

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

Final results for the year ended 30 June 2017

Chairman's Statement

I am pleased to report that turnover for the year ended 30 June 2017 was £5.7 million (2016: £4.8 million), an increase of 19 percent. The Group incurred an operating loss in the year of £16,000 (2016: £858,000 loss), a loss before taxation for the year of £193,000 (2016: £1,017,000 loss) and a profit after taxation of £179,000 (2016: £753,000 loss). The profit per share was .54p (2016: 2.28p loss).

QM Systems

2016/17 has seen a marked improvement in performance both in revenue and profit generated. Turnover for the year was £4.05 million (2016: £3.42 million) an increase of approximately 17 percent. Operating profit for the year was £42,000 (2016: £348,000 loss). This marks a very significant turnaround in profitability for the year. The increase in profitability was fuelled through further improvements to efficiency which was partly due to changes undertaken in the previous year, further changes during 2016/17 and through a growth in revenue which was achieved with a slightly lower headcount at 30 June 2017.

A number of key projects have been successfully delivered during the year and we continue to maintain an excellent record for delivery and support with our existing client base. Many of QM System's existing clients are now placing regular additional business. In addition, we have established business with five new clients during the period. Recruitment of a new Business Development Manager in September 2016 has led to a marked increase in monthly quotation activity. This has provided access to a number of new and potential clients across industry sectors that we previously did not cover. These are tending to be for larger contracts which, typically, take longer to be awarded. During the last 12 months the size, scope and value of QM Systems' quotes have significantly increased and most of these projects have still to be awarded.

Interest in our own Manufacturing Execution System has continued to gain momentum and we have added two new clients to the growing client base for this product. This system is unique in its ease of configurability by our end clients and enables QM Systems to offer a complete production line package including manufacturing, assembly, ongoing test and final test which when combined with our own CAA system creates a 'one stop shop' for our clients' production requirements. This approach has considerable flexibility and scalability and this is leading to a lot of interest.

After the political uncertainty of the previous two years, it is reassuring to see a double-digit growth in revenue and a return to a healthy profit during 2016/17. We aim to build on these successes for the current financial year as we drive this dynamic and exciting business forward.

Technology Division

The technology division made an operating loss of £83k (2016: £353k) this includes the corporate costs of the group. Attendance at key industry events, supported by articles in trade media fuelled a unit sales growth for the year which although tempered initially in the UK post Brexit, quickly recovered. With our international marketing strategy also achieving increased interest from new and existing export market, overall performance has been consistent with expectations. Previous sales success has also driven additional revenue growth this year with past clients returning for Servicing, System Upgrades and Accessories. Rejection again of our H2020 phase 2 grant re-application was a considerable disappointment. However, following consultation with our advisers we shall continue re-submitting what we hope will be regarded as improved applications, building on feedback we receive from the assessors.

A concerted R&D effort this year has led to significant reduction in our unit build costs and the development of a new high-end product variant based on our popular e-Safe design. Launched as e-SafePRO at an international utilities event in May 2017, this new system is expected to have a significant impact on future sales growth going forward.

Adien

Adien turned itself around during the year increasing turnover by 10% to £1,364,000 and delivering a profit before tax to the Group of £16,000 (2016: £163,000 loss). With a degree of certainty in the political world this improvement is expected to continue.

The first quarter of the current year has seen good contract wins in Northern Ireland, Scotland and the North of England. The activity levels in Scotland are improving at a significant rate and the medium to long term potential in Northern Ireland is increasing monthly as most major infrastructure projects now have funding in place. Demand for Adien's services in England is relatively steady, however there are now signs of increased activity within certain sectors namely; Transport: airports, highways and rail. In addition, the power generation and distribution and water treatment sectors are growing in demand.

Currently Adien's order book and the value of quotes for contracts still to be awarded indicates that business will continue to develop at a sustainable level.

SUMO

On 13 October 2017, the Company sold its 28.4 percent joint venture interest in the ordinary share capital of SUMO Limited to me for a consideration of £197,499, being the original cost of the investment, subject to shareholder approval. The consideration will be satisfied in cash. I have agreed to pay the consideration immediately and therefore the payment of £197,499 will be treated as a loan on identical terms to the existing loans due to me. If approved by shareholders, the result will be that the amount outstanding on loans due to me will be reduced by £197,499 and the Group will record a book profit on sale of £143,000.

I have agreed that in the event that SUMO effects a fundraising at a pre-money valuation in excess of £700,000 (equivalent to £2 per SUMO share, being the price I paid) before 30 June 2018, or SUMO effects a sale of the company or an IPO at a price greater than £2 per SUMO share before 13 October 2020, then further consideration of 50 per cent. of the value of such excess will be payable in cash to the Company by me.

The independent directors, Randal MacDonnell and Soumitra Padmanathan, having consulted with the Company's nominated adviser, Allenby Capital Limited, consider that the terms of the sale of the investment in SUMO, and the loan provided by me, are fair and reasonable insofar as the shareholders of PipeHawk are concerned.

Financial position

The broadly breakeven result means that the Group continues to be in a net liability position and reliant on my continuing financial support.

My letter of support dated 14 November 2016 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%.

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 the interest due to us until the Company is in a suitably strong position to make the full payments. Further fees and interest amounting to £71,000 were deferred in the year ended 30 June 2017. At 30 June 2017, these deferred fees and interest amounted to approximately £1.6 million in total, all of which have been recognised as a liability in the Company's accounts.

Strategy & Outlook

The PipeHawk Group remains committed to creating sustainable earnings-based growth and focusing on the expansion of its business with forward-looking products and services. PipeHawk acts responsibly towards its shareholders, business partners, employees, society and the environment – in each of its business areas.

PipeHawk is committed to technologies and products that unite the goals of customer value and sustainable development. The year under review has been a massive turnaround year, following the substantial losses in the previous two years, all divisions of the Group are currently performing well and the Directors remain optimistic in their outlook for the Group.

Gordon Watt
Chairman
30 October 2017

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**Consolidated Statement of Comprehensive Income
For the year ended 30 June 2017**

	Note	30 June 2017 £'000	30 June 2016 £'000
Revenue	2	5,702	4,813
Staff costs		(2,876)	(2,866)
Operating costs		<u>(2,842)</u>	<u>(2,805)</u>
Operating loss		(16)	(858)
Share of post-tax profits of equity accounted joint venture	5	<u>1</u>	<u>6</u>
Loss before interest and taxation		(15)	(852)
Finance costs		<u>(178)</u>	<u>(165)</u>
Loss before taxation		(193)	(1,017)
Taxation	3	<u>372</u>	<u>264</u>
Profit/(Loss) for the year attributable to equity holders of the parent		<u><u>179</u></u>	<u><u>(753)</u></u>
Other comprehensive income		<u>-</u>	<u>-</u>
Total comprehensive profit/(loss) for the year attributable to equity holders of the parent		<u><u>179</u></u>	<u><u>(753)</u></u>
Profit/(loss) per share (pence) – basic	4	0.54	(2.28)
Profit/(loss) per share (pence) – diluted	4	0.47	(2.28)

**Consolidated Statement of Financial Position
at 30 June 2017**

Assets	Note	30 June 2017 £'000	30 June 2016 £'000
Non-current assets			
Property, plant and equipment		145	227
Goodwill		1,061	1,061
Investment in joint venture	5	54	53
		<u>1,260</u>	<u>1,341</u>
Current assets			
Inventories		156	105
Current tax assets		253	181
Trade and other receivables	6	745	1,224
Cash and cash equivalents		72	24
		<u>1,226</u>	<u>1,534</u>
Total assets		<u>2,486</u>	<u>2,875</u>
Equity and liabilities			
Equity			
Share capital		330	330
Share premium		5,151	5,151
Retained earnings		(9,057)	(9,236)
		<u>(3,576)</u>	<u>(3,755)</u>
Non-current liabilities			
Borrowings	7	2,266	2,301
Trade and other payables	8	-	-
		<u>2,266</u>	<u>2,301</u>
Current liabilities			
Trade and other payables	8	1,609	2,027
Borrowings	9	2,187	2,302
		<u>3,796</u>	<u>4,329</u>
Total equity and liabilities		<u>2,486</u>	<u>2,875</u>

**Parent Company Statement of Financial Position
at 30 June 2017**

Assets	Note	30 June 2017 £'000	30 June 2016 £'000
Non-current assets			
Investment in subsidiaries		1,197	1,197
Investment in joint venture	5	198	198
		<u>1,395</u>	<u>1,395</u>
Current assets			
Inventories		148	97
Current tax assets		100	82
Trade and other receivables	6	363	316
Cash and cash equivalents		-	-
		<u>611</u>	<u>495</u>
Total assets		<u>2,006</u>	<u>1,890</u>
Equity and liabilities			
Equity			
Share capital		330	330
Share premium		5,151	5,151
Retained earnings		(9,223)	(9,145)
		<u>(3,742)</u>	<u>(3,664)</u>
Non-current liabilities			
Borrowings	7	2,225	2,225
Trade and other payables	8	1,583	1,261
		<u>3,808</u>	<u>3,486</u>
Current liabilities			
Borrowings	7	1,725	1,868
Trade and other payables	8	215	200
		<u>1,940</u>	<u>2,068</u>
Total equity and liabilities		<u>2,006</u>	<u>1,890</u>

Equity includes loss for the year of the parent company of £78,000 (2016: £372,000).

**Consolidated Statement of Cash Flow
For the year ended 30 June 2017**

	Note	30 June 2017 £'000	30 June 2016 £'000
Cash flows from operating activities			
Loss from operations		(16)	(858)
Adjustments for:			
Profit on disposal of assets		-	(1)
Depreciation		100	112
		<u>84</u>	<u>(747)</u>
Increase in inventories		(51)	(19)
Decrease in receivables		478	53
(Decrease)/Increase in liabilities		<u>(577)</u>	<u>328</u>
Cash used in operations		(66)	(385)
Interest paid		(2)	(18)
Corporation tax received		<u>299</u>	<u>212</u>
Net cash generated from/(used in) operating activities		<u>231</u>	<u>(191)</u>
Cash flows from investing activities			
Proceeds from sale of assets		-	2
Purchase of plant and equipment		<u>(18)</u>	<u>(105)</u>
Net cash used in investing activities		<u>213</u>	<u>(103)</u>
Cash flows from financing activities			
Proceeds from borrowings		97	361
Repayment of loan		(210)	-
Repayment of finance leases		<u>(52)</u>	<u>(86)</u>
Net cash (used in)/generated from financing activities		<u>(165)</u>	<u>275</u>
Net increase/(decrease) in cash and cash equivalents		48	(19)
Cash and cash equivalents at beginning of year		<u>24</u>	<u>43</u>
Cash and cash equivalents at end of year		<u><u>72</u></u>	<u><u>24</u></u>

**Parent Company Statement of Cash Flow
For the year ended 30 June 2017**

	30 June 2017 £'000	30 June 2016 £'000
Cash flows from operating activities		
Loss from operations	(83)	(353)
Increase in inventories	(51)	(25)
(Increase)/decrease in receivables	(47)	364
Decrease/(increase) in liabilities	62	(80)
	<hr/>	<hr/>
Cash generated by operations	(119)	(94)
Interest paid	-	(2)
Corporation tax received	119	87
	<hr/>	<hr/>
Net cash generated by operating activities	<hr/> -	<hr/> (9)
Cash flows from investing activities		
Proceeds from borrowing	25	-
Repayment of loan	(25)	-
	<hr/>	<hr/>
Net cash used in financing activities	<hr/> -	<hr/> -
Net increase in cash and cash equivalents	-	(9)
Cash and cash equivalents at beginning of year	<hr/> -	<hr/> 9
Cash and cash equivalents at end of year	<hr/> -	<hr/> -

**Statement of Changes in Equity
For the year ended 30 June 2017**

Consolidated	Share capital	Share premium account	Retained earnings	Total
	£'000	£'000	£'000	£'000
As at 1 July 2015	330	5,151	(8,483)	(3,002)
Loss for the year	-	-	(753)	(753)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(753)	(753)
As at 30 June 2016	330	5,151	(9,236)	(3,755)
Profit for the year	-	-	179	179
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	179	179
As at 30 June 2017	330	5,151	(9,057)	(3,576)
Parent	Share capital	Share premium account	Retained earnings	Total
	£'000	£'000	£'000	£'000
As at 1 July 2015	330	5,151	(8,773)	(3,292)
Loss for the year	-	-	(372)	(372)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(372)	(372)
As at 30 June 2016	330	5,151	(9,145)	(3,664)
Loss for the year	-	-	(78)	(78)
Other comprehensive income	-	-	-	-
Total comprehensive loss	-	-	(78)	(78)
As at 30 June 2017	330	5,151	(9,223)	(3,742)

The share premium account reserve arises on the issuing of shares. Where shares are issued at a value that exceeds their nominal value, a sum equal to the difference between the issue value and the nominal value is transferred to the share premium account reserve.

Notes to the Report and Accounts

1. Summary of Significant Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with international financial reporting standards as adopted by the EU and under the historical cost convention. The principal accounting policies are set out below.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases, have not yet been adopted by the EU.

The directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosures of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures. At this point it is not practicable for the directors to provide a reasonable estimate of the effect of IFRS 9 and IFRS 15 as their detailed review of these standards is still ongoing.

In addition, the directors are in the process of considering the potential changes that may occur to the financial statements under IFRS 16 "Leases". This is expected to apply to periods commencing on or after 1 January 2019 and the assessment will be made over the next year and reported in future financial information.

Basis of preparation – Going concern

The directors have reviewed the Group's funding requirements for the next twelve months which show positive anticipated cash flow generation, prior to any repayment of loans from the Executive Chairman. The directors therefore have a reasonable expectation that the entity has adequate resources to continue in its operational exercises for the foreseeable future. The directors have furthermore obtained a renewed pledge from GG Watt to provide ongoing financial support for a period of at least twelve months from the approval date of the group statement of financial position. It is on this basis that the directors consider it appropriate to adopt the going concern basis of preparation within these financial statements. A material uncertainty exists regarding the ability of the Group to remain a going concern without the continuing financial support of the Executive Chairman.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

2. Segmental analysis

	2017	2016
	£'000	£'000
Turnover by geographical market		
United Kingdom	5,671	4,745
Europe	28	68
Other	3	-
	<u>5,702</u>	<u>4,813</u>

The group operates out of one geographical location being the UK. Accordingly, the primary segmental disclosure is based on activity. Per IFRS 8 operating segments are based on internal reports about components of the group, which are regularly reviewed and used by Chief Operating Decision Maker (“CODM”) for strategic decision making and resource allocation, in order to allocate resources to the segment and to assess its performance. The Group’s reportable operating segments are as follows:

- Adien - Utility detection and mapping services
- Technology Division - Development, assembly and sale of GPR equipment
- QM Systems - Test system solutions

The CODM monitors the operating results of each segment for the purpose of performance assessments and making decisions on resource allocation. Performance is based on external and internal revenue generations and profit before tax, which the CODM believes are the most relevant in evaluating the results relative to other entities in the industry. Segment assets and liabilities are presented inclusive of inter segment balances, as inter-segment pricing.

In utility detection and mapping services one customer accounted for 10% of revenue in 2017 and 11% in 2016. In development, assembly and sale of GPR equipment one customer accounted for 23% of revenue in 2017 and 10% in 2016. In automation and test system solutions one customer accounted for 23% of revenue and 15.5% in 2016.

Information regarding each of the operations of each reportable segments is included below, all non-current assets owned by the group are held in the UK.

	Utility detection and mapping services £'000	Development, assembly and sale of GPR equipment £'000	Automation and test system solutions £'000	Total £'000
Year ended 30 June 2017				
Total segmental revenue	1,364	288	4,050	5,702
Operating profit	25	(83)	42	(16)
Finance costs	(9)	(132)	(37)	(178)
Share of operating profit in Joint Venture				1
Loss before taxation	16	(215)	5	(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
	Utility detection and mapping services £'000	Development, assembly and sale of GPR equipment £'000	Automation and test system solutions £'000	Total £'000
Year ended 30 June 2016				

Total segmental revenue	1,241	151	3,421	4,813
Segmental result	<u>(157)</u>	<u>(353)</u>	<u>(348)</u>	<u>(858)</u>
Finance costs	(7)	(137)	(21)	(165)
Share of operating loss in joint venture				<u>6</u>
Loss before taxation	<u>(163)</u>	<u>(485)</u>	<u>(369)</u>	<u>(1,017)</u>
Segment assets	521	1,334	1,019	2,874
Segment liabilities	510	4,293	1,827	6,630
Non-current asset additions	95	-	10	105
Depreciation and amortisation	<u>72</u>	<u>-</u>	<u>40</u>	<u>112</u>

The majority of the Group's revenue is earned via the rendering of services.

3. Taxation

	2017	2016
	£'000	£'000
United Kingdom Corporation Tax		
Current taxation	(253)	(264)
Adjustments in respect of prior years	<u>(119)</u>	<u>-</u>
	(372)	(264)
Deferred taxation	<u>-</u>	<u>-</u>
Tax on loss	<u>(372)</u>	<u>(264)</u>
Current tax reconciliation		
	2017	2016
	£'000	£'000
Taxable (loss) for the year	<u>(193)</u>	<u>(1,023)</u>
Theoretical tax at UK corporation tax rate 20% (2016: 22.75%)	(39)	(205)
Effects of:		
- R&D tax credit adjustments	(215)	(162)
- other expenditure that is not tax deductible	5	4
- adjustments in respect of prior years	(118)	36
- accelerated capital allowances	2	-
- losses carried forward	-	61
- short term timing differences	<u>(7)</u>	<u>2</u>
Total income tax expense	<u>(372)</u>	<u>(264)</u>

The Group has tax losses amounting to approximately £2,470,000 (2016: £2,492,000), available for carry forward to set off against future trading profits. No deferred tax assets have been recognised in these financial statements due to the uncertainty regarding future taxable profits.

Potential deferred tax assets not recognised are approximately £490,000 (2016: £490,000)

4. Profit per share

Group

Basic (pence per share) 2017 - 0.54; 2016 - 2.28 loss per share

This has been calculated on a profit of £179,000 (2016: £753,000 loss) and the number of shares used was 33,020,515 (2016: 33,020,515) being the weighted average number of shares in issue during the year.

Diluted (pence per share) 2017 – 0.47; 2016 – 2.28 loss per share

This has been calculated using earnings of £259,000 being the profit for the year plus the interest paid on the convertible loan note (net of 20% tax) of £80,000. (2016: £753,000 loss) and the number of shares used was 55,247,667 (2016: 33,020,515) being the weighted average number of shares outstanding during the year of 33,020,515 adjusted for shares deemed to be issued for no consideration relating to options of 2,227,152 and convertible instrument of 20,000,000. In the prior year the potential ordinary shares included in the weighted average number of shares are anti-dilutive and therefore diluted earnings per share is equal to basic earnings per share.

5. Investment in Joint Venture

Group	Investment in shares £'000
Cost:	
At 1 July 2016 & 30 June 2017	198
Share of losses	
At 1 July 2016	145
Share of profit for the year	(1)
	144
At 30 June 2017	144
Net investment	
At 30 June 2017	54
	53
At 30 June 2016	53

The investment in joint venture relates to a 28.4% shareholding in the ordinary share capital of SUMO Limited. SUMO Limited is engaged in the development of a GPR franchise operation and has a year end of 31 December. For the purpose of preparing this consolidation, financial information has been prepared for the year ended 30 June 2017. SUMO Limited's principal place of business is Havant, Hampshire.

Summarised financial information in respect of the Group's joint venture is set out below:

	30 June 2017 £'000	30 June 2016 £'000
Cash	30	12
Current assets	1,947	3,072
Non-current assets	950	965
Total assets	2,927	4,049
Total liabilities (all current)	2,736	3,862
Net assets	192	187
Group's share of net assets of joint venture	54	53
	Year ended 30 June 2017 £'000	Year ended 30 June 2016 £'000
Total revenue	4,608	4,464
Interest expense	80	63

Depreciation/amortisation	168	117
Total profit/(loss) for the period	24	22
Group's share of profit of joint venture	1	6

6. Trade and other receivables

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Current				
Trade receivables	666	1,126	16	7
Amounts owed by group undertakings	-	-	345	263
Other receivables	48	49	-	44
Prepayments and accrued income	31	49	2	2
	<u>745</u>	<u>1,224</u>	<u>363</u>	<u>316</u>

7. Non-current liabilities: Borrowings

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Borrowings (note 17)	2,266	2,301	2,225	2,225
	<u>2,266</u>	<u>2,301</u>	<u>2,225</u>	<u>2,225</u>

8. Trade and other payables

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Current				
Bank Overdraft	12	-	12	-
Trade payables	544	841	120	120
Other taxation and social security	527	393	3	4
Payments received on account	164	432	-	-
Accruals	362	361	80	76
	<u>1,609</u>	<u>2,027</u>	<u>215</u>	<u>200</u>
Non-current				
Trade payables	-	-	-	-
Amounts owed to group undertakings	-	-	1,583	1,261
Accruals	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1,583</u>	<u>1,261</u>

9. Borrowing Analysis

	Group		Company	
	2017	2016	2017	2016
	£'000	£'000	£'000	£'000
Due within one year				
Bank and other loans	306	404	-	-
Directors Loan	1,858	1,868	1,725	1,868
Obligations under finance lease agreements	23	30	-	-
	<u>2,187</u>	<u>2,302</u>	<u>1,725</u>	<u>1,868</u>
Due after more than one year				
Obligations under finance lease agreements	41	76	-	-
Directors' loans	2,225	2,225	2,225	2,225
	<u>2,266</u>	<u>2,301</u>	<u>2,225</u>	<u>2,225</u>
Repayable				
Due within 1 year	2,187	2,302	-	-
Over 1 year but less than 2 years	2,240	1,244	2,225	1,225
Over 2 years but less than 5 years	26	1,057	-	1,000
	<u>4,453</u>	<u>4,603</u>	<u>2,225</u>	<u>2,225</u>

Included with Directors' loans and borrowings due within one year are accrued fees and interest owing to GG Watt of £1,858,000 (2016: £1,868,000). The balance at 30 June 2016 was included in accruals in the prior period and has been restated as the presentation within borrowings is more appropriate. The accrued fees and interest is repayable on demand and no interest accrues on the balance.

Finance lease agreements with Close Motor Finance are at a rate of 4.5% over base rate. The future minimum lease payments under finance lease agreements at the yearend date was £63,775 (2016: £106,596).

A working capital loan of £222,000 was given by Mirrasand Partnership from a trust settled by Mr G Watt. The loan attracts interest at 10% per annum. £50,000 was repaid on 31 May 2017. The remainder is repayable in May 2018. The loan was guaranteed personally by Mr G Watt.

The director's loan due in more than one year is a loan of £1,225,000 from G G Watt. Directors' loans attract interest at 2.15% over Bank of England base rate. During the year to 30 June 2017 £nil (2016: £nil was repaid). The company has the right to defer repayment for a period of 366 days.

Included in bank and other loans is an invoice discounting facility of £97,000 (2016 £160,000).

On 13th August 2010 the Company issued £1 million of Convertible Unsecured Loan Stock 2014 ("CULS") to G G Watt, the Chairman of the Company. The CULS have been issued to replace loans made by G G Watt to the Company amounting to £1 million and has been recognised in non-current liabilities of £2,225,000. The CULS were renewed on 13th November 2014.

The principal terms of the CULS are as follows:

- The CULS may be converted at the option of Gordon Watt at a price of 5p per share at any time prior to 13 November 2018;
- Interest is payable at a rate of 10 per cent per annum on the principal amount outstanding until converted, prepaid or repaid, calculated and compounded on each anniversary of the issue of the CULS. On conversion of any CULS, any unpaid interest shall be paid within 20 days of such conversion;

- The CULS are repayable, together with accrued interest on 13 November 2018 ("the Repayment Date").

On the basis of materiality, no equity element of the convertible loan stock has been recognised in these financial statements.

10. Copies of Report and Accounts

Copies of the Report and Accounts will be posted to shareholders tomorrow, and will be available from the Company's registered office, Manor Park Industrial Estate, Wyndham Street, Aldershot, Hampshire GU12 4NZ and from the Company's website www.pipehawk.com.

11. Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of PipeHawk plc will be held at the offices of Allenby Capital Limited, 5 St Helen's Place, London, EC3A 6AB at 14:30 on Thursday 14 December 2017.