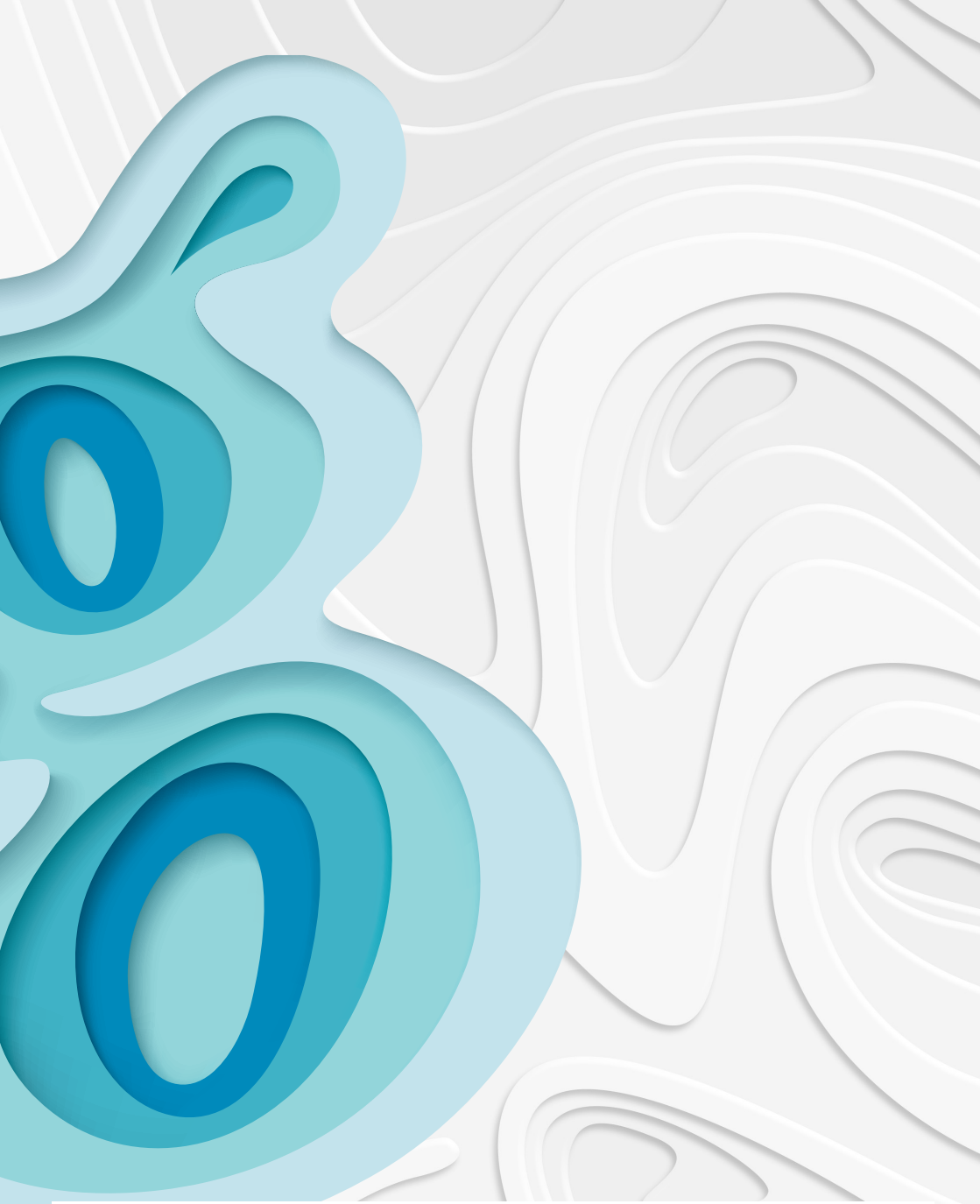


Getech Group plc

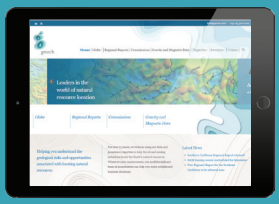
Interim Report for the six months ended 31 January 2016

Leaders in the world of natural resource location

Getech is a leading petroleum and minerals consultancy, best known historically for its unique global gravity and magnetic data holdings, and more recently for the addition of its flagship knowledge base, "Globe".

With the acquisition of ERCL in April 2015, the Company has further extended its capabilities and now addresses a significantly broader range of exploration problems, as well as providing advisory services to national oil companies and governments.

Driven by an entrepreneurial vision, our Company provides geoscience data, interpretation products and services to oil and gas explorationists at a range of scales from global new ventures to exploration drilling.



Scan with your QR code reader to learn more about Getech or visit www.getech.com

Highlights

- Revenue for the six months of £3,288,000 (six months ended 31 January 2015: £3,619,000)
- Loss before tax of £704,000 (six months ended 31 January 2015: £707,000 profit)
- Cash levels strong at £2,703,000
- Inertia in the market led to slowdown in major sales

Chairman's statement

Dr Stuart Paton

Non-executive Chairman

Highlights of the Chairman's Statement

- Half year loss before tax £704,000
- Gross cash at 31 January of £2.7m, net cash after bank debt of £1.8m and net assets of £9.0m
- Global oil and gas services continue to suffer a severe downturn with no certainty as to the timing of the recovery
- Significant sales were deferred rather than cancelled
- Strong start to second half year with record sales in February and a US$1m contract signed in April
- Significant reductions in the cost base in early 2016 while maintaining capability in all business streams

Results

Getech reports a Group loss before tax of £704,000 (six months ended 31 January 2015: profit of £707,000) after interest receivable of £5,000 (six months ended 31 January 2015: £5,000) on revenue of £3,288,000 (six months ended 31 January 2015: £3,619,000). The post-tax loss was £704,000 (six months ended 31 January 2015: profit of £691,000).

The accounts have been prepared under IFRS in issue as adopted by the European Union.

Dividend

Your Board does not propose an interim dividend. The Board intends to continue its policy of proposing a progressive dividend but will take into account prevailing market conditions.

Business review

During the half year the business continued to be adversely affected by the difficult market conditions. After the significant decline in the oil price in the second half of 2014, it fell further during 2015, which resulted in a considerable tightening of exploration budgets by our oil and gas clients. As a consequence, there has been a large number of further redundancies both in the operators and the service companies that support them. Client budgets therefore continued to be affected throughout our first half year to January 2016.

ERCL Limited, which was acquired in April 2015, is subject to the same market conditions, but this subsidiary company primarily addresses a different part of the exploration cycle. The programme of integration with ERCL has continued, including a number of joint projects, and the Directors are confident that it will continue to be a major asset for the Group.

The Company remains in a strong financial position. By the end of the period the Group cash balance amounted to £2.7m (£1.8m net of £0.9m debt), notably after the payment of a dividend costing £572,000 in December 2015 and Group net assets stood at £9.0m, supporting the underlying strength of the Company.

Chairman's statement continued

"Our strong position means that we can still view the current market as an opportunity. We continue to seek complementary acquisitions which have minimal impact on our cash and risk, but which will present significant upside once the market recovers."

Outlook

Although the oil price has increased by almost 50% since its low point in January 2016, there is still considerable uncertainty as to the timing of a stronger recovery, and this continues to affect the availability of client budgets in 2016.

However, the Company entered the second half of our year with strong cash balances and a substantial pipeline of sales opportunities. A number of new sales, including the signature and delivery of a data licence valued at US$720,000, led to a record February for sales and income. As announced today, we signed a new US$1m contract, which includes parts of Globe and a range of other products, most of which will be delivered in the half year to July 2016. The Directors are also optimistic that a number of other opportunities, which either did not complete in the first half or have been generated recently, will complete in the second half year.

In light of the challenging market conditions, the Company has significantly lowered its cost base through a range of measures, including cutting marketing costs and reducing staff costs through reduced working hours and voluntary and compulsory job losses. As a result, our month-on-month cost base will be down more than 20% from its peak in the period under review. However, the Directors believe they have been able to manage this in a way that has enabled the Company to retain the breadth of skills and experience necessary to allow all our current business streams to pick up again once the market recovers.

The Directors remain fully aware of the need to be vigilant about the impact of the current market conditions on the business, and plans continue to recognise a worst case position where the oil and gas market does not begin to recover until 2017. However, the Directors believe the Company's strong position means that the current market can still be seen as an opportunity. They continue to seek complementary acquisitions which have minimal impact on cash and risk, but which will present significant upside once the market recovers.

We remain confident about our medium and longer term prospects.

Dr Stuart Paton
Non-executive Chairman
5 April 2016

Consolidated statement of comprehensive income

For the six months ended 31 January 2016

	Note	Six months ended 31 January 2016 Unaudited £'000	Six months ended 31 January 2015 Unaudited £'000	Year ended 31 July 2015 Audited £'000
Revenue		3,288	3,619	8,639
Cost of sales		(2,015)	(1,111)	(3,002)
Gross profit		1,273	2,508	5,637
Administrative costs		(1,970)	(1,805)	(3,650)
Operating (loss)/profit		(697)	703	1,987
Finance income		5	5	13
Finance costs		(12)	(1)	(8)
(Loss)/profit before tax		(704)	707	1,992
Income tax expense		—	(16)	(179)
(Loss)/profit for the period attributable to owners of the Parent		(704)	691	1,813
Other comprehensive income				
Currency translation differences on translation of foreign operations		43	95	20
Total comprehensive income for the period attributable to owners of the Parent		(661)	786	1,833
Earnings per share	5			
Basic earnings per share		(2.14)p	2.28p	5.77p
Diluted earnings per share		(2.10)p	2.21p	5.61p

Consolidated statement of financial position

As at 31 January 2016

Company registration number: 2891368

	31 January 2016 Unaudited £'000	31 January 2015 Unaudited £'000	31 July 2015 Audited £'000
Assets			
Non-current assets			
Property, plant and equipment	2,750	2,861	2,853
Goodwill	3,131	—	3,131
Intangible assets	2,334	1,109	2,046
Deferred tax assets	161	332	159
	8,376	4,302	8,189
Current assets			
Inventories	457	199	292
Trade and other receivables	2,660	4,333	4,235
Current tax assets	168	100	118
Cash and cash equivalents	2,703	4,733	4,727
	5,988	9,365	9,372
Total assets	14,364	13,667	17,561
Liabilities			
Current liabilities			
Borrowings	266	—	266
Trade and other payables	2,916	5,214	4,628
Current tax liabilities	229	183	395
	3,411	5,397	5,289
Non-current liabilities			
Borrowings	634	—	766
Trade and other payables	980	—	980
Deferred tax liabilities	321	174	319
	1,935	174	2,065
Total liabilities	5,346	5,571	7,354
Net assets	9,018	8,096	10,207
Equity			
Equity attributable to owners of the Parent			
Share capital	82	76	82
Share premium account	3,053	3,016	3,037
Merger relief reserve	1,159	—	1,159
Share option reserve	157	154	155
Currency translation reserve	(68)	(36)	(111)
Retained earnings	4,635	4,886	5,885
Total equity	9,018	8,096	10,207

Consolidated statement of cash flows

For the six months ended 31 January 2016

	Six months ended 31 January 2016 Unaudited £'000	Six months ended 31 January 2015 Unaudited £'000	Year ended 31 July 2015 Audited £'000
Cash flows from operating activities			
(Loss)/profit before tax	(704)	707	1,992
Share-based payment charges	28	31	59
Depreciation and amortisation charges	307	152	366
Impairment of intangible assets	—	—	298
Fair value adjustments	—	—	(304)
Finance income	(5)	(5)	(13)
Finance costs	12	1	8
Exchange adjustments	(126)	(55)	(59)
Increase in inventories	(165)	(19)	(112)
Decrease/(increase) in trade and other receivables	1,574	(1,482)	202
(Decrease)/increase in trade and other payables	(1,135)	2,380	483
Cash (used in)/generated from operating activities	(214)	1,710	2,920
Income taxes (paid)/refunded	(217)	713	457
Net cash (used in)/generated from operating activities	(431)	2,423	3,377
Cash flows from investing activities			
Purchase of property, plant and equipment	(19)	(196)	(259)
Purchase of intangible assets	—	—	(128)
Disposal of property, plant and equipment	27	—	—
Development costs capitalised	(459)	(482)	(977)
Acquisition costs, net of cash received	(576)	—	(1,130)
Interest received	5	5	14
Net cash used in investing activities	(1,022)	(673)	(2,480)
Cash flows from financing activities			
Proceeds from issue of share capital	16	2	24
New term loan	—	—	1,100
Repayment of long-term borrowings	(132)	—	(68)
Dividends paid	(572)	(534)	(684)
Interest paid	(12)	(1)	(8)
Net cash (used in)/generated from financing activities	(700)	(533)	364
Net (decrease)/increase in cash and cash equivalents	(2,153)	1,217	1,261
Cash and cash equivalents at beginning of period	4,727	3,423	3,423
Exchange adjustments to cash and cash equivalents at beginning of period	129	93	43
Cash and cash equivalents at end of period	2,703	4,733	4,727

Consolidated statement of changes in equity

For the six months ended 31 January 2016

	Share capital £'000	Share premium account £'000	Merger relief reserve £'000	Share option reserve £'000	Currency translation reserve £'000	Retained earnings £'000	Total equity £'000
At 1 August 2015 – audited	82	3,037	1,159	155	(111)	5,885	10,207
Issue of share capital under share-based payment options	—	16	—	(26)	—	26	16
Share-based payment charge	—	—	—	28	—	—	28
Dividends paid	—	—	—	—	—	(572)	(572)
Transactions with owners	—	16	—	2	—	(546)	(528)
Loss for the period	—	—	—	—	—	(704)	(704)
Other comprehensive income							
Currency translation differences	—	—	—	—	43	—	43
Total comprehensive income for the period	—	—	—	—	43	(704)	(661)
At 31 January 2016 – unaudited	82	3,053	1,159	157	(68)	4,635	9,018

Notes to the interim report

For the six months ended 31 January 2016

1 Nature of operations

The principal activity of Getech Group plc ("the Company") and its subsidiary companies, Geophysical Exploration Technology Inc. and ERCL Limited (collectively "Getech" or "the Group"), is the provision of gravity and magnetic data, services and geological studies to the petroleum and mining industries to assist in their exploration activities.

2 General information

Getech Group plc is the Group's ultimate Parent Company. It is incorporated in England and Wales and domiciled in England (CRN: 2891368). The address of its registered office is Kitson House, Elmete Hall, Elmete Lane, Leeds LS8 2LJ. The Company's shares are admitted to trading on the London Stock Exchange's AIM.

The financial information for the six months ended 31 January 2016 and 31 January 2015 has not been audited and does not constitute full financial statements within the meaning of Section 434 of the Companies Act 2006. These consolidated interim financial statements ("the interim financial statements") have been approved by the Board.

The financial information relating to the year ended 31 July 2015 is based on the Group's statutory accounts for that period. The statutory accounts were prepared in accordance with International Financial Reporting Standards ("IFRS") in issue as adopted by the European Union. IFRS include interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). The statutory accounts received an unqualified audit report, did not contain statements under Sections 498(2) or (3) of the Companies Act 2006 and have been filed with the Registrar of Companies.

3 Basis of preparation

The interim financial statements are for the six months ended 31 January 2016. They have been prepared using the recognition and measurement principles of IFRS. The interim financial statements do not include all the information required for full annual financial statements and should be read in conjunction with the financial statements of the Group for the year ended 31 July 2015.

The interim financial statements have been prepared under the historical cost convention except in relation to financial instruments held at fair value through profit or loss. They have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year ended 31 July 2015.

The accounting policies have been applied consistently throughout the Group for the purpose of preparation of the interim financial statements.

Notes to the interim report continued

For the six months ended 31 January 2016

4 Dividends

	Six months ended 31 January 2016 Unaudited £'000	Six months ended 31 January 2015 Unaudited £'000	Year ended 31 July 2015 Audited £'000
Paid during the period			
At: 1.74p per share (six months ended 31 January 2015: 1.76p per share; year ended 31 July 2015: 2.22p per share)	572	534	684
Proposed after the period end (not recognised as a liability)			
At: 0.00p per share (six months ended 31 January 2015: 0.46p per share; year ended 31 July 2015: 1.74p per share)	—	140	572

There is no interim dividend proposed.

5 Earnings per share

Basic earnings per share is calculated on the basis of the profit for the period after tax, divided by the weighted average number of Ordinary Shares in issue in the period of 32,886,729 (six months ended 31 January 2015: 30,327,196; year ended 31 July 2015: 31,416,845).

Diluted earnings per share is calculated on the basis of the profit for the period after tax, divided by the weighted average number of Ordinary Shares in issue plus the weighted average number of Ordinary Shares which would be issued if all options granted were exercised. The addition to the weighted average number of Ordinary Shares used in the calculation of diluted earnings per share for the six months ended 31 January 2016 is 650,725 (six months ended 31 January 2015: 905,712; year ended 31 July 2015: 1,510,171).

6 Interim Report

This Interim Report is being sent to the shareholders of Getech and will be available at its registered office, Kitson House, Elmete Hall, Elmete Lane, Leeds LS8 2LJ, and from its website, www.getech.com, from 5 April 2016.

consultancy, design and production by
designportfolio
design-portfolio.co.uk @WeAre_DP
Design Portfolio is committed to planting trees for every corporate communications project, in association with Trees for Cities.

Directors, secretary and advisors

Directors

Dr Stuart Paton
Non-executive Chairman

Peter Stephens
Non-executive Director

Dr Paul Markwick
Technical Director

Raymond Wolfson
Chief Executive Officer

Chris Flavell
Non-executive Director, appointed 10 November 2015

Dr Alison Fielding
Non-executive Director

Professor Paul Carey
Marketing and Sales Director

Huw Edwards
Director

Company Secretary

Andrew Darbyshire

Registered office

Kitson House
Elmete Hall
Elmete Lane
Leeds LS8 2LJ

Nominated advisor and broker

WH Ireland Limited
Third Floor
Royal House
28 Sovereign Street
Leeds LS1 4BJ

Auditor

Grant Thornton UK LLP
No. 1 Whitehall Riverside
Leeds LS1 4BN

Solicitors

Bond Dickinson
1 Whitehall Road
Leeds LS1 4BN

Principal bankers

National Westminster Bank Plc
PO Box 183
8 Park Row
Leeds LS1 1QT

Registrars

Capita Asset Services
Northern House
Woodsome Park
Fenay Bridge
Huddersfield HD8 0LA

Getech Group plc

Kitson House
Elmete Hall
Elmete Lane
Leeds LS8 2LJ

Tel: 0113 322 2200
Fax: 0113 273 5236
Email: info@getech.com
Web: www.getech.com