

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

Half-yearly results for the six months ended 31 December 2012

Chairman’s Statement

I am pleased to report that the Company’s turnover in the six months ended 31 December 2012 was £1,984,000, an increase on turnover for the corresponding period last year of 24.9 per cent. (2011: £1,589,000), resulting in a profit before taxation of £83,000 (2011: loss of £213,000.)

In the period under review PipeHawk continued to develop new Ground Probing Radar (GPR) products and as a consequence has, in the six months ended 31 December 2012, capitalised approximately £103,000 of research and development expenditure. We have continued at pace with the development of the e-Safe. During the period PipeHawk secured a grant from the Technology Strategy Board to support the continuance of the development of the e-Safe product. Marketing activity has identified a number of low cost GPR based products that the e-Safe platform will support. The first phase of the e-Safe product launch is set to take place in the second half of this financial year. In addition, PipeHawk has launched a project to develop the core GPR software to be platform independent. This will enable PipeHawk’s market leading software to be readily portable across product platforms, gain competitive advantage through re-use and provide the ability to readily integrate other third party survey tools.

During the period QM Systems (“QM”) has significantly increased its business in the fields of automation, test and assembly. QM has entered a new and exciting phase in its development following significant contract wins during the first half of the financial year. Revenue at QM has increased by 29 per cent. compared to the same period last year and in the first half QM achieved a profit of £125,000. QM provides its clients with a true turnkey solution for complete production systems consisting of assembly, test and build management solutions. All projects are designed and manufactured in house at QM’s Worcester and Aldershot facilities. QM is entering a phase of rapid growth and in order to deliver the projects currently on the order book and under discussion, QM have recruited 12 new engineers across the business. In addition, further resource has been recruited to expand the sales team and purchasing functions. QM’s business continues to go from strength to strength with major contracts secured with new and existing clients. Furthermore, QM has demonstrated that it is now geared to handle large scale infrastructure projects and has secured key complete production system projects with major blue chip companies like Kingspan and Caterpillar.

During the six month period under review Adien has remained profitable and continues to concentrate on working with major infrastructure providers. The construction and contracting sectors remain difficult but Adien’s order take during the period was the strongest it has been for 5 years and is 16% up on the comparable period last year. Adien remains confident that it will enjoy good trading in the second half of this financial year.

SUMO, in which the Group holds a 29.6% stake, has successfully integrated the 2010 acquisition of Stratascan into the Group. Stratascan enjoyed a good deal of positive PR from carrying out the survey of the Leicester car park where Richard III’s body was found. During the six months SUMO also acquired the business of GSB Prospection Limited, another geophysical survey company similar to Stratascan and well known for its involvement in Channel 4’s Time Team programme.

Related party transactions

During the six months ended 31 December 2012, my fellow directors and I have deferred a certain proportion of our salaries, fees and interest until the Company is in a suitably strong position to make the full payments. These deferred amounts total approximately £127,000 in the period and approximately £749,000 in total, all of which have been accrued in the Company’s accounts.

Gordon Watt
Chairman

Enquiries:

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Broker)**
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Statement of Comprehensive Income
For the six months ended 31 December 2012

	6 months ended 31 December 2012 (unaudited) £'000	6 months ended 31 December 2011 (unaudited) £'000	Year ended 30 June 2012 (audited) £'000
Revenue	1,984	1,589	3,342
Staff costs	(950)	(910)	(1,779)
General administrative expenses	(865)	(775)	(1,458)
Operating profit / (loss)	169	(96)	105
Share of operating profit / (loss) in joint venture	-	(30)	(17)
Profit/(Loss) on ordinary activities before interest and taxation	169	(126)	88
Finance costs	(86)	(87)	(158)
Profit/(Loss) before taxation	83	(213)	(70)
Taxation	34	42	98
Profit/(Loss) for the period attributable to equity holders of the Company	117	(171)	28
Other comprehensive income	-	-	-
Total comprehensive income / (Loss) for the period net of tax	117	(171)	28
Profit/(Loss) per share (pence) – basic	0.36	(0.51)	0.09
Profit/(Loss) per share (pence) – diluted	0.24	(0.51)	0.06

**Consolidated Statement of Financial Position
As at 31 December 2012**

Assets	As at 31 December 2012 (unaudited) £'000	As at 31 December 2011 (unaudited) £'000	As at 30 June 2012 (audited) £'000
Non-current assets			
Property, plant and equipment	228	193	196
Goodwill	1,061	1,061	1,061
Intangible assets	2,451	2,237	2,348
Investment in joint venture	93	80	93
	<u>3,833</u>	<u>3,571</u>	<u>3,698</u>
Current assets			
Inventories	30	94	149
Current tax assets	16	35	104
Trade and other receivables	1,278	1,284	835
Cash	741	124	189
	<u>2,065</u>	<u>1,537</u>	<u>1,277</u>
Total Assets	<u><u>5,898</u></u>	<u><u>5,108</u></u>	<u><u>4,975</u></u>
Equity and liabilities			
Equity			
Share capital	330	330	330
Share premium	5,151	5,151	5,151
Other reserves	(5,408)	(5,724)	(5,525)
	<u>73</u>	<u>(243)</u>	<u>(44)</u>
Non-current liabilities			
Borrowings	2,673	2,747	2,719
Trade and other payable	1,520	1,298	1,309
	<u>4,193</u>	<u>4,045</u>	<u>4,123</u>
Current liabilities			
Trade and other payables	1,596	1,293	779
Bank overdrafts and loans	36	13	117
	<u>1,632</u>	<u>1,306</u>	<u>896</u>
Total equity and liabilities	<u><u>5,898</u></u>	<u><u>5,108</u></u>	<u><u>4,975</u></u>

Consolidated Statement of Cash Flow
For the six months ended 31 December 2012

	6 months ended 31 December 2012 (unaudited) £'000	6 months ended 31 December 2011 (unaudited) £'000	Year ended 30 June 2012 (audited) £'000
Cash inflow from operating activities			
Profit /(Loss) from operations	169	(96)	105
Adjustments for:			
Impairment of intangible assets	-	-	5
Depreciation	47	34	73
	<hr/> 216	<hr/> (62)	<hr/> 183
Decrease in inventories	119	103	48
(Increase)/Decrease in receivables	(425)	(304)	131
Increase in liabilities	943	391	26
	<hr/> 853	<hr/> 128	<hr/> 388
Cash generated in operations	853	128	388
Interest paid	(86)	(87)	(6)
Corporation tax received	104	77	78
	<hr/> 871	<hr/> 118	<hr/> 460
Net cash generated from operating activities	871	118	460
Cash flows from investing activities			
Development costs paid	(103)	(114)	(230)
Purchase of plant and equipment	(80)	(86)	(128)
Sale of plant and equipment	1	-	-
	<hr/> (182)	<hr/> (82)	<hr/> (358)
Net cash used in investing activities	(182)	(82)	(358)
Cash flows from financing activities			
New loans and finance leases	48	91	118
Repayment of bank and other loans	(171)	-	(125)
Repayment of finance leases	(14)	(10)	(18)
	<hr/> (137)	<hr/> 81	<hr/> (25)
Net cash generated from financing activities	(137)	81	(25)
Increase /(Decrease) in cash and cash equivalents	552	(1)	77
Cash and cash equivalents at beginning of period	189	112	112
Cash and cash equivalents at end of period	<hr/> <hr/> 741	<hr/> <hr/> 111	<hr/> <hr/> 189

**Consolidated Statement of changes in equity
For the six months ended 31 December 2012**

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
6 months ended 31 December 2011				
As at 1 July 2011	330	5,151	(5,553)	(72)
Loss for the period	-	-	(171)	(171)
As at 31 December 2011	<u>330</u>	<u>5,151</u>	<u>(5,724)</u>	<u>(243)</u>
12 months ended 30 June 2012				
As at 1 July 2011	330	5,151	(5,553)	(72)
Profit for the period	-	-	28	28
As at 30 June 2012	<u>330</u>	<u>5,151</u>	<u>(5,525)</u>	<u>(44)</u>
6 months ended 31 December 2012				
As at 1 July 2012	330	5,151	(5,553)	(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>

Notes to the Interim Results

1. Basis of preparation

The Interim Results for the six months ended 31 December 2012 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 2012, 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.

Gordon Watt has confirmed that he will not recall loans payable to him, within the next 12 months. Therefore non-current liabilities at 31 December 2011 and 30 June 2012 have been restated to include amounts owing to Gordon Watt which were previously shown in current liabilities.

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 2012				
Total segmental revenue	906	72	1,006	1,984
Segmental result	128	(76)	117	169
Finance costs	(4)	(82)	-	(86)
Share of operating profit 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
Additions to non-current assets	57	-	23	80
6 months ended 31 December 2011				
Total segmental revenue	674	122	793	1,589
Segmental result	(49)	(32)	(15)	(96)
Finance costs	(10)	(77)	(15)	(87)
Share of operating loss in joint venture				(30)
Loss before taxation				(213)
Segment assets	779	2,913	1,416	5,108
Segment liabilities	876	3,048	1,427	5,351
Depreciation and amortisation	24	-	10	34
Additions to non-current assets	19	-	69	88
12 months ended 30 June 2012				
Total segmental revenue	1,524	221	1,597	3,342
Segmental result	76	(7)	36	105
Finance costs	(6)	(152)	-	(158)
Share of operating loss in joint venture				(17)
Loss before taxation				(70)
Segment assets	1,020	2,837	1,118	4,975
Segment liabilities	987	2,428	1,048	4,463
Depreciation and amortisation	49	2	33	84
Additions to non-current assets	59	-	69	128

3. Profit/(Loss) per share

This has been calculated on the profit for the period of £117,000 (2011: loss £171,000) and the number of shares used was 33,020,515 (2011: 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 2012.

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.