

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

Half-yearly results for the six months ended 31 December 2015

Chairman’s Statement

In the six months ended 31 December 2015 the Company’s turnover was £2,362,000 (2014: £2,583,000), resulting in a loss before taxation of £449,000 (2014: loss of £142,000) and a loss after taxation of £280,000 (2014: profit of £50,000).

At QM Systems, order intake for the period from June through to September 2015 was buoyant. However, orders anticipated to arrive during the latter part of 2015 were either delayed into 2016 or did not materialize. This dip in activity in the last quarter of 2015 contributed to the loss for the six months period. The order intake for 2016 to date has been very good with orders received from both existing and new clients, including a substantial order with Dana Automotive for an axle assembly line. We used the last quarter of 2015 to continue to work on broadening our customer offerings. One of these is a leading edge measurement system for high volume inspection of mechanical components to a very high accuracy and, while the conception of the project was initially aligned to a client enquiry, we have made the strategic decision to expand the deliverable to include an inspection product that is now being marketed to a number of key clients. Operational activity is currently at a peak with a number of projects at manufacturing and commissioning phases. The current order book and expected orders suggest a very busy end to the financial year.

PipeHawk has continued to develop, both technically and commercially, the e-Safe, e-Spade Lite and e-Spott product families during the period. Progress currently is focused on the development of a robust international business plan which is being partly funded by an initial €50,000 grant from H2020 (Phase 1) with a view to securing a much larger H2020 grant to assist with developing the marketing and sales strategy for the products globally (Phase 2). The initial €50,000 grant is released in two phases, the first of which has been received and the second of which is payable on the submission of the business plan which is due for completion early May 2016. The business plan then forms the basis for the application for the phase 2 funding. This is due for submission by end June 2106. We should know whether our application for phase 2 funding has been successful by early October 2016. While work to complete the submission of the business plan is ongoing we continue to actively market the e-Safe, e-Spade and e-Spott product families globally, through distribution partners, direct sales and marketing activity and attendance at a number of European exhibitions

Adien made a small profit in the period despite trading in some very competitive market conditions. A key framework agreement with a major MOD supplier is now beginning to accelerate which assists the outlook for 2016. In addition, a couple of major water industry frameworks are starting to gather pace following a slow initial uptake.

SUMO, in which the Group holds a 28.4% stake, struggled in the competitive market place and made a small loss in the period.

Finally, our Finance Director, Bob Tallentire, has accepted a prestigious position with a leading firm of international corporate finance advisers and tendered his resignation from his executive role. However, I am pleased to say that he has agreed to stay on as a non-executive director so his years of experience as MD of Adien and FD of the Group are not lost to us. I thank him for his steady hand on the financial tiller through some very tough times.

I am also delighted to announce the appointment of Mithi Padmanathan to the Board as Group Finance Director. Her wealth of experience will bring renewed drive and enthusiasm to the next phase of PipeHawk’s growth.

Gordon Watt
Chairman

Enquiries:

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Statement of Comprehensive Income
For the six months ended 31 December 2015

	6 months ended 31 December 2015 (unaudited) £'000	6 months ended 31 December 2014 (unaudited) £'000	Year ended 30 June 2015 (audited) £'000
Revenue	2,362	2,583	4,628
Staff costs	(1,430)	(1,257)	(2,575)
General administrative expenses	(1,295)	(1,417)	(2,617)
Operating loss	(363)	(89)	(564)
Share of operating profit in joint venture	(6)	22	(39)
Loss on ordinary activities before interest and taxation	(369)	(67)	(603)
Finance costs	(80)	(75)	(150)
Loss before taxation	(449)	(142)	(753)
Taxation	169	192	250
(Loss)/Profit for the period attributable to equity holders of the Company	(280)	50	(503)
Other comprehensive income	-	-	-
Total comprehensive (loss)/profit for the period net of tax	(280)	50	(503)
(Loss)/Earnings per share (pence) – basic	(0.85)	0.14	(1.52)
(Loss)/Earnings per share (pence) – diluted	(0.85)	0.07	(1.52)

Consolidated Statement of Financial Position
As at 31 December 2015

Assets	As at 31 December 2015 (unaudited) £'000	As at 31 December 2014 (unaudited) £'000	As at 30 June 2015 (audited) £'000
Non-current assets			
Property, plant and equipment	256	289	235
Goodwill	1,061	1,061	1,061
Investment in joint venture	41	108	47
	<u>1,358</u>	<u>1,458</u>	<u>1,343</u>
Current assets			
Inventories	61	80	86
Current tax assets	292	257	127
Trade and other receivables	1,028	1,431	1,276
Cash	86	61	43
	<u>1,467</u>	<u>1,829</u>	<u>1,532</u>
Total Assets	<u>2,825</u>	<u>3,287</u>	<u>2,875</u>
Equity and liabilities			
Equity			
Share capital	330	330	330
Share premium	5,151	5,151	5,151
Other reserves	(8,763)	(7,930)	(8,483)
	<u>(3,282)</u>	<u>(2,449)</u>	<u>(3,002)</u>
Non-current liabilities			
Borrowings	2,301	2,327	2,242
Trade and other payable	1,834	1,477	1,848
	<u>4,135</u>	<u>3,804</u>	<u>4,090</u>
Current liabilities			
Trade and other payables	1,704	1,883	1,569
Bank overdrafts and loans	268	49	218
	<u>1,972</u>	<u>1,932</u>	<u>1,787</u>
Total equity and liabilities	<u>2,825</u>	<u>3,287</u>	<u>2,875</u>

Consolidated Statement of Cash Flow
For the six months ended 31 December 2015

	6 months ended 31 December 2015 (unaudited) £'000	6 months ended 31 December 2014 (unaudited) £'000	Year ended 30 June 2015 (audited) £'000
Cash inflow from operating activities			
Loss from operations	(363)	(89)	(564)
Adjustments for:			
Depreciation	53	60	138
	(310)	(29)	(426)
Decrease in inventories	25	30	24
Decrease/(Increase) in receivables	251	(346)	(198)
Increase in liabilities	104	532	454
Cash generated/(used) in operations	70	187	(146)
Interest paid	(63)	(75)	(12)
Corporation tax received	-	-	195
Net cash generated from operating activities	7	112	37
Cash flows from investing activities			
Purchase of plant and equipment	(73)	(109)	(133)
Net cash (used in)/generated from investing activities	(66)	3	(133)
Cash flows from financing activities			
New loans and finance leases	133	47	221
Repayment of bank and other loans	-	(88)	(160)
Repayment of finance leases	(24)	(21)	(42)
Net cash generated from financing activities	109	(62)	19
Decrease in cash and cash equivalents	43	(59)	(77)
Cash and cash equivalents at beginning of period	43	120	120
Cash and cash equivalents at end of period	86	61	43

**Consolidated Statement of changes in equity
For the six months ended 31 December 2015**

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
6 months ended 31 December 2014				
As at 1 July 2014	330	5,151	(7,980)	(2,499)
Profit for the period	-	-	50	50
As at 31 December 2014	<u>330</u>	<u>5,151</u>	<u>(7,930)</u>	<u>(2,499)</u>
12 months ended 30 June 2015				
As at 1 July 2014	330	5,151	(7,980)	(2,499)
Loss for the period	-	-	(503)	(503)
As at 30 June 2015	<u>330</u>	<u>5,151</u>	<u>(8,483)</u>	<u>(3,002)</u>
6 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>

Notes to the Interim Results

1. Basis of preparation

The Interim Results for the six months ended 31 December 2015 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 2015, 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 2015				
Total segmental revenue	707	72	1,583	2,362
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 amortisation	36	-	17	53
6 months ended 31 December 2014				
Total segmental revenue	617	125	1,841	2,583
Segmental result	(75)	(123)	109	(89)
Finance costs	(4)	(71)	-	(75)
Share of operating profit in joint venture				22
Loss before taxation				(142)
Segment assets	1,037	427	1,823	3,287
Segment liabilities	792	3,791	1,153	5,736
Depreciation and amortisation	40	20	-	60
12 months ended 30 June 2015				
Total segmental revenue	1,295	210	3,123	4,628
Segmental result	(91)	(232)	(241)	(564)
Finance costs	(8)	(138)	(4)	(150)
Share of operating loss in joint venture				(39)
Loss before taxation				(753)
Segment assets	1,059	242	1,574	2,875
Segment liabilities	833	3,822	1,222	5,877
Depreciation and amortisation	80	-	58	138

3. (Loss)/Earnings per share

This has been calculated on the loss for the period of £280,000 (2014: profit £50,000) 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 2015.

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.