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.

27 March 2024

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

Unaudited results for the six months ended 31 December 2023

Chairman's Statement

I am pleased to report a continuing improvement in the Group's results, though we are not out of the woods yet. The Group's turnover in the six months ended 31 December 2023 was £4,572,000 (December 2022: £2,239,000), an increase of 104 per cent over the comparable period last year. The loss before taxation was £633,000 (H1 2022: loss of £1,797,000) and the loss after taxation was £441,000 (H1 2022: loss £1,440,000).

As indicated in my November Chairman's Statement accompanying the annual accounts for the year ended 30 June 2023, the Governor of the Bank of England has done a sterling job of dampening down demand with high interest rates which, coupled with various other uncertainties and head winds, has meant very few new orders have been placed during the period, with the notable exception of Adien, although enquiries and quotations have remained high.

We had worked hard to enter this six-month period with a record order book and have converted those orders into recognised turnover. However, without the steady flow of new orders coming in, our efficiency in utilisation of staff has been suboptimal.

Nevertheless, just in the last month, TED has received a record level of new orders and QM has been advised that a number of continually stalled orders will be placed within the next six weeks. Adien has turned its fortunes around very well and Utsi's new developments look well set to enter the market in the next financial year.

Accordingly, we are cautiously optimistic that next year will be a return to good profitability where, after a two year "hiccup" in our financial plans, we will be able to take proper advantage of QM Systems' move to premises five times the size of its previous premises and TED's move to premises three times the size of its previous premises.

QM Systems ("QM")

QM's first six months have provided an insight into a market in recession. We have seen a reduction in the number of orders as well as value, but an increase in potential customers of significance. These potential customers are in innovative markets with the requirement for multiple machines across multiple production facilities within the UK and Europe. This provides us with confidence for the future as we form strategic partnerships in sustainable and innovative markets such as medical devices, assisted mobility and building services, amongst others. The downturn in orders is heavily linked to the limited access in lending facilities created by high interest rates and, as such, the projects have not been lost, but have simply been deferred until lending rates allow a more attractive investment opportunity. As a result, we currently sit on a pending sales pipeline in excess of £9m across 12 projects which we believe have a high prospect of success. The total prospective sales pipeline for the next 12 months is in excess of £20m.

Material uncertainties for our customers have marginally improved on raw materials such as steel, oil, grain and lumber which is allowing these customers to switch their focus back onto production. In turn this is highlighting the issues they face surrounding staffing levels at mid to high volumes as a result of which we have seen an upturn in enquiry requests since the end of January 2024 as customers look towards increased automation.

The problems of the last few years have caused a major reassessment of clients' supply lines. Some have moved manufacturing to locations across Europe with cheaper labour and we have witnessed automotive clients in particular, looking to undertake this re-alignment over the past 12 months. However, the pandemic also illustrated the reliance the UK had on Chinese manufacturing and as such FMCG, MOD, building services and medical device manufacturers have increased their investment in the UK. Modular building services is also seeing a significant backing from the government as we move closer to their modular building target by 2026.

The first six months of the trading year have resulted in a loss. However, we have reduced the loss month on month despite supply chain and staffing issues. For example, manufacturers are increasingly using either a European hub or build to order processes, whereas historically they would be held in stock in the UK. This access to stock can impact project timings, with delays in excess of 4-6 weeks for bought out components. We have also had several local machining companies, as well as fabricators, feel the pinch of the recession and cease trading whilst holding orders for QM. Again, this has had an impact on project timings as we have had to establish alternative suppliers who are able to pass our quality audit.

Recruitment has been a challenge as we have increased our staff levels to support the pending build profile of the contract manufacturing solutions. Inflation and cost of living increases have resulted in increased salary demands across the business. We have seen an increase of staff from 55 to 75 with more resource being required to support the contract manufacturing aspect of the business for both Caudwell Marine and Ventive, as well as considerations for Fast MDX, moving in to the latter stages of 2024. Commencement of contract manufacturing has suffered delays for the above reasons, but is moving ever closer. Caudwell is targeting start of production in July this year which will generate additional revenue towards the latter stages of 2024. In addition, Ventive has production targets on a similar timeframe.

QM still has many challenges ahead, however continuing to follow its strategic plan is proving to be positive. The infrastructure that has been implemented will only aid profitability moving forward. We expect to secure substantial projects in the months ahead as well as many further projects thereafter, whilst simultaneously working through our existing projects to bring them to conclusion over the next six months. QM's average order value has increased to over £500,000 with several projects currently quoted in excess of £1m. QM's short to medium term targets look achievable and we are optimistic that the deferred projects of the past will come to fruition to leave a strong order book as we conclude the current financial year and move into next year.

Thomson Engineering Design ("TED")

As I previously reported in November 2023, Network Rail's new funding round, CP7, commences in March 2024. As a result, virtually no major orders have been placed in the UK rail industry for the last twelve months, causing two major suppliers to the UK rail industry to fail. This badly affected TED's turnover in the six-month period. We were hopeful that this slack would be taken up by our global distribution agreement with Unipart Rail, which it was to a small extent, but these were slower to materialise than we would have wished. Nevertheless, they are happening now as the strategic partnership between TED and Unipart Rail starts to strengthen, and Unipart increases its presence and marketing in the global rail export area.

We are also pleased to announce that TED and Unipart Rail have embarked on a joint venture to produce new innovative rail plant equipment for the Global Centre of Rail Excellence (GCRE). Working with Innovate UK, the funding will be sponsored by the Department of Business and Trade. This novel innovative equipment will provide a low-cost effective solution to manipulate rail track panels to accelerate the process of laying track on the UK rail infrastructure. Going forward, the equipment will be developed at the GCRE site in South Wales and, upon completion, will be marketed by Unipart Rail around the world. There is already significant interest being shown in North America and Europe.

In terms of UK business, TED is experiencing a definite upturn in order intake in March as Network Rail starts to release contracts as part of the new 'control period' CP7.

We anticipate that as a result of the release of CP7, contracts will be awarded to the UK rail contractors, which in turn will result in strategic purchases from TED for rail maintenance equipment to complete the contracts. This should result in a significant upturn in UK business in the next and following years.

This, taken with the success of Unipart Rail's global marketing initiatives, bodes extremely well for TED.

Adien

Following on from a strong finish to 2023, Adien is continuing to perform extremely well. Client orders are very healthy and most importantly, consistent. Having managed its way through the pains of last year's management shake-up, Adien is growing as a team and providing some excellent results. Whilst national infrastructure spending remains very low, Adien has been successful in broadening its market presence to other sectors that are less susceptible to the disruption of government. Having secured a fresh framework agreement with SSE this quarter and a healthy tranche of MOD works, the team is very positive of the future of the business.

Adien was successful in getting to the desired number of teams last year and has ambitions to put a further two crews on the road this summer, although recruitment of quality staff is still proving to be quite difficult. The healthy order book and consistent month on month profitability will allow this needed expansion to occur and help launch several new services within the next 18 months.

Utsi

At Utsi, sales and enquiries from the UK and EU have broadly remained flat, the latter not being helped by ongoing changes to Import/Export procedures. However, markets further afield have been more buoyant, delivering the greater portion of sales and repeat orders to date.

Our earlier decision to switch focus to more specialist markets is also beginning to bear fruit, with enquiries for specialist GPR systems significantly up, particularly those used for environmental research or having potential for industrial application.

With signs that raw material, energy and shipping costs are beginning to stabilise and the price and lead times of many electronic components beginning to lessen, profit margins are also beginning to look better. There are, however, a number of key components that still remain in short supply, or have been withdrawn or discontinued early. For some projects, this has triggered a degree of system redesign, significantly affecting delivery schedules and thereby profitability and cashflow.

However, the overall picture for the year does remain positive with an increasing order book and promising long term project enquiries.

Related party transactions

As announced on 29 November 2022, my letter of financial support dated 6 September 2021 was renewed on 11 October 2022 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 these payments in full. During the six months ended 31 December 2023, these deferred fees and interest payments amounted to approximately £82,000 in total, all of which have been accrued in the Company's interim results, and at 31 December 2023 amounted in total to £1,865,000.

Gordon Watt
Chairman

Enquiries:

PipeHawk Plc Gordon Watt (Chairman)	Tel no. 01252 338 959
Allenby Capital (Nomad and Broker) David Hart/Vivek Bhardwaj	Tel no. 020 3328 5656

Consolidated Statement of Comprehensive Income
For the six months ended 31 December 2023

	6 months ended 31 December 2023 (unaudited) £'000	6 months ended 31 December 2022 (unaudited) £'000	Year ended 30 June 2023 (audited) £'000
Revenue	4,572	2,239	6,470
Staff costs	(2,404)	(1,962)	(4,176)
Impairment of goodwill	-	-	(678)
General administrative expenses	(2,566)	(1,902)	(4,515)
Loss on ordinary activities before interest and taxation	(398)	(1,625)	(2,899)
Finance costs	(235)	(172)	(385)
Loss before taxation	(633)	(1,797)	(3,284)
Taxation	192	357	800
Loss for the period attributable to equity holders of the Company	(441)	(1,440)	(2,484)
Other comprehensive income	-	-	-
Total comprehensive expense for the period net of tax	(441)	(1,440)	(2,484)
Loss per share (pence) – basic	(1.21)	(3.97)	(6.84)
Loss per share (pence) – diluted	(1.21)	(3.97)	(6.84)

Consolidated Statement of Financial Position
As at 31 December 2023

Assets	As at 31 December 2023 (unaudited) £'000	As at 31 December 2022 (unaudited) £'000	As at 30 June 2023 (audited) £'000
Non-current assets			
Property, plant and equipment	722	814	783
Right of use	2,143	2,381	2,283
Goodwill	679	1,357	679
	3,544	4,552	3,745
Current assets			
Inventories	213	308	253
Current tax assets	1,012	1,067	826
Trade and other receivables	2,983	1,949	2,767
Cash	63	149	148
	4,271	3,473	3,994
Total assets	7,815	8,025	7,739

Equity and liabilities			
Equity			
Share capital	363	363	363
Share premium	5,316	5,316	5,316
Other reserves	(11,572)	(10,087)	(11,131)
	(5,893)	(4,408)	(5,452)
Non-current liabilities			
Borrowings	5,561	5,317	4,913
	5,561	5,317	4,913
Current liabilities			
Bank overdrafts and loans	3,151	2,633	2,886
Trade and other payables	4,996	4,483	5,392
	8,147	7,116	8,278
Total equity and liabilities	7,815	8,025	7,739

Consolidated Statement of Cash Flow
For the six months ended 31 December 2023

	6 months ended 31 December 2023 (unaudited) £'000	6 months ended 31 December 2022 (unaudited) £'000	Year ended 30 June 2023 (audited) £'000
Cash inflow from operating activities			
Loss from operations	(398)	(1,625)	(2,899)
Adjustment for:			
Impairment of goodwill	-	-	678
Depreciation	315	271	579
	(83)	(1,354)	(1,642)
Decrease in inventories	40	32	87
Decrease/(Increase) in receivables	(216)	439	(378)
Increase/(Decrease) in liabilities	(240)	1,735	2,759
Cash generated from/(used in) operations	(499)	852	826
Interest paid	(116)	(91)	(196)
Corporation tax received	7	-	683
Net cash generated from/(utilised in) operating activities	(608)	761	(1,313)
Cash flows from investing activities			
Purchase of plant and equipment	(25)	(47)	(111)
Net cash utilised in investing activities	(25)	(47)	(111)
Cash flows from financing activities			
(Repayments)/Proceeds from borrowings	170	(218)	(210)
Repayments of bank and other loans	(199)	(158)	(393)
Proceeds of bank and other loans	863	-	-
Repayment of leases	(286)	(193)	(455)
Net cash (utilised in)/generated from financing activities	548	(569)	(1,058)
Increase/(Decrease) in cash and cash equivalents	(85)	145	144
Cash and cash equivalents at beginning of period	148	4	4
Cash and cash equivalents at end of period	63	149	148

Consolidated Statement of Changes in Equity
For the six months ended 31 December 2023

	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
6 months ended 31 December 2022				
As at 1 July 2022	363	5,316	(8,647)	(2,968)
Loss for the period	-	-	(1,440)	(1,440)
Total comprehensive income	-	-	(1,440)	(1,440)
Issue of shares		-	-	-
As at 31 December 2022	363	5,316	(10,087)	(4,408)
12 months ended 30 June 2023				
As at 1 July 2022	363	5,316	(8,647)	(2,968)
Profit for the period	-	-	(2,484)	(2,484)
Total comprehensive income	-	-	(2,484)	(2,484)
Issue of shares	-	-	-	-
As at 30 June 2023	363	5,316	(11,131)	(5,452)
6 months ended 31 December 2023				
As at 1 July 2023	363	5,316	(11,131)	(5,452)
Loss for the period	-	-	(441)	(441)
Total comprehensive income	-	-	(441)	(441)
Issue of shares		-	-	-
As at 31 December 2023	363	5,316	(11,572)	(5,893)

Notes to the Interim Results

1. Basis of preparation

The Interim Results for the six months ended 31 December 2023 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 2023, 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 2023				
Total segmental revenue	715	52	3,805	4,572
Segment result	(5)	180	(573)	(398)
Finance costs	(19)	(143)	(73)	(235)
Loss before taxation	(24)	37	(646)	(633)
Segment assets	561	1,154	6,100	7,815
Segment liabilities	633	6,143	7,114	13,890
Non-current asset additions	46	-	70	116
Depreciation and amortisation	35	9	271	315
6 months ended 31 December 2022				
Total segmental revenue	449	79	1,711	2,239
Segment result	(164)	(26)	(1,435)	(1,625)
Finance costs	(16)	(104)	(52)	(172)
Loss before taxation	(180)	(130)	(1,487)	(1,797)
Segment assets	441	1,872	5,712	8,025
Segment liabilities	544	5,079	7,027	12,650
Non-current asset additions	-	-	102	102
Depreciation and amortisation	30	9	232	271

12 months ended 30 June 2023				
Total segmental revenue	1,125	169	5,176	6,470
Segmental result	(214)	(859)	(1,826)	(2,899)
Finance costs	(39)	(236)	(110)	(385)
Loss before taxation	(253)	(1,095)	(1,936)	(3,284)
Segment assets	558	1,181	6,000	7,739
Segment liabilities	734	5,025	7,631	13,390
Non-current asset additions	2	-	265	267
Depreciation and amortisation	14	18	482	579

3. Loss per share

This has been calculated on the loss for the period of £441,000 (H1 2022: loss £1,440,000) and the number of shares used was 36,312,823 (H1 2022: 36,312,823), 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 2023.

5. Copies of Interim Results

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