

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

**Half-yearly results for the six months ended 31 December 2013**

**Chairman’s Statement**

I am pleased to report that the Company’s turnover in the six months ended 31 December 2013 was £2,609,000, an increase on turnover for the corresponding period last year of 24 per cent. (2012: £1,984,000), resulting in a loss before taxation of £244,000 (2012: profit of £83,000 after capitalising £103,000 of research and development expenditure.)

During the period, QM Systems has completed a re-alignment of business practice to effect “best in class” ensuring we facilitate the continuance of business growth whilst we continue to maintain the high standards in terms of the quality of our systems delivered and the timeliness of those deliveries that our clients have come to expect. During the year ended 30 June 2013, QM Systems doubled in size, and during the six months ended 31 December 2013, in order to maintain the ability to grow at pace, we have made significant investment in new people in key engineering and management roles and in expanding of our factory and offices, effectively doubling our floor space and almost tripling our delivery capacity. All work and investment has been completed during the period under review. During the period, QM Systems order intake has remained very buoyant and we enter the second half of this financial year with a healthy order book, including contracts secured with five new clients. Since the year end our £1.6 million Kingspan production line has entered full production run up. In addition, we have shipped out to India a complete production line for an off highway vehicles manufacturer.

During the period, PipeHawk has continued the development of the e-Safe and e-Spade Lite family of next generation products. I am pleased to announce that orders have now been received for the first units and PipeHawk is committed to fulfilling these initial orders during the first half of 2014. From marketing activity carried out over the last six months we are confident that sales for the modular based e-Safe and e-Spade Lite product family will increase to significant volume. Our focus has remained on ensuring that the product, when launched, is mature, robust and a market leader in its own right, it is designed to be the most competitive and user friendly product on the market today for utilities detection and will provide a low cost solution to safely detecting services underground. In addition to our utilities product developments, PipeHawk has continued work on our joint venture with Qinetiq to provide NATS with a new and scalable wind farm planning tool. This tool, which is based on PipeHawk’s experience with radio frequency transmissions, builds on studies undertaken previously with NATS.

Adien has remained profitable, albeit at a lower level to last year and continues to concentrate on working with major infrastructure providers. Adien continues to target framework agreement with major infrastructure providers as this provides stability and recurring revenue streams.

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.

Overall, whilst I am somewhat disappointed by our bottom line result for the six months, I am very happy that we have now made the strategic investment in our facilities, order book and marketing effort which we believe have laid the foundations for significant growth in the future.

In the period under review, I was not called upon to provide further working capital support to the Company which is a further testament to the growing strength of the Group.

**Gordon Watt**  
**Chairman**

**Enquiries:**

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Broker)**

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**Statement of Comprehensive Income**  
**For the six months ended 31 December 2013**

	6 months ended 31 December 2013 (unaudited) £'000	6 months ended 31 December 2012 (unaudited) £'000	Year ended 30 June 2013 (audited) £'000
<b>Revenue</b>	2,609	1,984	5,224
Staff costs	(1,191)	(950)	(2,106)
General administrative expenses	(1,586)	(865)	(2,367)
Operating (loss) /profit before amortisation and impairment of research and development expenditure	(169)	169	751
Amortisation and impairment of research and development expenditure	-	-	(2,520)
Operating(loss)/ profit	(169)	169	(1,769)
Share of operating profit / (loss) in joint venture	1	-	(35)
<b>(Loss)/Profit on ordinary activities before interest and taxation</b>	(168)	169	(1,804)
Finance costs	(76)	(86)	(162)
<b>(Loss)/Profit before taxation</b>	(244)	83	(1,966)
Taxation	54	34	34
<b>(Loss)/Profit for the period attributable to equity holders of the Company</b>	(190)	117	(1,932)
Other comprehensive income	-	-	-
<b>Total comprehensive (loss)/income for the period net of tax</b>	(190)	117	(1,932)
<b>(Loss)/Profit per share (pence) – basic</b>	(0.57)	0.36	(5.85)
<b>(Loss)/Profit per share (pence) – diluted</b>	(0.44)	0.24	(3.98)

**Consolidated Statement of Financial Position  
As at 31 December 2013**

<b>Assets</b>	<b>As at 31 December 2013 (unaudited) £'000</b>	<b>As at 31 December 2012 (unaudited) £'000</b>	<b>As at 30 June 2013 (audited) £'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	196	228	205
Goodwill	1,061	1,061	1,061
Intangible assets	-	2,451	-
Investment in joint venture	58	93	58
	<u>1,315</u>	<u>3,833</u>	<u>1,324</u>
<b>Current assets</b>			
Inventories	115	30	110
Current tax assets	38	16	47
Trade and other receivables	1,323	1,278	1,390
Cash	365	741	383
	<u>1,841</u>	<u>2,065</u>	<u>1,931</u>
	<u>3,156</u>	<u>5,898</u>	<u>3,254</u>
<b>Total Assets</b>			
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	330	330	330
Share premium	5,151	5,151	5,151
Other reserves	(7,647)	(5,408)	(7,457)
	<u>(2,166)</u>	<u>73</u>	<u>(1,976)</u>
<b>Non-current liabilities</b>			
Borrowings	2,458	2,673	2,519
Trade and other payable	1,584	1,520	1,522
	<u>4,042</u>	<u>4,193</u>	<u>4,041</u>
<b>Current liabilities</b>			
Trade and other payables	1,261	1,596	1,163
Bank overdrafts and loans	19	36	26
	<u>1,280</u>	<u>1,632</u>	<u>1,189</u>
	<u>3,156</u>	<u>5,898</u>	<u>3,254</u>
<b>Total equity and liabilities</b>			

**Consolidated Statement of Cash Flow**  
**For the six months ended 31 December 2013**

	6 months ended 31 December 2013 (unaudited) £'000	6 months ended 31 December 2012 (unaudited) £'000	Year ended 30 June 2013 (audited) £'000
<b>Cash inflow from operating activities</b>			
(Loss)/Profit from operations	(168)	169	(1,769)
Adjustments for:			
Impairment of intangible assets	-	-	2,520
Depreciation	45	47	90
	(123)	216	841
Decrease in inventories	163	119	39
Decrease /(Increase) in receivables	76	(425)	(568)
(Decrease)/Increase in liabilities	(9)	943	356
Cash generated in operations	107	853	668
Interest paid	(76)	(86)	(6)
Corporation tax received	54	104	104
<b>Net cash generated from operating activities</b>	<b>85</b>	<b>871</b>	<b>766</b>
<b>Cash flows from investing activities</b>			
Development costs paid	-	(103)	(172)
Purchase of plant and equipment	(37)	(80)	(101)
Sale of plant and equipment	-	1	2
Net cash generated/(used in) from investing activities	48	(182)	(271)
<b>Cash flows from financing activities</b>			
New loans and finance leases	-	48	59
Repayment of bank and other loans	(51)	(171)	(314)
Repayment of finance leases	(15)	(14)	(46)
Net cash generated from financing activities	(66)	(137)	(301)
<b>(Decrease) / Increase in cash and cash equivalents</b>	<b>(18)</b>	<b>552</b>	<b>194</b>
Cash and cash equivalents at beginning of period	383	189	189
Cash and cash equivalents at end of period	365	741	383

**Consolidated Statement of changes in equity  
For the six months ended 31 December 2013**

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
<b>6 months ended 31 December 2012</b>				
As at 1 July 2012	330	5,151	(5,525)	(44)
Profit for the period	-	-	117	117
As at 31 December 2012	<u>330</u>	<u>5,151</u>	<u>(5,408)</u>	<u>73</u>
<b>12 months ended 30 June 2013</b>				
As at 1 July 2012	330	5,151	(5,525)	(44)
Loss for the period	-	-	(1,932)	(1,932)
As at 30 June 2013	<u>330</u>	<u>5,151</u>	<u>(7,457)</u>	<u>(1,976)</u>
<b>6 months ended 31 December 2013</b>				
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>

## Notes to the Interim Results

### 1. Basis of preparation

The Interim Results for the six months ended 31 December 2013 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 2013, 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.

	<b>Utility detection and mapping services £'000</b>	<b>Development, assembly and sale of GPR equipment £'000</b>	<b>Test system solutions £'000</b>	<b>Total £'000</b>
<b>6 months ended 31 December 2013</b>				
Total segmental revenue	748	85	1,776	2,609
<b>Segmental result</b>	34	(140)	(63)	(169)
Finance costs	(3)	(73)	-	(76)
Share of operating profit 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 amortisation	29	-	16	45
<b>6 months ended 31 December 2012</b>				
Total segmental revenue	906	72	1,006	1,984
<b>Segmental result</b>	128	(76)	117	169
Finance costs	(4)	(82)	-	(86)
Share of operating loss in joint venture				-
Profit before taxation				83
Segment assets	1,052	2,877	1,969	5,898
Segment liabilities	896	3,155	1,774	5,825
Depreciation and amortisation	33	14	-	47
<b>12 months ended 30 June 2013</b>				
Total segmental revenue	1,780	171	3,273	5,224
<b>Segmental result</b>	271	(2,471)	431	(1,769)
Finance costs	(6)	(156)	-	(162)
Share of operating loss in joint venture				(35)
Loss before taxation				(1,966)
Segment assets	1,149	426	1,679	3,254
Segment liabilities	851	3,209	1,170	5,230
Depreciation and amortisation	62	2,345	203	2,610

### **3. (Loss)/Profit per share**

This has been calculated on the loss for the period of £190,000 (2012: profit £117,000) and the number of shares used was 33,020,515 (2012: 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 2013.

### **5. Copies of Interim Results**

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