The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse (Amendment) (EU EXIT) Regulations 2019/310.

24 March 2022

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

Unaudited results for the six months ended 31 December 2021

Chairman's Statement

I am pleased to report that the Company's turnover in the six months ended 31 December 2021 was £3,247,000 (2020: £2,641,000), an increase of 23 per cent over the comparable period last year, resulting in a loss before taxation of £457,000 (2020: loss of £336,000) and a loss after taxation of £284,000 (2020: £161,000)

This has been an extremely challenging six months following the removal of the UK government furlough support coupled with employee absences as a result of ongoing variants of COVID-19, delays caused by material shortages, much longer supply lead times and increased costs, all of which have caused operational inefficiencies and uncertainty with existing and potential clients such that expected orders have been delayed or deferred. Nevertheless, the underlying direction of travel of our business is clear. We have accelerated progress at both QM Systems Limited ("QM Systems") and Thomson Engineering Design Limited ("TED") and have now moved both operations to a state of the art premises five times and three times respectively greater than their previous footprint. This, and the level of interest evidenced by our current sales discussions, positions the Company very well for the future.

QM Systems

Order intake for the initial six months ended 31 December 2021 was below management expectations. This is predominantly the result of anticipated projects being delayed rather than projects being cancelled or lost. In addition, the operational team continues to be kept busy on project work as the dramatic effects of the earlier COVID-19 pandemic lockdowns has continued to affect the business into the later stages of project lifecycle for longer than anticipated. This has meant that balancing the various team workloads has become increasingly difficult compared to previous periods.

Since the beginning of 2022, QM Systems orderbook and order prospects have improved, and it is anticipated that during the later stages of the current financial year the QM Systems orderbook will result in production being at full capacity. During the last few weeks our quotation levels and degree of engagement have increased significantly with a number of projects expected to start within the next one or two months.

Over the first six months ended 31 December 2021, we secured two contract manufacturing contracts for completely different products. The first contract will see QM Systems produce a product for the marine market and the second contract concerns a partnership with Ventive Limited ("Ventive") to design and subsequently manufacture an innovative, new technology home heating and hot water system that is expected to replace conventional Gas and Oil fired heating and hot water systems with a far more sustainable solution.

In order to enable QM Systems to reach the targeted start of production dates for the above two manufacturing contracts of mid-2022 and late-2022, respectively, QM Systems has relocated to a far larger premises a few minutes away from its previous location. QM Systems has made significant investment into the new facility to provide a 'state of the art' manufacturing facility that our partners and QM Systems can be proud of. Despite the challenging timescales QM Systems managed to complete the move within two months from signing of the contracts and QM Systems is now up and running in the new facility. Inevitably the disruption created through moving an entire operation to a new location will impact our third quarter. However, we have kept disruption to a minimum through careful planning and ensuring that our manufacturing operations suffered minimal down time.

In the second half of the current financial year QM Systems expects to continue to deliver its bespoke projects for assembly and test systems to its existing and new clients as well as continued preparations for the start of manufacturing the 'Ventive Home' system at the end of June 2022.

Thomson Engineering Design ("TED")

Business has continued to be relatively buoyant at TED as it continues to remain largely immune to the impact of the COVID-19 pandemic. Historically a pattern had emerged where the orderbook at TED had been light during the first quarter of each new financial year and subsequently growing in the mid to later stages of the second quarter of the financial year. The effort that has been put into marketing, promoting and developing TED's business into further international markets and with new clients this year has enabled TED to continue the momentum and traction gained in the second part of the previous 2020/21 financial year into the first half of the new 2021/22 financial year. This year TED entered the new financial year with a very healthy orderbook and has since continued to win a number of orders with existing and new clients. In particular, we have seen the size of orders increase significantly over the last 12 months and TED has been very successful in winning and successfully delivering bespoke track and rail-based gantry handling systems to a number of clients. TED began the second half of the financial year with a very healthy orderbook with a number of significant key contracts secured in the first two months alone.

Operationally, TED has also relocated into a far more modern and much larger facility. This has enabled the business to significantly improve productivity and efficiency and provides a far more pleasant facility for our employees to work within as well as to showcase to our clients. The move was completed over a three-month period. The move involved firstly moving the assembly operations and subsequently the machining and fabrication operations - which due to careful planning resulted in minimal downtime for the manufacturing operations. In order to cope with the increased workload at TED, a number of new staff have been recruited across all levels of the business. TED anticipates that the positive start to its financial year will continue to gain momentum as it becomes established and embedded in the new facility.

Adien

Following the COVID-19 pandemic last year and the removal of furlough payments, Adien continues to maintain an effective and profitable start to the year’s trading. The continuance of long term framework contracts has ensured a consistent supply of work producing good margins, despite the increased costs inflicted by the energy companies in addition to the ongoing costs of COVID-19 compliant working arrangements. Any increased operating costs are passed on to the client in the first instance.

Adien was awarded key framework contracts with more than ten distributors of 5G telecom mast sites and several major distilleries, together with ongoing framework contracts with several major players in the civil and construction industries.

Adien has extended its offering to include Traffic Management, CCTV, Jetting, Laser scanning and Drone 3D survey inspections. The activity levels in both England and Scotland currently remain strong and we have since recruited additional staff experienced in the relevant sectors in both England and Scotland.

Adien is also adding additional services (STATS requisitioning – records of the utility providers - and EV charging points) to Adien’s core work services and these continue to evolve in response to the demands of our clients and the marketplace.

The order book is positive with a current continued upturn in Water, Power, Defence, Telecom 5G plus highway and rail renewal projects. Accordingly, the outlook for the remainder of the financial year is positive for Aiden.

PipeHawk Technology/Utsi

While we have worked hard towards achieving tighter integration between the two complimentary businesses of PipeHawk Technology and Utsi Electronics Ltd, the shortage of essential electronic components, lengthening lead times and quickly escalating prices; some by a factor of 4 to 10, have continued to create extremely challenging trading conditions.

Our UK/EU enquiry numbers have continued to rise, as businesses here and in Europe have begun returning to work. A number of markets further afield have yet to do the same and therefore remain very sluggish, with overall enquiries still well down when compared to pre-pandemic levels.

The notable exception to this is academic and environmental related enquiries, where our ability to engage with online collaborators and remote working units, has enabled us to derive benefit from funded research & development projects, as well as maintaining communications for a number of future potential opportunities for the pipeline, which are, for now, still in abeyance.

Achieving a steady supply of components at stable prices is identified as a key enabler for optimising price sensitive market access to our extended product range and relevant to generating additional sales from existing product resellers, as well as creating an attractive opportunity for the recruitment of new resellers. Maintenance of good communications with our supply chain throughout the pandemic and strong negotiation with key suppliers post lockdowns, has enabled us to secure on favourable terms, the future supply in quantity of the most essential components required in the manufacture of our product line. While the increased costs of carrying higher inventory quantities than normal will impact profits in the short-term, the beneficial effects on margins of shielding future component requirements from the more rampant price/availability fluctuations anticipated to impact component supply over the coming months, are expected to more than compensate over the medium term.

Related party transactions

As announced on 3 November 2021, my letter of financial support dated 28 September 2020 was renewed on 6 September 2021 to provide the group with financial support until 31 December 2024.

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 2021, these deferred fees and interest payments amounted to approximately £103,000 in total, all of which have been accrued in the Company's interim results, and at 31 December 2021 amounted in total to £1,600,000.

Gordon Watt
Chairman

Enquiries:

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Consolidated Statement of Comprehensive Income
As at 31 December 2021

	6 months ended 31 December 2021 (unaudited) £'000	6 months ended 31 December 2020 (unaudited) £'000	Year ended 30 June 2021 (audited) £'000
Revenue	3,247	2,641	**6,665**
Staff costs	(1,903)	(1,697)	**(3,478)**
General administrative expenses	(1,698)	(1,178)	**(2,930)**
(Loss)/profit on ordinary activities before interest and taxation	(354)	(234)	**257**
Finance costs	(103)	(102)	**(178)**
(Loss)/profit before taxation	(457)	(336)	**79**
Taxation	173	175	**443**
(Loss)/profit for the period attributable to equity holders of the Company	(284)	(161)	522
Other comprehensive income	-	-	-
Total comprehensive (expense)/income for the period net of tax	(284)	(161)	522
(Loss)/ earnings per share (pence) – basic	(0.79)	(0.46)	1.50
(Loss)/earnings per share (pence) – diluted	(0.79)	(0.46)	0.83

Consolidated Statement of Financial Position
As at 31 December 2021

Assets	As at 31 December 2021 (unaudited) £'000	As at 31 December 2020 (unaudited) £'000	As at 30 June 2021 (audited) £'000
Non-current assets			
Property, plant and equipment	585	302	528
Right of use	590	491	363
Goodwill	1,357	1,345	1,357
	2,532	2,138	2,248
Current assets			
Inventories	308	146	373
Current tax assets	182	255	442
Trade and other receivables	1,723	1,538	1,809
Cash	644	1,019	920
	2,857	2,958	3,544
Total assets	5,389	5,096	5,792
Equity and liabilities			
Equity			
Share capital	358	349	349
Share premium	5,302	5,215	5,215

Other reserves	(8,068)	(8,467)	(7,784)
	(2,408)	(2,903)	(2,220)
Non-current liabilities			
Borrowings	3,624	3,321	3,205
	3,624	3,321	3,205
Current liabilities			
Trade and other payables	2,012	2,771	2,651
Bank overdrafts and loans	2,161	1,907	2,156
	4,173	4,678	4,807
Total equity and liabilities	5,389	5,096	5,792

Consolidated Statement of Cash Flow
For the six months ended 31 December 2021

	6 months ended 31 December 2021 (unaudited) £'000	6 months ended 31 December 2020 (unaudited) £'000	Year ended 30 June 2021 (audited) £'000
Cash inflow from operating activities			
(Loss)/profit from operations	(354)	(234)	257
Adjustment for:			
Depreciation	162	97	192
	(192)	(137)	449
Decrease/(increase) in inventories	65	5	(171)
Decrease/(increase) in receivables	87	115	(136)
(Decrease)/increase in liabilities	(88)	616	581
Cash generated (used in)/from operations	(128)	599	723
Interest paid	(36)	(31)	(50)
Corporation tax received	433	314	394
Net cash generated from operating activities	269	882	1,067
Cash flows from investing activities			
Purchase of plant and equipment	(446)	(79)	(130)
Acquisition of subsidiary net of cash acquired	-	-	42
Net cash utilised in investing activities	(446)	(79)	(88)
Cash flows from financing activities			
New loans and leases	-	23	-
Proceeds from borrowings	250	35	339
Repayment of bank and other loans	(221)	(3)	(483)
Repayment of leases	(128)	(89)	(165)
Net cash utilised in financing activities	(99)	(34)	(309)
(Decrease)/increase in cash and cash equivalents	(276)	769	670
Cash and cash equivalents at beginning of period	920	250	250
Cash and cash equivalents at end of period	644	1,019	920

Consolidated Statement of Changes in Equity
For the six months ended 31 December 2021

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
6 months ended 31 December 2020				
As at 1 July 2020	349	5,215	(8,306)	(2,742)
Loss for the period	-	-	(161)	(161)
Total comprehensive income	-	-	(161)	(161)
As at 31 December 2020	349	5,215	(8,467)	(2,903)
12 months ended 30 June 2021				
As at 1 July 2020	349	5,215	(8,306)	(2,742)
Profit for the period	-	-	522	522
Total comprehensive income	-	-	522	522
Issue of shares	-	-	-	-
As at 30 June 2021	349	5,215	(7,784)	(2,220)
6 months ended 31 December 2021				
As at 1 July 2021	349	5,215	(7,784)	(2,220)
Loss for the period	-	-	(284)	(284)
Total comprehensive income	-	-	(284)	(284)
Issue of shares	9	87	-	96
As at 31 December 2021	358	5,302	(8,068)	(2,408)

Notes to the Interim Results

1. Basis of preparation

The Interim Results for the six months ended 31 December 2021 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 2021, 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.

	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 2021				
Total segmental revenue	765	134	2,348	3,247
Segment result	104	(45)	(413)	(354)
Finance costs	(16)	(77)	(10)	(103)
Profit/(loss) before taxation	88	(122)	(423)	(457)
Segment assets	654	2,301	2,434	5,389
Segment liabilities	515	4,895	2,387	7,797
Non-current asset additions	3	55	388	446
Depreciation and amortisation	47	9	106	162
6 months ended 31 December 2020				
Total segmental revenue	814	25	1,802	2,641
Segmental result	148	(1)	(381)	(234)
Finance costs	(16)	(71)	(15)	(102)
(Loss)/profit before taxation	132	(72)	(396)	(336)
Segment assets				
Segment liabilities	767	1,983	2,346	5,096
Non-current asset addition	619	4,557	2,823	7,999
Depreciation and amortisation	45	-	34	79

Notes to the Interim Results (continued)

12 months ended 30 June 2021				
Total segmental revenue	1,395	150	5,120	6,665
Segmental result	130	(218)	345	257
Finance costs	(29)	(130)	(19)	(178)
Profit/(loss) before taxation	101	(348)	326	79
Segment assets	696	2,196	2,754	5,646
Segment liabilities	624	4,841	2,521	7,986
Non-current asset additions	50	4	77	131
Depreciation and amortisation	100	1	91	192

3. Loss per share

This has been calculated on the loss for the period of £284,000 (H1 2020: loss £161,000) and the number of shares used was 35,812,823 (H1 2020: 34,860,515), 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 2021.

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.