

PipeHawk plc
(“PipeHawk” or the “Company”)

Half-yearly results for the six months ended 31 December 2014

Chairman’s Statement

I am pleased to report that the Company’s turnover in the six months ended 31 December 2014 was £2,583,000 (2013: £2,609,000), resulting in a loss before taxation of £142,000 (2013: loss of £244,000) and a profit after taxation of £50,000 (2013: loss of £190,000).

During the period, the order intake at QM Systems has been strong. We enter the second half of our financial year with a healthy order book and a substantial sales pipeline. We have continued our recruitment drive with the addition of manufacturing and system controls engineers to the team. This has enabled us to remove the majority of externally contracted resources employed during the previous financial year. Our business has expanded into additional industrial sectors, including Packaging and Food & Beverage, bringing with it a whole host of new opportunities. QM Systems continues to employ an attitude of “customer first”, as demonstrated by our ability to retain and grow client relationships. As reported in our previous statement for the year ended 30 June 2014, our management team has been significantly strengthened with key personnel in the roles of manufacturing, purchasing, project management and controls engineering. We are now seeing the significant rewards within our business created through the work undertaken in the last financial year. During the period we have completed the redevelopment of our factory space and we have added an in house machining capability to enable us to react far more quickly to short term customer requirements. The company is now in a strong position to continue expansion at the significant rate that we expect.

At PipeHawk we have continued to develop our new range of GPR products. We have continued to see significant interest in the e-Safe and e-Spade Lite range of product, with new distributors signed and potential distributors showing interest. Initial feedback from the markets is very positive. We currently await the outcome of our grant application to the Horizon 2020 European funding stream, due in spring 2015. A successful grant application will assist us in obtaining additional funding to ‘fast track’ expansion into new markets and address new product applications. Whilst we await the outcome of this application we continue with the development of the e-Spade Lite platform of products together with investment in our marketing and distribution partners.

Adien has traded in very competitive market conditions. A key project that was programmed to commence in the last quarter of 2014 was postponed until 2015 which had a negative impact on these results but provides a good start to calendar year 2015.

SUMO, in which the Group holds a 28.4% stake, continues to consolidate its recent acquisitions in the geophysical survey market and traded at a small profit.

Related party transactions

In the period under review, I was not called upon to provide working capital support to the Company.

My letter of support was renewed on 29 October 2014 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 per cent.

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 interest payments until the Company is in a suitably strong position to make the full payments. At 31 December 2014, these deferred fees and interest payments amounted to approximately £1,042,000 in total, all of which have been accrued in the Company’s accounts.

Gordon Watt
Chairman

Enquiries:

PipeHawk Plc
Gordon Watt (Chairman)

Tel. No. 01252 338 959

**Sanlam Securities UK Limited (Nomad and
Broker)**
David Worlidge/James Thomas

Tel. No. 020 7628 2200

Statement of Comprehensive Income
For the six months ended 31 December 2014

	6 months ended 31 December 2014 (unaudited) £'000	6 months ended 31 December 2013 (unaudited) £'000	Year ended 30 June 2014 (audited) £'000
Revenue	2,583	2,609	5,111
Staff costs	(1,257)	(1,191)	(2,416)
General administrative expenses	(1,417)	(1,586)	(3,196)
Operating loss	(89)	(169)	(501)
Share of operating profit in joint venture	22	1	28
Loss on ordinary activities before interest and taxation	(67)	(168)	(473)
Finance costs	(75)	(76)	(149)
Loss before taxation	(142)	(244)	(622)
Taxation	192	54	99
(Profit/(loss) for the period attributable to equity holders of the Company	50	(190)	(523)
Other comprehensive income	-	-	-
Total comprehensive income/(loss) for the period net of tax	50	(190)	(523)
Earnings/(Loss) per share (pence) – basic	0.14	(0.57)	(1.55)
Earnings/(Loss) per share (pence) – diluted	0.07	(0.57)	(1.55)

**Consolidated Statement of Financial Position
As at 31 December 2014**

Assets	As at 31 December 2014 (unaudited) £'000	As at 31 December 2013 (unaudited) £'000	As at 30 June 2014 (audited) £'000
Non-current assets			
Property, plant and equipment	289	196	240
Goodwill	1,061	1,061	1,061
Investment in joint venture	108	58	86
	<u>1,458</u>	<u>1,315</u>	<u>1,387</u>
Current assets			
Inventories	80	115	110
Current tax assets	257	38	65
Trade and other receivables	1,431	1,323	1,085
Cash	61	365	120
	<u>1,829</u>	<u>1,841</u>	<u>1,380</u>
Total Assets	<u><u>3,287</u></u>	<u><u>3,156</u></u>	<u><u>2,767</u></u>
Equity and liabilities			
Equity			
Share capital	330	330	330
Share premium	5,151	5,151	5,151
Other reserves	(7,930)	(7,647)	(7,980)
	<u>(2,449)</u>	<u>(2,166)</u>	<u>(2,499)</u>
Non-current liabilities			
Borrowings	2,327	2,458	2,414
Trade and other payable	1,477	1,584	1,683
	<u>3,804</u>	<u>4,042</u>	<u>4,097</u>
Current liabilities			
Trade and other payables	1,883	1,261	1,142
Bank overdrafts and loans	49	19	27
	<u>1,932</u>	<u>1,280</u>	<u>1,169</u>
Total equity and liabilities	<u><u>3,287</u></u>	<u><u>3,156</u></u>	<u><u>2,767</u></u>

Consolidated Statement of Cash Flow
For the six months ended 31 December 2014

	6 months ended 31 December 2013 (unaudited) £'000	6 months ended 31 December 2013 (unaudited) £'000	Year ended 30 June 2014 (audited) £'000
Cash inflow from operating activities			
Loss from operations	(89)	(168)	(501)
Adjustments for:			
Depreciation	60	45	98
	(29)	(123)	(403)
Decrease in inventories	30	163	-
(Increase)/Decrease in receivables	(346)	76	332
Increase/(Decrease) in liabilities	532	(9)	-
Cash generated/(used) in operations	187	107	(71)
Interest paid	(75)	(76)	(9)
Corporation tax received	-	54	54
Net cash generated from operating activities	112	85	26
Cash flows from investing activities			
Purchase of plant and equipment	(109)	(37)	(133)
Net cash generated from /(used) in investing activities	3	48	(133)
Cash flows from financing activities			
New loans and finance leases	47	-	23
Repayment of bank and other loans	(88)	(51)	(100)
Repayment of finance leases	(21)	(15)	(27)
Net cash generated from financing activities	(62)	(66)	(104)
Decrease in cash and cash equivalents	(59)	(18)	(263)
Cash and cash equivalents at beginning of period	120	383	383
Cash and cash equivalents at end of period	61	365	120

**Consolidated Statement of changes in equity
For the six months ended 31 December 2014**

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
6 months ended 31 December 2013				
As at 1 July 2013	330	5,151	(7,457)	(1,976)
Loss for the period	-	-	(190)	(190)
As at 31 December 2013	<u>330</u>	<u>5,151</u>	<u>(7,647)</u>	<u>(2,166)</u>
12 months ended 30 June 2014				
As at 1 July 2013	330	5,151	(7,457)	(1,976)
Loss for the period	-	-	(523)	(523)
As at 30 June 2014	<u>330</u>	<u>5,151</u>	<u>(7,980)</u>	<u>(2,499)</u>
6 months ended 31 December 2014				
As at 1 July 2014	330	5,151	(7,980)	(2,499)
Profit for the period	-	-	50	50
As at 31 December 2014	<u>330</u>	<u>5,151</u>	<u>(7,930)</u>	<u>(2,449)</u>

Notes to the Interim Results

1. Basis of preparation

The Interim Results for the six months ended 31 December 2014 are unaudited and do not constitute statutory accounts in accordance with section 240 of the Companies Act 2006.

Full accounts for the year ended 30 June 2014, on which the auditors gave an unqualified report and contained no statement under Section 237 (2) or (3) of the Companies Act 2006, have been delivered to the Registrar of Companies.

The interim financial information has been prepared on a basis which is consistent with the accounting policies adopted by the Group for the last financial statements and in compliance with basic principles of IFRS.

2. Segmental information

The Group operates in one geographical location being the UK. Accordingly the primary segmental disclosure is based on activity.

	Utility detection and mapping services £'000	Development, assembly and sale of GPR equipment £'000	Test system solutions £'000	Total £'000
6 months ended 31 December 2014				
Total segmental revenue	617	125	1,841	2,583
Segmental result	(75)	(123)	109	(89)
Finance costs	(4)	(71)	-	(75)
Share of operating profit in joint venture				22
Loss before taxation				(142)
Segment assets	1,037	427	1,823	3,287
Segment liabilities	792	3,791	1,153	5,736
Depreciation and amortization	40	-	20	60
6 months ended 31 December 2013				
Total segmental revenue	748	85	1,776	2,609
Segmental result	34	(140)	(63)	(169)
Finance costs	(3)	(73)	-	(76)
Share of operating loss in joint venture				1
Loss before taxation				(244)
Segment assets	1,145	424	1,587	3,156
Segment liabilities	816	3,362	1,141	5,322
Depreciation and amortization	29	-	16	45
12 months ended 30 June 2014				
Total segmental revenue	1,466	211	3,434	5,111
Segmental result	33	(468)	(66)	(501)
Finance costs	(5)	(143)	(1)	(149)
Share of operating profit in joint venture				28
Loss before taxation				(622)
Segment assets	1,025	185	1,557	2,767
Segment liabilities	700	3,481	1,085	5,266
Depreciation and amortisation	63	-	35	98

3. Earnings/(Loss) per share

This has been calculated on the profit for the period of £50,000 (2013: loss £190,000) and the number of shares used was 33,020,515 (2014: 33,020,515), being the weighted average number of share in issue during the period.

4. Dividends

No dividend is proposed for the six months ended 31 December 2014.

5. Copies of Interim Results

The Interim Results will be posted on the Company's web site www.pipehawk.com and copies are available from the Company's registered office at 4, Manor Park Industrial Estate, Wyndham Street, Aldershot GU12 4NZ.