

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

Interim Results

for the six months ended 31 December 2005

As I indicated in my statement in November 2005 that accompanied the final results for the year ended 30 June 2005, trading in the current year started well and I am delighted to report that the group's progress continues.

The turnover (which includes our share of the turnover from the SUMO joint venture) for the six months ended 31 December 2005 of £970,000 is an increase of 30.2 per cent. over the comparative period in 2004 and the retained loss for the six months ended 31 December 2005 has reduced to £100,000 compared with a loss of £270,000 in the same period last year.

The Water Industry has now started investing a planned £5.5 billion over the period 2005-2010 (£3 million per day) to improve drinking water, to protect the environment and to attempt to tackle the issue of pipe leakage, which has been well publicised over the last few years. The Board also anticipates an increase in public pressure towards water companies to reduce leakage particularly given the recent media coverage regarding the application by a water company for "water scarcity status" which will allow them to apply compulsory metering on their customers. Consequently, Adien have seen a significant increase in activity in the water sector and this work will continue in 2006.

Adien's program of diversification has seen them continue to secure prestigious contracts outside of the water industry. During the period Adien has again worked in mainland Europe on contracts which are expected to continue into the Summer of 2006.

Similarly, SUMO has also benefited from the increase in activity in the water sector and shareholders will see from the accounts that we have consolidated our first profit from their results. SUMO is now accelerating its aggressive marketing campaign to secure further growth.

The Technology Division continues to make progress. During the period it has supported Adien in designing a Ground Penetrating Radar system to find larger diameter waterpipes which are buried under fields. In addition to MineHawk, the mine detection programme, which continues on track, the Technology Division is at an early stage in a number of other encouraging initiatives for the development of the next phase of the Company's growth.

In summary, trading continues to improve and we continue to look forward to the future with confidence.

Gordon Watt

Chairman

3 March 2006 SUMMARISED CONSOLIDATED PROFIT AND LOSS ACCOUNT

for the six months ended 31 December 2005

Note	Six months to 31 December 2005	Six months to 31 December 2004
	(Unaudited)	(Unaudited)

		£000	£000
Turnover			
Group and share of joint venture		970	745
Less: share of joint venture turnover		(244)	(190)
Turnover - continuing operations		726	555
Operating costs		(841)	(799)
Operating loss		(115)	(244)
Share of operating profit / (loss) in joint venture		5	(15)
Loss on ordinary activities before interest and taxation		(110)	(259)
Group interest payable and similar charges		(20)	(28)
Loss on ordinary activities before taxation		(130)	(287)
Tax on profit on ordinary activities	2	30	17
Retained loss for the period		(100)	(270)
		P	P
Loss per share			
Basic and diluted	3	(0.4)	(1.4)

#### SUMMARISED CONSOLIDATED BALANCE SHEET

at 31 December 2005

	Note	31 December 2005 (Unaudited) £000	31 December 2004 (Unaudited) £000
Fixed assets			
Intangible assets		234	248
Tangible assets		256	302
Investment in joint venture		1	6
		491	556
Current assets			

Stocks		284	312
Debtors		438	368
		722	680
Creditors: amounts falling due within one year		(846)	(896)
Net current liabilities		(124)	(216)
Total assets less current liabilities		367	340
Creditors: amounts falling due after one year		(630)	(476)
Net liabilities		(263)	(136)
Capital and reserves			
Called up share capital		232	232
Share premium account		4,081	4,081
Profit and loss account		(4,576)	(4,449)
Equity shareholders' deficit	6	(263)	(136)

#### SUMMARISED CONSOLIDATED CASH FLOW STATEMENT

for the six months ended 31 December 2005

	Note	Six months to 31 December 2005	Six months to 31 December 2004
		(Unaudited)	(Unaudited)
		£000	£000
Net cash outflow from operating activities	4, 5	(22)	(17)
Returns on investment and servicing of finance		(20)	(28)
Corporation tax received		80	-
Capital expenditure and financial investment			
Payments for fixed assets		(25)	(20)
Cash inflow / (outflow) before use of liquid resources and financing		13	(65)
Financing			
New loans		-	202
Repayment of loans		(37)	(13)

Capital elements of finance payments	-	(26)
(Decrease)/ increase in cash	(24)	98

#### NOTES TO THE FINANCIAL STATEMENTS

for the 6 months ended 31 December 2005

##### 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 2005 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 six months ended 31 December 2004 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 2005.

##### 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

	Six months to 31 December 2005  (Unaudited)	Six months to 31 December 2004  (Unaudited)
These have been calculated on losses of:	£100,130	£269,755
The weighted average number of shares was:	23,203,808	23,203,808
Basic and diluted	(0.4p)	(1.2p)

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

	Six months to 31 December 2005  (Unaudited)	Six months to 31 December 2  (Unaudited)
	£000	£000
Operating loss	(115)	(244)
Depreciation and amortisation	70	90

Movement in stocks	(21)	(31)
Movement in debtors	(19)	(66)
Movement in creditors	63	234
Net cash outflow from operations	(22)	(17)

5. Reconciliation of net cash flow to movement of net debt

	Six months to 31 December 2005 (Unaudited) £000	Six months to 31 December 2004 (Unaudited) £000
Change in cash	(24)	98
Cash inflow/ (outflow) from increase/ (decrease) in debt and lease finance	37	(163)
Net decrease/(increase) in debt resulting from cashflows	13	(65)
New finance leases	(56)	-
Movement in net debt for the period	(43)	(65)
Opening net debt	(677)	(598)
Closing net debt	(720)	(663)

6. Reconciliation of movement in shareholders' funds

	Six months to 31 December 2005 (Unaudited) £000	Six months to 31 December 2004 (Unaudited) £000
Loss for the period	(100)	(270)
Decrease in shareholders' funds	(100)	(270)
Opening shareholders' funds	(163)	134
Closing shareholders' funds	(263)	(136)

7. Dividends

The directors are not proposing the payment of a dividend in respect of the six months ended 31 December 2005.

8. Copies of interim results will be sent to shareholders shortly and will also be available at the Company's registered office, Systems House, Mill

Lane, Alton, Hampshire GU34 2QG.