The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 ("MAR").

18 March 2019

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

Unaudited results for the six months ended 31 December 2018

Chairman's Statement

I am pleased to report that the Company's turnover in the six months ended 31 December 2018 was £2,901,000 (2017: £2,310,000), an increase of 25 per cent. over the comparable period last year, resulting in a loss before taxation of £164,000 (2017: loss of £118,000) and a profit after taxation of £12,000 (2017: £18,000). The increase in turnover has been effectively offset in the period by increased recruitment and staff costs at QM Systems to service the Cox Powertrain Limited and Penso (UK) Ltd orders, as previously announced by the Company, coupled with increased R&D spend and marketing activity at Thomson Engineering Design. However, we are now very well placed for the second half of the financial year with full order books in all parts of the business and are fully staffed to deliver thereon.

Since the period end the Company has agreed a reduction of the amount of debt due to the vendors of Thomson Engineering Design ("TED"), acquired in November 2017, to £71,000. The Company acquired TED with a debt due to the vendors of TED amounting to £200,000, and so this reduction will add £129,000 to the Company's profits for the year ending 30 June 2019.

QM Systems

At QM Systems the current year is proving to be a marked improvement on the previous financial year with a stark turnaround in orders that is beginning to filter through to a much-improved bottom line, though held back in the six months under review by closing out problematic projects.

In the period under review QM Systems has achieved an order intake in excess of £2.3 million, with a further £2.7 million orders taken in the current calendar year (i.e. in the second half of this financial year), most of which are due for delivery by the end of this current financial year. This is very pleasing as QM Systems entered the current financial year with a buoyant order book. QM Systems continues to maintain a high level of quotation activity which is hoped will lead to good order intake during the second half of the financial year. It is also encouraging to see that QM Systems's client demographic continues to be diverse with no reliance on any single industry. Given the uncertainty that inevitably will exist as we pass through Brexit, this puts QM Systems in a strong position to weather any fallout from Brexit over the coming months.

On the operations we have been ramping up our resource as well as carefully selecting partners that we will work with to deliver on our commitments. During the period under review, we added a number of new engineers to our mechanical, electrical and software design teams and we continue to recruit in these areas. We are also recruiting new engineers to our electrical and mechanical build teams.

Thomson Engineering Design

At TED the focus has been to develop sales of new products nationally and internationally. Despite a slow start to the period in terms of order intake we have subsequently seen a marked improvement in enquiries received, quotations submitted and more recently orders received. The factory is currently fully loaded with orders for these new products making for a great start to the 2019 calendar year. We have several more new products that will be released to market during the next 6-12 months.

During the period we have re-established our distributor agreements with France and the Far East. It is particularly pleasing to see that a much greater number of orders are now arriving from international clients.

Aside from the traditional Rail markets, we are continuing to explore the potential for TED to develop its business within similar markets such as highways and off road. This is starting to gain some traction with requests for quotations now feeding into the business for new, though similar, products to TED's existing product catalogue.

Technology Division

For PipeHawk Technology the first half of the current year has seen some increase in unit sales as we continue to re-establish UK sales channels following the failure of one of our key UK distributors.

Our recently established distributor for the Asian market; based in Japan, is starting to generate more substantial sales leads and this is beginning to translate into unit orders from around the region.

We are continuing to see a marked increase in recurring revenue from the sale of service, support and spares contracts, especially now that the e-Safe family of products has penetrated a number of markets and we develop more experienced users and distribution channels.

In R&D we have focused on the development of the large antenna version of e-Safe PRO which is centred on the requirement for identifying deep services. We have built prototypes and have been able to demonstrate these prototypes to key potential clients and users; feedback on the product's capability has been very positive. We aim to release the large antenna deep utilities product variant to market later in the year. Unit margins are also expected to improve as we see the benefits of recent R&D work on common components used across our product range, including the new antenna, appear in production units.

Finally, I am proud to report that in February 2019 e-Safe has won a further award for Technical Innovation at the International Water and Irrigation Exhibition in Spain which further reinforces the product's international standing.

Adien

At Adien trading in the period under review has resulted in a positive and promising start to the year with the renewal of a number of long term framework agreements leading to a stream of consistent work producing good margins in our key markets. A number of major contracts have been secured which contain significant sub contract elements; these provide additional profitability to the core survey elements of the contract through the provision of Traffic Management, CCTV, Jetting, Laser scanning and clearing of vegetation services. The activity levels in Scotland remain consistently high and we are currently recruiting additional staff experienced in the relevant industries.

The order book is looking strong with the current upturn in Defence contracts coupled with infrastructure renewal. Accordingly, the outlook for the remainder of the financial year is encouraging.

Related party transactions

My letter of financial support dated 30 October 2017 was renewed on 24 October 2018 for a further year.

In addition to the loans I have provided to the Company in previous years, my fellow directors and I have deferred a certain proportion of our fees and interest payments until the Company is in a suitably strong position to make the full payments. During the six months ended 31 December 2018, these deferred fees and interest payments amounted to approximately £ 73,000 in total, all of which have been accrued in the Company's accounts, and at 31 December 2018 amounted in total to £1,601,000.

Gordon Watt
Chairman

Enquiries:

PipeHawk Plc Gordon Watt (Chairman)	Tel. No. 01252 338 959
Allenby Capital (Nomad and Broker) David Worlidge/Asha Chotai	Tel. No. 020 3328 5656

Statement of Comprehensive Income
For the six months ended 31 December 2018

	6 months ended 31 December 2018 (unaudited) £'000	6 months ended 31 December 2017 (unaudited) £'000	Year ended 30 June 2018 (audited) £'000
Revenue	2,901	2,310	4,789
Staff costs	(1,533)	(1,353)	(2,703)
General administrative expenses	(1,462)	(1,140)	(2,494)
Operating loss	(94)	(183)	(408)
Profit on sale of joint venture investment	-	143	142
Loss on ordinary activities before interest and taxation	(94)	(40)	(266)
Finance costs	(70)	(78)	(236)
Loss before taxation	(164)	(118)	(502)
Taxation	176	136	351
Profit/(loss) for the period attributable to equity holders of the Company	12	18	(151)
Other comprehensive income	-	-	-
Total comprehensive income for the period net of tax	12	18	(151)
Earnings per share (pence) – basic	0.04	0.05	0.45
Earnings per share (pence) – diluted	0.04	0.03	0.45

Consolidated Statement of Financial Position
As at 31 December 2018

Assets	As at 31 December 2018 (unaudited) £'000	As at 31 December 2017 (unaudited) £'000	As at 30 June 2018 (audited) £'000
Non-current assets			
Property, plant and equipment	490	446	481
Goodwill	1,190	1,169	1,190
	1,680	1,615	1,671
Current assets			
Inventories	169	177	178
Current tax assets	274	158	372
Trade and other receivables	1,453	1,147	1,175
Cash	72	95	19

	1,968	1,577	1,744
Total Assets	3,648	3,192	3,415
Equity and liabilities			
Equity			
Share capital	340	340	340
Share premium	5,191	5,191	5,191
Other reserves	(9,196)	(9,039)	(9,208)
	(3,665)	(3,508)	(3,677)
Non-current liabilities			
Borrowings	2,928	2,659	2,966
Trade and other payable	4	251	8
	2,932	2,910	2,974
Current liabilities			
Trade and other payables	2,246	1,632	1,972
Bank overdrafts and loans	2,135	2,158	2,146
	4,381	3,790	4,118
Total equity and liabilities	3,648	3,192	3,415

Consolidated Statement of Cash Flow
For the six months ended 31 December 2018

	6 months ended 31 December 2018 (unaudited) £'000	**6 months ended 31 December 2017 (unaudited) £'000**	**Year ended 30 June 2018 (audited) £'000**
Cash inflow from operating activities			
Loss from operations	(94)	(183)	(408)
Adjustments for:			
Profit on disposal of fixed asset	(13)	-	-
Depreciation	41	47	106
	(66)	(136)	(302)
Decrease in inventories	10	11	10
Increase in receivables	(278)	(321)	(196)
Increase/(decrease) in liabilities	104	(311)	143
Cash used in operations	(230)	(757)	(345)
Interest paid	(32)	(3)	(87)
Corporation tax received	274	278	232
Net cash generated/(used in) from operating activities	12	(482)	(200)
Cash flows from investing activities			
Purchase of plant and equipment	(55)	(1)	(17)
Proceeds from disposal of fixed asset	17	-	-
Sale of Joint Venture investment	-	197	197

Other income	17	-	-
Net cash (used in)/generated from investing activities	(21)	196	180
Cash flows from financing activities			
New loans and finance leases	83	308	-
Repayment of bank and other loans	(8)	(2)	(10)
Repayment of finance leases	(13)	(8)	(34)
Net cash generated from/(utilised in) financing activities	62	298	(44)
Increase in cash and cash equivalents	53	12	(64)
Cash and cash equivalents at beginning of period	19	72	72
Acquisition of subsidiary	-	11	11
Cash and cash equivalents at end of period	72	95	19

Consolidated Statement of changes in equity
For the six months ended 31 December 2018

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
6 months ended 31 December 2018				
As at 1 July 2017	330	5,151	(9,057)	(3,576)
Profit for the period	-	-	18	18
Total comprehensive income	-	-	18	18
Issue of Shares	10	40	-	50
As at 31 December 2018	340	5,191	(9,039)	(3,508)
12 months ended 30 June 2018				
As at 1 July 2017	330	5,151	(9,057)	(3,576)
Loss for the period	-	-	(151)	(151)
Total comprehensive income	-	-	(151)	(151)
Issue of Shares	10	40	-	50
As at 30 June 2018	340	5,191	(9,208)	(3,677)
6 months ended 31 December 2018				
As at 1 July 2017	340	5,191	(9,208)	(3,677)
Profit for the period	-	-	12	12
Total comprehensive income	-	-	12	12
As at 31 December 2018	340	5,191	(9,196)	(3,665)

Notes to the Interim Results

1. Basis of preparation

The Interim Results for the six months ended 31 December 2018 are unaudited and do not constitute statutory accounts in accordance with section 240 of the Companies Act 2006.

Full accounts for the year ended 30 June 2018, on which the auditors gave an unqualified report and contained no statement under Section 498 (2) or (3) of the Companies Act 2006, have been delivered to the Registrar of Companies.

The interim financial information has been prepared on a basis which is consistent with the accounting policies adopted by the Company for the last financial statements and in compliance with basic principles of IFRS except as disclosed below:

IFRS 15 – Revenue from contracts with customers – Accounting Policies and Transition

The directors have reviewed the way that the group accounts for revenues from contracts with customers across each division of the group and have adopted the new reporting standard on revenue recognition, IFRS 15. Following that review, the directors consider that fixed price contracts should be recognised on the basis of percentage completion as the group is creating an asset with no alternative use to it and the contracts include the right to payment for work completed to date. This is consistent with the previously adopted revenue recognition accounting policy. For contracts for the sale of GPR equipment, revenue continues to be recognised on delivery of the equipment. On this basis there was no financial impact of adoption of IFRS 15.

2. Segmental information

The Company operates in one geographical location being the UK. Accordingly, the primary segmental disclosure is based on activity.

	Utility detection and mapping services £'000	**Development, assembly and sale of GPR equipment £'000**	**Automation and Test system solutions £'000**	**Total £'000**
6 months ended 31 December 2018				
Total segmental revenue	709	107	2,085	2,901
Segmental result	(15)	4	(83)	(94)
Finance costs	(5)	(51)	(14)	(70)
Loss before taxation				(164)
Segment assets	479	1,444	1,725	3,648
Segment liabilities	528	4,394	2,391	7,309
Non-current asset additions	(20)	-	32	12
Depreciation and amortisation	26	-	15	41
6 months ended 31 December 2018				
Total segmental revenue	747	106	1,457	2,310
Segmental result	(12)	38	(209)	(183)
Finance costs	(3)	(66)	(9)	(78)
Share of operating loss in joint venture				143
Loss before taxation				(118)
Segment assets	625	1,357	1,210	3,192
Segment liabilities	637	4,302	1,761	6,700
Non-current asset additions	-	-	448	448
Depreciation and amortisation	31	-	16	47
12 months ended 30 June 2018				
Total segmental revenue	1,534	173	3,082	4,789
Segmental result	52	(102)	(358)	(408)
Finance costs	(28)	(149)	(59)	(236)

Loss before taxation				(502)
Segment assets	596	1,375	1,444	3,415
Segment liabilities	615	4,308	2,169	7,092
Non-current asset additions	91	-	457	548
Depreciation and amortisation	63	-	43	106

3. Earnings per share

This has been calculated on the profit for the period of £12,000 (2017: £18,000) and the number of shares used was 33,543,808 (2017: 33,543,808), being the weighted average number of shares in issue during the period.

4. Dividends

No dividend is proposed for the six months ended 31 December 2018.

5. Copies of Interim Results

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