelerate our focus on markets outside of the North Sea, and not just for exploration wellhead applications. Importantly we have now reached the stage where we can uniquely claim to be able to match the testing and performance standards that apply to premium couplings – a true industry first and something that we say cannot be matched by conventional technology.

A great deal of hard work and significant R&D and capex investment has gone into getting to where we are today and our job has been made easier thanks to the best in class properties of our simple proprietary POS-GRIP technology, which offers operators not only superior operational performance and safety, but also significant time and cost savings. In our view it is this compelling combination that has seen our wellheads gain an almost 100% share of the HP/HT North Sea market. Conversely, being the North Sea's dominant supplier in 'jack-up exploration drilling' means that our order book was never going to be immune to the effects of the collapse in the oil price, specifically the sharp contraction in exploration activity seen across major hydrocarbon jurisdictions around the world, and in particular the North Sea where the UK's unfavourable oil and gas tax regime makes it one of the most expensive areas to operate in. As detailed in a trading update issued in January 2016, this has had a direct impact on our core wellhead rental business and is reflected in our first half numbers reported today, which are in line with market expectations.

While our business has been impacted by the falling oil price, the outcome would have been more acutely felt but for the efforts we have made in recent years to diversify our geographic exposure into other regions which have different cost and pricing regimes to the North Sea. In tandem with this, we have been working to expand our family of POS-GRIP products including the POS-SET Connector which has the ability to play an important role in the expanding decommissioning market. The unique benefits of POS-GRIP allow us to offer a number of key features that have never before been available to operators, particularly for HP/HT wells, including improved technical performance, improved integrity of metal seals, significant installation time savings, reduced operating costs, no use of wear bushings or lock rings and enhanced safety. Thanks to our pioneering technology, Plexus is very much a proprietary IP led company, which sets us apart from the sector. While cycles will come and go, our IP will not: we therefore entered this cyclical downturn as the only company of its kind, similarly we will come out of it as the only unique POS-GRIP wellhead equipment company.

From the outset, it was always our intention to first prove the superior qualities of our POS-GRIP technology in the North Sea, one of the harshest and most expensive operating environments in the world, and then use this as a springboard from which to expand into other targeted geographies. We are doing precisely this, as evidenced by our entry into major petroleum provinces such as Asia and Russia. In Asia, we announced the formation of a new Malaysian Joint Venture ('JV') company, Plexus Products (Asia)

Sdn Bhd ('PPA'), with a local oil and gas partner. This JV forms a key part of our strategy to create a fully operational Asian business hub. Since then we have secured, through our Malaysian JV, a local PETRONAS licence to manufacture and supply POS-GRIP wellhead equipment in Malaysia and post period end, we announced our first order worth an estimated £0.9 million with Talisman Energy. We are confident this will prove to be the first of many orders secured via our JV in these markets.

Furthermore, we significantly expanded our Asian footprint during the six months under review after we entered into a licence agreement with Yantai Jereh Oilfield Services Group Co., Ltd ('Jereh'), a world-class supplier of oil and gas field equipment and services, to manufacture and supply Plexus' wellhead equipment into the major Chinese, wider Asian, Brazilian, Indian and Middle Eastern oil and gas markets. Under the agreement, Jereh is able to utilise Plexus' trademarks, patents, technology, know-how, engineering, standards and other intellectual property and technical services. In return, Plexus is entitled to a range of royalty percentages from Jereh in respect of the rental and sale of different POS-GRIP wellhead equipment applications made available under the Licence Agreement. Inevitably Jereh has also been impacted by the wider China and global oil and gas slowdown but we are confident that we can work together to successfully pursue commercial opportunities in the region and build on the initial Shell China well that we were contracted in 2014 to supply.

For a company of our size, licensing agreements can fast track our entry into major global markets by allowing us to partner with established local manufacturers and oil service providers who have existing commercial relationships with key national and international oil companies. In addition, they allow us to expand our geographic reach without having to commit Plexus' capital into expensive manufacturing facilities and sales and distribution infrastructure. We are working on developing similar business opportunities in Russia and the Gulf of Mexico and with this in mind, we entered into a second licensing agreement post period end, this time to enter the important Russian Federation market. We have agreed to partner with two independent Russian oil and gas equipment manufacturers Gusar and Konar, who will rent, manufacture and service our jack-up drilling wellhead exploration equipment into the Russian Federation and the other CIS states.

We have long held the view that Russia is a highly attractive market for Plexus and the numbers speak for themselves. In 2014 the EIA ranked Russia the third largest producer of petroleum and other liquids and estimated it holds almost a quarter of the world's proven natural gas reserves and 5% of global crude reserves. Importantly, with gas forming the lion's share of the Russian energy sector and our equipment being ideally suited to the high pressures and high temperatures associated with gas wells, this is a key target market for us, and we will be actively pursuing additional opportunities with our new partners in the region.

It is not just in Russia where gas represents a huge opportunity for Plexus. It has been widely documented that within the fossil fuel family, gas ranks as the cleanest in terms of global warming and carbon dioxide ('CO<sub>2</sub>') emissions. Different fuels emit different amounts of CO<sub>2</sub> in relation to the energy they produce when burned. According to the EIA, on a CO<sub>2</sub> emitted per unit of energy output or heat content basis coal at 228.6 pounds of CO<sub>2</sub> emitted per million British thermal units (Btu) of energy is the dirtiest; diesel fuel and heating oil emit 161.3 pounds of CO<sub>2</sub>; and gasoline 157.2 pounds. By contrast natural gas emits 117 pounds of CO<sub>2</sub>. As a result there is a growing view among industrialised nations and respected climate change observers that a 'dash for gas' can play a major role in preventing a breach of a 2 degree increase

in global temperatures, a level which scientists believe could lead to irreversible climate change. This was a key theme in the BP Energy Outlook 2016 edition: BP's chief economist, Spencer Dale, said "We expect the mix of fuels to change quite significantly over the next 20 years, gas to grow quickly, also strong growth in renewables like solar and wind." As major economies around the world look to move towards gas and away from coal, gas exploration will need to pick up. This is very encouraging for Plexus as we not only have the best metal to metal sealing system technology available for gas but also the only through the BOP HP/HT and XHP/HT jack-up drilling and land wellhead designs.

In tandem with our geographic expansion we have been working hard to grow the family of products based on our POS-GRIP technology. After over four years of research and development, during which we were supported by our Joint Industry Partners, BG, eni, Royal Dutch Shell, Maersk, Total, Wintershall, Tullow Oil, Senergy, and Oil States Industries Inc, September 2015 saw the launch of the Python Subsea Wellhead at Europe's biggest oil show, OE2015 in Aberdeen. At the industry's request, we have developed this exciting new product to address key technical issues and requirements which were highlighted by regulators following the Gulf of Mexico incident in April 2010, and in the process set a new safer and best in class standard for subsea wellheads. As part of this project we can now uniquely claim that our Python subsea wellhead has successfully completed the new Shell test standard proposed to the industry. We were confident that POS-GRIP would be able to deliver all of this and we have not been disappointed, and now we have to work hard to gain traction in the marketplace as we successfully achieved with our jack-up exploration wellhead systems. Furthermore we believe the considerable efficiency and time savings will resonate with operators, particularly in today's oil price environment. For Plexus, subsea exploration and production activities are a much bigger and faster growing multi-billion Dollar market, compared to our traditional jack up exploration and production market of which we have a circa 10% global share, so it is clear that the scale of future expansion opportunities is significant.

As well as the Python Subsea Wellhead, we have also been working on other new POS-GRIP based products. These include the Tersus-PCT HP/HT Tie-Back connector, which for the first time allows HP/HT exploration and pre-drilled production wells to be converted to either subsea or platform producing wells; the new POS-SET Connector which is designed to enable operators to re-establish a connection onto rough conductor casing for the abandonment market, which is increasing in the North Sea and beyond; a low cost wellhead system for the volume production market - WellTree™; and HP/HT dual barrier marine risers in collaboration with Aquaterra. All of these product innovations are in line with Plexus' strategy to extend its POS-GRIP product reach into new and commercially attractive markets. We are also looking in due course to expand our product range further to include valves, trees and controls which would open up new markets for us.

### **Operating Review**

Plexus, like the rest of the oil and gas services industry, has seen a sharp deterioration in operator activity and associated sales opportunities since late 2015 and into 2016. In response to this we have therefore taken further and more significant cost reduction and cash conservation measures. As a result a significant headcount reduction programme was initiated post period end which led to c. 50 redundancies, effective from early March 2016. We believe that the appropriate balance has now been struck between a reduced cost base, personnel numbers and expected sales activity levels over the next twelve to eighteen months. Importantly however we have a rental wellhead inventory that is capable of being deployed at short notice



as the oil price recovers and the industry rebalances. The inventory is estimated to be able to support sales of up to £40m.

In the meantime we are continuing to focus on sales opportunities outside of our traditional North Sea territory. During the period we were supporting or starting wellhead operations for a number of new and existing international oil and gas operators including Cardon IV in Venezuela, Masirah Oil in Oman, and Brunei Shell Petroleum. Norway continued to be our most important region, and together with the UKCS our clients included Centrica Energy, Lundin Petroleum, Premier Oil, BG Group, Maersk Oil and Gas, Statoil and Total.

At the corporate strategic level, focus has been on pursuing sales opportunities outside of Europe as well as securing partners who can help us accelerate the market penetration of our technology. This is at a time when we have expanded our POS-GRIP range of products which now includes our new Python subsea wellhead design, our Tersus-PCT HP/HT Tie-back connector and our POS-SET connector, which can offer the growing abandonment and decommissioning markets unique capabilities as a result of its ability to re-establish a connection onto rough conductor casing previously cut above the seabed. These efforts as reported have successfully resulted in our first major licence agreement signed with Yantai Jereh Oilfield Services Group Co., Ltd ('Jereh') in China in July 2015, the award of a local Petronas licence to manufacture and supply Plexus' POS-GRIP wellhead equipment in Malaysia through Plexus Products (Asia) Sdn Bhd ('PPA') and post period end an exclusive licence agreement with two independent Russian oil and gas equipment manufacturers for the rental, manufacture and servicing of Plexus' jack-up drilling wellhead exploration equipment into oil and gas markets of the Russian Federation and the other CIS states. This last agreement oil and gas markets has two condition precedents attached which are yet to be fulfilled.

Key functions and operational areas are HR, Health and Safety ('HSE'), IT and IP. In terms of HR much of the period has been focused on preparing and managing staff redundancy programmes. Responding to the declining activity within the Oil & Gas market as a result of on lower oil prices, an initial cost saving exercise was conducted during September 2015. This resulted in 19 redundancies across the business along with other fundamental changes such the cessation shift working and overtime, as well other operational changes all designed to minimise expenditure. Since that period, continued falls in the oil led to Plexus embarking on a further, more significant, cost saving exercise which post period end resulted in approximately a further c. 50 redundancies coupled with salary cuts for remaining staff across the business. Staffing figures at the end of December 2015 were 122 employees plus 4 international employees, and currently are circa 84. Throughout the period we have ensured that we continue to develop comprehensive training modules for our Field Service Technicians as well as further developing our reach across the business of our Competency Assurance programme.

Whatever trading conditions exist, Plexus' HSE function remains fully committed to delivering the highest practicable safety standards. We continue to maintain and improve a positive safety culture which is aligned with our Company Star Safety Programme safety values and this is evident throughout the organisation. This is achieved by continual development and implementation of a programme of initiatives, engaging with all levels of staff and sharing our safety messages and performance, via our Star Safety branding. LRQA, our certifying body carried out a recertification audit of our ISO 9001 and BS OHSAS 18001 Management Systems in December 2015, and this has resulted in our certification being extended to 2018. This is a tangible demonstration that we are operating to the recognised industry and national standards and

we continue to collaborate with our clients and industry bodies to share HSE best practice and information. We continue to manage our safety risks through assessment, implementation of controls, continual monitoring, and developing staff to meet the competency levels required. We always reinforce the compelling message that the health and well-being of our employees is the crucial feature of our HSE and HR strategy, and our workforce plays a key part in the delivery of our services. We encourage our personnel to get involved, have confidence to intervene and to challenge any unsafe act or condition, suggest improvements, and to ensure transparent reporting that meets our desired safety culture.

It is increasingly recognised that robust and secure IT systems are crucial to any business and Plexus certainly recognises the importance of such issues. With cyber risks an ever evolving and ongoing risk for all companies', work has progressed towards ISO 27001:2013 accreditation which will help minimise both internal and external risks. The certification process is rigorous and is expected to be completed in Quarter 4 2016. Our in-house software development has continued to enhance the systems available, allowing Plexus to react quickly to the ever changing demands of the business in a tough marketplace by providing managers access to accurate and timely business data for planning and analysis. Investment has also been increased in external market research data and analysis which now allows Plexus to look further ahead in relation to future rig activity and planned deployment. This is proving beneficial in enabling our sales and business development team to identify sales opportunities around the world.

IP and related patents and know-how, in relation to our proprietary POS-GRIP technology, are an important part of our business, and illustrate the unique nature of our superior technology in terms of safety, time savings and increased operational efficiencies. Plexus continues to invest in new product development and associated continuation and new patents around the world, and as we increase our focus outside of the North Sea this includes our new licencing areas China and Russia. As a demonstration of the strength of our IP, we recently made a visit to Brazil to discuss our new Python subsea wellhead design with a major international operator. It was very encouraging to have confirmed that the unique advantages of not needing lock rings and wear bushings could many millions of Dollars per subsea well (depending on depth) by reducing the number of trips required during the drilling programme versus conventional wellhead designs. We have no doubt that such advantages will enable Plexus to expand its business activities in the future, whether organically or through licence partners into both the multi-million dollar exploration and production subsea well markets, as well as land and platform production well markets.

Post period end a further demonstration of the unique nature and capability of our technology was provided by the successful completion of our Python wellhead production hanger POS-GRIP system qualification to the entirety of the latest revision of a new proposed Shell standard which we believe no other wellhead company is capable of achieving. This is a major achievement by our R&D and engineering teams and we hope that the unique capabilities of our equipment will gain the recognition it deserves. This milestone successfully included the completion of both minimum and maximum grip testing verifying that Python will work over the full possible tolerance range. At each tolerance extreme, testing included three cycles of 6.25 million pounds lockdown capacity; lockdown load/pressure load envelope testing at 350 degree F; endurance testing (twenty cycles) of 6.25million pounds lockdown capacity and further load and pressure tests from both above and below the HG seals at both 350 degrees F and ambient temperature. Importantly, there were no leaks past our HG metal seal.

In addition to this progress our API 6A/17D certification renewal was also successfully awarded.

The ongoing operational activities and necessary R&D and investment in tangible and intangible assets are currently funded by free cash and our bank facilities with the Bank of Scotland, comprising a three year £5m revolving credit facility due for renewal as of September 2016 and a £1m overdraft payable on demand. In addition a £1.5m five year term loan was put in place in September 2014 to part fund the purchase of the additional Aberdeen facility, which runs to September 2019 with a current balance of £1.125m

### **Interim Results**

As highlighted earlier, the drop off in exploration activity, particularly in the North Sea, has impacted the Company's half yearly financial performance and outlook for the rest of this year, although activity could pick up at short notice due to our fast response time capability. As a result, revenue for the six month period ended 31 December 2015 was £6.76m, a 49.9% reduction compared to the previous year's figure of £13.51m. The rental wellhead equipment and associated services business activities for exploration drilling contracts accounted for over 94% of sales revenues. The largest sales component remains the supply of our HP/HT wellhead equipment which totalled £5.8m compared to £11.8m last year, and accounted for approximately 84% of total revenues compared to 87% last year. Revenue generated by the rental of 10,000 psi standard pressure wells were £0.59m (2014: £1.25m) reflecting the significant downturn in North Sea activity levels. Geographically the North Sea during this period was the most significant source of sales revenues as compared to the Rest of the World. Within the North Sea, UKCS sales during the period were £0.88m, a reduction of 85% against the same period last year, and in the ECS, sales totalled £4.59m, a less impacted 29% reduction compared to last year. Norway was once again the most important sector and year on year sales activity fell to a lesser degree of 14% reflecting in part the more benign tax regime, which is designed to encourage exploration, and the widely recognised high level of safety and operating standards that are applied in that region. First half gross margins stood at 46.8% compared to 67.9% in the comparative period last year.

In response to the fall off seen in exploration activity in our core markets, we are taking appropriate action and making significant reductions to capex, opex, non-essential R&D and personnel expenditure, in order to realign the cost base to the prevailing oil price environment and the associated reduction in sales revenues. For the first half period to the end of December 2015 administration and overhead expenses were reduced to £6.59m compared to £7.05m last year. Within this total the salary component was largest but has been reduced from £4.89m last year to £4.07m during the first half period. In the second half to end of June 2016 we have already actioned a circa 50 personnel headcount reduction programme which is estimated to reduce payroll costs excluding R&D credits from an annualised estimate for 2015/16 of £8.15m to £4.27m for 2016/17. Personnel numbers have reduced from circa 130 as at 31 December 2015 to circa 80 currently. These cost saving initiatives have not been undertaken lightly, and great care has been taken to ensure that our core competencies and our ability to progress the existing range of future opportunities, which are broader and more international than ever before, are impacted as little as possible. This is key as the Company recognises the importance of continuing to invest in essential R&D and POS-GRIP product extensions at a time when the industry continues to actively pursue innovative cost saving disciplines and safety driven initiatives. In the future we would anticipate being able to progress new opportunities such as a low cost production wellhead and a Plexus tree with our partners who we would expect to contribute towards the cost of development. In the meantime, management is focused on the Company being cash generative for the duration of the current cyclical downturn, and to this end a number of additional initiatives are being considered and/or implemented.

The circa 50% decrease in sales revenues resulted in a loss of £3.5m compared to a profit before tax of £2.20m in the equivalent period last year. The loss came after absorbing higher rental asset and other property, plant and equipment depreciation and amortisation costs totalling £2.19m up from £1.85m for the same period last year, an increase of 15.5%. The higher level of depreciation and amortisation reflects the impact of increased capital expenditure over recent years including the Python subsea project and the impact of such expenditure will reduce significantly going forward. On-going investment in Plexus' rental wellhead equipment inventory equipment totalled £1.33m as compared to £1.35m for the prior year. Total capital expenditure decreased to £3.01m compared to £6.55m during the same period last year, a decrease of 54%. However it is important to note that £2.79m of the comparative period's expenditure was the total cost including improvements of acquiring circa 36,000 sq. ft. additional work shop and facility space in Dyce, Aberdeen. If this is excluded from the analysis, capex decreased by 19.9%, which still demonstrates the early stages of our expenditure reduction initiatives. Loss before tax is stated after charges for share based payments under IFRS2; the charge for the half year to December 2015 is £0.01m, which compares to £0.01m for the corresponding period last year. The Group has therefore not provided for a charge to UK Corporation tax at the prevailing rate of 20%. Loss after tax is £3.5m compared to the equivalent period last year (2014: £1.97m). Basic earnings per share is a negative 3.93p per share (2014: 2.32p).

The balance sheet continues to remain strong and reflects past and in period investment in operations, R&D and IP related strategic initiatives in line with our past and future growth initiatives. Although recent strategic decisions will now result in a significantly reduced level of such expenditure we are positioned to be able to support our existing and new customers, as well as our licencing and trading partners subject to necessary headcount additions. Property, plant and equipment including items in the course of construction stood at £17.07m as at the end of December 2015, compared to £16.93m at the end of December 2014. R&D activity was £1.31m against £1.4m in the same period last year. IP continues to be an important component of our balance sheet, and the on-going development and protection of newly created IP and twenty year patents supports and protects our business development strategy both for our organic business as well as our targeted participation in the subsea arena. Here, at the request of the industry, we have developed our new Python subsea wellhead design which is now ready for us to seek an operator to run a prototype in the field. Fixed asset value as at 31 December 2015 stood at £31.89m comprising of £17.07m of tangible assets and £14.82m of intangible assets. With regards to cash flow the Group's cash position was positively impacted at the beginning of the period with the subscription by Jereh for new ordinary shares representing 5% of the issued share capital of Plexus for circa £8m net of expenses. The Group closed the period with net cash of £4.41m after paying a final dividend of £1.56m, including a special dividend component during the period and incurring capital expenditure and R&D totalling £4.33m. Current bank facilities total £7.125m (comprising a three year revolving £5m credit facility renewable September 2016, an additional £1m overdraft facility payable on demand, and a five year term property loan with a current balance of £1.125m).

## **Outlook**

We strongly believe that current moves in the oil market are essentially geo political in nature where the major producers, and in particular Saudi Arabia, USA, and Russia are vying for market share rather than long term structural factors, and that once supply and demand reach equilibrium, oil prices will recover. Plexus is not alone in holding this view. It is widely accepted that global demand for energy from hydrocarbon resources will continue to increase over the next 25 years as the world continues to

industrialise and the population increases. According to the BP Energy Outlook 2016 “energy demand will continue to grow. Put simply, as the world economy expands, more energy will be needed to fuel the higher levels of activity and living standards. The growth in energy will be curbed by faster gains in energy efficiency. And there is of course considerable uncertainty as to exactly how quickly global GDP will grow. Even so, it seems clear that significantly more energy will be required over the next twenty years to enable the world economy to grow and prosper. Fossil fuels remain the dominant source of energy powering the world economy, supplying 60% of the energy increase out to 2035.” On the supply side, according to BP, OPEC’s share of global crude production in 2014 was 41% and a number of members are either running huge deficits as prices remain low or are having to deplete sovereign wealth funds and it is clear that such a “race to the bottom” is unsustainable.

We are of course not in the business of calling the peaks and troughs of markets, but there is a growing view that the industry will overshoot on the downside and that the severe cut back in planned or new exploration activity that has taken place as a result of this being the one activity that can be “turned off” the quickest, is likely to lead to a supply constraint over the next 12 to 24 months and a corresponding increase in the oil price. It is noteworthy that according to Wood Mackenzie an estimated US\$200bn worth of oil and gas projects around the world shelved in 2015. These represent significant volumes of hydrocarbons which had been expected to feed into the market over the next few years. Even if the appetite to embark on large scale and expensive projects returns, it will take years for this potential new supply to come on stream. Today’s supply glut could therefore very quickly become a supply squeeze even if demand for oil continues to grow at a more sedate pace than has been seen over the last few years. It should also be noted that natural reservoir production declines over time, and this has been estimated as equating historically to 4-5 percent globally, which means that even without growth in demand the oil and gas industry must produce an additional circa 4m barrels per day every year just to keep up with current demand. Furthermore Colin Welsh, head of international energy investment banking at Simmons & Company in Aberdeen was recently quoted as saying “You can’t defy gravity. If you don’t spend any money on investment, then oilfields deplete even faster than usual” and went on to say that they could even decline by as much as 7% because of investment cuts. We therefore remain confident about the medium/longer term growth prospects for standard, HP/HT and subsea drilling opportunities and it was encouraging to hear Aramco, Shell and BP all saying at Davos that they see prices returning to US\$50 plus by the end of 2016.

The positive long term outlook across the industry extends to the North Sea, where Plexus has a dominant position in the supply of wellhead equipment. According to a new major piece of research on the oilfield gas service sector by international law firm, Pinsent Masons, 96% of 200 senior executives across the oilfield services industry believe the UKCS oil and gas sector will recover to ‘peak’ levels of profitability, with almost half (48%) expecting the UKCS to rebound within five years, while over one-quarter (28%) predict recovery within three years, subject to a general improvement in the oil price. As Peter Strachan, Robert Gordon University’s professor of energy policy, said “With up to 22 billion barrels of oil still to be extracted in the North Sea, it is of no surprise that this new Pinsent Masons research study outlines that the UKCS will return to peak profitability, as oil prices recover, in the years to come.” Pinsent Masons' partner in the oil and gas team, David McEwing, added “There is encouragement to be taken from the optimism surrounding the UKCS. There has been discussion in some circles about whether the UKCS could ever recover to previous levels of profitability, but an overwhelming majority of those we spoke to see a recovery.”

Furthermore Scottish Government Business Minister Fergus Ewing agrees “With 22 billion barrels of oil & gas remaining, the sector can still have a strong future...While it is clear that the oil and gas industry faces severe challenges from a low global oil price, there are still opportunities that Scotland can capture from new discoveries and through our world-class supply chain”. In terms of tax take over the long term it is clearly in the Government’s interest to safeguard the future of the UK offshore oil and gas industry which employs circa 375,000 people in the UK: in 2011 the North Sea generated £10.9bn in revenue for the Treasury. However at current oil price levels the majority of fields are loss making and as a result, the Government is expected to receive as little as £100m for the 2015 fiscal year. Such dynamics clearly led to the Chancellor announcing in this month’s budget that the 17% petroleum revenue tax paid by older oil and gas fields is to be abolished, and that the supplementary charge imposed on oil producers has been halved from 20% to 10%. Although we would have liked to see more direct incentives for encouraging exploration activity these measures are a move in the right direction, and we hope that if necessary further action will be taken in relation to ensuring that the remaining oil and gas in the UKCS will be explored and produced.

The stakes are high not just for the UK’s embattled oil and gas sector but also for the global economy in general. Lower oil prices do not just provide a soundbite for politicians who can trumpet how consumers are able to fill up their cars for less than £1 a litre. As Sir Alan Duncan (Con: Rutland and Melton) neatly summed up during Prime Minister’s Questions on 13 January 2016, oil is integral to the stability of the global economy: “Thirty dollar oil is great for petrol prices, but it is potentially catastrophic in other respects. If it goes on like this, we risk seeing regimes under pressure, dramatic corporate failures and financial default, enormous financial transfers out of our markets to pay for other countries’ deficits, a possible collapse in share prices and dividends for pensions, and a liquidity problem in our banking sector.” Clearly the negative impact of low oil prices extends way beyond operators’ profit margins, and it is surprising to me how long it seems to have taken for this to be widely understood. For example it makes no sense from an environmental perspective when the world’s politician’s flocked to Paris last December to support the climate change initiative COP21 and the 2 degree temperature increase limit target, whilst at the same time ‘back home’ then talking about cheaper petrol being good for consumers. As Deloitte recently reported in their “2016 Outlook on Oil and Gas” note consumers respond “in the usual let’s go-buy-a-car, or better yet, a massive-SUV kind of way”.

It was timely to note and encouraging for the future to see in January 2016 Norway's Ministry of Petroleum and Energy award 56 oil and gas exploration licences in mature areas on the Norwegian Continental Shelf (‘NCS’) to a total of 36 companies, ranging from the international majors to small domestic exploration companies. Offshore Norway is of course a key market for Plexus. The Minister of Petroleum and Energy Tord Lien said in a statement: "This year's APA round is among the largest ever awarded on the NCS. It will contribute to activity both in the oil companies and in the supply industry as exploration progresses, wells are drilled and discoveries are made." Out of 56 licences, 27 were in the North Sea, 24 in the Norwegian Sea and five in the Barents Sea. In our view this latest licensing round demonstrates how it is possible to maintain interest and activity in the North Sea through the establishment of an accommodative fiscal regime which encourages rather than penalises exploration activity.

With cash conservation uppermost on the minds of operators, Plexus is ready to play its part. Operators around the world are having to deal with the twin forces of increased regulation on the one hand and the need to control and reduce drilling costs in the face of volatile oil markets on the other. The industry is looking for major cost savings with 30% cuts from oil service companies being reported as a minimum.

Plexus believes it can offer such savings and a great deal more. Our wellhead equipment can deliver on both the safety and cost saving parameters and having been successfully used by a roster of blue chip operators in over 400 wells in some of the most challenging operating environments around the world, our technology is proven. We believe that this is why we are seeing more interest in Plexus and our technology from various parties around the world. The wider industry is aware of the benefits of the POS-GRIP method of engineering, indeed we have the only wellhead technology that has passed the new higher Shell standard. This industry-wide recognition has opened the door to us embarking on the next phase of our growth strategy: to licence out the manufacture and supply of our patent protected equipment in order to enter new markets such as China and Russia without taking on board undue risk and without significant capital investment on the part of Plexus. Together with the expansion of our POS-GRIP family of products, most notably via the launch of Python, I believe that the long term outlook for our Company has never been better.

It is relevant that I comment on the fast developing circumstances around surplus supply and ongoing negotiations between OPEC and non OPEC members with a view to reaching an accord on a level of supply that can bring stability to the oil price and allow it to settle back at a level that all stakeholders can live with. The oil price has already increased by circa 50% since January 2016 and evidence is growing that a decline in US shale production is starting to be felt. Michael Hulme, a fund manager at Carmignac Gestion, the French investment group recently said he believed that oil markets had bottomed out and that “On a 12 to 18 month view, oil prices should normalise back to the marginal cost of supply of at least US\$60”. An important driver of this recent oil price increase is the February agreement led by Saudi Arabia, Russia, Venezuela and other leading producers to cap output levels at January levels. More importantly Qatar’s energy minister Mohammed Bin Saleh al-Sada said this month that about 15 producers in and outside OPEC, accounting for 73% of global output were backing a plan for some of the world’s biggest oil producing countries to meet in Doha in April next month to discuss a freeze in output. As Mr Sada said, stabilisation was in “the interest of all”.

I am confident that when drilling activity recovers, Plexus’ sales and profitability will return strongly with it. Unlike our previous periods of strong growth, we have existing wellhead inventory in place which will ensure our ability to respond quickly to the needs of operators, and free up a larger portion of revenues generated. Utilisation of our wellheads is clearly key and once activity picks up we are confident we can deliver significant EBITDA and profit. Indeed we estimate that subject to logistical efficiency factors our current inventory consisting of 62 wellhead sets is capable of supporting sales revenues of up to £40m per annum. With strong partners in key markets, a growing suite of pioneering products and a first rate management team, all the ingredients are in place for Plexus to not only weather the current cyclical downturn but to achieve our goal of becoming a leading global supplier of oil and gas equipment. Finally I would to thank all our staff, both past and present for all their hard work, commitment and dedication during what is a challenging period currently being experienced by our industry.

Jeff Thrall

Chairman

29 March 2016

**Plexus Holdings Plc**  
**Unaudited Interim Consolidated Statement of Comprehensive Income**  
**For the six months ended 31 December 2015**

	Six months to 31 December 2015	Six months to 31 December 2014	Year to 30 June 2015
	£ 000's	£ 000's	£ 000's
Revenue	6,764	13,506	28,526
Cost of sales	<u>(3,602)</u>	<u>(4,334)</u>	<u>(8,581)</u>
Gross profit	3,162	9,172	19,945
Administrative expenses	<u>(6,593)</u>	<u>(7,052)</u>	<u>(14,925)</u>
<b>Operating (loss) / profit</b>	<b>(3,431)</b>	<b>2,120</b>	<b>5,020</b>
Finance income	34	2	512
Finance costs	(96)	(83)	(182)
Share of profit of associate	-	165	236
Gain on disposal of associate	<u>-</u>	<u>-</u>	<u>352</u>
<b>(Loss) / profit before taxation</b>	<b>(3,493)</b>	<b>2,204</b>	<b>5,938</b>
Income tax expense (note 5)	(9)	(238)	(509)
<b>(Loss) / profit after taxation</b>	<b><u>(3,502)</u></b>	<b><u>1,966</u></b>	<b><u>5,429</u></b>
Other comprehensive income	-	-	-
<b>Total comprehensive income</b>	<b><u><u>(3,502)</u></u></b>	<b><u><u>1,966</u></u></b>	<b><u><u>5,429</u></u></b>
<b>(Loss) / Earning per share</b>			
<b>Basic</b> (note 6)	<b>(3.93p)</b>	<b>2.32p</b>	<b>6.40p</b>
<b>Diluted</b> (note 6)	<b>(3.93p)</b>	<b>2.23p</b>	<b>6.16p</b>



**Plexus Holdings Plc**  
**Unaudited Interim Consolidated Statement of Financial Position**  
**As at 31 December 2015**

	31 December 2015	31 December 2014	30 June 2015
	£ 000's	£ 000's	£ 000's
<b>ASSETS</b>			
Goodwill	767	760	767
Intangible assets	14,056	11,466	13,167
Investment in associate	-	1,106	-
Property, plant and equipment (note 8)	17,074	16,931	17,154
Deferred tax assets	-	-	-
<b>Total non-current assets</b>	<u>31,897</u>	<u>30,263</u>	<u>31,088</u>
Inventories	6,327	6,065	6,551
Trade and other receivables	1,222	6,571	7,301
Cash and cash equivalents	10,534	2,352	3,328
<b>Total current assets</b>	<u>18,083</u>	<u>14,988</u>	<u>17,180</u>
<b>TOTAL ASSETS</b>	<u>49,980</u>	<u>45,251</u>	<u>48,268</u>
<b>EQUITY AND LIABILITIES</b>			
Called up share capital (note 10)	894	849	849
Share premium account (note 10)	28,045	20,138	20,141
Share based payments reserve	1,457	1,641	1,862
Retained earnings	10,562	12,557	15,628
<b>Total equity attributable to equity holders of the parent</b>	<u>40,958</u>	<u>35,185</u>	<u>38,480</u>
Bank loans	5,825	6,125	5,975
Deferred tax liabilities	628	96	212
<b>Total non-current liabilities</b>	<u>6,453</u>	<u>6,221</u>	<u>6,187</u>
Bank loans	300	300	300
Trade and other payables	2,187	3,202	3,296
Current income tax liabilities	82	343	5
<b>Total current liabilities</b>	<u>2,569</u>	<u>3,845</u>	<u>3,601</u>
<b>Total liabilities</b>	<u>9,022</u>	<u>10,066</u>	<u>9,788</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>49,980</u>	<u>45,251</u>	<u>48,268</u>

**Plexus Holdings Plc**  
**Unaudited Interim Statement of Changes in Equity**  
**For the six months ended 31 December 2015**

	Called Up Share Capital	Share Premium Account	Share Based Payments Reserve	Retained Earnings	Total
	£ 000's	£ 000's	£ 000's	£ 000's	£ 000's
<b>Balance as at 30 June 2014</b>	<b>849</b>	<b>20,138</b>	<b>2,476</b>	<b>11,117</b>	<b>34,580</b>
Total comprehensive income for the period	-	-	-	5,429	5,429
Issue of ordinary shares (net of issue costs)	-	3	-	-	3
Share based payments reserve charge	-	-	21	-	21
Transfer of share based payments reserve charge on exercise of options	-	-	(1)	1	-
Transfer of share based payments reserve charge on lapse of options	-	-	(38)	38	-
Tax credit recognised directly in equity	-	-	-	2	2
Net deferred tax movement on share options	-	-	(596)	-	(596)
Dividends	-	-	-	(959)	(959)
<b>Balance as at 30 June 2015</b>	<b>849</b>	<b>20,141</b>	<b>1,862</b>	<b>15,628</b>	<b>38,480</b>
Total comprehensive income for the period	-	-	-	(3,502)	(3,502)
Issue of ordinary shares (net of issue costs)	45	7,904	-	-	7,949
Share based payments reserve charge	-	-	11	-	11
Net deferred tax movement on share options	-	-	(416)	-	(416)
Dividends	-	-	-	(1,564)	(1,564)
<b>Balance as at 31 December 2015</b>	<b>894</b>	<b>28,045</b>	<b>1,457</b>	<b>10,562</b>	<b>40,958</b>

**Plexus Holdings Plc**  
**Unaudited Interim Statement of Cash Flows**  
**For the six months ended 31 December 2015**

	Six months to 31 December 2015	Six months to 31 December 2014	Year to 30 June 2015
	£ 000's	£ 000's	£ 000's
<b>Cash flows from operating activities</b>			
(Loss) / profit before taxation	(3,493)	2,204	5,938
Adjustments for:			
Depreciation, amortisation and impairment charges	2,193	1,848	3,881
Loss on disposal of property, plant and equipment	2	20	20
Charge for share based payments	11	12	21
Investment income	(34)	(2)	(512)
Interest expense	96	60	182
Share of result in associate	-	(165)	(236)
Gain on disposal of associate	-	-	(352)
Dividend received from associate	-	-	37
Changes in working capital:			
Decrease / (increase) in inventories	224	(809)	(1,295)
Decrease / (increase) in trade and other receivables	6,079	(108)	(838)
(Decrease) in trade and other payables	(1,109)	(2,280)	(1,678)
<b>Cash generated from operations</b>	<u>3,969</u>	<u>780</u>	<u>5,168</u>
Net income taxes received/ (paid)	68	(78)	(318)
<b>Net cash generated from operating activities</b>	<u>4,037</u>	<u>702</u>	<u>4,850</u>
<b>Cash flows from investing activities</b>			
Proceeds from disposal of associate	-	-	1,492
Acquisition of subsidiary	-	-	(7)
Purchase of intangible assets	(1,367)	(1,413)	(3,541)
Purchase of property, plant and equipment	(1,640)	(5,136)	(7,016)
Proceeds of sale of property, plant and equipment	3	5	56
<b>Net cash used in investing activities</b>	<u>(3,004)</u>	<u>(6,544)</u>	<u>(9,016)</u>
<b>Cash flows from financing activities</b>			
Drawdown of loans	-	2,500	2,500
Repayment of loans	(150)	(75)	(225)
Net proceeds from issue of new ordinary shares	7,949	-	-
Proceeds from share options exercised	-	-	3
Interest paid	(96)	(60)	(182)
Interest received	34	2	4
Equity dividends paid	(1,564)	(526)	(959)
<b>Net cash generated from financing activities</b>	<u>6,173</u>	<u>1,841</u>	<u>1,141</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>	7,206	(4,001)	(3,025)
<b>Cash and cash equivalents at brought forward</b>	3,328	6,353	6,353
<b>Cash and cash equivalents at carried forward</b>	<u>10,534</u>	<u>2,352</u>	<u>3,328</u>

## Notes to the Interim Report December 2015

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 2015 and which are also expected to apply for 30 June 2016.

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 2016. 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 29 March 2016.

3. During the interim period the Group paid a final dividend on ordinary shares of £1,564k. The directors do not recommend payment of an interim dividend.

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. No corporation tax provision has been provided for the six months ended 31 December 2015 (2014: 20%). As a result there is no effective rate of tax for the six months ended 31 December 2015 (2014: 11%) 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 89,226,270(2014: 84,892,673).

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 fluctuations.

## 8. Property, plant and equipment

	<b>Buildings £'000</b>	<b>Tenant Improve- ments £'000</b>	<b>Equipment £'000</b>	<b>Assets under Constru- ction £'000</b>	<b>Motor Vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>						
As at 30 June 2014	974	430	25,393	260	44	27,101
Additions	3,405	2	1,544	2,054	11	7,016
Transfers	-	-	2,140	(2,140)	-	-
Disposals	-	-	(533)	-	(7)	(540)
<b>As at 30 June 2015</b>	<b>4,379</b>	<b>432</b>	<b>28,544</b>	<b>174</b>	<b>48</b>	<b>33,577</b>
Additions	7	156	363	1,114	-	1,640
Transfers	-	-	1,075	(1,075)	-	-
Disposals	-	-	(14)	-	-	(14)
<b>As at 31 December 2015</b>	<b>4,386</b>	<b>588</b>	<b>29,968</b>	<b>213</b>	<b>48</b>	<b>35,203</b>
<b>Depreciation</b>						
As at 1 July 2014	405	126	13,257	-	29	13,817
Charge for the year	153	56	2,854	-	7	3,070
On disposals	-	-	(461)	-	(3)	(464)
<b>As at 30 June 2015</b>	<b>558</b>	<b>182</b>	<b>15,650</b>	<b>-</b>	<b>33</b>	<b>16,423</b>
Charge for the year	125	30	1,558	-	3	1,716
On disposals	-	-	(10)	-	-	(10)
<b>As at 31 December 2015</b>	<b>683</b>	<b>212</b>	<b>17,198</b>	<b>-</b>	<b>36</b>	<b>18,129</b>
<b>Net book value</b>						
<b>As at 31 December 2015</b>	<b>3,703</b>	<b>376</b>	<b>12,770</b>	<b>213</b>	<b>12</b>	<b>17,074</b>
As at 30 June 2015	3,821	250	12,894	174	15	17,154
As at 30 June 2014	569	304	12,136	260	15	13,284

9. The comparative figures for the financial year ended 30 June 2015 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.

## 10. Share Capital

	Six months to 31 December 2015	Six months to 31 December 2014	Year to 30 June 2015
	£'000	£'000	£'000
Authorised:			
Equity: 110,000,000 (2014: 110,000,000) Ordinary shares of 1p each	<b>1,100</b>	1,100	1,100
Allotted, called up and fully paid:			
Equity: 89,390,576 (Dec 2014: 84,892,673, June 15: 84,902,196) Ordinary shares of 1p each	<b>894</b>	849	849

Share issue during the period:	Number of shares	Share capital £'000	Share premium £'000	Total £'000
At 30 June 2015	84,902,196	849	20,141	20,990
On 7 July 2015	4,468,537	45	7,894	7,939
On 9 December 2015	19,843	-	10	10
At 31 December 2015	89,390,576	894	28,045	28,939

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 £
<b>7 July 2015</b>				
-Share issue	4,468,537	180p	44,685	8,043,366
<b>9 December 2015</b>				
- Share options	9,747	60p	97	5,848
- Share options	10,096	41p	100	4,139