23 March 2018

PipeHawk plc
("PipeHawk" or the "Company")

Unaudited results for the six months ended 31 December 2017

Chairman's Statement

I am pleased to report that the Company's turnover in the six months ended 31 December 2017 was £2,310,000 (2016: £2,999,000), resulting in a loss before taxation of £118,000 (2016: loss of £180,000) and a profit after taxation of £18,000 (2016: £43,000). The results reflect a profit on sale of the 28.4 per cent. interest in SUMO Limited of £143,000.

This has been a most peculiar six months for all divisions of the Group; the level of enquiries and indications that we would be awarded orders has never been higher, however the orders, whilst not going away, simply did not happen during the period with consequent effect on underutilisation of staff – and hence profitability. Nevertheless, as described below, since the period end the orders have flowed in and we are now extremely busy.

The effect of lower turnover in the first six months of the financial year was largely offset by careful control of costs and overheads in general administrative expenses which at £1,140,000 was £495,000 lower than in the comparative period last year.

At QM Systems the first part of the year saw slower than expected order intake and this, combined with some restructuring activity within our operational departments is reflected in the loss in the interim results. I am however pleased to say that from December to date order intake has been very buoyant and our orderbook has now returned to a level that we would expect for year to date. We have experienced a particularly strong start to 2018 and we expect our position to recover fully by the end of the current financial year.

We continue to maintain quotation activity at a very high level. It is also worthy of note that a significant proportion of the work that we have quoted during the last 18 months is still yet to be awarded, predominantly due to delays in contract placement by our clients. A number of these projects are now overdue for placement and must be placed in the next 4-6 weeks if they are to meet client self-imposed deadlines. Taking this into account our immediate potential order book appears very strong. In terms of client industry focus we continue to diversify from our historical core, Automotive and Aerospace business. The Marine and Building Services sectors now form a significant part of our business plan, with opportunities in the Food and Pharmaceutical sectors also continuing to grow. This diversification, using our core key skills, enables us to secure a far more stable business model as we accelerate growth.

We are currently recruiting in a number of areas across the business to enable us to continue our planned growth in terms of adding to our existing key skillsets or adding complimentary skillsets and this is proving quite successful as we continue to build on the success of the previous financial year. We have further expanded our project management capability as we focus on client satisfaction and client retention. We continue to deliver best service in class.

Our approach to offer a 'one stop shop' for production and test requirements continues to draw great interest, particularly where a client does not already possess a number of other disjointed packages. Where a client has the freedom of choice to consider all aspects of a production or test system then QM Systems product and service offering is a very compelling one.

For PipeHawk Technology challenging trading conditions in the UK construction & utilities sectors contributed to GPR sales performing below expectation through the second half of 2017, however the lack of growth in the UK was not echoed in other markets and our international sales continue to show growth particularly on the back of our pre-Brexit push into Middle East & Asian markets. With new opportunities also beginning to show promise in South America, we look forward to our international growth continuing through 2018. We continue to receive encouraging feedback on our H2020 grant applications so we are continuing to submit applications albeit that none have been successful to date.

For Adien the six month period saw a notable progression in a number of key market areas, this is set against a backdrop of an increasingly competitive marketplace. Concentrating on the specialist sectors of Power, Airports, Water and Transport Infrastructure has been a successful strategy and has resulted in a full order book and a programme of work stretching forward to June 2018. Contracts won include a significant amount of sub - contract working which is optimised to provide additional and increased profitability. The Scottish division has made real progress in establishing Adien as a framework provider to a number of key client within the sectors noted above.

On 30 November 2017, the Group acquired Thomson Equipment Design Limited. Sales and results in the period to 31 December were negligible, however since the period end the level of enquiries has picked up and its integration with other parts of the Group is on track.

Related party transactions

At the Annual General Meeting shareholders approved the sale to me of PipeHawk's minority interest in Sumo and this realised a profit for the Group over net book value of £143,000.

In the period under review, on 13 October 2017 I paid the £197,000 cash consideration payable on my purchase of the minority interest in SUMO and therefore provided working capital support to the Company until completion occurred following shareholder approval at the Annual General Meeting on 14 December 2017.

My letter of financial support was renewed on 30 October 2017 for a further year. Loans, 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. During the six months ended 31 December 2017, these deferred fees and interest payments amounted to approximately £ 101,000 in total, all of which have been accrued in the Company's accounts, and at 31 December 2017 amounted in total to £1,667,000.

Gordon Watt
Chairman

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Statement of Comprehensive Income
For the six months ended 31 December 2017

	6 months ended 31 December 2017 (unaudited) £'000	6 months ended 31 December 2016 (unaudited) £'000	Year ended 30 June 2017 (audited) £'000
Revenue	2,310	2,999	5,702
Staff costs	(1,353)	(1,455)	(2,876)
General administrative expenses	(1,140)	(1,635)	(2,842)
Operating loss	(183)	(91)	(16)
Profit on sale of joint venture investment	143	-	1
Loss on ordinary activities before interest and taxation	(40)	(91)	(15)
Finance costs	(78)	(89)	(178)
Loss before taxation	(118)	(180)	(193)
Taxation	136	223	372
Profit for the period attributable to equity holders of the Company	18	43	179
Other comprehensive income	-	-	-
Total comprehensive income for the period net of tax	18	43	179
Earnings per share (pence) – basic	0.05	0.13	0.54
Earnings per share (pence) – diluted	0.03	0.13	0.47

Consolidated Statement of Financial Position
As at 31 December 2017

Assets	As at 31 December 2017 (unaudited) £'000	As at 31 December 2016 (unaudited) £'000	As at 30 June 2017 (audited) £'000
Non-current assets			
Property, plant and equipment	446	190	145
Goodwill	1,169	1,061	1,061
Investment in joint venture	-	53	54
	1,615	1,304	1,260

Current assets			
Inventories	177	93	156
Current tax assets	158	225	253
Trade and other receivables	1,147	1,770	745
Cash	95	26	72
	1,577	2,114	1,226
Total Assets	3,192	3,418	2,486
Equity and liabilities			
Equity			
Share capital	340	330	330
Share premium	5,191	5,151	5,151
Other reserves	(9,039)	(9,193)	(9,057)
	(3,508)	(3,712)	(3,576)
Non-current liabilities			
Borrowings	2,659	2,308	2,266
Trade and other payable	251	-	-
	2,910	2,308	2,266
Current liabilities			
Trade and other payables	1,632	4,461	1,609
Bank overdrafts and loans	2,158	361	2,187
	3,790	4,822	3,796
Total equity and liabilities	3,192	3,418	2,486

Consolidated Statement of Cash Flow
For the six months ended 31 December 2017

	6 months ended 31 December 2017 (unaudited) £'000	**6 months ended 31 December 2016 (unaudited) £'000**	**Year ended 30 June 2017 (audited) £'000**
Cash inflow from operating activities			
Loss from operations	(183)	(91)	(16)
Adjustments for:			
Depreciation	47	52	100
	(136)	(39)	84
Decrease/(Increase) in inventories	11	11	(51)
(Increase)/ Decrease in receivables	(321)	(554)	478
(Decrease)/Increase in liabilities	(311)	501	(577)
Cash used in operations	(757)	(81)	(66)
Interest paid	(3)	(15)	(2)
Corporation tax received	278	188	299
Net cash (used in)/generated from operating activities	(482)	92	231

Cash flows from investing activities

Purchase of plant and equipment	(1)	(15)	(18)
Sale of Joint Venture investment	197	-	-
Net cash (used in)/generated from investing activities	196	(15)	(18)

Cash flows from financing activities

New loans and finance leases	308	68	97
Repayment of bank and other loans	(2)	(121)	(210)
Repayment of finance leases	(8)	(22)	(52)
Net cash generated from/(utilised in) financing activities	298	(75)	(165)
Increase in cash and cash equivalents	12	2	48
Cash and cash equivalents at beginning of period	72	24	24
Acquisition of Subsidiary	11	-	-
Cash and cash equivalents at end of period	95	26	72

Consolidated Statement of changes in equity
For the six months ended 31 December 2017

	Share capital £'000	**Share premium account £'000**	**Retained earnings £'000**	**Total £'000**
6 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	330	5,151	(9,193)	(3,712)
12 months ended 30 June 2016				
As at 1 July 2016	330	5,151	(9,236)	(3,755)
Profit for the period	-	-	179	179
As at 30 June 2017	330	5,151	(9,057)	(3,576)
6 months ended 31 December 2017				
As at 1 July 2017	330	5,151	(9,057)	(3,576)
Profit for the period	10	40	18	68
As at 31 December 2017	340	5,191	(9,039)	(3,508)

Notes to the Interim Results

1. Basis of preparation

The Interim Results for the six months ended 31 December 2017 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 2017, 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**
6 months ended 31 December 2017				
Total segmental revenue	747	106	1,457	2,310
Segmental result	(12)	38	(209)	(183)
Finance costs	(3)	(66)	(9)	(78)
Profit on sale of joint venture investment				143
Loss before taxation				(118)
Segment assets	625	1,357	1,210	3,192
Segment liabilities	637	4,302	1,761	6,700
Depreciation and amortization	31	-	16	47
6 months ended 31 December 2016				
Total segmental revenue	591	156	2,252	2,999
Segmental result	(76)	24	(39)	(91)
Finance costs	(4)	(66)	(19)	(89)
Share of operating loss in joint venture				-
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
12 months ended 30 June 2017	1,363	288	4,051	5,702
Total segmental revenue				
Segmental result	25	(83)	42	(16)
Finance costs	(9)	(132)	(37)	(178)
Share of operating profit in joint venture				1
Loss before taxation				(193)
Segment assets	498	1,381	607	2,486
Segment liabilities	418	5,404	240	6,062
Non-current asset additions	12	-	6	18
Depreciation and amortisation	66	-	34	100

3. Earnings per share

This has been calculated on the profit for the period of £18,000 (2016: £43,000) and the number of shares used was 33,105,447 (2016: 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 2017.

5. Copies of Interim Results

The Interim Results will be posted on the Company's website www.pipehawk.com and copies are available from the Company's registered office at 4, Manor Park Industrial Estate, Wyndham Street, Aldershot, GU12 4NZ.