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").

19 March 2020

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

Unaudited results for the six months ended 31 December 2019

Chairman's Statement

I am pleased to report that the Company's turnover in the six months ended 31 December 2019 was £4,518,000 (H1 2019: £2,901,000), an increase of 56 per cent over the comparable period last year, resulting in a profit before taxation of £111,000 (H1 2019: loss of £164,000) and a profit after taxation of £283,000 (H1 2019: £12,000). Our current order book had been strong on all fronts and everything was looking good – and then the country and the Company were hit with Coronavirus which is causing all sorts of problems; in particular it has affected access to client sites and deferment of decisions on new orders.

QM Systems

During the initial six month period QM has continued its positive trend both in growth in revenue and profit. This presented an almost doubling in sales when compared with the same period last year and has generated a profit of £335k after interest and management charges paid to the Company (H1 2019: £73k). This represents an excellent performance for this subsidiary of the group.

During the period, order intake was very strong with approximately £3.4 million of orders received. Moving into the final six months of the current financial year, QM's orderbook is full, ensuring a strong start to the second half of the year. However, Coronavirus has hit and, whilst we are doing everything we can to mitigate its impact while keeping our employees and stakeholders safe and also keeping the operational facility open and running, we are in unchartered waters as to how this will play out.

To support this sustained period of growth, QM continued to recruit within Design and Manufacturing roles. In particular QM has invested significantly into the Project Management team to ensure that it continues to offer the high level of support that its clients require.

QM has seen continued sales of a number of our products, particularly the Q-Mac range of versatile carousel conveyors, with its largest to date, a 60 station carousel being manufactured for an automotive client. QM has also seen sales of its Electronic Interface module to a core Petrochemical Client and its PERA product continues to sell well within the Aerospace industry.

QM has been awarded a second phase of project work with its partner Penso to deliver an expansion of the automated Carbon Fibre manufacturing facility. This second phase enables a new range of larger carbon fibre composite vehicles to be manufactured within Penso's production cell.

QM's work with Cox Powertrain to deliver a complete turnkey production facility for the manufacture of its innovative high power diesel outboard motor is now drawing to a close as QM completes the final commissioning activities and Cox begins the volume ramp up.

In October 2019, the Group acquired a small company called Wessex Precision Instruments. The company manufactures a range of slip testing equipment for ensuring floor surfaces perform as required. The products are sold to contract slip testing companies and laboratories that test floor and road surface performance. The company is small today, however it presents a great opportunity for growth into this emerging sector. The company now forms part of QM's Test division.

Thomson Engineering Design ("TED")

TED's performance has again improved, generating a small profit after tax on a revenue of £364k (H1 2019: £224k). During the period a number of loan units of the Thomson De-clipper and 7 Sleeper Spreader units were manufactured for use as demonstration and stock sale units. All units are currently out on loan. This has enabled a number of TED's clients to be offered a 'Try before you buy' service. This has directly led to a number of requests for quotation that TED fully expects will turn into product sales as budgets become available after the Coronavirus situation has been resolved.

Order intake and quotation activity within the domestic market has remained relatively static, predominantly with interest focused on TED's latest products in rail clipping and de-clipping and sleeper handling. However, during the same period, TED has seen a significant increase in international enquiries with a number of substantial orders being received from outside of the UK. In particular TED has received a £140k order for a range of new rail equipment for a company based in New Zealand, which will be used on a project in Australia.

Also during the period work has begun on diversifying TED's capabilities into other markets. TED has seen orders received for a new gimbal product from an automotive client that totals approximately £150k. The first 30 units have been manufactured and shipped with a further 24 units to be shipped by the end of April. TED is expecting more orders for this new and exciting product range, again when the economy recovers from the effects of the Coronavirus.

Adien

During this review period Adien demonstrated an effective start to the year's trading. The renewal of significant long term framework contracts ensured the supply of continued work producing good margins.

The award of major contracts within different sectors: Telecomms 5G, Defence consultancy, Distilleries, and Balfour Beatty all contain significant sub contract elements that provide increased profitability above the core survey elements of the contract, these include the provision of: Traffic Management, CCTV, Jetting, Laser scanning and Drone 3D surveys with inspections. The activity levels in both England and Scotland remain consistently high and Adien has now recruited additional staff with experience in the relevant industry sectors.

The order book was looking very strong with the upturn in Defence, Telecomms 5G and SSEN, plus infrastructure renewal, however Coronavirus is now impacting on our ability to deliver to site and it is too early to quantify what impact Covid-19 will have on Adien.

Related party transactions

My letter of financial support dated 24 October 2018 was renewed on 7 October 2019 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 2019, these deferred fees and interest payments amounted to approximately £72,000 in total, all of which have been accrued in the Company's accounts, and as at 31 December 2019 amounted in total to £1,420,000.

Gordon Watt
Chairman

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Statement of Comprehensive Income
For the six months ended 31 December 2019

	6 months ended 31 December 2019 (unaudited) £'000	6 months ended 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Revenue	4,518	2,901	6,680
Staff costs	(1,910)	(1,533)	(3,265)
General administrative expenses	(2,404)	(1,462)	(3,358)
Profit/(loss) on ordinary activities before interest and taxation	204	(94)	57
Finance costs	(118)	(70)	(45)
Profit/(loss) before taxation	111	(164)	12
Taxation	172	176	300
Profit for the period attributable to equity holders of the Company	283	12	312
Other comprehensive income	-	-	-
Total comprehensive income for the period net of tax	283	12	312
Earnings per share (pence) – basic	0.82	0.04	0.91
Earnings per share (pence) – diluted	0.58	0.04	0.72

Consolidated Statement of Financial Position
As at 31 December 2019

Assets	6 months ended 31 December 2019 (unaudited) £'000	6 months ended 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Non-current assets			
Property, plant and equipment	761	490	525
Goodwill	1,279	1,190	1,190
	2,040	1,680	1,715
Current assets			
Inventories	295	169	134
Current tax assets	167	274	315
Trade and other receivables	1,120	1,453	1,592
Cash	99	72	774
	1,681	1,968	2,815
Total assets	3,721	3,648	4,530
Equity and liabilities			
Equity			
Share capital	344	340	344
Share premium	5,205	5,191	5,205
Other reserves	(8,613)	(9,196)	(8,896)
	(3,064)	(3,665)	(3,347)
Non-current liabilities			
Borrowings	2,846	2,928	2,661
Trade and other payable	19	4	3
	2,865	2,932	2,664
Current liabilities			
Trade and other payables	1,677	2,246	3,270
Bank overdrafts and loans	2,224	2,135	1,943
	3,920	4,381	5,213
Total equity and liabilities	3,721	3,648	4,530

Consolidated Statement of Cash Flow
For the six months ended 31 December 2019

	6 months ended 31 December 2019 (unaudited) £'000	6 months ended 31 December 2018 (unaudited) £'000	Year ended 30 June 2019 (audited) £'000
Cash inflow from operating activities			
Profit/(loss) from operations	204	(94)	57
Adjustment for:			
Profit on disposal of fixed assets	-	(13)	(13)
Depreciation	87	41	90
	291	(66)	134
(Decrease)/Increase in inventories	(112)	10	44
Increase/(Decrease) in receivables	480	(278)	(417)
(Decrease)/Increase in liabilities	(1,706)	104	1,570
Cash used in operations	(1,047)	(230)	1,331
Interest paid	(23)	(32)	(147)
Corporation tax received	320	274	358
Net cash generated/(utilised) from operating activities	(750)	12	1,542
Cash flows from investing activities			
Purchase of plant and equipment	(319)	(55)	(75)
Proceeds from disposal of fixed assets	(1)	17	16
Sale of joint venture investment	-	-	17
Other income	-	17	-
Net cash (utilised)/generated from investing activities	(320)	(21)	(42)
Cash flows from financing activities			
New loans and finance leases	557	83	-
Repayment of bank and other loans	(105)	(8)	(676)
Repayment of finance leases	(81)	(13)	(69)
Net cash generated/(utilised) financing activities	371	62	(745)
(Decrease)/Increase in cash and cash equivalents	(699)	53	755
Cash and cash equivalents at beginning of period	774	19	19
Acquisition of subsidiary	24	-	-
Cash and cash equivalents at end of period	99	72	774

Consolidated Statement of Changes in Equity
For the six months ended 31 December 2019

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
6 months ended 31 December 2018				
As at 1 July 2018	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)
12 months ended 30 June 2019				
As at 1 July 2018	340	5,191	(9,208)	(3,677)
Loss for the period	-	-	312	312
Total comprehensive income	-	-	312	312
Issue of shares	4	14	-	18
As at 30 June 2019	344	5,205	(8,896)	(3,347)
6 months ended 31 December 2019				
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)

Notes to the Interim Results

1. Basis of preparation

The Interim Results for the six months ended 31 December 2019 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 2019, 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 16 – Leases – Accounting Policies and Transition

IFRS 16 leases, which is applicable for periods starting on or after 1 January 2019. The accounting policies applied here in are consistent with those expected to be applied in the financial statements for the year ended 30 June 2020.

The group has applied the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with IAS 17 will continue to apply to those leases entered into before 1 January 2019.

IFRS has introduced a single, on-balance sheet accounting model for lessees, eliminating the distinction between operating and finance leases. IFRS 16 has impacted how the Group accounts for leases under IAS 17. On initial application at 1 July 2019 and followed the modified retrospective method, the group has performed the following:

- Recognised right of use assets and lease liabilities in the Consolidated Statement of Financial Position, measured at the present value of future lease payments, discounted using the rate implicit in the lease or the lessee's incremental borrowing rate, if this is not stated. These are included within Property, plant and equipment and current and non-current borrowing.

- Recognised depreciation of right of use assets and interest on lease liabilities in the Consolidated Statement of Comprehensive income.

- Separated the total amount of cash paid into a principal portion and interest, presented within financing activities within the Consolidated Statement of cash flow.

The incremental borrowing rate is calculated on a lease by lease basis. The weighted average leasee's borrowing rate applied on the lease liability on 1 July 2019 was 3.19 per cent.

Reconciliation of operating lease commitments to lease the lease liability at 1 July 2019:

	£'000
Operating leases disclosed at 30 June 2019	224
Discounted using the weighted average incremental borrowing rate	(26)
Lease liability recognised at 1 July 2019	198

At 1 July 2019 the right of use asset recognised was £198,000 and a corresponding lease liability was £198,000.

At 31 December 2019 the financial impact following the introduction of IFRS 16 is as follows:

Right of use asset	**£'000**
At 1 July 2019	198
Additions	109
Depreciation	(39)
At 31 December 2019	268

Notes to the Interim Results (continued)

Lease liabilities	**£'000**
At 1 July 2019	198
Additions	109
Repayments	(42)
Interest	5
At 31 December 2019	270
Current	58
Non-current	212
Total	270

Amounts recorded in the income statement	**£'000**
Depreciation charges on right of use assets	39
Interest on lease liabilities	5
Total	44

The total cash outflow for leases during the year was £42,000.

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 2019				
Total segmental revenue	638	49	3,831	4,518
Segment result	(110)	51	263	204
Finance costs	(7)	(72)	(14)	(93)
Profit before taxation				111
Segment assets (incl. IFRS 16 note 1)	691	1,604	1,426	3,721
Segment liabilities (incl. IFRS 16 note 1)	610	4,329	1,846	6,785
Non-current asset additions (incl. 16 note 1)	118	18	155	291
Depreciation and amortisation (incl. IFRS 16 note 1)	43	6	38	87
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	7,313
Non-current	(20)	-	32	12
Depreciation and amortisation	26	-	15	41

Notes to the Interim Results (continued)

12 months ended 30 June 2019				
Total segmental revenue	1,314	192	5,174	6,680
Segmental result				
Finance costs	(47)	34	70	57
Profit before taxation	(10)	(1)	(34)	(45)
				12
Segment assets	529	1,322	2,679	4,530
Segment liabilities	481	4,239	3,157	7,877
Non-current asset additions	75	-	62	137
Depreciation and amortisation	55	-	35	90

3. Earnings per share

This has been calculated on the profit for the period of £283,000 (H1 2019: £12,000) and the number of shares used was 34,360,515 (H1 2019: 34,020,515), 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 2019.

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.