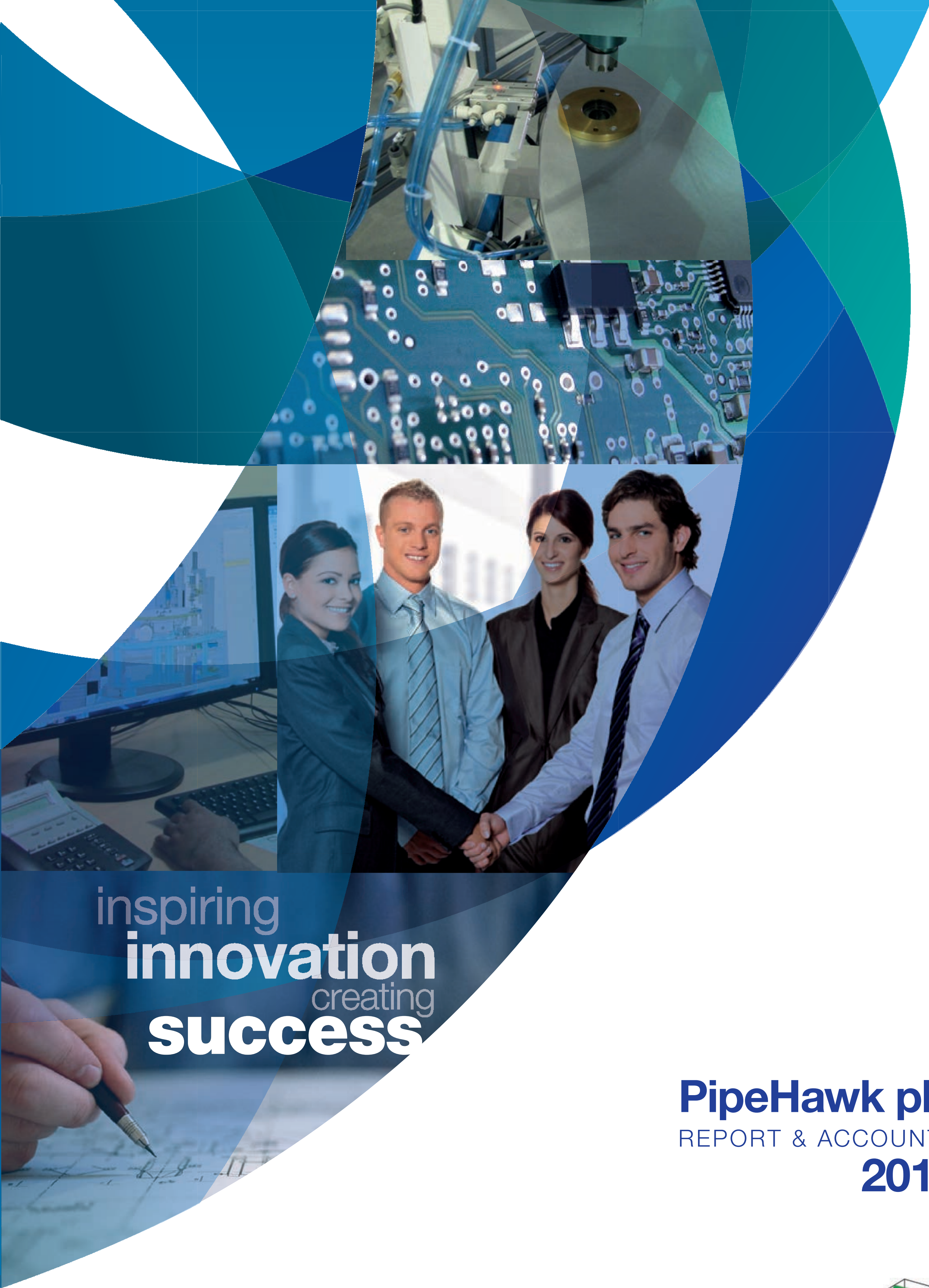

PipeHawk plc

REPORT & ACCOUNTS

2012

PipeHawk plc
Underground Intelligence

PipeHawk plc is a dynamic business offering advanced engineering solutions to challenging technical requirements across many industries.

We are the global market leader in ground probing radar technology with many applications including civil engineering and land mine detection. Our technology provides a superior detection of hidden underground objects and features, dramatically reducing risk, improving safety and saving substantial time and money during identification and excavation.

Adien Limited, a wholly owned subsidiary, is a leader in the field of utility detection and mapping. Its survey teams provide information that is critical in the design processes of almost all construction projects that involve breaking the ground.

QM Systems, a division of PipeHawk PLC, is a market leader in providing solutions and services for electronic system design and manufacture, test equipment, transfer systems and automation and assembly solutions to the automotive, aerospace, rail and other related industries.

Powered by excellent people our reputation is built on exceeding our customers' expectations in delivering innovative, cost effective quality solutions in all aspects of our business.

Through our energetic, innovative and dynamic approach together with our significant investment in R&D we will continue to strengthen our market leading positions.

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2012 was a watershed year for the group when investments made previously in people and products started to pay dividends. The group took four important steps forward.

- It became cash positive and profitable at the operating line
- QM Systems won several large turnkey orders from clients signalling the direction that it will take in future years.
- PipeHawk products continued to be developed in line with customer requirements; global distribution channels are close to being established alongside the products.
- Adien returned to profitability through exploiting opportunities in infrastructure projects that had been tracked for several years.

Operating Divisions

Adien — Providing Nationwide Site Survey Information and Support

sumo subsurface utilities mark out — Serving the UK for Utility Mark Out Service

PipeHawk Technology Division — Research and development of GPR technology

QM SYSTEMS Engineering Innovation — Test Systems for complex electronic products

"Great progress made"

"QM Systems . . . will more than double revenue in the current financial year"

I am pleased to be able to report that all parts of the Group have worked hard in the last year and have achieved great progress. The second half of the year showed a great improvement over the first half and we managed to turn around the half year loss into a full year profit. I remain confident that we will see the Group take further steps forward in the next year.

I can report that turnover for the year ended 30 June 2012 was £3,342,000 (2011: £2,875,000 after excluding £625,000 of one-off income arising from a settlement with a customer) which is an increase of 16 per cent. The Group achieved a profit after taxation for the year of £28,000 (2011: profit £242,000) which is an excellent result considering that last year's results were buoyed by the one-off income of £625,000.

Adien

Despite the fact that Adien operates largely in the UK construction industry, the company reported an 8 per cent. growth in sales and a return to profitability. This sales growth has come about as a result of focussing on serving the needs of the utilities sector and has been converted into profits due to increased efficiencies resulting from a restructuring of operations that began some 15 months ago. Adien is associated with several high profile public infrastructure projects and has won these contracts as a result of tracking them carefully since their inception. The company is now well placed to continue to grow and contribute profitably to the group.

Technology Division

In the period under review PipeHawk has invested in the continued development of key new products to ensure maturity at launch. The development of e-Safe has continued to move forward at a rapid rate and we are pleased to report that the product is now approaching readiness for sale. In addition to this, the modular design concept enables PipeHawk to offer a family of innovative and low cost GPR products to the market that will provide a GPR solution for every requirement and every budget.

The restructure of the PipeHawk business has enabled us to focus our efforts directly on our clients' requirements and consequently interest in the e-Safe and e-Spott products is proving very positive.

We are now developing distribution channels to ensure the successful introduction to a global market for all of our new and innovative products.

During the year PipeHawk continued to develop new GPR products and as a consequence has capitalised approximately £230,000 of research and development expenditure.

QM Systems

Progress at QM Systems during the last 12 months has continued to be excellent, with a significant growth in revenue and profit on normal operations. A number of new contracts for production, assembly and test equipment have been received and delivered, without exception, on time. The business has continued to expand its diversity both in terms of the products and services offered and the client base that QM supports. QM Systems has recently secured several new projects with new clients that will more than double revenue in the current financial year. Several of these new projects are for complete turnkey production line solutions that will drive QM's business model through rapid growth and expansion. We look forward to a very exciting 12 months ahead at QM Systems.

SUMO

SUMO is more exposed to the construction market than Adien but has seen good performances from Stratascan Limited, which it purchased on 30 June 2011 and which is focused on geophysical GPR surveys. Turnover for the year ended 30 June 2012 was £2,407,000 (2011: £1,925,000) and the operating loss for the year was £60,000 (2011: profit £136,000). Sumo is accounted for in the group financial statements as a joint venture. The turnover of SUMO has not been accounted for in the group financial statements given it is a joint venture.

Related party transactions

In the period under review, I was not called upon to provide working capital support to the Company which is a further testament to the growing strength of the Group.

My letter of support dated 7 October 2011 was renewed on 22 October 2012 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.

The directors, other than myself, consider, having consulted with the Company's nominated adviser, that the terms of the loans are fair and reasonable insofar as the Company's shareholders are concerned.

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 until the Company is in a suitably strong position to make the full payments. These deferred fees amounted to approximately £86,000 in the year ended 30 June 2012 and approximately £622,000 in total, all of which have been accrued in the Company's accounts.

Strategy & Outlook

The PipeHawk group is geared towards creating sustainable earnings-based growth and focuses 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. In the last six months of the period under review it appears that the results for the business are beginning to reflect the efforts put in by management and staff and therefore I remain optimistic in my outlook for the Group.

Gordon Watt
Chairman
22 October 2012

Company Information

Directors	**Gordon G Watt** (Executive Chairman) **Robert G Tallentire** (Finance Director) **Robert Randal MacDonnell** (Non Executive)
Secretary	**Robert Tallentire** ACA MBA
Nominated Adviser	**Merchant Securities Limited** 51-55 Gresham Street London EC2V 7HQ
Brokers	**Merchant Securities Limited** 51-55 Gresham Street London EC2V 7HQ
Registrars	**Capita Registrars** SLC Registrars Thames House Portsmouth Road Esher Surrey KT10 9AD
Registered number	**3995041**
Registered office	Manor Park Industrial Estate Wyndham Street Aldershot Hampshire GU12 4NZ
Auditors	**Crowe Clark Whitehill LLP** St Bride's House 10 Salisbury Square London EC4Y 8EH
Solicitors	**LG** 4 More London Riverside London SE1 2AU

The directors present the annual report on the affairs of the Group together with the financial statements for the year ended 30 June 2012.

Principal activities

The principal activities of the Group during the year were the development, assembly and sale of ground probing radar (GPR) equipment, and test system solutions; the provision of GPR based services and the undertaking of complementary Research and Development assignments. A review of the operations of the Group during the financial year and expected future developments are included in the Chairman's statement on page 2.

Results and dividends

The results for the Group for the year are set out in the consolidated statement of comprehensive income on page 13. The directors do not recommend the payment of a dividend for the year (2011: £nil).

Charitable and political contributions

The Group has not made any charitable or political contributions in the year (2011: £nil).

Key performance indicators

The Group's key financial performance indicators are turnover, profit before tax and earnings per share and cash generation. An analysis of key performance indicators for turnover, profit before tax and earnings per share is disclosed in the statement of comprehensive income within the financial statements. An analysis of the cash generated by the group is disclosed in the consolidated statement of cash flow within the financial statements which show that the group is profitable and cash generative.

Non-financial key performance indicators are the strength of the order book and the ability of the company to generate turnover from the Pipehawk III technology.

Directors

The directors who served during the year are set out on page 4. The directors' beneficial interests in the share capital of the company were as follows:

	22 October 2012		30 June 2012		30 June 2011	
	Ordinary Shares of 1p	% of issued share capital	Ordinary Shares of 1p	% of issued share capital	Ordinary Shares of 1p	% of issued share capital
G G Watt	4,896,500	14.8%	4,896,500	14.8%	4,896,500	14.8%
R MacDonnell	729,216	2.2%	729,216	2.2%	729,216	2.2%
R G Tallentire	-	-	-	-	-	-

The directors are also interested in unissued Ordinary Shares granted to them by the Company under share options held by them pursuant to individual option schemes as set out in note 6.

Substantial share interests

Other than directors, the company has been notified of the following persons being interested in more than 3% of the issued share capital of the company at the date of this report.

	Ordinary Shares of 1p	% of issued share capital
J T Twigg	1,054,830	3.2%
N G Wood	1,054,830	3.2%
S Hamilton	4,583,334	13.9%
R J Chignell	2,204,200	6.7%

Suppliers

The Group's policy is, where possible, to pay suppliers in accordance with the terms agreed with them. Where no specific terms have been agreed, the Group's policy is to pay suppliers at the end of the month following that in which the supplier's invoice is received. This policy is made known to staff who handle payments to suppliers and is made known to suppliers on request. For the Group, trade creditors at 30 June 2012 represent 39 days' purchases (2011: 35 days' purchases) and for the company, 61 days' purchases (2011: 68 days' purchases).

Principal risks and uncertainties

The principal risks and uncertainties facing the business are the level of repeat business from clients and the Group's ability to attract and retain new customers together with the management of working capital, compliance, legal and operational issues. When undertaking research and development activities the principal risks and uncertainties are the novelty of the product, the actions of competitors during the development process and the ability to attract new customers for the developed product.

The Group's financial risks and policies to minimise these are set out in note 19.

Research and development

The Group continues to undertake research and development activities at its sites in Worcester and Aldershot. This will enable the Group to expand its activity in technology and innovation that will help us greatly in developing new products that will begin directly generating revenue in the near future. The Group has undertaken research and development activities in the areas of ground probing radar and aviation related equipment.

Auditors and disclosure of information to auditors

Each of the persons who are directors at the time when this report is approved has confirmed that:

(a) so far as each director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(b) each director has taken all the steps that ought to have been taken as a director in order to be aware of any information needed by the company's auditors in connection with preparing their report and to establish that the company's auditors are aware of that information.

Auditors

The reappointment of Crowe Clark Whitehill LLP will be proposed at the forthcoming Annual General Meeting, in accordance with section 489 of the Companies Act 2006.

Going concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement and the summary of significant accounting policies – "critical judgements in applying accounting policies and key sources of estimation uncertainty". In addition, earlier comments in this report and note 19 to the financial statements describe the policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and its exposure to credit risk and liquidity risk.

As described in the Chairman's report, the current economic environment is improving for the group's trading subsidiaries in their respective markets and they have reported a profit for the year. The directors consider that the outlook presents challenges in terms of sales volumes and in terms of bringing R&D developments to commercialisation. The directors have instituted measures to preserve cash and secure additional finance but these circumstances create uncertainties over future trading results and cashflows.

Nevertheless, in addition to the continuing support of the Directors, after making enquiries, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Approval

The report of the directors was approved by the Board on 22nd October 2012 and signed on its behalf by:

Robert Tallentire ACA MBA
Director

The Company is not subject to the Listing Rules of the Financial Services Authority which require listed companies to disclose how they have applied the principles set out in the UK Corporate Governance Code and whether they have complied with its provisions throughout the period. The Company considers these principles to be best practice, subject to their appropriateness given the size of the Company and the composition of Board. The following report summarises the current corporate governance processes that are in place.

Directors

The Board currently comprises the executive chairman, one executive director and one non-executive director.

Executive directors' normal retirement age is 60 and non-executive directors' normal retirement age is 75. Both are subject to periodic reappointment by shareholders. The requirements of the company's articles result in each director being reappointed every three years.

The full Board meets formally six times each year. There is a formal schedule of matters reserved for the Board's decision. All directors have access to the advice and services of the company secretary, who is also responsible for ensuring that Board procedures are followed. There is also a procedure in place for any director to take independent professional advice, if necessary, at the company's expense.

Internal controls

The directors have overall responsibility for ensuring that the Group maintains a system of internal control, and for reviewing its effectiveness, to provide them with reasonable assurance that the assets of the Group are safeguarded and that the shareholders' investments are protected. The system includes internal controls covering financial, operational and compliance areas, and risk management. There are limitations in any system of internal control, which are designed to manage rather than eliminate risk and can provide reasonable but not absolute assurance against material misstatement or loss.

The Board has considered the guidance provided by the Turnbull report and reviewed the system of internal controls in place. An assessment of the major risk areas for the business and methods used to monitor and control them was also undertaken. In addition to financial risk, this covered operational, commercial, marketing and research and development risks. This risk review has become an ongoing process of identifying, evaluating and managing the significant risks faced by the Company, with regular review by the Board.

The additional key procedures designed to provide an effective system of internal control are that:

- There is an organisational structure with clearly defined lines of responsibility and delegation of authority.
- Annual budgets are prepared and updated as necessary.
- Management accounts are prepared on a quarterly basis and compared to budgets and forecasts to identify any significant variances.
- The Group appoints staff of the required calibre to fulfil their allotted responsibilities.

The Board has considered it inappropriate to establish an internal audit function. However, this decision will be reviewed as the operations of the Group develop.

Identification of business risk

Regular assessments of ongoing risks facing the business are undertaken as part of the regular Group management meetings in the key areas such as management of working capital, compliance, legal and operational issues. This risk management framework is applied to major initiatives such as acquisitions as well as operational risks within the business including operational health and safety risks.

Remuneration

Basic salaries are set having regard to each director's responsibilities and pay levels for comparable positions. In framing its remuneration policy the committee aims to attract and retain directors to run the company successfully without making excessive payments.

Details of individual directors' share options are included in the notes to the financial statements and details of their remuneration including long term incentive schemes are included in note 6 to the audited financial statements. The notice period in all the directors' service contracts is one year.

Shareholder relationships

The Board attaches a high priority to communications with shareholders. Presentations are made to shareholders, institutions and analysts once a year to coincide with the announcement of the final results. Additional dialogue with institutional shareholders is entered into as necessary.

The annual general meeting is to be held on 13 December 2012. The resolutions to be proposed at the annual general meeting, together with explanatory notes, appear in the separate Notice of Annual General Meeting on page 46.

Other information about the company is available on the company's web site.

Gordon Watt BA, FCA, FRSA
Chairman (59)

Gordon is a chartered accountant having been a partner at RSM Robson Rhodes and then Finance Director/Deputy Chief Executive of British Bus Plc until it was sold to Arriva Plc. He is non-executive chairman of a number of private companies, he became a non-executive director of the Group in 1998, became finance director in December 2001 and Chairman in January 2003.

Robert Tallentire ACA MBA
Finance Director (53)

Bob joined PipeHawk in 2003 and became Group Finance Director and Managing Director of Adien on 10 December 2004. Bob is a chartered accountant having been a partner at RSM Robson Rhodes and then Managing Director of his own business. He has extensive consulting and management experience.

R Randal MacDonnell
Non-executive Director (73)

Randal joined the Group in February 2006. He is currently a director of Strategic Natural Resources plc, having previously been a director of Kleinwort Benson Securities, Laing & Cruickshank Securities and Chase Manhattan Securities Limited. Prior to that he was a partner in stockbrokers Laurie Milbank & Co.

Statement of Directors' Responsibilities for the Annual Report

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs') as adopted by the EU and applicable law.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company and group's transactions and disclose with reasonable accuracy at any time the financial position of the company and group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

We have audited the financial statements of PipeHawk plc for the year ended 30 June 2012 which comprise the Group Statement of Comprehensive Income, the Group and Parent Company Statement of Financial Position, the Group and Parent Company Statement of Cash Flow, the Group and Parent Company Statements of Changes in Equity and the related notes numbered 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Directors' Report and any other surround information to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2012 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Emphasis of Matter – Going Concern

Without qualifying our opinion we draw attention to the basis of preparation on going concern in note 1 to the financial statements. This explains that a material uncertainty exists regarding the group's ability to continue as a going concern without the support of the Executive Chairman. The financial statements do not include any adjustments that would result if the group was unable to continue as a going concern.

Roland Malkin
Senior Statutory Auditor
for and on behalf of
Crowe Clark Whitehill LLP
Chartered Accountants
Statutory Auditor

St Bride's House
10 Salisbury Square
London
EC4Y 8EH
United Kingdom

22 October 2012

	Note	30 June 2012 £'000	30 June 2011 £'000
Revenue	2	3,342	2,875
Other income		-	625
		3,342	3,500
Staff costs	5	(1,779)	(1,687)
Operating costs		(1,458)	(1,553)
Operating profit		105	260
Share of (loss)/profit in joint venture	12	(17)	45
Profit before interest and taxation		88	305
Finance costs	3	(158)	(162)
(Loss)/profit before taxation		(70)	143
Taxation	7	98	99
Profit for the year attributable to equity holders of the Company		28	242
Other comprehensive income		-	-
Total comprehensive income for the year net of tax		28	242
Profit/(loss) per share (pence) – basic	8	0.09	0.73
Profit per share (pence) – diluted	8	0.06	0.52

The notes on pages 19 to 45 form an integral part of these financial statements.

Consolidated Statement of Financial Position
at 30 June 2012

Assets	Note	30 June 2012 £'000	30 June 2011 £'000
Non-current assets			
Property, plant and equipment	9	196	141
Goodwill	10	1,061	1,061
Intangible assets	11	2,348	2,123
Investment in joint venture	12	93	110
		3,698	3,435
Current assets			
Inventories	14	149	197
Current tax assets		104	70
Trade and other receivables	15	835	980
Cash and cash equivalents		189	112
		1,277	1,359
Total assets		4,975	4,794
Equity and liabilities			
Equity			
Share capital	20	330	330
Share premium		5,151	5,151
Retained earnings		(5,525)	(5,553)
		(44)	(72)
Non-current liabilities			
Borrowings	16	2,729	2,854
Trade and other payables	17	1,394	1,244
		4,123	4,098
Current liabilities			
Trade and other payables	17	779	751
Borrowings	18	117	17
		896	768
Total equity and liabilities		4,975	4,794

The notes on pages 19 to 45 form an integral part of these financial statements.

The financial statements were approved by the board and authorised for issue on 22 October 2012 and signed on its behalf by:

Gordon G Watt
Director

Assets	Note	30 June 2012 £'000	30 June 2011 £'000
Non-current assets			
Property, plant and equipment	9	1	2
Intangible assets	11	2,171	1,941
Investment in subsidiaries	13	1,197	1,197
Investment in joint venture	13	198	198
Trade and other receivables	15	400	400
		3,967	3,738
Current assets			
Inventories	14	135	173
Current tax assets		64	70
Trade and other receivables	15	496	222
Cash and cash equivalents		3	9
		698	474
Total assets		4,665	4,212
Equity and liabilities			
Equity			
Share capital	20	330	330
Share premium		5,151	5,151
Retained earnings		(5,387)	(5,287)
		94	194
Non-current liabilities			
Borrowings	16	2,702	2,827
Trade and other payables	17	1,620	1,017
		4,322	3,844
Current liabilities			
Trade and other payables	17	249	174
		249	174
Total equity and liabilities		4,665	4,212

The notes on pages 19 to 45 form an integral part of these financial statements.

The financial statements were approved by the board and authorised for issue on 22 October 2012 and signed on its behalf by:

Gordon G Watt
Director

Consolidated Statement of Cash Flow

For the year ended 30 June 2012

	Note	30 June 2012 £'000	30 June 2011 £'000
Cash flows from operating activities			
Profit from operations		105	260
Adjustments for:			
Depreciation		73	61
Impairment of intangibles		5	5
Profit on sale of fixed assets		-	(4)
		183	322
(Increase)/decrease in inventories		48	(18)
(Increase)/decrease in receivables		131	(481)
Increase/(decrease) in liabilities		26	100
Cash generated by/(used) in operations	21	388	(77)
Interest paid		(6)	(10)
Corporation tax received		78	179
Net cash from/(used in) operating activities		460	92
Cash flows from investing activities			
Development costs paid		(230)	(325)
Purchase of plant and equipment		(128)	(95)
Sale of plant and equipment		-	4
Net cash used in investing activities		(358)	(416)
Cash flows from financing activities			
Share issues		-	-
New loans and finance leases		118	386
Repayment of loan		(125)	(7)
Repayment of finance leases		(18)	(33)
Net cash generated from financing activities		(25)	346
Net increase in cash and cash equivalents		77	22
Cash and cash equivalents at beginning of year		112	90
Cash and cash equivalents at end of year		189	112

The notes on pages 19 to 45 form an integral part of these financial statements.

	Note	30 June 2012 £'000	30 June 2011 £'000
Cash flows from operating activities			
Loss from operations		(6)	(229)
Adjustments for:			
Depreciation		1	1
		(5)	(228)
(Increase)/decrease in inventories		38	(23)
Decrease/(increase) in receivables		(288)	213
Increase/(decrease) in liabilities		526	(52)
Cash generated by/(used in) from operations	21	271	(90)
Interest paid		-	-
Corporation tax received		78	82
Net cash (used in) operating activities		349	(8)
Cash flows from investing activities			
Development costs paid		(230)	(325)
Net cash used in investing activities		(230)	(325)
Cash flows from financing activities			
Share issues		-	-
New loans and finance leases		(125)	336
Net cash generated from financing activities		(125)	336
Net increase in cash and cash equivalents		(6)	3
Cash and cash equivalents at beginning of year		9	6
Cash and cash equivalents at end of year		3	9

The notes on pages 19 to 45 form an integral part of these financial statements.

Consolidated

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
As at 1 July 2010	330	5,151	(5,795)	(314)
Profit for the period	-	-	242	242
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	242	242
As at 30 June 2011	330	5,151	(5,553)	(72)
Profit for the period	-	-	28	28
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	28	28
As at 30 June 2012	330	5,151	(5,525)	(44)

Parent

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
As at 1 July 2010	330	5,151	(4,986)	495
Loss for the period	-	-	(301)	(301)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(301)	(301)
As at 30 June 2011	330	5,151	(5,287)	194
Loss for the period	-	-	(100)	(100)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(100)	(100)
As at 30 June 2012	330	5,151	(5,387)	94

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.

The notes on pages 19 to 45 form an integral part of these financial statements.

There are no items of income or expense that should be recognised in the statement of changes in equity other than the above.

1. Summary of Significant Accounting Policies

General information

PipeHawk plc (the Company) is a limited company incorporated in the United Kingdom under the Companies Act 2006. The addresses of its registered office and principal place of business are disclosed in the company information at page 4. The principal activities of the Company and its subsidiaries (the Group) are described in page 1.

The financial statements are presented in pounds sterling, the functional currency of all companies in the Group. In accordance with section 408 of the Companies Act 2006 a separate statement of comprehensive income for the company has not been presented. For the year to 30 June 2012 the company recorded a net loss after taxation of £100,000 (2011: £301,000).

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.

Certain changes to IFRS will be applicable for the Group's financial statements in future periods. To the extent that the Group has not adopted these early in the current financial statements, they will not affect the Group's reported loss or equity but they will affect disclosures.

As at the date of approval of these financial statements, the following standards and interpretations, relevant to the Group's operations, were in issue but not yet effective;

IFRS 7 (Amendment) – Amendment to Financial Instruments Disclosure
IAS 19 (Amendment) – Employee Benefits
IAS 24 (Revised) – Related Party Disclosures
IAS 28 – Investments in Associates and Joint Ventures

Numerous other minor amendments to standards have been made a result of the IASB's improvement project.

Basis of preparation – Going concern

The Group continues to develop its range of products and source new buyers and is optimistic about the positive market reaction to these new products and the award of significant new contracts within the near future. The directors have reviewed the Group's funding requirements and the Executive Chairman, G G Watt, has pledged 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose 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.

Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 *Business Combinations (revised)* are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*, which are recognised and measured at fair value less costs to sell.

1. Summary of Significant Accounting Policies (continued)

Business combinations (continued)
Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

Goodwill
Goodwill arising on the acquisition of a subsidiary or a jointly controlled entity represents the excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary or jointly controlled entity recognised at the date of acquisition. Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

Investments in joint ventures
A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity that is subject to joint control that is when the strategic financial and operating policy decisions relating to the activities of the joint venture require the unanimous consent of the parties sharing control.

The results and assets and liabilities of joint venture are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the joint venture, less any impairment in the value of individual investments. Losses of a joint venture in excess of the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture) are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the joint venture recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of that investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with a joint venture of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant joint venture.

Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

1. Summary of Significant Accounting Policies (continued)

Sale of goods
Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services
In relation to the design and manufacture of complete software and hardware test solutions and the provision of specialist surveying, revenue is recognised through a review of the man-hours completed on the project at the year-end compared to the total man-hours required to complete the projects. Provision is made for all foreseeable losses if a contract is assessed as unprofitable.

Property, plant and equipment
Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. The principal annual rates used to depreciate property, plant and equipment are;

Equipment, fixtures and fittings	25%
Motor vehicles	25%

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the Statement of Comprehensive Income.

Inventories and work in progress
Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Work in progress is valued at cost, which includes outlays incurred on behalf of clients and an appropriate proportion of directly attributable costs on incomplete assignments. Provision is made for irrecoverable costs where appropriate.

Financial assets
Financial assets are recognised and derecognised on trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Loans and receivables
Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

1. Summary of Significant Accounting Policies (continued)

Financial assets (continued)

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period. Income is recognised on an effective interest basis.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at each statement of financial position date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset.

Financial liabilities and equity instruments issued by the Group

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

1. Summary of Significant Accounting Policies (continued)

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred. An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

Finance leases

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Operating leases

Operating lease payments are recognised as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

1. Summary of Significant Accounting Policies (continued)

Pension scheme contributions
Pension contributions are charged to the statement of comprehensive income in the period in which they fall due. All pension costs are in relation to defined contribution schemes.

Share based payments
Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 20.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each statement of financial position date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to reserves.

Foreign currencies
Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at 30 June. Transactions in foreign currencies are recorded at the rates ruling at the date of the transactions.

Taxation
Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

Deferred tax
Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the year end date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

1. Summary of Significant Accounting Policies (continued)

Taxation (continued)

Current and deferred tax for the year

Current and deferred tax are recognised as an expense or income in the statement of comprehensive income, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or in determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination.

Impairment of property, plant and equipment and intangible assets

At each year end date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. Any impairment made to the goodwill cannot be subsequently reversed.

Comparative information

Certain comparable figures have been restated to make the disclosure more meaningful with no impact on profit or loss or net assets.

Critical judgements in applying accounting policies and key sources of estimation uncertainty

The following are the critical judgements and key sources of estimations that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in these financial statements.

Recoverability of internally-generated intangible asset

During the year, the directors reconsidered the recoverability of the Group's internally-generated intangible asset arising from its development of ground probing radar and aviation related equipment, which is included in the consolidated statement of financial position at 30 June 2012 at £2,348,000.

Detailed sensitivity analysis has been carried out and the directors are confident that the carrying amount of the asset will be recovered in full, even if expected revenues are reduced. This situation will be closely monitored, and adjustments made in future periods if future market activity indicates that such adjustments are appropriate. This is documented further in note 11.

1. Summary of Significant Accounting Policies (continued)

Comparative information (continued)

Impairment of goodwill investment and long term loan in subsidiaries

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. A similar exercise acquired in respect of investment and long term loans in subsidiary. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. The carrying amount of goodwill at the year end date was £1,061,000 after an impairment loss of £nil was recognised during 2012. The investment in subsidiaries at the year end was £1,197,000 and the long term loan in subsidiaries was £400,000. This is documented further in note 10.

2. Segmental Analysis

	2012 £'000	2011 £'000
Turnover by geographical market		
United Kingdom	3,249	2,777
Europe	-	98
Other	93	-
	3,342	2,875

The group operates out of one geographical location being the UK. Accordingly the primary segmental disclosure is based on activity. The Group has adopted IFRS 8 Operating Segments effective from the year beginning 1 July 2009. 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:

- Utility detection and mapping services
- Development, assembly and sale of GPR equipment
- 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 35% of revenue. In development, assembly and sale of GPR equipment one customer accounted for 27% of revenue. In test system solutions two customers accounted for more than 10% of revenue and in aggregate these two customers represented 70% of segment revenue.

2. Segmental Analysis (continued)

Information regarding each of the operations of each reportable segments is included below.

	Utility detection and mapping services £'000	Development, assembly and sale of GPR equipment £'000	Test system solutions £'000	Total £'000
Year ended 30 June 2012				
Total segmental revenue	1,524	221	1,597	3,342
Total segmental other income	-	-	-	-
	1,524	221	1,597	3,342
Segmental result	76	(7)	36	105
Finance costs	(6)	(152)	-	(158)
Share of operating loss in joint venture				(17)
(Loss) before taxation				(70)
Segment assets	1,020	2,837	1,118	4,975
Segment liabilities	987	2,428	1,048	4,463
Depreciation and amortisation	49	2	33	84
Year ended 30 June 2011				
Total segmental revenue	1,414	75	1,386	2,875
Total segmental other income	-	-	625	625
Segmental result	(134)	(230)	624	260
Finance costs	(6)	(154)	(2)	(162)
Share of operating profit in joint venture				45
Profit before taxation				143
Segment assets	899	2,874	1,021	4,794
Segment liabilities	936	2,903	1,027	4,866
Depreciation and amortisation	56	6	4	66

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

3. Finance costs

	2012 £'000	2011 £'000
Interest payable	158	162
	158	162
Interest payable comprises interest on:		
Finance leases	5	2
Bank loans and overdrafts	1	6
Directors' loans	152	153
Other interest	-	1
	158	162

4. Operating loss for the year

This is arrived at after charging for the Group:

	2012 £'000	2011 £'000
Research and development costs not capitalised	371	542
Amortisation of intangibles	5	5
Depreciation of wholly owned property, plant and equipment	51	36
Depreciation of property, plant and equipment held under finance leases	22	25
Auditors' remuneration		
- Fees payable to the company's auditors for the audit of the group's financial statements	20	20
- Fees payable to the company's auditors and its subsidiaries for the provision of tax services	2	2
Operating lease rentals:		
- motor vehicles	-	8
- other including land and buildings	144	158

The company audit fee is £8,500 (2011: £8,500).

5. Staff costs

	2012 No.	2011 No.
Average monthly number of employees, including directors:		
Production	45	38
Selling and research	10	10
Administration	6	6
	61	54

	2012 £'000	2011 £'000
Staff costs, including directors before capitalisation:		
Wages and salaries	1,778	1,703
Social security costs	181	172
Other pension costs	11	28
	1,970	1,903
Less amounts capitalised as development costs	(191)	(216)
	1,779	1,687

6. Directors' Remuneration

	Salary and fees £'000	Benefits in kind £'000	2012 Total £'000	2011 Total £'000
G G Watt	71	-	71	71
R G Tallentire	46	-	46	35
R MacDonnell	-	-	-	-
Dr R J Chignell	-	-	-	35
Aggregate emoluments	117	-	117	141

Directors' pensions	2012 No.	2011 No.
The number of directors who are accruing retirement benefits under:		
- defined contributions policies	-	1

Company contributions to directors' defined contribution policies	2012 £'000	2011 £'000
Dr R J Chignell	-	7

The directors above represent key management personnel.

6. Directors' Remuneration (continued)

Directors' share options

	No. of options				
	At start of year	**Granted during year**	**At end of year***	**Exercise price**	**Date from which exercisable**
G G Watt	250,000	-	250,000	14.5p	10-Dec-05
G G Watt	100,000	-	100,000	20.0p	18-Nov-06
R G Tallentire	40,000	-	40,000	14.5p	20-Dec-05
R G Tallentire	5,000	-	5,000	20.0p	18-Nov-07
R G Tallentire	200,000	-	200,000	12.0p	9-Dec- 07
R G Tallentire	100,000	-	100,000	13.5p	14-Nov-08
R MacDonnell	100,000	-	100,000	24.0p	2-May-09
R MacDonnell	250,000	-	250,000	3.0p	8-Dec-10
R MacDonnell	-	-	500,000	3.0p	6-Mar-15
R G Tallentire	-	-	1,000,000	3.0p	6-Mar-15

* Or date of resignation if earlier

The Company's share price at 30 June 2012 was 2.0p. The high and low during the period under review were 5.19p and 1.25p respectively.

In addition to the above, in consideration of loans made to the company, G G Watt has warrants over 3,703,703 at an exercise price of 13.5p and a further 6,000,000 shares at an exercise price of 3.0p. In consideration of loans made to the company R G Tallentire has warrants over 2,120,000 at an exercise price of 3.0p.

7. Taxation

	2012 £'000	**2011 £'000**
United Kingdom Corporation Tax		
Current taxation	(106)	(70)
Adjustments in respect of prior years	8	(29)
	(98)	(99)
Deferred taxation	-	-
Tax on loss	(98)	(99)

Current tax reconciliation	**2012 £'000**	**2011 £'000**
Taxable (loss)/profit for the year	(70)	143
Theoretical tax at UK corporation tax rate 25.5% (2011: 26.0%)	(18)	40
Effects of:		
- R&D tax credit adjustments	(164)	(113)
- other expenditure that is not tax deductible	11	-
- adjustments in respect of prior years	-	8
- accelerated capital allowances	(71)	(87)
- losses carried forward	92	80
- short term timing differences	52	(27)
Total income tax expense	(98)	(99)

The Group has tax losses amounting to approximately £1,800,000 (2011: £1,860,000), available for carry forward to set off against future trading profits.

8. Profit/(loss) per share

Group

Basic

This has been calculated on a profit of £28,000 (2011: profit £242,000) and the number of shares used was 33,020,515 (2011: 33,020,515) being the weighted average number of shares in issue during the year.

Diluted

This has been calculated on a profit of £28,000 (2011: profit £242,000) and the number of shares used was 48,114,301 (2011: 47,677,315) being the diluted weighted average number of shares in issue during the year.

9. Property, plant and equipment

Group	Equipment, fixtures and fittings £'000	Leasehold improvements £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 July 2011	1,061	94	251	1,406
Additions	57	36	35	128
At 30 June 2012	1,118	130	286	1,534
Depreciation				
At 1 July 2011	1,011	80	174	1,265
Charged in period	29	12	32	73
At 30 June 2012	1,040	92	206	1,338
Net book value				
At 30 June 2012	78	38	80	196
At 30 June 2011	50	14	77	141

The net book value of the property, plant and equipment includes £48,974 (2011: £33,367) in respect of assets held under finance lease agreements. These assets have been offered as security in respect of these finance lease agreements. Depreciation charged in the period on those assets amounted to £21,796 (2011: £23,971).

9. Property, plant and equipment (continued)

Group	Equipment, fixtures and fittings £'000	Leasehold improvements £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 July 2010	1,028	80	207	1,315
Additions	33	14	48	95
Disposals	-	-	(4)	(4)
At 30 June 2011	1,061	94	251	1,406
Depreciation				
At 1 July 2010	979	80	149	1,208
Charged in period	32	-	29	61
Eliminated in respect of disposals	-	-	(4)	(4)
At 30 June 2011	1,011	80	174	1,265
Net book value				
At 30 June 2011	50	14	77	141
At 30 June 2010	49	-	58	107

Company	Equipment, fixtures and fittings £'000	Leasehold improvements £'000	Total £'000
Cost			
At 1 July 2011	196	45	241
At 30 June 2012	196	45	241
Depreciation			
At 1 July 2011	194	45	239
Charged in period	1	-	1
	195	45	240
Net book value			
At 30 June 2012	1	-	1
At 30 June 2011	2	-	2

9. Property, plant and equipment (continued)

Company	Equipment, fixtures and fittings £'000	Leasehold improvements £'000	Total £'000
Cost			
At 1 July 2010	196	45	241
At 30 June 2011	196	45	241
Depreciation			
At 1 July 2010	193	45	238
Charged in period	1	-	1
	194	45	239
Net book value			
At 30 June 2011	2	-	2
At 30 June 2010	3	-	3

10. Goodwill

Group	Goodwill £'000	Total £'000
Cost:		
At 1 July 2011	1,121	1,121
Additions	-	-
At 30 June 2012	1,121	1,121
Impairment		
At 1 July 2011	60	60
Charge for the year	-	-
At 30 June 2012	60	60
Net book value		
At 30 June 2012	1,061	1,061
At 30 June 2011	1,061	1,061

10. Goodwill (continued)

Group	Goodwill £'000	Total £'000
Cost:		
At 1 July 2010	1,121	1,121
Additions	-	-
At 30 June 2011	1,121	1,121
Impairment		
At 1 July 2010	60	60
Charge for the year	-	-
At 30 June 2011	60	60
Net book value		
At 30 June 2011	1,061	1,061
At 30 June 2010	1,061	1,061

The goodwill carried in the statement of financial position of £1,061,000 arose on the acquisition of Adien Limited in 2002 (£212,000) and the acquisition of QM Systems Limited in 2006 (£849,000). Adien Limited represents the segment utility detection and mapping services and QM Systems Limited represents the segment test system solutions.

The group tests goodwill annually for impairment or more frequently if there are indicators that it might be impaired.

The recoverable amounts are determined from value in use calculations which use cash flow projections based on financial budgets approved by the directors covering a five year period. The key assumptions are those regarding the discount rates, growth rates and expected changes to sales and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the business. This has been estimated at 10% per annum reflecting the prevailing pre-tax cost of capital in the company. The growth rates are based on forecasts and historic margins achieved in both Adien Limited and QM Systems Limited and are 5% and 15% respectively.

The directors believe that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of goodwill attributed to Adien Limited and QM Systems Limited to exceed the recoverable amount.

Assumptions made are consistent with the prior year.

11. Intangible assets

Group	Development Costs £'000	Trade marks £'000	Total £'000
Cost:			
At 1 July 2011	2,167	7	2,174
Additions	230	-	230
At 30 June 2012	2,397	7	2,404
Amortisation			
At 1 July 2011	44	7	51
Charge for the year	5	-	5
At 30 June 2012	49	7	56
Net book value			
At 30 June 2012	2,348	-	2,348
At 30 June 2011	2,123	-	2,123

Group	Development Costs £'000	Trade marks £'000	Total £'000
Cost:			
At 1 July 2010	1,842	7	1,849
Additions	325	-	325
At 30 June 2011	2,167	7	2,174
Amortisation			
At 1 July 2010	39	7	46
Charge for the year	5	-	5
At 30 June 2011	44	7	51
Net book value			
At 30 June 2011	2,123	-	2,123
At 30 June 2010	1,803	-	1,803

The directors estimate the capitalised development costs to have a useful life of between 3 to 5 years. Development costs will commence being amortised when the relevant asset is available for use.

11. Intangible assets (continued)

Company	Development costs £'000	Total £'000
Cost:		
At 1 July 2011	1,941	1,941
Additions	230	230
At 30 June 2012	2,171	2,171
Net book value		
At 30 June 2012	2,171	2,171
At 30 June 2011	1,941	1,941

Company	Development costs £'000	Total £'000
Cost:		
At 1 July 2010	1,616	1,616
Additions	325	325
At 30 June 2011	1,941	1,941
Net book value		
At 30 June 2011	1,941	1,941
At 30 June 2010	1,616	1,616

The intangible asset carried in the group statement of financial position of £2,348,000 can be split between Pipehawk Plc and QM Systems Limited as £2,171,000 and £177,000 respectively.

The group tests the carrying value of the intangibles annually for impairment or more frequently if there are indicators that it might be impaired.

The recoverable amounts are determined from value in use calculations which use cash flow projections based on financial budgets approved by the directors covering a five year period. The key assumptions are those regarding the discount rates, growth rates and expected changes to sales and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the business.

This has been estimated at 9 or 10% per annum reflecting the prevailing pre tax cost of capital in the group. The growth of 60% for PipeHawk product sales is based on forecasts and margins expected to be achieved based on preliminary discussions. Management deem these balances to be prudent.

The directors believe that any reasonable possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of intangibles attributed to Pipehawk Plc and QM Systems Limited to exceed the recoverable amount.

Assumptions made are consistent with the prior year.

12. Investment in Joint Venture

Group	Investment in shares £'000
Cost:	
At 1 July 2011 & 30 June 2012	198
Share of losses	
At 1 July 2011	88
Share of losses for the year	17
At 30 June 2012	105
Net investment	
At 30 June 2012	93
At 30 June 2011	110

Group	Investment in shares £'000
Cost:	
At 1 July 2010 & 30 June 2011	198
Share of losses	
At 1 July 2010	133
Share of losses for the year	(45)
At 30 June 2011	88
Net investment	
At 30 June 2011	110
At 30 June 2010	65

The investment in joint venture relates to a 29.02% 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 2012. 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:

	30/06/12 £'000	30/06/11 £'000
Total assets	2,156	2,149
Total liabilities	1,836	1,769
Net assets	320	380
Group's share of net assets of joint venture	93	110

	Year ended 30/6/12	Year ended 30/6/11
Total revenue	2,407	1,925
Total (loss)/profit for the period	(60)	136
Group's share of (loss)/profit of joint venture	(17)	45

13. Non-current investments

Company	Investments in joint ventures £'000 (note 12)	Investments in subsidiaries £'000	Total £'000
Cost			
At 1 July 2010 and 1 July 2011	198	1,197	1,395
At 30 June 2012	198	1,197	1,395
Impairment			
At 1 July 2010, 1 July 2011 and 30 June 2012	-	-	-
Net book value			
At 30 June 2012	198	1,197	1,395
At 30 June 2011	198	1,197	1,395

Principal trading subsidiaries	Parent and group interest in ordinary shares and voting rights	Country of incorporation	Principal activity
Adien Limited	100%	England & Wales	Specialist surveying
QM Systems Limited	100%	England & Wales	Test solutions

PipeHawk Technology Limited and MineHawk Limited are both wholly owned non-trading subsidiary companies.

14. Inventories

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Raw materials	50	109	39	109
Short term work in progress	3	24	-	-
Finished goods	96	64	96	64
	149	197	135	173

The replacement cost of the above inventories would not be significantly different from the values stated.

15. Trade and other receivables

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Current				
Trade receivables	800	856	30	15
Amounts owed by group undertakings	-	-	456	185
Other receivables	8	98	8	20
Prepayments and accrued income	27	26	2	2
	835	980	496	222

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Non-current				
Amounts owing by group undertakings	-	-	400	400

16. Non-current liabilities: Borrowings

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Borrowings (note 18)	2,729	2,854	2,702	2,827

17. Trade and other payables

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Current				
Trade payables	352	393	97	96
Other taxation and social security	201	175	-	-
Payments received on account	101	-	-	-
Accruals	125	183	152	78
	779	751	249	174

	Group 2012 £'000	Group 2011 £'000	Company 2012 £'000	Company 2011 £'000
Non-current				
Trade payables	209	209	209	209
Amounts owed to group undertakings	-	-	473	-
Accruals	1,185	1,035	938	886
	1,394	1,244	1,620	1,017

17. Trade and other payables (continued)

Included within the above amounts are the following amounts owing to directors;

	2012	2011
G G Watt	£1,136,176	£918,003
R G Tallentire	£213,771	£184,870
R R MacDonnell	£19,000	£19,000

The directors have undertaken not to call upon these amounts until the Group is in a position to generate sufficient operating cashflows.

18. Borrowing Analysis

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Due within one year				
Bank loans	97	-	-	-
Obligations under finance lease agreements	20	17	-	-
	117	17	-	-
Due after more than one year				
Obligations under finance lease agreements	27	27	-	-
Directors' loans	2,702	2,827	2,702	2,827
	2,729	2,854	2,702	2,827
Repayable				
Due within 1 year	117	17	-	-
Over 1 year but less than 2 years	2,717	2,842	2,717	2,827
Over 2 years but less than 5 years	12	12	-	-
	2,846	2,871	2,717	2,827

Bank loans comprises a loan from Aldermore Bank PLC which is a confidential invoice finance facility at a rate of 3.5% over base rate.

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 year end date was £47,540 (2011: £42,593).

The director's loan due in more than one year is a loan of £2,702,000 from G G Watt. Directors' loans attract interest at 2.15% over Bank of England base rate.

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.

18. Borrowing Analysis (continued)

The principal terms of the CULS are as follows:

- The CULS may be converted at the option of Gordon Watt at a price of 7p per share at any time prior to 11 August 2014;
- 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 11 August 2014 ("the Repayment Date");
- The Company has the option, after 1 year to repay the CULS before the Repayment Date, subject to the Company providing 10 days' notice.

19. Financial Instruments and derivatives

The Group uses financial instruments, which comprise cash and various items, such as trade receivables and trade payables that arise from its operations. The main purpose of these financial instruments is to finance the Group's operations.

The Group and parent entity financial instruments are summarised below:

Group	**2012 Book value £'000**	**2012 Fair value £'000**	**2011 Book value £'000**	**2011 Fair value £'000**
Loans and receivables	939	939	1,050	1,050
Financial liabilities at amortised cost	(5,019)	(5,019)	(4,866)	(4,866)

Parent	**2012 Book value £,000**	**2012 Fair value £'000**	**2011 Book value £'000**	**2011 Fair value £'000**
Loans and receivables	550	550	772	772
Financial liabilities at amortised cost	(4,570)	(4,570)	(4,098)	(4,098)

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. Several high level procedures are already in place to enable these risks to be controlled. These include profit forecasts by business segment, quarterly management accounts and comparison against forecast. The board reviews and agrees policies for managing this risk on a regular basis.

Credit risk

The credit risk exposure is the carrying amount of the financial assets as shown in note 15. Of the amounts owed to the Group at 30 June 2012, the top 3 customers comprised 49% of total trade receivables.

The Group has adopted a policy of only dealing with creditworthy counterparties and the Group uses its own trading records to rate its major customers. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. The directors believe that the Group does not have any significant credit risk exposure to any single counterparty. At year end, the Group did not have any customer with a concentration of credit in excess of 5% of gross assets.

19. Financial Instruments and derivatives (continued)

An analysis of trade and other receivables:

2012	Carrying amount	Neither impaired nor past due	Past due but not impaired 61-90 days	91-120 days	More than 121 days
Trade and other receivables	835	568	146	29	92

2011	Carrying amount	Neither impaired nor past due	Past due but not impaired 61-90 days	91-120 days	More than 121 days
Trade and other receivables	980	910	47	6	17

The group allows an average receivables payment period of 60 days after invoice date. It is the group's policy to assess receivables for recoverability on an individual basis and to make provision where it is considered necessary. No debtors' balances have been renegotiated during the year or in the prior year. As at 30 June 2012, trade receivables of £25,332 (2011: £22,070) were impaired and provided for.

Liquidity risk
As stated in note 1 the Executive Chairman, G G Watt, has pledged 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 that neither the Group nor the company is exposed to a significant liquidity risk. Notes 17 and 18 disclose the maturity of financial liabilities.

Contractual maturity analysis for financial liabilities:

2012	Due or due in less than 1 month	Due between 1-3 months	Due between 3 months-1 year	Due between 1-5 years	Total
Trade and other payables	779	-	-	4,240	5,019

2011	Due or due in less than 1 month	Due between 1-3 months	Due between 3 months-1 year	Due between 1-5 years	Total
Trade and other payables	751	-	-	4,115	4,866

Interest rate risk
The Group finances its operations through a mixture of shareholders funds and borrowings. The group borrows exclusively in Sterling and principally at floating rates of interest and are disclosed at note 18.

Fair value of financial instruments
The fair value of loans and receivables is measured at amortised cost using the effective interest method after consideration to impairment losses. Financial liabilities are measured at amortised cost using the effective interest method.

19. Financial Instruments and derivatives (continued)

Capital risk management
The group's objectives when managing capital are to safeguard the group's ability to continue as a going concern in order to be able to move to a position of providing returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The entity manages trade debtors, trade creditors and borrowings and cash as capital. The entity is meeting its objective for managing capital through continued support from G G Watt as described per Note 1.

20. Share Capital

	2012 No	2012 £'000	2011 No	2011 £'000
Authorised				
Ordinary shares of 1p each	40,000,000	400	40,000,000	400
Allotted and fully paid				
Brought forward	33,020,515	330	33,020,515	330
Issued during the year	-	-		
Carried forward	33,020,515	330	33,020,515	330

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

In addition to the 14,372,703 share options and warrants held by directors, options over ordinary shares have been granted under the Company's share option scheme for staff, such that at 30 June 2012 the following options to subscribe for ordinary shares of 1p each were outstanding.

No options or warrants were exercised or forfeited during the period. Options on 1,500,000 ordinary shares of 1p each were granted during the period.

Share based payments have been included in the financial statements where they are material.

Date Options Exercisable	Number of Shares	Exercise Price
Between December 2006 and December 2013	92,500	14.5p
Between December 2007 and December 2014	145,000	20p
Between December 2008 and December 2015	152,500	13.5p
Between March 2015 and March 2022	500,000	3p

Share based payments
The fair values of the options were calculated using the following assumptions under the Black-Scholes method:

Weighted average share price	2.5p
Volatility	50%
Expected dividends	Nil
Expected life	3 years
Risk free interest rate	3%

Volatility was based on the historical volatility of the Company's share price over the last 3 years.

No options were exercised during the period.

21. Net Cash Inflow from Operating Activities

Group	2011 £'000	2010 £'000
Operating profit	105	260
Amortisation of intangible assets	5	5
Depreciation of property, plant and equipment	73	61
Profit on sale of fixed assets	-	(4)
Working capital movements		
Inventories	48	(18)
Receivables	145	(481)
Payables	178	252
Net cash inflow/(outflow) from operating activities	554	75

Parent		
Operating loss	(6)	(229)
Depreciation of property, plant and equipment	1	1
Working capital movements		
Inventories	38	(23)
Receivables	(288)	213
Payables	678	102
Net cash inflow/(outflow) from operating activities	423	64

22. Financial Commitments

Group	2011 £'000	2010 £'000
Capital commitments		
Capital expenditure commitments contracted for, but not provided in the financial statements were as follows:	-	-
Operating lease commitments		
The future aggregate minimum lease payments under non-cancellable operating leases are as follows:		
Motor vehicles	-	-
Land and buildings		
- within one year	61	63
- one to five years	144	206
	205	269

23. Related Party Transactions

Directors' loan disclosures are given in notes 17 and 18. The interest payable to directors in respect of their loans during the year was:

G G Watt	£147,169	(2011: £153,095)
R G Tallentire	£5,151	(2011: £5,090)

The directors are considered the key management personnel of the company. Remuneration to directors is disclosed in note 6.

During the year ended 30 June 2012, there were the following transactions with SUMO Limited and SUMO Services Limited, a subsidiary of the joint venture company SUMO Limited.

	£
Sales	4,298

As at 30 June 2012, there was an amount of £986 (2011: £986) due from SUMO Limited.

Included within the amounts due from and to group undertakings were the following balances:

	2012 £	2011 £
Balance due from:		
Adien Limited	412,757	401,045
QM Systems Limited	443,008	794,048
Balance due to:		
Adien Limited	169,596	85,576
QM Systems Limited	343,698	276,902

There is no ultimate controlling party of PipeHawk plc.

NOTICE IS HEREBY GIVEN that the annual general meeting (the "AGM") of PipeHawk plc will be held at the offices of Merchant Securities Limited, 51-55 Gresham Street, London, EC2V 7HQ at 3.00 p.m. Thursday 13 December 2012 for the purpose of considering and, if thought fit, passing the following resolutions:

Ordinary business

The following resolutions will be proposed as ordinary resolutions:

1. To receive the accounts for the year ended 30 June 2012 together with the reports of the directors and auditors thereon **(Resolution 1)**

2. To re-appoint Gordon G Watt as Director, who retires but, being eligible, offers himself for re-election. **(Resolution 2)**

3. To re-appoint R Randal MacDonnell as Director, who retires but, being eligible, offers himself for re-election. **(Resolution 3)**

4. To re-appoint Crowe Clark Whitehill LLP as auditors of the Company and to authorise the Directors to set their remuneration. **(Resolution 4)**

To transact any other ordinary business

Serious loss of capital

To consider whether any, and if so what, steps should be taken to address the serious loss of capital within the Company, pursuant to section 656(1) of the Companies Act 2006.

Registered Office
Manor Park Industrial Estate
Wyndham Street
Aldershot
Hampshire
GU12 4NZ

By order of the Board

R G Tallentire
Secretary

Dated: 22 October 2012

Notes:

1. A member of the Company entitled to attend and vote at the AGM may appoint one or more proxies to attend and, on a poll, vote on his/her behalf. A form of proxy for the use of members who are unable to attend the AGM in person is enclosed. A proxy need not be a member of the Company. This instrument appointing a proxy and the power of attorney (if any) under which it is signed, or a notarially certified copy of that power, must be deposited with the Company's Registrars, SLC Registrars, Thames House, Portsmouth Road, Esher, Surrey, KT10 9AD not less than 48 hours before the time of the General Meeting.
2. The completion of a proxy does not preclude a member from attending the AGM and voting in person.
3. As permitted by Regulation 41 of the Uncertified Securities Regulations 2001, only those shareholders who are registered on the Company's Register of Members at 3 p.m. on 11 December 2012 shall be entitled to attend the Annual General Meeting and to vote in respect of the number of ordinary shares in their names at that time. Changes to entries on the register of members after 3.00 p.m. on 11 December 2012 shall be disregarded in determining the rights of any person to attend/or vote at the AGM.
4. Copies of all the Directors' service contracts are available for inspection at the Company's registered office during normal business hours on business days from the date of this notice until the close of the AGM and will be available for inspection at the place of the AGM for 15 minutes before the AGM and during the AGM.

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