

18 March 2021

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

**Unaudited results for the six months ended 31 December 2020**

**Chairman’s Statement**

I am pleased to report that the Company’s turnover in the six months ended 31 December 2020 was £2,641,000 (H1 2019: £4,518,000), a decrease of 42 per cent over the comparable period last year, resulting in a loss before taxation of £336,000 (H1 2019: profit of £111,000) and a loss after taxation of £161,000 (H1 2019: profit £283,000). I believe that this is a very creditable result given the exceptionally challenging six months of uncertainty surrounding both Brexit and COVID lockdowns, with orders being postponed and deferred, but few actually being cancelled or being placed elsewhere. So, with the assistance of the UK Government’s COVID financial aid in the form of furlough grants and CBILS loans, the operational side of our businesses, with the notable exception of Adien, concentrated on completing the orders in hand, whilst our salespeople have worked tirelessly on new concepts and developments which clients have indicated they will require once sufficient confidence returns. We believe that there is a significant overhang of orders waiting to be placed when the time is right.

In the meantime, we have taken the opportunity to implement some strategic decisions: the post-period end acquisition of Utsi Electronics to integrate with PipeHawk Technology; full absorption of Wessex slip testing into QM Systems; and development of a manufacturing offering also within QM Systems.

**QM Systems**

At QM Systems, trading has been hampered by the effect of the initial lockdown and again by the effect of the third lockdown. Despite entering the first lockdown with a very full orderbook, low order intake for the period from March through to July 2020 impacted the ability to pull sales through the business in the latter part of 2020 which has effectively resulted in the loss for the period under review. However, once the first lockdown eased, order intake returned to more normal levels and we were fortunate in that short period to be able to secure orders that have enabled the Company to return to trading at a near normal level.

We have now again returned to a period of uncertainty through the third lockdown, where a number of expected orders have been delayed. We have, however, secured a number of follow-on contracts that will carry us through this period with the aim that we are in an excellent position to capitalise on what is anticipated to be a very buoyant market for our solutions later this year. At the time of writing, we continue to remain relatively busy in all areas of the business.

It is fair to say that we have weathered a difficult period better than many of our competitors. Not content though with standing still we have been exploring ways in which we can add further value and revenue to our business. I am pleased to announce that following a recent contract win we will be establishing a new business enterprise to provide contract manufacturing capability to our clients where this may be beneficial. This will move the Company into a new and exciting direction and is designed to complement the products and services that we offer today, effectively enabling QM Systems to work with its clients, where required, from conceptualisation through to product manufacture, service and support.

Operationally we have taken the opportunity to make some changes to our structure which has resulted in more efficient design and manufacturing teams. All current projects are progressing well and to plan, with a number due to be delivered by the end of this financial year or early into the next financial year.

Following the acquisition of Wessex Precision Instruments Ltd in October 2019, we have undertaken a major exercise to reduce costs whilst dramatically improving the service that we offer. We have relocated the manufacturing facilities to our Aldershot office and have reviewed our stock and supplier structure to ensure that we now maintain a stock of key products, spares and consumables ‘on the shelf’ to ensure our clients can have orders fulfilled in the shortest timeframe possible.

## **Thomson Engineering Design (“TED”)**

TED suffered similarly to QM with a significant slowdown in orders over the summer months. However, during November 2020 TED received a large order for 2 new products totalling over £200k with a challenging delivery timescale of mid-February 2021. I am pleased to report that the team at TED were able to demonstrate their ability as a true ‘can do’ business and achieved the delivery of this incredibly aggressive lead-time, on time.

I am pleased to report that, even ignoring the above, order intake for TED since November 2020 has remained buoyant. Following a very solid performance for 2019/20 FY, where TED achieved good growth with a return to profit, TED is now set to continue its growth trajectory with an increase in sales year-on-year. It has been pleasing to see of late that the domestic market appears more buoyant than last year whilst the international market also appears strong. This we believe is down to increases in marketing, linked to the solid reputation that TED has achieved for delivering quality product and support internationally. At the time of writing TED is quoting on further major contracts within the Asia Pacific territory.

During the period, TED has delivered a mixture of domestic and international sales across a broad spectrum of products including Sleeper Spreaders, Panel Handlers, Rail Grabs, Gantries, Cable Yokes, De-Clippers, Fast Clip Machines, Threader Draggers, Manipulators and others. It is gratifying to see that the investment provided by the Group to TED during the last three years since acquisition to support the development of new products is really starting to bear fruit.

I am fully expecting that TED’s trading in the second part of the 2020/21 FY will significantly outperform the initial six months (a repeat of last year) and I anticipate TED will achieve growth on last financial year’s results. Given the current climate that TED operates within, particularly within manufacturing, this would be a great achievement.

## **Adien**

Adien has had an excellent six months increasing turnover by 15%, working, as the team does, largely in the open air, and having both adjusted quickly to the needs, and additional costs, of the pandemic they continued to supply their service (whilst others didn’t), and were able to fulfil the long term framework contracts which had been successfully re-secured in the previous year.

Increasingly within the framework contracts Adien is able to supply a one-stop shop for the subcontract elements of Traffic Management, CCTV, Jetting, Laser scanning and Drone 3D surveys with inspections, which provides increased profitability over and above the core survey elements of the contract.

The activity levels in both England and Scotland currently remain very strong and we have recruited additional staff experienced in the relevant sectors to assist Adien’s growth.

The order book is positive as a result of the current upturn in Defense, Telecoms, 5G and Power Distribution, plus infrastructure renewal. Accordingly, the outlook for the remainder of the financial year and beyond for Adien is most encouraging.

## **PipeHawk Technology**

PipeHawk Technology has been in tickover/furlough mode for most of the six months under review. However during the period, discussions and negotiations were held with the owners of a complementary company, Utsi Electronics Limited, and this business was successfully acquired on 27 January 2021 for essentially net asset value plus a profit related payout over the next two years.

The Utsi products are technically well designed and recognised internationally as being very capable ground penetrating radar (GPR) systems with most models being available with a selection of antenna types/frequencies making them suitable for use across a wide range of markets from the common and highly competitive Utility Survey market to the very specialist fields of Structural Fault analysis, Environmental/Pollution research and Railway standards compliance. Some models are also available in versions designed specifically for operation in harsh climates (deserts/polar regions) and/or over rough terrain.

The majority of these products and markets are complementary to those of our own PipeHawk brand systems. The acquisition of Utsi will provide an increased portfolio of GPR system offerings into a significantly wider range of markets as well as offering excellent opportunity to extend R&D activities into the highly desirable Environmental/Water/Structural Faults markets and increase unit profitability across the dual product ranges achieved through enhanced marketing, rationalised designs and parts sourcing.

By combining the PipeHawk & Utsi systems there is the opportunity for improvements and growth for both product lines (thereby maintaining servicing of both ends of the market) while at the same time rationalising boards and components used, to improve sales, productivity and profit margins.

### **Related party transactions**

As announced on 21 October 2020, my letter of financial support dated 7 October 2019 was renewed on 28 September 2020 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 2020, these deferred fees and interest payments amounted to approximately £107,000 in total, all of which have been accrued in the Company's accounts, and at 31 December 2020 amounted in total to £1,574,000.

**Gordon Watt**  
**Chairman**

### **Enquiries:**

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**Statement of Comprehensive Income**  
**For the six months ended 31 December 2020**

	6 months ended 31 December 2020 (unaudited) £'000	6 months ended 31 December 2019 (unaudited) £'000	Year ended 30 June 2020 (audited) £'000
<b>Revenue</b>	2,641	4,518	8,325
Staff costs	(1,697)	(1,190)	(3,776)
General administrative expenses	(1,178)	(2,404)	(4,144)
<b>(Loss)/profit on ordinary activities before interest and taxation</b>	(234)	204	405
Finance costs	(102)	(118)	(211)
<b>(Loss)/profit before taxation</b>	(336)	111	194
Taxation	175	172	396
(Loss)/profit for the period attributable to equity holders of the Company	(161)	283	590
Other comprehensive income	-	-	-
<b>Total comprehensive (expense)/income for the period net of tax</b>	(161)	283	590
<b>(Loss)/ earnings per share (pence) – basic</b>	(0.46)	0.82	1.69
<b>(Loss)/earnings per share (pence) – diluted</b>	(0.99)	0.58	0.93

**Consolidated Statement of Financial Position**  
**As at 31 December 2020**

	As at 31 December 2020 (unaudited) £'000	As at 31 December 2019 (unaudited) £'000	As at 30 June 2020 (audited) £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	793	761	811
Goodwill	1,345	1,279	1,345
	<u>2,138</u>	<u>2,040</u>	<u>2,156</u>
<b>Current assets</b>			
Inventories	146	295	151
Current tax assets	255	167	394
Trade and other receivables	1,538	1,120	1,654
Cash	1,019	99	250
	<u>2,958</u>	<u>1,681</u>	<u>2,449</u>
<b>Total assets</b>	<u>5,096</u>	<u>3,721</u>	<u>4,605</u>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	349	344	349
Share premium	5,215	5,205	5,215
Other reserves	(8,467)	(8,613)	(8,306)
	<u>(2,903)</u>	<u>(3,064)</u>	<u>(2,742)</u>
<b>Non-current liabilities</b>			
Borrowings	3,321	2,846	3,255
Trade and other payable	-	19	6
	<u>3,321</u>	<u>2,865</u>	<u>3,261</u>
<b>Current liabilities</b>			
Trade and other payables	2,771	1,677	1,949
Bank overdrafts and loans	1,907	2,224	2,137
	<u>4,678</u>	<u>3,920</u>	<u>4,086</u>
<b>Total equity and liabilities</b>	<u>5,096</u>	<u>3,721</u>	<u>4,605</u>

**Consolidated Statement of Cash Flow**  
**For the six months ended 31 December 2020**

	6 months ended 31 December 2020 (unaudited) £'000	6 months ended 31 December 2019 (unaudited) £'000	Year ended 30 June 2020 (audited) £'000
<b>Cash inflow from operating activities</b>			
(Loss)/profit from operations	(234)	204	405
Adjustment for:			
Depreciation	97	87	191
	<u>(137)</u>	<u>291</u>	<u>596</u>
Decrease/(increase) in inventories	5	(112)	(18)
Decrease/(increase) in receivables	115	480	(52)
Increase/(decrease) in liabilities	616	(1,706)	(1,037)
	<u>599</u>	<u>(1,047)</u>	<u>(511)</u>
Cash generated from/(used in) operations			
Interest paid	(31)	(23)	(69)
Corporation tax received	314	320	318
	<u>882</u>	<u>(750)</u>	<u>(262)</u>
<b>Net cash generated from/(utilised in) operating activities</b>			
<b>Cash flows from investing activities</b>			
Purchase of plant and equipment	(79)	(319)	(474)
Proceeds from disposal of fixed assets	-	(1)	-
	<u>(79)</u>	<u>(320)</u>	<u>(474)</u>
<b>Net cash utilised in investing activities</b>			
<b>Cash flows from financing activities</b>			
New loans and finance leases	23	557	-
Proceeds from borrowings	35	-	523
Repayment of bank and other loans	(3)	(105)	(165)
Repayment of finance leases	(89)	(81)	(170)
	<u>(34)</u>	<u>371</u>	<u>188</u>
<b>Net cash (utilised in)/generated from financing activities</b>			
<b>Increase/(decrease) in cash and cash equivalents</b>	769	(699)	(548)
Cash and cash equivalents at beginning of period	250	774	774
Acquisition of subsidiary	-	24	24
	<u>1,019</u>	<u>99</u>	<u>250</u>
<b>Cash and cash equivalents at end of period</b>			

**Consolidated Statement of Changes in Equity  
For the six months ended 31 December 2020**

	<b>Share capital £'000</b>	<b>Share premium account £'000</b>	<b>Retained earnings £'000</b>	<b>Total £'000</b>
<b>6 months ended 31 December 2019</b>				
As at 1 July 2019	344	5,205	(8,896)	(3,347)
Profit for the period	-	-	283	283
Total comprehensive income	-	-	283	283
As at 31 December 2019	344	5,205	(8,613)	(3,064)
<b>12 months ended 30 June 2020</b>				
As at 1 July 2019	344	5,205	(8,896)	(3,347)
Loss for the period	-	-	590	590
Total comprehensive income	-	-	590	590
Issue of shares	5	10	-	15
As at 30 June 2020	349	5,215	(8,306)	(2,742)
<b>6 months ended 31 December 2020</b>				
As at 1 July 2020	349	5,215	(8,306)	(2,742)
Profit for the period	-	-	(161)	(161)
Total comprehensive income	-	-	(161)	(161)
As at 31 December 2020	349	5,215	(8,467)	(2,903)

## Notes to the Interim Results

### 1. Basis of preparation

The Interim Results for the six months ended 31 December 2020 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 2020, 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.

### 2. Segmental information

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

	<b>Utility detection and mapping services £'000</b>	<b>Development, assembly and sale of GPR equipment £'000</b>	<b>Automation and test system solutions £'000</b>	<b>Total £'000</b>
<b>6 months ended 31 December 2020</b>				
Total segmental revenue	814	25	1,802	2,641
Segment result	148	(1)	(381)	(234)
Finance costs	(16)	(71)	(15)	(102)
Profit/(loss) before taxation	132	(72)	(396)	(336)
Segment assets	767	1,983	2,346	5,096
Segment liabilities	619	4,557	2,823	7,999
Non-current asset additions	45	-	34	79
Depreciation and amortisation	51	-	46	97
<b>6 months ended 31 December 2019</b>				
Total segmental revenue	638	49	3,831	4,518
<b>Segmental result</b>	(110)	51	263	204
Finance costs	(7)	(72)	(14)	(93)
(Loss)/profit before taxation	(118)	23	206	111
Segment assets	691	1,604	1,426	3,721
Segment liabilities	610	4,329	1,846	6,785
Non-current asset addition	118	18	155	291
Depreciation and amortisation	43	6	38	87

## Notes to the Interim Results (continued)

### 12 months ended 30 June 2020

Total segmental revenue	1,344	81	6,900	8,325
<b>Segmental result</b>	75	(15)	345	405
Finance costs	(33)	(141)	(37)	(211)
Profit/(loss) before taxation	42	(156)	308	194
Segment assets	771	1,527	2,307	4,605
Segment liabilities	664	4,379	2,304	7,347
Non-current asset additions	225	1	258	484
Depreciation and amortisation	95	1	95	191

### 3. (Loss)/earnings per share

This has been calculated on the loss for the period of £161,000 (H1 2019: profit £283,000) and the number of shares used was 34,860,515 (H1 2019: 34,360,515), 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 2020.

### 5. Copies of Interim Results

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