

PipeHawk Plc ("the Group" or "the Company")

Interim Results
for the six months ending 31 December 2004

Chairman's Statement

The half-year results for the six months ended 31 December 2004 conclude an extremely difficult calendar year for the Company. However, the Board is confident that the actions taken during the first half of 2004 have begun to produce results in the latter half of 2004 and put us in a strong position entering 2005.

The turnover for the six months has increased by 49 per cent. to £555,000 compared with the first half of the calendar year 2004: £372,000 (2003 - £571,000). The retained loss for the six months has almost halved to £270,000 from a loss of £526,000 in the first half of the 2004 calendar year (2003: loss £291,000).

The steps taken by the board, in particular, the maintenance of tight cost controls, following the delay in OfWat's decision regarding consumer price increases have minimised the impact of the difficult trading environment on the Group's cash flows.

I referred in my statement, which accompanied last year's Annual Report, that I believed 2004 would be a difficult trading year largely as a result of the lack of investment by the water companies awaiting OfWat's deliberations. OfWat announced its recommendations on 2 December, which subsequently permitted the water companies to raise their prices by, on average, 18 per cent. more than the rate of inflation spread over the next five years. The large water companies are now beginning to put in place their investment plans for meeting the improvements required of them by OfWat and utility detection is a strong requirement of them. Notwithstanding this, we have seen a noticeable increase in business in both SUMO (our franchise mark out business) and especially Adien (our high level mapping and planning service) since the autumn of 2004. We expect this increase to continue once the AMP4 investment programmes of the utility companies are finalised for the period 2005-10.

As a consequence of the delay in OfWat's deliberations, your Board took action to source other non-water related business during 2004. A result of which has seen Adien successfully complete a prestigious mapping contract in Kuwait, work with Transport for London on the improvement of the capitals traffic congestion and with mobile telecommunications companies in the roll-out of the next generation of mobile telephone masts. As I write this Adien are enjoying a record level of high quality orders for the first half of 2005.

During the six months under review the Company also entered into the next phase of the handheld pipe locator project with NEGAS, under which they provide a contribution amounting to \$156,000 (50 per cent.) and the directors are pleased to report that the development work remains in line with expectations.

With regard to the further development of our anti-landmine vehicle, your board continues to vigorously pursue potential sources of funding.

In summary, your Board continue to remain very confident about the company's future.

Gordon Watt

Chairman

10 February 2005

Summarised Consolidated Profit and Loss Account
For the six months ended 31 December 2004

	Note	6 months to 31 December 2004 Unaudited £'000	6 months to 31 December 2003 Unaudited £000	12 months to 30 June 2004 Audited £000
Turnover - continuing operations		555	571	943
Operating costs		(799)	(822)	(1,715)
Operating loss		(244)	(251)	(772)
Share of operating loss in joint venture		(15)	(23)	(69)
Loss on ordinary activities before interest and taxation		(259)	(274)	(841)
Group interest receivable and similar income		-	-	1
Group interest payable and similar charges		(28)	(17)	(52)
Loss on ordinary activities before taxation		(287)	(291)	(892)
Tax on profit on ordinary activities	2	17	-	175
Retained loss for the period		(270)	(291)	(717)
No interim dividend will be paid		p	p	p
Loss per share Basic and diluted	3	(1.2)	(1.4)	(3.3)

Summarised Consolidated Balance Sheet
As at 31 December 2004

	Note	31 December 2004 Unaudited £'000	31 December 2003 Unaudited £000	30 June 2004 Audited £000
Fixed assets				
Intangible assets		248	262	255
Tangible assets		302	345	365
Investment in joint venture:		6	35	21
		556	642	641
Current assets				

Stocks		312	282	281
Debtors		368	421	285
		-----	-----	-----
		680	703	566
Creditors: amounts falling due within one year		(896)	(956)	(720)
		-----	-----	-----
Net current assets/(liabilities)		(216)	(253)	(154)
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Total assets less current liabilities		340	389	487
		-----	-----	-----
Creditors: amounts falling due after more than one year		(476)	(361)	(353)
		-----	-----	-----
Net assets		(136)	28	134
		=====	=====	=====
Capital and reserves				
Called up equity share capital		232	210	232
Share premium account		4,081	3,571	4,081
Profit and loss account		(4,449)	(3,753)	(4,179)
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Equity shareholders' funds	6	(136)	28	134
		=====	=====	=====

Summarised Consolidated Cash Flow Statement

For the six months ended 31st December 2004

	Note	6 months to 31 December 2004 Unaudited £'000	6 months to 31 December 2003 Unaudited £000	12 months to 30 June 2004 Audited £000
Net cash flow from operating activities	4,5	(17)	(42)	(586)
Returns on investments and servicing of finance		(28)	(18)	(51)
Corporation tax received		-	-	105
Capital expenditure and financial investment				
Receipts from sales of tangible fixed assets		-	-	(153)
Payments for fixed assets		(20)	(56)	(68)
Investments in joint venture		-	(33)	95
Investment in subsidiary		-	-	4
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Cash outflow before use of liquid resources and financing		(65)	(149)	(654)
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Financing			
New loans	202	-	-
Repayment of loans	(13)	(29)	(51)
Capital element of finance payments	(26)	(23)	(28)
Issue of ordinary shares	-	150	682
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Increase/(decrease) in cash	98	(51)	(51)
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Notes to the Financial Statements
For the 6 months ended 31 December 2004

1. Basis of accounting

The consolidated interim financial statements have been prepared on the basis of the accounting policies set out in the Group's 2004 financial statements. The interim financial statements are unaudited and do not constitute full financial information as defined in section 240 of the companies Act 1985 (as amended). The comparative figures for the year ended 30 June 2004 and the six months ended 31 December 2003 do not comprise full financial statements. No account has been taken of the trading results or any other transactions entered into by the Group since 31 December 2004.

2. Taxation

No corporation tax was payable as a result of losses arising and the Company benefits from the Government's "Research and Development Tax Credit Scheme".

3. Loss per share

	6 months to 31 December 2004 Unaudited	6 months to 31 December 2003 Unaudited	12 months to 30 June 2004 Audited
These have been calculated on losses of:	269,755	290,908	717,000
The weighted average number of shares was:	23,203,808	20,415,354	21,798,121
Basic and diluted	(1.2p)	(1.4p)	(3.3p)

4. Reconciliation of operating loss to net cash outflow from operating activities

	6 months to 31 December 2004 Unaudited £000	6 months to 31 December 2003 Unaudited £000	12 months to 30 June 2004 Audited £000
Operating loss	(244)	(251)	(772)
Depreciation and amortisation	90	80	163
Loss on sale of investments	-	-	4
Realisations from investments	-	99	-

Movements in stocks	(31)	58	59
Movement in debtors	(66)	(141)	65
Movement in creditors	234	113	(105)
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Net cash outflow from operations	(17)	(42)	(586)
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5. Reconciliation of net cash flow to movement of net debt

	6 months to 31 December 2004 Unaudited £000	6 months to 31 December 2003 Unaudited £000	12 months to 30 June 2004 Audited £000
Change in cash	98	(51)	(51)
Cash inflow/(outflow) from increase / (decrease) in debt and lease finance	(163)	52	79
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Net increase in debt	(65)	1	28
Opening net debt	(598)	(622)	(626)
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Closing net debt	(663)	(621)	(598)
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6. Reconciliation of movement in shareholders' funds

	6 months to 31 December 2004 Unaudited £000	6 months to 31 December 2003 Unaudited £000	12 months to 30 June 2004 Audited £000
Loss for the period	(270)	(291)	(717)
Net proceeds of shares issued	-	150	682
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Increase / (decrease) in shareholders' funds	(270)	(141)	(35)
Opening shareholders' funds	134	169	169
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Closing shareholders' funds	(136)	28	134
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Further Enquiries:

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