

**PipeHawk plc**

**(“PipeHawk” or the “Company”)**

**Final results for the year ended 30 June 2016**

**Chairman’s Statement**

I can report that turnover for the year ended 30 June 2016 was £4.8 million (2015: £4.6 million). The Group incurred a loss before taxation for the year of £1,017,000 (2015: loss £753,000). The loss per share was 2.28p (2015: 1.52p).

**QM Systems**

2015/16 has proved challenging on a number of levels. Low order intake during the second quarter, delayed receipt of expected orders during the latter part of the third quarter and early part of the fourth quarter which I can only assume related to the uncertainty around Brexit. Despite this QM Systems still managed to achieve an order intake of approximately £3 million during the last six months of the financial year (approx. £800k for the first six months of the financial year). Order intake for our usually quieter period of the first quarter of the current financial year is approximately £1.25 million representing an excellent start to this year. This seems to support the theory that orders were delayed due to uncertainty around Brexit. Our expected order base continues to look buoyant with a substantial amount of significant orders under discussion.

The fragmented way in which orders arrived throughout 2015/16 resulted in an inefficient utilisation of resources. In addition we experienced a substantial deficit on budget on one of our key projects. Despite this we put our client’s interests first, ensuring that the project was delivered on time and the close relationship was maintained. Although QM Systems incurred a loss on the project, it assisted in winning a substantial order for an additional project with the client at more advantageous terms for QM Systems.

Looking forwards for the remainder of the current financial year we enter the period with a very healthy orderbook, and the enquiry pipeline continues to look buoyant. QM Systems has recruited an additional experienced sales manager to the business to continue growing the orderbook. We have successfully put the project challenges faced within the previous year and our utilisation of resources across the business is now far more efficient.

**Technology Division**

Our marketing of the e-Safe family of products at a number of prestigious industry events across Europe is beginning to bear fruit with a number of new PipeHawk Resellers covering Germany, Austria, Spain, Italy and Slovenia all placing orders. At the No-Dig Show in Poland PipeHawk was awarded “Certificate of Distinction” by the Polish Foundation for Trenchless Technology for outstanding innovation shown in development of e-Safe which was recognised as a significant step change in the approach to reducing service strikes during both trenchless and traditional excavation works.

In the UK the number of e-Safe units sold continues to grow as major players in the construction and utilities sectors begin to adopt its use into their standard practices. Trials have commenced with a number of Tier 1 companies such as National Grid Gas, Anglian Water and Morrison Utility Services which are progressing with positive results. In addition two major equipment hire companies are now listing the e-Safe+ and the new e-SafeLOG.

With renewed interest in alternative methods for assessing the compliance of Highway reinstatements against standards; this year has also seen a marked increase in enquiries for our e-Spott & e-SpottHF system.

The application for the Phase 2 H2020 funding was submitted in October 2016, which was later than expected with the extra time used for further European marketing to enhance the application. A response is expected before the end of 2016. The increased presence of PipeHawk across the European GPR market has also led to a number of enquiries for development of other GPR based products, further work on which is expected to open new opportunities, allowing us to further enhance our provision of user friendly GPR based systems.

## **Adien**

Following a reasonable first half of the year showing a small profit, Adien encountered some very difficult trading during the second six months largely due to the deferment of any sort of decision being taken by clients in the run up to the Brexit referendum. Nevertheless Adien are now experiencing an increase in volumes of both work in progress and enquiries from all its key clients; in the Water sector all of its major frameworks are fully engaged; in addition the Airport and Rail sectors are increasing activity with significant contracts in place with all the main Contractors involved both north and south of the border.

In Scotland the Power sector has started a new phase of funding for Substation upgrades with an initial batch of 35 sites starting in December 2016. The Highlands Railway refurbishment is underway and Adien have frameworks agreements in place with all the major contractors.

The next six months is forecast to be very busy.

## **SUMO**

SUMO has also had a challenging year. It made a small loss in the first half, then a good profit in the third quarter and another loss in the fourth quarter. Turnover for the year ended 30 June 2016 was £4,664,000 (2015: £4,464,000) and the profit before tax was £22,000 (2015: loss £136,000). PipeHawk owns 28.4% of SUMO and accounts for it as a joint venture – for this reason the turnover of SUMO has not been accounted for in the group financial statements.

## **Financial position**

**The continuing losses mean that the group continues to be in a net liability position and reliant on my continuing financial support.**

My letter of support dated 7 December 2015 was renewed on 14 November 2016 for a further year. Loans, other than those covered by the CULS agreement, are unsecured and accrue interest at an annual rate of Bank of England base rate plus 2.15%.

In addition to the loans I have provided to the Company in previous years, my fellow directors and I have deferred a certain proportion of our fees and the interest due to us until the Company is in a suitably strong position to make the full payments. Further fees and interest, amounting to £71,000 were deferred in the year ended 30 June 2016. At 30 June 2016, these deferred fees and interest amounted to approximately £1.6 million in total, all of which have been recognised as a liability in the Company's accounts.

## **Strategy & Outlook**

The PipeHawk Group remains committed to creating sustainable earnings-based growth and focusing on the expansion of its business with forward-looking products and services. PipeHawk acts responsibly towards its shareholders, business partners, employees, society and the environment – in each of its business areas. PipeHawk is committed to technologies and products that unite the goals of customer value and sustainable development. Despite the very challenging year just endured, I remain optimistic in my outlook for the Group.

**Gordon Watt**  
**Chairman**

14 November 2016

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**Consolidated Statement of Comprehensive Income  
For the year ended 30 June 2016**

		<b>30 June</b>	<i>30 June</i>
		<b>2016</b>	<i>2015</i>
	<b>Note</b>	<b>£'000</b>	<i>£'000</i>
<b>Revenue</b>	2	4,813	4,628
Staff costs	5	(2,866)	(2,575)
Operating costs		<u>(2,805)</u>	<u>(2,617)</u>
<b>Operating loss</b>		(858)	(564)
Share of post-tax profits/(losses) of equity accounted joint venture	11	<u>6</u>	<u>(39)</u>
<b>Loss before interest and taxation</b>		(852)	(603)
Finance costs	3	<u>(165)</u>	<u>(150)</u>

<b>Loss before taxation</b>		(1,017)	(753)
Taxation	7	<u>264</u>	<u>250</u>
<b>Loss for the year attributable to equity holders of the parent</b>		<u>(753)</u>	<u>(503)</u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive loss for the year attributable to equity holders of the parent		<u>(753)</u>	<u>(503)</u>
<b>Loss per share (pence) – basic</b>	8	(2.28)	(1.52)
<b>Loss per share (pence) – diluted</b>	8	(2.28)	(1.52)

**Consolidated Statement of Financial Position  
at 30 June 2016**

<b>Assets</b>	<b>Note</b>	<b>30 June 2016 £'000</b>	<b>30 June 2015 £'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	9	227	235
Goodwill	10	1,061	1,061
Investment in joint venture	11	<u>53</u>	<u>47</u>
		<u>1,341</u>	<u>1,343</u>

<b>Current assets</b>			
Inventories	13	105	86
Current tax assets		181	127
Trade and other receivables	14	1,224	1,276
Cash and cash equivalents		24	43
		<u>1,534</u>	<u>1,532</u>
<b>Total assets</b>			
		<u>2,875</u>	<u>2,875</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	19	330	330
Share premium		5,151	5,151
Retained earnings		(9,236)	(8,483)
		<u>(3,755)</u>	<u>(3,002)</u>
<b>Non-current liabilities</b>			
Borrowings	15	2,301	2,242
Trade and other payables	16	-	1,848
		<u>2,301</u>	<u>4,090</u>
<b>Current liabilities</b>			
Trade and other payables	16	3,895	1,569
Borrowings	17	434	218
		<u>4,329</u>	<u>1,787</u>
<b>Total equity and liabilities</b>			
		<u>2,875</u>	<u>2,875</u>

**Parent Company Statement of Financial Position  
at 30 June 2016**

<b>Assets</b>	<b>Note</b>	<b>30 June 2016 £'000</b>	<b>30 June 2015 £'000</b>
<b>Non-current assets</b>			
Investment in subsidiaries	12	1,197	1,197
Investment in joint venture	11	198	198
		<u>1,395</u>	<u>1,395</u>
<b>Current assets</b>			
Inventories	13	97	72
Current tax assets		82	50
Trade and other receivables	14	316	680
Cash and cash equivalents		-	9
		<u>495</u>	<u>811</u>
<b>Total assets</b>			
		<u>1,890</u>	<u>2,206</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			

Share capital	19	330	330
Share premium		5,151	5,151
Retained earnings		(9,145)	(8,773)
		<u>(3,664)</u>	<u>(3,292)</u>
<b>Non-current liabilities</b>			
Borrowings	15	2,225	2,225
Trade and other payables	16	1,261	3,142
		<u>3,486</u>	<u>5,367</u>
<b>Current liabilities</b>			
Trade and other payables	16	2,068	131
		2,068	<u>131</u>
		<u>1,890</u>	<u>2,206</u>

**Consolidated Statement of Cash Flow  
For the year ended 30 June 2016**

	Note	30 June 2016 £'000	30 June 2015 £'000
<b>Cash flows from operating activities</b>			
Loss from operations		(858)	(564)
Adjustments for:			
Profit on disposal of assets		(1)	-
Depreciation		112	138
		<u>(747)</u>	<u>(426)</u>
(Increase)/decrease in inventories		(19)	24
Decrease/(increase) in receivables		53	(198)
Increase in liabilities		328	454
		<u>(385)</u>	<u>(146)</u>
Cash used in operations		(385)	(146)
Interest paid		(18)	(12)
Corporation tax received		212	195
		<u>(191)</u>	<u>37</u>
<b>Net cash (used in)/generated from operating activities</b>			
<b>Cash flows from investing activities</b>			
Proceeds from sale of assets		2	-
Purchase of plant and equipment		(105)	(133)
		<u>(103)</u>	<u>(133)</u>
Net cash used in investing activities		(103)	(133)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		361	221
Repayment of loan		-	(160)
Repayment of finance leases		(86)	(42)
		<u>(49)</u>	<u>(81)</u>

Net cash generated from / (used in) financing activities	275	19
<b>Net decrease in cash and cash equivalents</b>	(19)	(77)
Cash and cash equivalents at beginning of year	43	120
<b>Cash and cash equivalents at end of year</b>	24	43

**Parent Company Statement of Cash Flow  
For the year ended 30 June 2016**

	<b>30 June 2016 £'000</b>	<i>30 June 2015 £'000</i>
<b>Cash flows from operating activities</b>		
Loss from operations	(353)	(232)
Decrease in inventories	(25)	14
Increase in receivables	364	(60)
Increase in liabilities	(80)	329
Cash generated by operations	(94)	51
Interest paid	(2)	-
Corporation tax received	87	110
<b>Net cash generated by operating activities</b>	(9)	161
<b>Cash flows from investing activities</b>		
Repayment of loan	-	(160)
Net cash used in financing activities	-	(160)
<b>Net increase in cash and cash equivalents</b>	(9)	1
Cash and cash equivalents at beginning of year	9	8
<b>Cash and cash equivalents at end of year</b>	-	9

**Statement of Changes in Equity  
For the year ended 30 June 2016**

<b>Consolidated</b>	<b>Share capital</b>	<b>Share premium account</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
As at 1 July 2014	330	5,151	(7,980)	(2,499)
Loss for the year	-	-	(503)	(503)
Other comprehensive income	-	-	-	-

Total comprehensive income	-	-	(503)	(503)
<b>As 30 June 2015</b>	<u>330</u>	<u>5,151</u>	<u>(8,483)</u>	<u>(3,002)</u>
Loss for the year	-	-	(753)	(753)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(753)	(753)
<b>As 30 June 2016</b>	<u>330</u>	<u>5,151</u>	<u>(9,236)</u>	<u>(3,755)</u>

<b>Parent</b>	<b>Share capital</b>	<b>Share premium account</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
As at 1 July 2014	330	5,151	(8,498)	(3,017)
Loss for the year	-	-	(275)	(275)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(275)	(275)
<b>As 30 June 2015</b>	<u>330</u>	<u>5,151</u>	<u>(8,773)</u>	<u>(3,292)</u>
Loss for the year	-	-	(372)	(372)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(372)	(372)
<b>As 30 June 2016</b>	<u>330</u>	<u>5,151</u>	<u>(9,145)</u>	<u>(3,664)</u>

## Summary of Significant Accounting Policies

### 1. Basis of preparation

The financial statements have been prepared in accordance with international financial reporting standards as adopted by the EU and under the historical cost convention. The principal accounting policies are set out below.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not yet been adopted by the EU.

The directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. At this point it is not practicable for the directors to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 as their detailed review of these standards is still ongoing.

In addition the directors are in the process of considering the potential changes that may occur to the financial statements under IFRS 16 “Leases”. This is expected to apply to periods commencing on or after 1 January 2019 and the assessment will be made over the next year and reported in future financial information.

### **Basis of preparation – Going concern**

The directors have reviewed the Group's funding requirements for the next twelve months which show positive anticipated cash flow generation, prior to any repayment of loans from the Executive Chairman. The directors therefore have a reasonable expectation that the entity has adequate resources to continue in its operational exercises for the foreseeable future. The directors have furthermore obtained a renewed pledge from GG Watt to provide ongoing financial support for a period of at least twelve months from the approval date of the group statement of financial position. It is on this basis that the directors consider it appropriate to adopt the going concern basis of preparation within these financial statements. A material uncertainty exists regarding the ability of the Group to remain a going concern without the continuing financial support of the Executive Chairman.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

## **2. Segmental analysis**

	<b>2016</b>	<i>2015</i>
	<b>£'000</b>	<i>£'000</i>
<b>Turnover by geographical market</b>		
United Kingdom	4,745	4,529
Europe	68	9
Other	-	90
	<u>4,813</u>	<u>4,628</u>

The Group operates out of one geographical location being the UK. Accordingly the primary segmental disclosure is based on activity. Per IFRS 8 operating segments are based on internal reports about components of the group, which are regularly reviewed and used by Chief Operating Decision Maker (“CODM”) for strategic decision making and resource allocation, in order to allocate resources to the segment and to assess its performance. The Group’s reportable operating segments are as follows:

- Adien -Utility detection and mapping services
- Technology Division - Development, assembly and sale of GPR equipment
- QM Systems - Test system solutions

The CODM monitors the operating results of each segment for the purpose of performance assessments and making decisions on resource allocation. Performance is based on external and internal revenue generations and profit before tax, which the CODM believes are the most relevant in evaluating the results relative to other entities in the industry. Segment assets and liabilities are presented inclusive of inter segment balances, as inter-segment pricing.

In utility detection and mapping services one customer accounted for 11% of revenue in 2016 and 12% in 2015. In development, assembly and sale of GPR equipment one customer accounted for 10% of

revenue in 2016 (£15,700) (24% in 2015). In automation and test system solutions one customer accounted for 15.5% (£529,700) of revenue (2015 one customers accounted for 8.5%).

Information regarding each of the operations of each reportable segments is included below, all non-current assets owned by the group are held in the UK.

	<b>Utility detection and mapping services £'000</b>	<b>Development, assembly and sale of GPR equipment £'000</b>	<b>Automation and test system solutions £'000</b>	<b>Total £'000</b>
<b>Year ended 30 June 2016</b>				
Total segmental revenue	1,241	151	3,421	4,813
<b>Segmental result</b>	(156)	(354)	(348)	(858)
Finance costs	(7)	(137)	(21)	(165)
Share of operating profit in Joint venture				6
Loss before taxation				(1,017)
Segment assets	521	1,334	1,019	2,874
Segment liabilities	510	4,293	1,827	6,630
Non-current asset additions	95	-	10	105
Depreciation and amortisation	72	-	40	112

	<b>Utility detection and mapping services</b>	<b>Development, assembly and sale of GPR equipment</b>	<b>Automation and test system solutions</b>	<b>Total</b>
<b>Year ended 30 June 2015</b>				
Total segmental revenue	1,295	210	3,123	4,628
<b>Segmental result</b>	(91)	(232)	(241)	(564)
Finance costs	(8)	(138)	(4)	(150)
Share of operating loss in joint venture				(39)
Loss before taxation				(753)
Segment assets	511	1,432	932	2,875
Segment liabilities	833	3,822	1,222	5,877
Non current asset additions	85	-	49	134
Depreciation and amortisation	80	-	59	139

The majority of the Group's revenue is earned via the rendering of services.

### 3. Taxation

	<b>2016</b>	<i>2015</i>
	<b>£'000</b>	<i>£'000</i>
<b>United Kingdom Corporation Tax</b>		
Current taxation	(264)	(204)
Adjustments in respect of prior years	-	(46)
	<u>(264)</u>	<u>(250)</u>
Deferred taxation	-	-
Tax on loss	<u>(264)</u>	<u>(250)</u>
<b>Current tax reconciliation</b>		
	<b>2016</b>	<i>2015</i>
	<b>£'000</b>	<i>£'000</i>
Taxable (loss) for the year	<u>(1,023)</u>	<u>(713)</u>
Theoretical tax at UK corporation tax rate 20.75% (2014: 22.5%)	(205)	(148)
Effects of:		
- R&D tax credit adjustments	(162)	(108)
- other expenditure that is not tax deductible	4	6
- adjustments in respect of prior years	36	(46)
- accelerated capital allowances	-	5
- losses carried forward	61	21
- short term timing differences	2	20
Total income tax expense	<u>(264)</u>	<u>(250)</u>

The Group has tax losses amounting to approximately £2,492,000 (2015: £2,176,000), available for carry forward to set off against future trading profits. No deferred tax assets have been recognised in these financial statements due to the uncertainty regarding future taxable profits.

Potential deferred tax assets not recognised are approximately £490,000 (2015: £435,000)

### 4. Loss per share

#### Group

#### Basic

This has been calculated on a loss of £753,000 (2015: loss £503,000) and the number of shares used was 33,020,515 (2015: 33,020,515) being the weighted average number of shares in issue during the year.

#### Diluted

This has been calculated on a loss of £753,000 (2015: loss £503,000) and the number of shares used was 67,111,718 (2015: 67,111,718) being the diluted weighted average number of shares in issue during the year. The potential ordinary shares included in the weighted average number of shares are anti-dilutive and therefore diluted earnings per share is equal to basic earnings per share.

### 5. Investment in Joint Venture

Group

**Investment  
in shares  
£'000**

**Cost:**

At 1 July 2015 & 30 June 2016

198

Share of losses	
At 1 July 2015	151
Share of profit for the year	(6)
At 30 June 2016	145
Net investment	
At 30 June 2016	53
At 30 June 2015	47

The investment in joint venture relates to a 28.4% shareholding in the ordinary share capital of SUMO Limited. SUMO Limited is engaged in the development of a GPR franchise operation and has a year end of 31 December. For the purpose of preparing this consolidation, financial information has been prepared for the year ended 30 June 2016. SUMO Limited's principal place of business is Havant, Hampshire.

Summarised financial information in respect of the Group's joint venture is set out below:

	<b>30 June 2016</b>	<i>30 June 2015</i>
	<b>£'000</b>	<b>£'000</b>
Cash	12	34
Current assets	3,072	1,668
Non-current assets	965	853
Total assets	4,049	2,555
Total liabilities (all current)	3,862	2,390
Net assets	187	165
Group's share of net assets of joint venture	53	47
	<b>Year ended</b>	<i>Year ended</i>
	<b>30 June 2016</b>	<i>30 June</i>
	<b>£'000</b>	<b>2015</b>
		<b>£'000</b>
Total revenue	4,664	4,464
Interest expense	63	95
Depreciation/amortisation	117	139
Total profit/(loss) for the period	22	(136)
Group's share of profit/(loss) of joint venture	6	(39)

## 6. Trade and other receivables

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Current				
Trade receivables	1,126	1,199	7	-
Amounts owed by group undertakings	-	-	263	670
Other receivables	49	41	44	8
Prepayments and accrued income	49	36	2	2
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	-			
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	1,224	1,276	316	680
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
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## 7. Non-current liabilities: Borrowings

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Borrowings (note 18)	2,301	2,242	2,225	2,225
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
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## 8. Trade and other payables

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Current				
Trade payables	1,112	404	393	56
Other taxation and social security	393	336	4	-
Payments received on account	432	536	-	-
Accruals	1,958	293	1,671	75
	<u>3,895</u>	<u>1,569</u>	<u>2,068</u>	<u>131</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
	=			

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Non-current				
Trade payables	-	299	-	299
Amounts owed to group undertakings	-	-	1,261	1,294
Accruals	-	1,549	-	1,549
	<u>-</u>	<u>1,848</u>	<u>1,261</u>	<u>3,142</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
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Included in trade payables is an amount owed to G G Watt of £274,000 (2015: £299,000).

Included within accruals above are the following amounts owing to directors relating to unpaid fees and accrued interest;

	2016	2015
G G Watt	£1,544,754	£1,439,709
R G Tallentire	£49,148	£83,034
R R MacDonnell	£2,000	£2,000

## 9. Borrowing Analysis

	Group		Company	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000
<b>Due within one year</b>				
Bank and other loans	404	173	-	-
Obligations under finance lease agreements	30	45	-	-
	<u>434</u>	<u>218</u>	<u>-</u>	<u>-</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Due after more than one year</b>				
Obligations under finance lease agreements	76	17	-	-
Directors' loans	2,225	2,225	2,225	2,225
	<u>2,225</u>	<u>2,225</u>	<u>2,225</u>	<u>2,225</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

	<u>2,301</u>	<u>2,242</u>	<u>2,225</u>	<u>2,225</u>
<b>Repayable</b>				
Due within 1 year	434	218	-	-
Over 1 year but less than 2 years	1,244	1,238	1,225	1,225
Over 2 years but less than 5 years	<u>1,057</u>	<u>1,004</u>	<u>1,000</u>	<u>1,000</u>
	<u>2,735</u>	<u>2,460</u>	<u>2,225</u>	<u>2,225</u>

Finance lease agreements with Close Motor Finance are at a rate of 4.5% over base rate. The future minimum lease payments under finance lease agreements at the year end date was £106,596 (2015: £61,863).

A working capital loan of £220,000 was given by Mirrasand Partnership from a trust settled by Mr G Watt. The loan attracts interest at 10% per annum. £70,000 was repaid on 31 August 2016. The remainder is repayable in January 2017. The loan was guaranteed personally by Mr G Watt.

The director's loan due in more than one year is a loan of £1,225,000 from G G Watt. Directors' loans attract interest at 2.15% over Bank of England base rate. During the year to 30 June 2016 £nil (2015: £160,000 was repaid).

Included in bank and other loans is an invoice discounting facility of £160,000 (2015 £75,000).

On 13<sup>th</sup> August 2010 the Company issued £1 million of Convertible Unsecured Loan Stock 2014 ("CULS") to G G Watt, the Chairman of the Company. The CULS have been issued to replace loans made by G G Watt to the Company amounting to £1 million and has been recognised in non-current liabilities of £2,225,000. The CULS were renewed on 13<sup>th</sup> November 2014.

The principal terms of the CULS are as follows:

- The CULS may be converted at the option of Gordon Watt at a price of 5p per share at any time prior to 13<sup>th</sup> November 2018;
- Interest is payable at a rate of 10 per cent per annum on the principal amount outstanding until converted, prepaid or repaid, calculated and compounded on each anniversary of the issue of the CULS. On conversion of any CULS, any unpaid interest shall be paid within 20 days of such conversion;
- The CULS are repayable, together with accrued interest on 13<sup>th</sup> November 2018 ("the Repayment Date").

On the basis of materiality no equity element of the convertible loan stock has been recognised in these financial statements.

## 10. Copies of the Report and Accounts

Copies of the Report and Accounts will be posted to shareholders tomorrow, and will be available from the Company's registered office, Manor Park Industrial Estate, Wyndham Street, Aldershot, Hampshire GU12 4NZ and from the Company's website [www.pipehawk.com](http://www.pipehawk.com).

## 11. Notice of Shareholder presentation and Annual General Meeting

Notice is hereby given that the annual general meeting (the "AGM") of PipeHawk plc will be held at the offices of Allenby Capital Limited, 3 St Helen's Place, London, EC3A 6AB at 14.30 on Thursday 15 December 2016.