

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

Results for the six months ended 31 December 2016

Chairman’s Statement

I am pleased to report that the Company’s turnover in the six months ended 31 December 2016 was £2,999,000 (2015: £2,362,000), resulting in a loss before taxation of £180,000 (2015: loss of £449,000) and a profit after taxation of £43,000 (2015: loss after taxation £280,000).

At QM Systems, order intake for the first part of the period was buoyant with orders taken of approximately £1.3 million in the first three months. Order intake slowed during the latter part of the period, however the outstanding quotes remain considerable with a number of significant contracts awaiting award over the coming weeks. During September 2016, QM Systems expanded its sales resource and this is beginning to open new doors to markets and opportunities that it was previously not targeting. This has resulted in our potential order book being higher than ever before and whilst the past few months have been quieter than normal on the sales side, we are expecting order intake to increase significantly throughout the remainder of this financial year and into the next. The operational side of the business has remained busy as we work to complete ongoing projects. We have seen significant improvement in margin realisation across all new projects which appears to demonstrate that the changes we have made to our business during the previous financial year are having a positive effect. All areas of the business remain very busy and this looks set to continue as the economy and business in general continue to focus on achieving greater productivity, which is the backbone of QM Systems’ service offering.

PipeHawk has continued to build on its UK, EU and international sales strategy for e-Safe product range and supply through a number of key partners is expected to increase through 2017. The rejection of our H2020 phase 2 grant re-application was a disappointment. However, following consultation with our advisers, we shall be re-submitting what we hope will be regarded as an improved application, building on the feedback we received from the assessors. In the meantime, we are working to improve the profitability of our product range and by the end of the financial year we expect to achieve cost reductions with a number of key components. With increased exposure through trade press and product placement at a greater number of industry events and trade shows than in previous years, both in the UK and overseas, we are well placed to achieve our goal of doubling unit sales over the forthcoming year.

For Adien, the six months to 31 December has been a challenging time in an extremely competitive market. In recent months, our focus on specialist and larger contracts has seen a significant number of contracts being awarded to us within the airport, transport and water sectors. In Scotland, we have also secured significant contracts within the rail, power and infrastructure sectors. As a result, we are currently experiencing good levels of efficiency, turnover and profitability and expect this to continue for the remainder of the financial year.

SUMO, in which the Group holds a 28.4% stake, struggled in the competitive market place.

On 1 February 2017, Mirrasand Partnership agreed to roll over the outstanding £150,000 due for repayment on that date with a revised payment date of 31 May 2017.

Related party matters

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 14 November 2016 for a further year. Loans provided by me, 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 2016, these deferred fees and interest payments amounted to approximately £1,675,000 in total, all of which have been accrued in the Company’s accounts.

Gordon Watt
Chairman

Enquiries:

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Statement of Comprehensive Income
For the six months ended 31 December 2016

	Six months ended 31 December 2016 (unaudited) £'000	Six months ended 31 December 2015 (unaudited) £'000	Year ended 30 June 2016 (audited) £'000
Revenue	2,999	2,362	4,813
Staff costs	(1,455)	(1,430)	(2,866)
General administrative expenses	(1,635)	(1,295)	(2,805)
Operating loss	(91)	(363)	(858)
Share of operating profit in joint venture	-	(6)	6
Loss on ordinary activities before interest and taxation	(91)	(369)	(852)
Finance costs	(89)	(80)	(165)
Loss before taxation	(180)	(449)	(1,017)
Taxation	223	169	264
Profit/(Loss) for the period attributable to equity holders of the Company	43	(280)	(753)
Other comprehensive income	-	-	-
Total comprehensive income/(loss) for the period net of tax	43	(280)	(753)
Earnings/(Loss) per share (pence) – basic and diluted	0.13	(0.85)	(2.28)

Consolidated Statement of Financial Position
As at 31 December 2016

Assets	As at 31 December 2016 (unaudited) £'000	As at 31 December 2015 (unaudited) £'000	As at 30 June 2016 (audited) £'000
Non-current assets			
Property, plant and equipment	190	256	227
Goodwill	1,061	1,061	1,061
Investment in joint venture	53	41	53
	<hr/> 1,304	<hr/> 1,358	<hr/> 1,341
Current assets			
Inventories	93	61	105
Current tax assets	225	292	181
Trade and other receivables	1,770	1,028	1,224
Cash	26	86	24
	<hr/> 2,114	<hr/> 1,467	<hr/> 1,534
	<hr/>	<hr/>	<hr/>
Total Assets	<hr/> 3,418	<hr/> 2,825	<hr/> 2,875
Equity and liabilities			
Equity			
Share capital	330	330	330
Share premium	5,151	5,151	5,151
Other reserves	(9,193)	(8,763)	(9,236)
	<hr/> (3,712)	<hr/> (3,282)	<hr/> (3,755)
Non-current liabilities			
Borrowings	2,308	2,301	2,301
Trade and other payable	-	1,834	-
	<hr/> 2,308	<hr/> 4,135	<hr/> 2,301
Current liabilities			
Trade and other payables	4,461	1,704	3,895
Bank overdrafts and loans	361	268	434
	<hr/> 4,822	<hr/> 1,972	<hr/> 4,329
	<hr/>	<hr/>	<hr/>
Total equity and liabilities	<hr/> 3,418	<hr/> 2,825	<hr/> 2,875

Consolidated Statement of Cash Flow
For the six months ended 31 December 2016

	Six months ended 31 December 2016 (unaudited) £'000	Six months ended 31 December 2015 (unaudited) £'000	Year ended 30 June 2016 (audited) £'000
Cash inflow from operating activities			
Loss from operations	(91)	(363)	(858)
Adjustments for:			
Profit on disposal of assets	-	-	(1)
Depreciation	52	53	112
	(39)	(310)	(747)
Decrease/(Increase) in inventories	11	25	(19)
(Increase)/ Decrease in receivables	(554)	251	53
Increase/(Decrease) in liabilities	501	104	328
Cash (used in)/generated from operations	(81)	70	(385)
Interest paid	(15)	(63)	(18)
Corporation tax received	188	-	212
Net cash generated from/(used in) operating activities	92	7	(191)
Cash flows from investing activities			
Proceeds from sale of assets	-	-	2
Purchase of plant and equipment	(15)	(73)	(105)
Net cash generated from/(used) in investing activities	77	(66)	(103)
Cash flows from financing activities			
New loans and finance leases	68	133	361
Repayment of bank and other loans	(121)	-	-
Repayment of finance leases	(22)	(24)	(86)
Net cash (utilised)/generated from financing activities	(75)	109	275
Increase/(Decrease) in cash and cash equivalents	2	43	(19)
Cash and cash equivalents at beginning of period	24	43	43
Cash and cash equivalents at end of period	26	86	24

**Consolidated Statement of changes in equity
For the six months ended 31 December 2016**

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
Six months ended 31 December 2015				
As at 1 July 2015	330	5,151	(8,483)	(3,002)
Loss for the period	-	-	(280)	(280)
As at 31 December 2015	<u>330</u>	<u>5,151</u>	<u>(8,763)</u>	<u>(3,282)</u>
Year ended 30 June 2015				
As at 1 July 2015	330	5,151	(8,483)	(3,002)
Loss for the period	-	-	(753)	(753)
As at 30 June 2016	<u>330</u>	<u>5,151</u>	<u>(9,236)</u>	<u>(3,755)</u>
Six months ended 31 December 2016				
As at 1 July 2016	330	5,151	(9,236)	(3,755)
Profit for the period	-	-	43	43
As at 31 December 2016	<u>330</u>	<u>5,151</u>	<u>(9,193)</u>	<u>(3,712)</u>

Notes to the Interim Results

1. Basis of preparation

The interim results for the six months ended 31 December 2016 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 2016, 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
Six months ended 31 December 2016				
Total segmental revenue	591	156	2,252	2,999
Segmental result	(76)	(96)	81	(91)
Finance costs	(4)	(66)	(19)	(89)
Share of operating profit in joint venture				0
Loss before taxation				(180)
Segment assets	507	1,449	1,462	3,418
Segment liabilities	523	5,485	1,122	7,130
Depreciation and amortization	34	-	18	52
Six months ended 31 December 2015				
Total segmental revenue	707	72	1,583	2362
Segmental result	5	(154)	(214)	(363)
Finance costs	(4)	(70)	(6)	(80)
Share of operating loss in joint venture				(6)
Loss before taxation				(449)
Segment assets	369	1,472	984	2,825
Segment liabilities	324	4,264	1,519	6,107
Depreciation and amortization	36	-	17	53
Year ended 30 June 2016				
Total segmental revenue	1,241	151	3,421	4,813
Segmental result	(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

3. Earnings/(Loss) per share

This has been calculated on the profit for the period of £43,000 (2015: loss £280,000) and the number of shares used was 33,020,515 (2015: 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 2016.

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.