This announcement contains inside information as stipulated under the Market Abuse Regulations (EU) no. 596/2014 (which forms part of domestic UK law pursuant to the European Union (Withdrawal) Act 2018) ("MAR"). With the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

29 November 2022

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

Final Results for the year ended 30 June 2022

Highlights

- Turnover of £6.2 million, a decrease of 7.5% (2021: £6.7 million)
- Loss before taxation for the financial year of £1,576,000 (2021: profit £79,000)
- QM Systems completed a move into a modern and far larger facility on the Hartlebury Trading Estate, providing approx. 200% more office space and 600% more manufacturing capacity
- TED has moved into a significantly larger premises and since the financial year end has signed a global distribution memorandum of understanding with Unipart Rail Limited

The Group reported an operating loss in the year ended 30 June 2022 (the "financial year" and the "2021/22 FY") of £1,312,000 (2021: £257,000), a loss before taxation for the financial year of £1,576,000 (2021: profit £79,000) and a loss after taxation of £868,000 (2021: profit £522,000). Turnover for the financial year reduced to £6.2million (2021: £6.7 million). The loss per share for the financial year was 2.42p (2021: profit 1.50p).

In line with the outlook expressed in my Chairman's Statement last year, like others in the industry, we have been faced with difficult market conditions this financial year. As outlined on 24 March 2022 in the Group's unaudited results for the six months ended 31 December 2021 this has been an extremely challenging year. Just when we thought we were getting over the vicissitudes of the Coronavirus ("COVID-19") pandemic with its consequent delays caused by material shortages, extended lead times and increased costs, all suffered without the furlough buffer – then Russia invades the Ukraine, fuel costs soar and suddenly the world realises that energy is the key to our standard of living and economic livelihood at all levels.

As a consequence, the Group continued to see decisions across all levels of the chain be deferred and/or delayed throughout the financial year. The impact of the delay in receiving contract decisions continued to impact the Group right up to late September 2022. However, following September 2022, the Group has seen a number of larger orders that have previously been in abeyance for several months placed. In addition, the Group notes a shift in market sentiment, namely, that there appears to be a general willingness to actively re-engage and commit to forward-looking business decisions (as opposed to remaining in tick-over mode).

Despite the disappointing results for the financial year, the directors believe, for the reasons outlined above, that this merely represents a temporary blip in our growth trajectory. Notwithstanding this result, this financial year has been critical for the Group as seen by our underlying positive direction of travel. In addition, we have invested significantly to be able to take advantage of the opportunities evident from our groundwork. Not only have we expanded Thomson Engineering Design's ("TED") footprint fourfold (we have decided to retain, and rebuild its original premises whilst retaining its new premises, as we foresee the need for further growth), QM Systems Limited ("QM") footprint has increased fivefold, and a new line to QM business, contract manufacturing, has been established. Lastly, Adien is now fully engaged in 5G work and the integration of Utsi and PipeHawk's technology bodes well for the future.

I am confident therefore that the future looks very promising.

QM Systems

QM Systems has completed a challenging financial year where for a large part of that time the orderbook has been significantly below management expectation. This trend continued longer than expected into the 2021/22 FY resulting in the inability of QM Systems to pull through the expected level of revenue and profit. It does seem as though the effect of the pandemic eventually rippled through QM Systems later than initially anticipated. In addition, following Russia's invasion of the Ukraine, decision makers decided to defer making capital commitments, which manifested into expected orders being delayed by several months.

During the second half of the financial year, QM Systems completed a move into a modern and far larger facility on the Hartlebury Trading Estate. The move expands the available facilities from approximately 8,000 sq ft to approximately 45,000 sq ft; providing approx. 200% more office space and 600% more manufacturing capacity. The move was required to facilitate not only the anticipated growth in the company's project business but also the housing of the newly established contract manufacturing business unit. In addition, QM Systems has secured two manufacturing contracts with both expected to begin operation with manufactured product towards the end of the current 2022/23 FY. Both contract manufacturing projects bring the capacity for rapid growth in a new and exciting direction for QM Systems. Inevitably a move to a new facility of this size and scale brings commercial challenges and has required significant investment. In this regard, QM have invested over £750k in securing and fitting out the new facility to a very high standard.

Looking ahead, I am pleased to report that as we approached the end of the previous 2021/22 FY and entered the current FY order enquiries have increased dramatically. A number of projects that have been slow to gestate have now arrived resulting in an order intake for the first four months of the current FY alone at QM Systems being in excess of £3 million. Historically, this is an unprecedented order intake in such a short period of time and should enable QM Systems to rapidly recover the ground lost during the 2021/22 FY. In addition to orders received the order pipeline has again returned to a very healthy level with further significant order intake expected through the second quarter of the current FY and anticipated for the following quarter. It is also important to recognise that the projects won are sizeable projects that are expected to run across several months. This brings a further level of stability to QM Systems project business. To support the significant growth in the QM Systems projects business a number of new roles have been advertised for and subsequently filled across the engineering, projects and sales departments during the first third of the current FY. In addition to recruitment to support the project business the start and growth of the contract manufacturing business will see approximately 30 new employees join the QM Systems team over the next few months to support the production and administration activities required across the three contract manufacturing projects.

As a result of the above I fully expect to see QM Systems recover to a position of significant growth in both sales and profit during this current FY whilst securing a stable platform from which healthy growth can continue for the foreseeable future.

Thomson Engineering Design ("TED")

Revenue at Thomson Engineering Design ("TED") continued to grow into this financial year, with the best quarter on record achieved during the final quarter of the financial year. Revenue for FY2021/22 compared with the previous financial increased from approx. £1.2 million to £1.4 million (representing a circa16% increase). This did not however translate through into profit with a loss before taxation of £57k.

There are three key drivers within the year resulting in the reduction in profit versus expectation. The first is the significant upwards inflationary pressure regarding raw material cost which skewed the material content to be considerably higher than previous years. The second key factor was rising facility costs and investment into the new premises required during the 2021/22 FY. The third factor is that whilst we received a rent-free period in order to settle into and upgrade the new premises there is an accounting standard which requires us to amortise that rent free period over the life of the lease. The first two issues have been addressed through re-balancing margin on material and labour to accommodate higher material content and to provide for increased overhead recovery. The third is a non-cash cost in the short term.

Order intake at TED during the current 2022/23 FY continues to be strong, predominantly focused on the UK market with some export. Post the financial year, on 20 September 2022, TED entered into a memorandum of understanding with Unipart Rail Limited ("Unipart Rail"), a global retailer of Rail equipment for Unipart Rail to be the exclusive partner for sales and distribution of TED rail equipment into territories in Europe, Asia, New Zealand, Australia and the Americas. This enables TED to facilitate its strategy for global growth by utilising an established and well-respected distribution partner. Unipart and TED jointly attended the InnoTrans Expo in Berlin to launch the new partnership, where a number of key TED products have been on display to premium rail clients. Since the year end, TED has also entered into a partnership with a key client to provide rail conversions for Kawasaki Utility vehicles. This innovative approach allows capital outlay and emissions to be significantly reduced and eliminates the need to use high-cost excavators when carrying smaller loads and tools. We expect this partnership to add substantial additional revenue potential to TED's current portfolio over the next few years.

Overall, having taken measures to address profitability the future for TED both in the UK and the wider global market appears significantly positive.

Adien

After a very promising start last year's results ended with a disappointing loss of £15k due to work volumes dropping in the last few months of the year. This was, mainly due to continually delayed starts from the 5G telecom sector. The order lethargy continued into July and August this year, but has picked up dramatically since the start of September.

Adien now supplies the majority of the key contractors to the telecom providers.

Adien's Ministry of Defence projects are also starting to come on stream after a slow start following the renewal of the framework contracts in April this year. Similarly, Scottish & Southern Electricity Networks has recently put significant funding in place which will allow us to progress with their larger sites.

Positively, clients in the construction and infrastructure sectors are showing increased activity both in volume of the orders placed and enquiries for new projects.

Hybrid working for staff in the Doncaster office and the rationalisation of the Scottish operation has resulted in efficiencies, cost reductions and reduced travel times as well as a reduction in the carbon footprint of the business.

Recent investment in new vehicles that are more efficient, cost effective, greener and continued investment in new hardware and software for the computer-aided design as well as field teams ensure Adien is able to survey and process data effectively to all our clients' various requirements.

The outlook for the current year remains positive.

UTSI

As enquiry levels have steadily risen through the 2022 calendar year, so too have material costs, component shortages and delivery timescales with the resulting lengthening transition times between enquiry, order and payment making the business of doing business, severely challenging. Sales of our flagship products; those manufactured and ordered in the largest quantities, have been most disrupted by the continuing supply delays, whereas those for more specialist, made to order products and those requiring bespoke alteration, have been less affected. Moving from just in time supply to just in case, namely, the increased stockholding of major "at risk" and "long lead time" components will reduce exposure to the worst supply chain excesses over the medium term. However, this change in approach has had a notable immediate effect on UTSI's cashflow and profits in the short term. While external R&D opportunities remain in recovery, bringing forward internal R&D timescales has offered a way towards achieving near term cost savings as tighter integration of existing PipeHawk & UTSI's product lines, becomes possible, whilst also offering the promise of attractive hybrid hardware/software solutions on the near horizon. While UTSI continues to seek out new opportunities, new partners and new markets, the restrictions imposed by global supply chain issues are expected to remain a significant limiting factor into the second half of 2022 and beyond.

Financial position

The Group continues to be in a net liability position and is still reliant on my continuing financial support.

My letter of support dated 6 September 2021 was renewed on 11 October 2022 to provide the group with financial support until 31 December 2024. Loans due to me, other than those covered by the CULS agreement, are unsecured and accrue interest at an annual rate of Bank of England base rate plus 2.15%.

The CULS agreement for £1 million, provided by myself, was renewed on 30 June 2022 and extended on identical terms, such that the CULS are now repayable on 13 August 2026.

In addition to the loans I have provided to the Company in previous years, I have deferred a certain proportion of fees and the interest due until the Company is in a suitably strong position to make the full payments.

Historically, my fees and interest payable have been deferred. During the year under review, the deferred element amounted to £160,000. At 30 June 2022, these deferred fees and interest amounted to approximately £1.8 million in total, all of which have been recognised as a liability in the Company's accounts.

Strategy & Outlook

The Group remains committed to creating sustainable earnings-based growth and focusing on the expansion of its business with forward-looking products and services. PipeHawk acts responsibly towards its shareholders, business partners, employees, society and the environment in each of its business areas.

PipeHawk is committed to technologies and products that unite the goals of customer value and sustainable development. In light of market conditions, all divisions of the Group are currently performing well and I remain optimistic in my outlook for the Group.

Gordon Watt
Chairman
Date: 28 November 2022

Consolidated Statement of Comprehensive Income

For the year ended 30 June 2022

	Note	30 June 2022 £'000	30 June 2021 £'000
Revenue	2	6,191	6,665
Staff costs	5	(3,861)	(3,478)
Operating costs		(3,642)	(2,930)
Operating (loss) / profit	4	(1,312)	257
Profit / (loss) before interest and taxation		(1,312)	257
Finance costs	3	(264)	(178)
(Loss) / profit before taxation		(1,576)	79
Taxation	7	708	443
(Loss) / profit for the year attributable to equity holders of the parent		(868)	522
Other comprehensive income		-	-
Total comprehensive **(Loss) / profit** for the year attributable to equity holder of the parent		(868)	522
(Loss) / profit per share (pence) - basic	8	(2.42)	1.50
(Loss) / profit per share (pence) - diluted	8	(2.42)	0.80

The notes form an integral part of these financial statements.

Consolidated Statement of Financial Position

at 30 June 2022

	Note	30 June 2022 £'000	30 June 2021 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	828	528
Right of use	10	2,549	363
Goodwill	11	1,357	1,357
		4,734	2,248
Current assets			
Inventories	13	340	373
Current tax assets		710	442
Trade and other receivables	14	2,389	1,809
Cash and cash equivalents		4	920
		3,443	3,544
Total assets		8,177	5,792
Equity and liabilities			
Equity			
Share capital	18	363	349
Share premium		5,316	5,215
Retained earnings		(8,647)	(7,784)
		(2,968)	(2,220)
Non-current liabilities			
Borrowings	16	5,612	3,205
		5,612	3,205
Current liabilities			
Borrowings	16	2,674	2,156
Trade and other payables	15	2,859	2,651
		5,533	4,807
Total equity and liabilities		8,177	5,792

The notes form an integral part of these financial statements.

Consolidated Statement of Cash Flow

For the year ended 30 June 2022

	Note	30 June 2022 £'000	30 June 2021 £'000
Cash flows from operating activities			
(Loss) / profit from operations		(1,312)	257
Adjustments for:			
Depreciation	4	424	192
		(888)	449
Decrease / (increase) in inventories		33	(171)
Decrease / (increase) in receivables		(580)	(136)
Increase/(decrease) in liabilities		286	581

Cash generated/(used) by operations	(1,149)	723
Interest paid	(124)	(50)
Corporation tax received	440	394
Net cash generated from / (used in) operating activities	(833)	1,067
Cash flows from investing activities		
Acquisition of subsidiary net of cash acquired	-	42
Purchase of plant and equipment	(325)	(130)
Net cash used in investing activities	(325)	(88)
Cash flows from financing activities		
Proceeds / (repayments) from borrowings	286	339
Proceeds / (repayments) of loan	119	(483)
Repayment of leases	(163)	(165)
Net cash (used in)/generated from financing activities	242	(309)
Net (decrease)/increase in cash and cash equivalents	(916)	670
Cash and cash equivalents at the beginning of year	920	250
Cash and cash equivalents at end of year	4	920

The notes form an integral part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2022

	Share capital £'000	**Share premium account £'000**	**Retained earnings £'000**	**Total £'000**
As at 1 July 2020	349	5,215	(8,301)	(2,737)
Profit / (loss) for the year	-	-	522	522
Total comprehensive income	-	-	522	522
Issue of shares	-	-	-	-
As at 30 June 2021	349	5,215	(7,779)	(2,215)
Profit / (loss) for the year	-	-	(868)	(868)
Total comprehensive income			(868)	(868)
Issue of shares	14	101	-	115
As at 30 June 2022	363	5,316	(8,647)	(2,968)

The share premium account reserve arises on the issuing of shares. Where shares are issued at a value that exceeds their nominal value, a sum equal to the difference between the issue value and the nominal value is transferred to the share premium account reserve.

The notes form an integral part of these financial statements.

1 Summary of significant accounting policies

1.1. General information

PipeHawk plc (the Company) is a limited company incorporated in the United Kingdom under the Companies Act 2006. The addresses of its registered office and principal place of business are disclosed in the company information on page 3 of the Report and Accounts. The principal activities of the Company and its subsidiaries (the Group) are described on page 9 of the Report and Accounts.

The financial statements are presented in pounds sterling, the functional currency of all companies in the Group. In accordance with section 408 of the Companies Act 2006 a separate statement of comprehensive income for the parent Company has not been presented. For the year to 30 June 2022 the Company recorded a net loss after taxation of £282,000 (2021: £236,000).

1.2. Basis of preparation

The financial statements have been prepared in accordance with UK-adopted international accounting standards (IAS) The principal accounting policies are set out below.

1.3. Basis of preparation – Going concern

The directors have reviewed the Parent Company and Group's funding requirements for the next twelve months which show positive anticipated cash flow generation, prior to any repayment of loans advanced by the Executive Chairman. The directors have furthermore obtained a renewed pledge from G G Watt to provide ongoing financial support for a period of at least twelve months from the approval date of the Group and Parent Company statement of financial positions. The directors therefore have a reasonable expectation that the entity has adequate resources to continue in its operational exercises for the foreseeable future. It is on this basis that the directors consider it appropriate to adopt the going concern basis of preparation within these financial statements. However a material uncertainty exists regarding the ability of the Group and Parent Company to remain a going concern without the continuing financial support of the Executive Chairman.

1.4. Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated in full on consolidation.

1.5. Business combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 Business Combinations (revised) are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised.

1.6. Goodwill

Goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

1.7. Revenue recognition

For the year ended 30 June 2022 the Group used the five-step model as prescribed under IFRS 15 on the Group's revenue transactions. This included the identification of the contract, identification of the performance obligations under the same, determination of the transaction price, allocation of the transaction price to performance obligations and recognition of revenue.

The point of recognition arises when the Group satisfies a performance obligation by transferring control of a promised good or service to the customer, which could occur over time or at a point in time.

1.8. Sale of goods

Revenue generated from the sale of goods is recognised on delivery of the goods to the customer. On this basis revenue is recognised at a point in time.

1.9. Sale of services

In relation to the design and manufacture of complete software and hardware test solutions and the provision of specialist surveying, revenue is recognised through a review of the man-hours completed on the project at the year-end compared to the total man-hours required to complete the projects. Provision is made for all foreseeable losses if a contract is assessed as unprofitable.

Revenue represents the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue from goods and services provided to customers not invoiced as at the reporting date is recognised as a contract asset and disclosed as accrued income within trade and other receivables.

Although payment terms vary from contract to contract invoices are in general raised in advance of services performed. Where billing has exceeded the revenue recognised in a period a contract liability is recognised and this is disclosed as payments received on account in trade and other payables.

1.10. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. Assets held under leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease. Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within the Statement of Comprehensive Income.

The principal annual rates used to depreciate property, plant and equipment are:

Equipment, fixtures and fittings	25%
Motor vehicles	25%

1.11. Inventories and work in progress

Inventories are stated at the lower of cost and net realisable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories by the method most appropriate to the particular class of inventory, with the majority being valued on a first-in-first-out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Work in progress is valued at cost, which includes expenses incurred on behalf of clients and an appropriate proportion of directly attributable costs on incomplete assignments. Provision is made for irrecoverable costs where appropriate.

1.12. Financial assets

The Group's financial assets consist of cash and cash equivalents and trade and other receivables. The Group's accounting policy for each category of financial asset is as follows:

<u>Financial assets held at amortised cost</u>

Trade receivables and other receivables are classified as financial assets held at amortised cost. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions are recognised based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment, the amount of such a provision being the difference between the net carrying amount and the present value of the future expected cash flows associated with the impaired receivable. For receivables, which are reported net, such provisions are recorded in a separate allowance account with the loss being recognised within administrative expenses in the statement of comprehensive income. On confirmation that the receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

The Group's financial assets held at amortised cost comprise other receivables and cash and cash equivalents in the statement of financial position.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

1.13. Leased/Right of Use assets

The leases liability is initially measured at the present value of the remaining lease payments, discounted using the individual entities incremental borrowing rate. The lease term comprises the non-cancellable period of the contract, together with periods covered by an option to extend the lease where the Group is reasonably certain to exercise that option based on operational needs and contractual terms. Subsequently, the lease liability is measured at amortised cost by increasing the carrying amount to reflect interest on the lease liability, and reducing it by the lease payments made. The lease liability is remeasured when the Group changes its assessment of whether it will exercise an extension or termination option.

Right-of-use assets are initially measured at cost, comprising the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date, lease incentives received and initial direct costs. Subsequently, right-of-use assets are measured at cost, less any accumulated depreciation and any accumulated impairment losses, and are adjusted for certain remeasurement of the lease liability.

Depreciation is calculated on a straight-line basis over the length of the lease. The Group has elected to apply exemptions for short-term leases and leases for which the underlying asset is of low value. For these leases, payments are charged to the income statement on a straight-line basis over the term of the relevant lease. Right-of-use assets are presented within non-current assets on the face of the statement of financial position, and lease liabilities are shown separately on the statement of financial position in current liabilities and non-current liabilities depending on the maturity of the lease payments.

Under IFRS16, right-of-use assets will be tested for impairment in accordance with IAS36 Impairment of Assets.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in the profit or loss. Short term leases are leases with a lease term of 12 months or less.

1.14. Pension scheme contributions

Pension contributions are charged to the statement of comprehensive income in the period in which they fall due. All pension costs are in relation to defined contribution schemes.

1.15. Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 18.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest. At each statement of financial position date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period, with a corresponding adjustment to reserves.

1.16. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at 30 June. Transactions in foreign currencies are recorded at the rates ruling at the date of the transactions.

1.17. Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

<u>Current tax</u>

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the year end date.

<u>Deferred tax</u>

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the statement of financial position liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each statement of financial position date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the year end date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

<u>Current and deferred tax for the year</u>

Current and deferred tax are recognised as an expense or income in the statement of comprehensive income, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity.

1.18. Impairment of property, plant and equipment

At each year end date, the Group reviews the carrying amounts of its property, plant and equipment to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in the statement of comprehensive income.

1.19. Research and development

The Group undertakes research and development to expand its activity in technology and innovation to develop new products that will begin directly generating revenue in the future. Expenditure on research is expensed as incurred, development expenditure is capitalised only if the criteria for capitalisation are recognised in IAS 38. The Company claims tax credits on its research and development activity and recognises the income in current tax.

1.20. Government grants

During the period, the Group received benefits from Government grants. Revenue based Government grants are recognised through the consolidated statement of comprehensive income by netting off against the costs to which they relate. Where the grant is not directly associated with costs incurred during the period, it is recognised as 'other income'.

1.21. Critical judgement in applying accounting policies and key sources of estimation uncertainty

The following are the critical judgements and key sources of estimation uncertainty that the directors have made in the process of applying the entity's accounting policies and that have the most significant effect on the amounts recognised in these financial statements.

<u>Impairment of goodwill</u>

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. A similar exercise is performed in respect of investment and long term loans in subsidiary.

The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value, see note 11 for further details.

The carrying amount of goodwill at the year-end date was £1,357,000 (2021: £1,357,000). The investment in subsidiaries at the year-end was £1,903,000 (2021: £1,903,000).

The methodology adopted in assessing impairment of Goodwill is set out in note 11 as is the sensitivity analysis applied in relation to the outcomes of the assessment.

<u>Impairment investment in subsidiaries and inter-company receivables</u>

As set out in note 12, an impairment assessment of the carrying value of investments in subsidiaries and inter-company receivables is in line with the methodologies adopted in the assessment of impairment of goodwill.

2 Segmental analysis

	2022	2021

	£'000	£'000
Turnover by geographical market		
United Kingdom	5,627	6,103
Europe	243	172
Other	321	390
	6,191	6,665

The Group operates out of one geographical location being the UK. Accordingly the primary segmental disclosure is based on activity. Per IFRS 8 operating segments are based on internal reports about components of the Group, which are regularly reviewed and used by Chief Operating Decision Maker ("CODM") for strategic decision making and resource allocation, in order to allocate resources to the segment and to assess its performance. The Group's reportable operating segments are as follows:

- Adien Limited - Utility detection and mapping services – Sale of services
- PipeHawk Limited and Utsi Electronics Limited - Development, assembly and sale of GPR equipment – Sale of goods
- QM Systems - Test system solutions – Sale of services
- TED Limited – Rail trackside solutions (included in the test system solutions segment) – Sale of services
- Wessex Precision Instruments Limited – Non trading

The CODM monitors the operating results of each segment for the purpose of performance assessments and making decisions on resource allocation. Performance is based on revenue generations and profit before tax, which the CODM believes are the most relevant in evaluating the results relative to other entities in the industry.

Information regarding each of the operations of each reportable segment is included below, all non-current assets owned by the Group are held in the UK.

	Utility detection and mapping services £'000	**Development, assembly and sale of GPR equipment £'000**	**Automation and test system solutions £'000**	**Total £'000**
Year ended 30 June 2022				
Total segmental revenue	1,453	246	4,492	6,191
Operating profit/(loss)	21	(323)	(1,010)	(1,312)
Finance costs	(36)	(171)	(57)	(264)
(Loss) / profit before taxation	(15)	(494)	(1,067)	(1,576)
Segment assets	655	1,924	5,598	8,177
Segment liabilities	628	5,226	5,442	11,296
Non-current asset additions	17	55	2,941	3,013
Depreciation and amortisation	106	3	316	425

	Utility detection and mapping services £'000	**Development, assembly and sale of GPR equipment £'000**	**Automation and test system solutions £'000**	**Total £'000**
Year ended 30 June 2021				
Total segmental revenue	1,395	150	5,120	6,665
Operating profit/(loss)	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 Finance costs

	2022 £'000	2021 £'000
Interest payable	264	178
	264	178
Interest payable comprises interest on:		
Leases	69	25
Directors' loans	140	129
Other	55	24
	264	178

4 Operating profit for the year

This is arrived at after charging for the Group:

	2022 £'000	2021 £'000
Research and development costs not capitalised	2,333	2,285
Depreciation	424	192
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the Group's financial statements	45	45
Fees payable to the Company's auditor and its subsidiaries for the provision of tax services	7	7
Lease rentals		
Other including land and buildings	352	156

The Company audit fee is £9,000 (2021: £9,000).

5 Staff costs

	2022 No.	2021 No.
Average monthly number of employees, including directors:		
Production and research	79	78
Selling and research	9	10
Administration	7	5
	95	93

	2022 £'000	2021 £'000
Staff costs, including directors:		
Wages and salaries	3,387	3,032
Social security costs	361	350
Other pension costs	113	96
	3,861	3,478

6 Directors' remuneration

	Salary and fees £'000	**Benefits in kind £'000**	**2022 Total £'000**	2021 Total £'000
G G Watt	71	-	71	71
S P Padmanathan	58	8	66	72
R MacDonnell	2	-	2	2
Aggregate emoluments	131	8	139	145

Directors' pensions	**2022 No.**	2021 No.
The number of directors who are accruing retirement benefits under:		
Defined contributions policies	1	1

The directors represent key management personnel.

Refer to note 18 for details of directors share options.

7 Taxation

	2022 £'000	2021 £'000
United Kingdom Corporation Tax		
Current taxation	(708)	(435)
Adjustments in respect of prior years	-	(8)
	(708)	(443)
Deferred taxation	-	-
Tax on profit / (loss)	(708)	(443)

Current tax reconciliation		
Taxable profit / (loss) for the year	(1,576)	79
Theoretical tax at UK corporation tax rate 19% (2021: 19%)	(289)	15
Effects of:		
R&D tax credit adjustments	(350)	(428)
Fixed asset timing differences	(101)	-
Not deductible for tax purposes	2	(12)
Deferred tax not recognised	45	28
Adjustments in respect of prior years	1	(18)
Utilisation of losses	-	(27)
Short term timing differences	(16)	(1)
Total income tax credit	(708)	(443)

The Group has tax losses amounting to approximately £3,033,706 (2021: £3,008,408), available for carry forward to set off against future trading profits. No deferred tax assets have been recognised in these financial statements due to the uncertainty regarding future taxable profits.

Potential deferred tax assets not recognised are approximately £576,404 (2021: £541,065).

8 Loss / profit per share

Basic (pence per share) 2022 – Loss 2.42 profit per share; 2021 – 1.50 profit per share
This has been calculated on a loss of £868,000 (2021: Profit £522,000) and the number of shares used was 35,812,823 (2021: 34,860,515) being the weighted average number of shares in issue during the year.

Diluted (pence per share) 2022 – 2.42 loss per share; 2021 – 0.80 profit per share
In the current year the potential ordinary shares included in the weighted average of shares are anti-dilutive and therefore diluted earnings per share is equal to basic earnings per share. The prior year calculation used earnings of £442,000 being the profit for the year plus the interest paid on the convertible loan note (net of 20% tax) of £80,000 and the number of shares used was 55,344,987 being the weighted average number of shares outstanding during the year of 34,860,515 adjusted for shares deemed to be issued for no consideration relating to options and warrants and the impact of the convertible instrument.

9 Property, plant and equipment

	Freehold £'000	Equipment, fixtures and fittings £'000	Leasehold improvements £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 July 2021	426	1,233	143	268	2,070
Additions	-	97	331	-	428
Disposals	-	-	-	(31)	(31)
Write off	-	(10)	-	-	(10)
At 30 June 2022	426	1,320	474	237	2,457
Depreciation					
At 1 July 2021	40	1,091	143	268	1,542
Charged in year	5	94	25	-	124
Disposals	-	-	-	(31)	(31)
Write off	-	(6)	-	-	(6)
At 30 June 2022	45	1,179	168	237	1,629
Net book value					
At 30 June 2022	**381**	**141**	**306**	**-**	**828**
At 30 June 2021	386	142	-	-	528

The net book value of the property, plant and equipment includes £2,549,000 (2021: £363,000) in respect of assets held under lease agreements. These assets have been offered as security in respect of these lease agreements. Depreciation charged in the period on those assets amounted to £314,000 (2021: £138,000) – see note 10.

10 Right of use

	Freehold £'000	Equipment, fixtures and fittings £'000	Leasehold improvements £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 July 2021	248	250	-	147	645
Additions	2,416	-	168	-	2,584
Disposal	(84)	(14)			(98)
At 30 June 2022	2,580	236	168	147	3,131
Depreciation					
At 1 July 2021	101	109	-	73	283

Charged in year	198	47	12	42	299
Disposal	-	-	-	-	-
At 30 June 2022	299	156	12	115	582
Net book value					
At 30 June 2022	**2,281**	**80**	**156**	**32**	**2,549**
At 30 June 2021	147	142	-	74	363

11 Goodwill

	Goodwill £'000	Total £'000
Cost		
At 1 July 2021	1,357	1,357
Additions	-	-
At 30 June 2022	1,357	1,357
Impairment		
As at 30 June 2021 and 30 June 2022	-	-
Net book value		
At 30 June 2022	**1,357**	**1,357**
At 30 June 2021	1,357	1,357

The goodwill carried in the statement of financial position of £1,357,000 arose on the acquisitions of Adien Limited in 2002 (£212,000), QM Systems Limited in 2006 (£849,000), TED Limited in 2017 (£129,000), Wessex Precision Equipment Limited in 2019 (£155,000) and Utsi Electronics Limited in 2021 (£12,000) – see note 21.

Adien Limited represents the segment utility detection and mapping services and QM Systems Limited represents the segment test system solutions.

QM Systems Limited, TED, Wessex and Utsi are involved in projects surrounding:

- The creation of innovative automated assembly systems for the manufacturing, food and pharmaceutical sectors.
- The provision of inspection systems for the automotive, aerospace, rail and pharmaceutical sectors.
- Slippage testing
- Assembly and sale of GPR equipment
- Automated test systems

The Group tests goodwill annually for impairment or more frequently if there are indicators that it might be impaired.

The recoverable amounts are determined from value in use calculations which use cash flow projections based on financial budgets approved by the directors covering a five year period. The key assumptions are those regarding the discount rates, growth rates and expected changes to sales and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the business. This has been estimated at 10% per annum reflecting the prevailing pre-tax cost of capital in the Company.

The growth rate assumptions are based on forecasts and historic margins.

- Adien these have been assessed as 22% growth for revenue in years 1 and 5% for years 2 and 3, 2.5% thereafter.

- UTSI and PipeHawk combined these have been assessed as 15% for growth for revenue in year 1 and 55.2% for year 2, 65.9% for year 3, 35% for year 4, 8% year 5.

- QM have been assessed largely based on the current orderbook, in addition to the expected orderbook. The business has seen significant growth in order intake and has received confirmed orders in the first four months exceeding £3million. Management is expecting to convert a strong pipeline into orders which would see a 300% increase in year 1, a 183% increase in year 2. This is followed by an expected 10 % in year 3 and 4 and 5% for years 5.

- TED these have been assessed as 26% growth for revenue in year 1, 10% growth in years 2 and 3 and 5% thereafter. The reason for the significant Year 1 revenue growth in Adien, QM and TED is an expectation based on current trading and the expected order pipeline.

12 Non-current investments

Subsidiary	Parent and Group interest in ordinary shares and voting rights	Country of incorporation	Principal activity
Adien Ltd	100%	England & Wales	Specialist surveying
QM Systems Ltd	100%	England & Wales	Test solutions
Thomson Engineering Design Ltd	100%	England & Wales	Specialist in railway equipment
Wessex Precision Instruments Ltd	100%	England & Wales	Slip test solutions
Utsi Electronics Ltd	100%	England & Wales	GPR equipment
Wessex Test Equipment Ltd (formerly Tech Sales Services Ltd)	100%	England & Wales	Dormant
Minehawk Ltd	100%	England & Wales	Dormant

An impairment assessment was performed in line with the assessment of goodwill, see note 11 for further details. On the basis of this assessment no impairment of the investment was required at 30 June 2022.

The registered office of all of the above named subsidiaries, except Thomson Engineering Design Ltd and Utsi Electronics Ltd is Manor Park Industrial Estate, Wyndham Street, Aldershot, Hampshire, GU12 4NZ.

The registered office of Thomson Engineering Design Ltd is Units 2a & 3 Crabtree Road, Forest Vale Industrial Estate Cinderford, Gloucestershire, United Kingdom, GL14 2YQ
The registered office of Utsi Electronics Ltd is Unit 26, Glenmore Business Park, Ely Road, Waterbeach, Cambridge, Cambridgeshire, CB25 9PG.

13 Inventories

	2022 £'000	2021 £'000
Raw materials	150	287
Finished goods	190	86
	340	373

The replacement cost of the above inventories would not be significantly different from the values stated.

The cost of inventories recognised as an expense during the year amounted to £1,886,000 (2021: £2,078,000). For the Parent company this was £41,612 (2021: £16,024).

14 Trade and other receivables

	2022 £'000	2021 £'000
Current		
Trade receivables	1,261	1,066
Amounts owed by Group undertakings	-	-
Other Debtors	522	464
Accrued income	332	3
Prepayments	274	276
	2,389	1,809

15 Trade and other payables

	2022 £'000	2021 £'000
Current		
Trade payables	972	581
Other taxation and social security	447	501
Payments received on account	839	786
Accruals and other creditors	601	783
	2,859	2,651

	2022 £'000	2021 £'000
Non-current		
Amounts owed to Group undertakings	-	-
Other creditors	-	-
	-	-

The performance obligations of the IFRS 15 contract liabilities (payments received on account) are expected to be met within the next financial year.

16 Borrowing analysis

	2022 £'000	2021 £'000
Due within one year		
Bank and other loans	708	269
Directors' loan	1,644	1,748
Obligations under lease agreements	322	139
	2,674	2,156
Due after more than one year		
Bank and other loans	491	628
Directors' loan	2,751	2,392
Obligations under lease agreements	2,370	185
	5,612	3,205
Repayable		
Due within 1 year	2,729	2,156
Over 1 year but less than 2 years	3,249	2,576
Over 2 years but less than 5 years	2,361	629
	8,339	5,361

Directors' loans

Included with Directors' loans and borrowings due within one year are accrued fees and interest owing to G G Watt of £1,644,000 (2021: £1,643,000). The accrued fees and interest is repayable on demand and no interest accrues on the balance.

The director's loan due in more than one year is a loan of £2,750,000 from G G Watt. Directors' loans comprise of two elements. A loan attracting interest at 2.15% over Bank of England base rate. At the year end £1,750,000 (2021: £1,339,000) was outstanding in relation to this loan. During the year to 30 June 2022 £200,000 (2021: £130,000) was repaid. The Company has the right to defer payment for a period of 366 days.

On 13 August 2010 the Company issued £1 million of Convertible Unsecured Loan Stock ("CULS") to G G Watt, the Chairman of the Company. The CULS were issued to replace loans made by G G Watt to the Company amounting to £1million and has been recognised in non-current liabilities of £2,750,000.

Pursuant to amendments made on 13 November 2014 and 9 November 2018, and 30 June 2022 the principal terms of the CULS are as follows:

- The CULS may be converted at the option of Gordon Watt at a price of 3p per share at any time prior to 13 August 2026;
- Interest is payable at a rate of 10 per cent per annum on the principal amount outstanding until converted, prepaid or repaid, calculated and compounded on each anniversary of the issue of the CULS. On conversion of any CULS, any unpaid interest shall be paid within 20 days of such conversion;
- The CULS are repayable, together with accrued interest on 13 August 2026 ("the Repayment Date").

No equity element of the convertible loan stock was recognised on issue of the instrument as it was not considered to be material.

Leases

The future minimum lease payments under lease agreements at the year end date was £206,033 (2021: £123,382). The difference between the minimum lease payments and the present value is wholly attributable to future finance charges.

2022	**Bought forward £'000**	**Cash flows £'000**	**Non-cash: New leases £'000**	**Non-cash: Accrued fees/interests £'000**	**Carried forward £'000**
Director loan	4,140	119	-	187	4,446
Leases	324	(163)	2,584	(53)	2,692
Other	897	286	-	18	1,201
Loans and borrowings	5,361	242	2,584	152	8,339

2021	**Bought forward £'000**	**Cash flows £'000**	**Non-cash: New leases £'000**	**Non-cash: Accrued fees/interests £'000**	**Carried forward £'000**
Director loan	4,121	(180)	-	199	4,140
Leases	420	(165)	63	6	324
Other	851	36	-	10	897
Loans and borrowings	5,392	(309)	63	215	5,361

17 Financial instruments

The Group uses financial instruments, which comprise cash and various items, such as trade receivables and trade payables that arise from its operations. The main purpose of these financial instruments is to finance the Group's operations.

The main risks arising from the Group's financial instruments are credit risk, liquidity risk and interest rate risk. A number of procedures are in place to enable these risks to be controlled. For liquidity risk these include profit/cash forecasts by business segment, quarterly management accounts and comparison against forecast. The board reviews and agrees policies for managing this risk on a regular basis.

<u>Credit risk</u>

The credit risk exposure is the carrying amount of the financial assets as shown in note 14 (with the exception of prepayments which are not financial assets) and the exposure to the cash balances. Of the amounts owed to the Group at 30 June 2022, the top 3 customers comprised 34% (2021: 43.00%) of total trade receivables.

The Group has adopted a policy of only dealing with creditworthy counterparties and the Group uses its own trading records to rate its major customers, also the Group invoices in advance where possible. The Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Having regard to the credit worthiness of the Groups significant customers the directors believe that the Group does not have any significant credit risk exposure to any single counterparty.

An analysis of trade and other receivables:

2022	**Weighted average loss rate £'000**	**Gross carrying value £'000**	**Impairment loss allowance £'000**
Performing	0.00%	1,809	-

2021	**Weighted average loss rate**	**Gross carrying value £'000**	**Impairment loss allowance £'000**
Performing	0.00%	1,861	-

Interest rate risk

The Group finances its operations through a mixture of shareholders' funds and borrowings. The Group borrows exclusively in Sterling and principally at fixed and floating rates of interest and are disclosed at note 16.

As disclosed in note 16 the Group is exposed to changes in interest rates on its borrowings with a variable element of interest. If interest rates were to increase by one percentage point the interest charge would be £15,000 higher. An equivalent decrease would be incurred if interest rates were reduced by one percentage point.

Liquidity risk

As stated in note 1 the Executive Chairman, G G Watt, has pledged to provide ongoing financial support for a period of at least twelve months from the approval date of the Group statement of financial position. It is on this basis that the directors consider that neither the Group nor the Company is exposed to a significant liquidity risk.

Contractual maturity analysis for financial liabilities:

2022	Less than 1 year £'000	Due between 1-2 years £'000	Due between 2 – 5+ years £'000	Total £'000
Trade and other payables	1,876	-	-	1,576
Borrowings	2,405	2,887	355	5,647
Lease liability	322	363	2,007	2,692
	4,603	3,250	2,362	10,215

2021	Due or due in less than 1 month £'000	Due between 1-3 months £'000	Due between 3 months-1 year £'000	Due between 1-5 years+ £'000	Total £'000
Trade and other payables	997	197	170	-	1,364
Borrowings	164	95	1,897	3,205	5,361
	1,161	292	2,067	3,205	6,725

Financial liabilities of the Company are all due within less than three month with the exception of the intercompany balances that are due between 1 and 5 years.

Fair value of financial instruments

Loans and receivables are measured at amortised cost. Financial liabilities are measured at amortised cost using the effective interest method. The directors consider that the fair value of financial instruments are not materially different to their carrying values.

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to be able to move to a position of providing returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group manages trade debtors, trade creditors and borrowings and cash as capital. The entity is meeting its objective for managing capital through continued support from G G Watt as described per note 1.

18 Share capital

	2022 No.	2022 £'000	2021 No.	2021 £'000
Authorised				
Ordinary shares of 1p each	40,000,000	400	40,000,000	400
Allotted and fully paid				
Brought forward	34,860,515	349	34,360,515	344
Issued during the year	1,452,308	14	500,000	5
Carried forward	36,312,823	363	34,860,515	349

Fully paid ordinary shares carry one vote per share and carry a right to dividends.

11,773,703 (2021: 12,773,703) share options were outstanding at the year end, comprising the 1.12m employee options and the 10,653,703 share options and warrants held by directors disclosed below.

Share based payments have been included in the financial statements where they are material. No share based payment expense has been recognised.

No deferred tax asset has been recognised in relation to share options due to the uncertainty of future available profits.

The director and employee share options were issued as part of the Group's strategy on key employee remuneration, they lapse if the employee ceases to be an employee of the Group during the vesting period.

Employee options

Date options exercisable	Number of shares	Exercise price
Between July 2016 and July 2023	80,000	3.00p
Between November 2019 and November 2026	400,000	3.875p
Between November 2020 and November 2027	300,000	3.75p
Between March 2024 and March 2031	1,290,000	8.00p

Directors' share options

Directors' share options	Number of options: At start of year	Granted during the year	Lapsed during the year	At end of year	Exercise price	Date from which exercisable
G G Watt	750,000		-	750,000	8.0p	18 Mar 2024
S P Padmanathan	200,000		(200,000)	-	3.9p	
S P Padmanathan	300,000		(300,000)	-	8.0p	
R MacDonnell	200,000		-	200,000	8.0p	18 Mar 2024

The Company's share price at 30 June 2022 was 16.5p. The high and low during the period under review were 37p and 5.6p respectively.

In addition to the above, in consideration of loans made to the Company, G G Watt has warrants over 3,703,703 ordinary shares at an exercise price of 13.5p and a further 6,000,000 ordinary shares at an exercise price of 3.0p.

The weighted average contractual life of share options outstanding at the year end is 7.09 years (2021: 6.87 years).

19 Related party transactions

Directors' loan disclosures are given in note 16. The interest payable to directors in respect of their loans during the year was:

G G Watt - £140,005

The directors are considered the key management personnel of the Company. Remuneration to directors is disclosed in note 6.

There is no ultimate controlling party of PipeHawk plc.

20 Government grants

In addition to the Government assistance disclosed in note 16, the following Government grants were received and has been recognised during the period:

	2022 £'000	2021 £'000
Coronavirus Job Retention Scheme grants	48	340
	48	340

21 Copies of Report and Accounts

Copies of the Report and Accounts will be posted to shareholders later today and will be available from the Company's registered office, Manor Park Industrial Estate, Wyndham Street, Aldershot, Hampshire GU12 4NZ and from the Company's website www.pipehawk.com.

22 Notice of Annual General Meeting

The Report and Accounts will include a notice that the annual general meeting will be held at the offices of Allenby Capital Limited, 5 St Helen's Place, London, EC3A 6AB at 11:30 am. on 22 December 2022.

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