19 November 2018

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

Final results for the year ended 30 June 2018

Chairman's Statement

I can report that turnover for the year ended 30 June 2018 was £4.8 million (2017: £5.7 million), a decrease of 15.8%. The Group made an operating loss in the year of £408,000 (2017: £16,000 loss) and incurred a loss before taxation for the year of £502,000 (2017: loss £193,000) and a loss after taxation of £151,000 (2017; profit £179,000). The loss per share was 0.45p (2017: profit per share 0.54p).

As I mentioned in my Interim Statement we had a most peculiar start to the year, the level of enquiries and indications that we would be awarded orders had never been higher, however the orders, whilst not going away, simply were not received until late in the financial year with consequent underutilisation of staff – and hence profitability. Nevertheless, as described below, since the third quarter the orders have flowed in and we are now extremely busy.

Despite these setbacks we acquired Thomson Engineering Design Limited during the year and, after a very slow start which exacerbated our group losses, it is now profitable and contributing to the Group.

QM Systems

As highlighted above the first half of the 2017/18 financial year witnessed difficult trading conditions with a lower than expected order intake. It is difficult to know what led to this however what appears to be clear is that a number of key expected projects were delayed. Quotation activity throughout the year remained buoyant and from January 2018 through until the end of the financial year order intake returned to the expected level. The retardation of orders received during the first half of the financial year resulted in our software and manufacturing teams being under occupied. It was important however to retain staffing levels given the continued imminence of orders being placed. Order intake post year end also continues to be buoyant and is worthy of note to mention the additional order received from Cox Powertrain for approximately £1.2 million in early July bringing the total order received from Cox since April 2018 to approximately £1.7 million.

In early 2018 we took the opportunity to restructure our mechanical engineering team. This initially resulted in a reduction in personnel to re-align key skills with current client requirements and this in turn created a temporary reduction in our ability to bring through new work quickly enough to have a material impact on recovery to a profitable position during the 2017/18 financial year. Our focus remains on ensuring that we have the right skill availability for the 2018/19 financial year. Here I am pleased to report that during the last four months we have recruited six Mechanical Design Engineers and five Software Engineers into our business. This provides us with a very significant increase in our ability to carry out the new projects won and with our overhead remaining stable this has enabled us to accelerate client projects and return to profitability. This combined with our significant increase in order book and large portfolio of potential orders enables us to enter our new financial year with considerable confidence.

During the 2017/18 financial year QM Systems undertook some very interesting projects, including the development of a machine that provides high accuracy inspection of aerospace components by combining robotics, high end vision inspection and laser scanning. The first system is very near completion and based on market feedback it is fully expected that a number of these systems will be sold over the next few years. QM Systems has also developed a test interface system with a key client for the petrochemical industry. This exciting development has led the client to select QM Systems to be its partner for the production of the final units and it is anticipated that 200-400 units could be required over the next 2-3 years.

During the period QM Systems has worked hard to build a strong order book including potential repeat sales together with a strong team to lead this dynamic business forward and I am very confident that we will witness a much improved 2018/19 financial year.

Thomson Engineering Design (“TED”)

Following the acquisition of TED at the end of November 2017 our focus has been to develop new sales opportunities within TED. TED's existing business model is to provide expertise and innovation in providing trackside manipulation and handling equipment suitable for handling, laying and maintaining track, sleepers, track panels and electrification masts and supporting structures. TED has an excellent reputation within the industry, however its current model has predominantly focused on the UK markets in this very niche sector.

Sales during the final part of the 2017/18 financial year have largely been based on quotation activity prior to acquisition and clearly this has limited the sales that could be achieved in the closing part of the financial year. During the time since acquisition the TED team have been integrated into the QM Systems family of divisions forming a core and central part of the QM Rail Systems division. This enables the group to provide a much greater level of engineering support into TED greatly enhancing the engineering capability. Since acquisition, the services that can be offered by TED have been widened both within the rail sector, where combined with QM Systems’ capability far more automated systems can be provided and also by taking TED's key skills to opportunities that exist outside of the rail sector for similar equipment. The TED team are experts in providing light and heavy duty handling and manipulation systems and with the support of QM Systems’ wide and diverse client network we are able to open many opportunities that previously were not accessible to TED. As a result TED’s quotation activity has more than doubled compared with the six months prior to our acquisition and this is translating into sales such that TED is having to recruit more staff. In addition to this we have started to establish a wider distribution network to aid distribution of TED products and services into Europe and worldwide. We are beginning to see a marked increase in quotation activity with Europe and also evidence that TED's capability is being recognised worldwide.

Technology Division

During the 2017/18 financial year PipeHawk has not made the progress in sales development anticipated. This is predominantly due to one of our key UK distributors ceasing trading. This has resulted in a temporary lower than anticipated domestic sales output as we work to re-establish sales channels. Following an increased presence at a number of trade shows and continued press coverage we are identifying new and exciting lines of enquiry for the e-Safe and e-Spade lite family of products. Many of these new opportunities are yet to materialise into real sales. However interest in the products has gained momentum. Since July we have seen the UK sales start to increase and take encouragement in the decision by Skanska, MWH Global and Balfour Beatty Joint Venture to evaluate e-Safe as part of their involvement in eight2O, the largest water sector alliance in the UK. In addition to this we continue to see growth in support services, for example servicing and spares. Here we have developed a solution that enables our premier overseas distribution partners to service their in market client products. This is beginning to establish a regular income through added value for both our partners and us whilst providing the most efficient and environmentally friendly solution to sustainable product and support roll out. International sales have continued to grow with the Japanese market particularly worthy of note.

Our e-Safe PRO model, released in July 2017, has been well received. We have continued to develop our products with the addition of operator interface refinements and GPS log recording. In addition to increasing client appeal we have focused on cost reduction activity which has increased return per unit. We continue to explore grant funding opportunities with refinement of our H2020 application together with exploring other more UK centric funding opportunities. Funding is required to realise a true global expansion of this exciting range of products.

Adien

Adien has improved further this year and marginally increased both the turnover and profit for the year.

This situation would have been further improved had Adien not suffered significant loss in both revenue and profit due to the failure of Carillion.

The first quarter of the new financial year has been very busy with our teams working to the full capacity available in the programme of works, the level of activity within the power supply and distribution industries continues at a significant level. Airports, highways and major infrastructure are all very active with only the rail sector being somewhat quiet at the moment, the MOD/DIO framework has started to increase the number of project start ups.

The levels of activity in Scotland continue to increase within the main sectors of power, infrastructure and civil works.

Adien has a significant order book going forward, with the prospect of some significant contract awards due over the next three to four months within our existing frameworks for our key clients.

SUMO

At the Annual General Meeting shareholders approved the sale to me of PipeHawk's minority interest in Sumo and this realised a profit for the Group over net book value of £142,000. In the period under review, on 13 October 2017 I paid the £197,000 cash consideration payable on my purchase of the minority interest in SUMO and therefore provided working capital support to the Company until completion occurred following shareholder approval at the Annual General Meeting on 12 December 2017. Since the year end, at the request of SUMO management, I sold some of those Sumo shares and remitted 50% of the profit thereon (£17,107) to PipeHawk, in accordance with the terms of the sale to me.

Financial position

The loss sustained during the year means that the group continues to be in a net liability position and reliant on my continuing financial support.

My letter of support dated 30 October 2017 was renewed on 24 October 2018 for a further year. Loans, 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 due to expire and be repaid on 13 August 2018. In agreement with the independent directors this has been extended for a further four years, on identical terms, and is now repayable on 13 August 2022.

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.

Further fees and interest, amounting to £71,000 were deferred in the year ended 30 June 2018. At 30 June 2018, these deferred fees and interest amounted to approximately £1.6 million in total, all of which have been recognised as a liability in the Company's accounts.

Strategy & Outlook

The PipeHawk 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. All divisions of the Group are currently performing well and I remain optimistic in my outlook for the Group.

Gordon Watt

Chairman
16 November 2018
Enquiries:

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Consolidated Statement of Comprehensive Income

For the year ended 30 June 2018

	Note	30 June 2018 £'000	30 June 2017 £'000
Revenue		4,789	5,702
Staff costs		(2,703)	(2,876)
Operating costs		(2,494)	(2,842)
Operating loss		(408)	(16)
Share of post-tax profits of equity accounted joint venture	5	-	1
Sale of Shares in joint venture	5	142	-
Loss before interest and taxation		(266)	(15)
Finance costs		(236)	(178)
Loss before taxation		(502)	(193)
Taxation	3	351	372
(Loss)/Profit for the year attributable to equity holders of the parent		(151)	179
Other comprehensive income		-	-
Total comprehensive (loss)/profit for the year attributable to equity holders of the parent		(151)	179

(Loss)/Profit per share (pence) – basic	4	(0.45)	0.54
(Loss)/Profit per share (pence) – diluted	4	(0.45)	0.47

Consolidated Statement of Financial Position

at 30 June 2018

	Note	**30 June 2018**	30 June 2017
Assets		**£'000**	£'000
Non-current assets			
Property, plant and equipment		481	145
Goodwill		1,190	1,061
Investment in joint venture	5	-	54
		1,671	1,260
Current assets			
Inventories		178	156
Current tax assets		372	253
Trade and other receivables	8	1,175	745
Cash and cash equivalents		19	72
		1,744	1,226
Total assets		3,415	2,486
Equity and liabilities			
Equity			
Share capital		340	330
Share premium		5,191	5,151
Retained earnings		(9,208)	(9,057)

		(3,677)	(3,576)
Non-current liabilities			
Borrowings	7	2,966	2,266
Trade and other payables	8	8	-
		2,974	2,266
Current liabilities			
Trade and other payables	8	1,972	1,609
Borrowings	9	2,146	2,187
		4,118	3,796
Total equity and liabilities		3,415	2,486

Consolidated Statement of Cash Flow

For the year ended 30 June 2018

	Note	**30 June 2018**	30 June 2017
		£'000	£'000
Cash flows from operating activities			
Loss from operations		(408)	(16)
Adjustments for:			
Depreciation		106	100
		(302)	84
Decrease/(increase) in inventories		10	(51)
(Increase)/decrease in receivables		(196)	478
Increase/(decrease) in liabilities		143	(577)

Cash used in operations	(345)	(66)
Interest paid	(87)	(2)
Corporation tax received	232	299
Net cash (used in)/ generated from operating activities	(200)	231
Cash flows from investing activities		
Proceeds from sale of joint venture	197	-
Acquisition of subsidiary net of cash acquired	11	-
Purchase of plant and equipment	(17)	(18)
Net cash used in investing activities	191	(18)
Cash flows from financing activities		
Proceeds from borrowings	-	97
Repayment of loan	(10)	(210)
Repayment of finance leases	(34)	(52)
Net cash generated used in financing activities	(44)	(165)
Net (decrease)/increase in cash and cash equivalents	(53)	48
Cash and cash equivalents at beginning of year	72	24
Cash and cash equivalents at end of year	19	72

Statement of Changes in Equity

For the year ended 30 June 2018

	Share capital	Share premium account	Retained earnings	Total
	£'000	£'000	£'000	£'000
As at 1 July 2016	330	5,151	(9,236)	(3,755)
Profit for the year	-	-	179	179
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	179	179
-As at 30 June 2017	330	5,151	(9,057)	(3,576)
Loss for the year	-	-	(151)	(151)
Other comprehensive income	-	-	-	-
Total comprehensive income	-	-	(151)	(151)
Issue of shares	10	40	-	50
As at 30 June 2018	340	5,191	(9,208)	(3,677)

1. Summary of Significant Accounting Policies

Basis of preparation

The financial information set out in the announcement does not constitute the company's statutory accounts for the years ended 30 June 2018 or 2017. The financial information for the year ended 30 June 2017 is derived from the statutory accounts for that year, which were prepared under IFRSs, and which have been delivered to the Registrar of Companies. The financial information for the year ended 30 June 2018 is derived from the audited statutory accounts for the year ended 30 June 2018 on which the auditors have given an unqualified report, that did not contain a statement under section 498(2) or 498(3) of the Companies Act 2006.

The financial statements have been prepared in accordance with international financial reporting standards as adopted by the EU and under the historical cost convention. The principal accounting policies are set out below.

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not yet been adopted by the EU.

The directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact the measurement of financial instruments and IFRS 15 may have an impact on revenue recognition and related disclosures.

In addition the directors are in the process of considering the potential changes that may occur to the financial statements under IFRS 16 "Leases". This is expected to apply to periods commencing on or after 1 January 2019, management's assessment will be made over the next year and reported in future financial information. Under the new standard the substantial majority of the Groups operating lease commitments would be bought onto the balance sheet and depreciated separately. There will be no impact on cashflows although the presentation of the cash flow statement will change significantly. As set out in note 20 of the notes to the financial statements within the Company's Annual Report and Accounts, the future aggregate minimum lease payments of the Groups operating leases were £51,000 at 30 June 2018 on an undiscounted basis.

Basis of preparation – Going concern

The directors have reviewed the 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 GG Watt to provide ongoing financial support for a period of at least twelve months from the approval date of the group statement of financial position. 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 to remain a going concern without the continuing financial support of the Executive Chairman.

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.

2. Segmental analysis

	2018	2017
	£'000	£'000
Turnover by geographical market		
United Kingdom	4,787	5,671
Europe	-	28
Other	2	3
	4,789	5,702

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 - Utility detection and mapping services
- Technology Division - Development, assembly and sale of GPR equipment
- QM Systems - Test system solutions
- TED – Rail trackside solutions (included in the test system solutions segment)

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.

In utility detection and mapping services one customer accounted for 5% of revenue in 2018 and 10% in 2017. In development, assembly and sale of GPR equipment two customers accounted for 54% of revenue in 2018 and one customer for 23% in 2017. In automation and test system solutions one customer accounted for 16% of revenue and 23% in 2017.

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

	Utility detection and mapping services	**Development, assembly and sale of GPR equipment**	**Automation and test system solutions**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Year ended 30 June 2018				
Total segmental revenue	1,534	173	3,082	4,789
Operating profit/loss	52	(102)	(358)	(408)
Finance costs	(28)	(149)	(59)	(236)
Profit/loss before taxation	24	(109)	(417)	(502)
Segment assets	596	1,375	1,444	3,415
Segment liabilities	615	4,308	2,169	7,092
Non-current asset additions	91	-	457	548

Depreciation and amortisation	63	-	43	106

	Utility detection and mapping services	Development, assembly and sale of GPR equipment	Automation and test system solutions	Total
	£'000	**£'000**	**£'000**	**£'000**
Year ended 30 June 2017				
Total segmental revenue	1,364	288	4,050	5,702
Operating profit	25	(83)	42	(16)
Finance costs	(9)	(132)	(37)	(178)
Loss before taxation	16	(215)	5	(193)
Segment assets	498	1,381	607	2,486
Segment liabilities	418	5,404	240	6,062
Non-current asset additions	12	0	6	18
Depreciation and amortisation	66	0	34	100

The majority of the Group's revenue is earned via the rendering of services.

3. Taxation

	2018	2017
	£'000	£'000
United Kingdom Corporation Tax		
Current taxation	(329)	(253)
Adjustments in respect of prior years	(22)	(119)
	(351)	(372)
Deferred taxation	-	-
Tax on loss	(351)	(372)

Current tax reconciliation	2018	2017
	£'000	£'000
Taxable (loss) for the year	(502)	(193)
Theoretical tax at UK corporation tax rate 19% (2017: 20%)	(95)	(39)
Effects of:		
- R&D tax credit adjustments	(186)	(215)
- Income not taxable	(27)	-
- other expenditure that is not tax deductible	8	5
- adjustments in respect of prior years	(22)	(118)
- short term timing differences	(29)	(5)
Total income tax credit	(351)	(372)

The Group has tax losses amounting to approximately £2,460,000 (2017: £2,470,000), 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 £418,000 (2017: £490,000).

4. (Loss)/profit per share

Basic (pence per share) 2018 – 0.45 loss per share; 2017 – 0.54 profit per share

This has been calculated on a loss of £151,000 (2017: profit of £179,000) and the number of shares used was 33,543,803 (2017: 33,020,515) being the weighted average number of shares in issue during the year.

Diluted (pence per share) 2018 – 0.45 loss per share; 2017 – 0.47 profit per share

In the current year the potential ordinary shares included in the weighted average number 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 £259,000 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 55,247,667 being the weighted average number of shares outstanding during the year of 33,020,515 adjusted for shares deemed to be issued for no consideration relating to options and warrants of 2,227,152 and convertible instrument of 20,000,000.

5. Investment in Joint Venture

	Investment in shares
	£'000

Cost:	
At 1 July 2017	196
Disposal	(196)
	-
Share of losses	
At 1 July 2017	142
Disposal	(142)
	-
At 30 June 2018	-
Net investment	
At 30 June 2018	-
At 30 June 2017	54

The investment in joint venture relates to a 28.4% shareholding in the ordinary share capital of SUMO Limited. SUMO Limited was sold on 13th October 2017 see the notes to the financial statements within the Company's Annual Report and Accounts for details.

Summarised financial information in respect of the Group's joint venture is set out below:

	30 June 2018	30 June 2017
	£'000	£'000
Cash	-	30
Current assets	-	1,947
Non-current assets	-	950
Total assets	-	2,927
Total liabilities (all current)	-	2,736
Net assets	-	192
Group's share of net assets of joint venture	-	54

	Year ended 30 June 2018 £’000	Year ended 30 June 2017 £’000
Total revenue	-	4,608
Interest expense	-	80
Depreciation/amortisation	-	168
Total profit/(loss) for the period		24
Group’s share of profit of joint venture	-	1

Disposal of Joint Venture	30 June 2018 £’000
Cash Consideration	196
Investment in Joint venture	(54)
Profit on sale of joint venture	142

6. Trade and other receivables

	2018 £’000	2017 £’000
Current		
Trade receivables	720	666
Amounts owed by group undertakings	-	-
Other receivables	-	48
Prepayments and accrued income	455	31
	1,175	745

7. Non-current liabilities: Borrowings

	2018	2017
	£'000	£'000
Borrowings (note 9)	2,966	2,266

8. Trade and other payables

	2018	2017
Current	£'000	£'000
Bank overdraft	13	12
Trade payables	743	544
Other taxation and social security	329	527
Payments received on account	437	164
Accruals and other creditors	450	362
	1,972	1,609

	2018	2017
Non-current	£'000	£'000
Trade payables	-	-
Amounts owed to group undertakings	-	-
Other loans	-	-
Other creditors	8	-
	8	-

9. Borrowing Analysis

	2018	2017
	£'000	£'000
Due within one year		
Bank and other loans	426	306
Directors' loan	1,658	1,858
Obligations under finance lease agreements	62	23
	2,146	2,187
Due after more than one year		
Obligations under finance lease agreements	118	41
Bank and other loans	311	-
Directors' loan	2,537	2,225
	2,966	2,266
Repayable		
Due within 1 year	2,146	2,187
Over 1 year but less than 2 years	2,774	2,240
Over 2 years but less than 5 years	192	26
	5,112	4,453

Directors' loan

Included with Directors' loans and borrowings due within one year are accrued fees and interest owing to GG Watt of £1,658,000 (2017: £1,858,000). 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 £1,537,000 from G G Watt. Directors' loans attract interest at 2.15% over Bank of England base rate. During the year to 30 June 2018 £nil (2017: £nil) was repaid. The Company has the right to defer repayment for a period of 366 days.

On 13th 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 £1 million and has been recognised in non-current liabilities of £2,537,000.

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

- The CULS may be converted at the option of Gordon Watt at a price of 5p per share at any time prior to 13th August 2022;
- 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 13th August 2022 ("the Repayment Date").

No equity element of the convertible loan stock has been recognised in these financial statements as this is not considered to be material.

Finance leases

Finance lease agreements with Close Motor Finance are at a rate of 4.5% and 5.19% over base rate. The future minimum lease payments under finance lease agreements at the year end date was £116,844 (2017: £63,775) and £62,167 (2017: £nil). The difference between the minimum lease payments and the present value is wholly attributable to future finance charges.

Bank and other loans

A working capital loan balance of £227,000 was given by Mirrasand Partnership from a trust settled by Mr G Watt. The loan attracts interest at 10% per annum. The remainder is repayable on 30 September 2019. The loan was guaranteed personally by Mr G Watt.

Included in bank and other loans is an invoice discounting facility of £133,000 (2017 £97,000).

Included in bank and other loans is a balance of £200,000 being amounts owed to the vendors of the business. The balances are interest free and repayable in quarterly instalments over 4 years.

Included in bank and other loans are two secured mortgages of £173,000 which incurs interest of 4.42% until March 2019 followed by a rate of 2.44% over base rate for 10 years, and an interest rate of 2.64% over base rate until March 2029. The mortgage is secured over the freehold property.

2018

	Brought forward	**Cash flows**	**Non-cash: Acquisition**	**Non-cash: New leases**	**Non-cash: Accrued fees/interest**	**Carried forward**
Director loan	4,083	**(10)**	**-**	**-**	122	4,195
Finance leases	64	(34)	76	74	-	180

Other	306	-	408	-	23	737
Loans and borrowings	4,453	(44)	484	74	145	5,112

2017

	Brought forward	Cash flows	Cash: advance	Cash: Discounting facility*	Non-cash: Accrued costs	Carried forward
Director loan	4,093	(175)	97	-	68	4,083
Finance leases	106	(52)	-	-	10	64
Other	404	(35)	-	(63)		306
Loans and borrowings	4,603	(262)	97	(63)	78	4,453

*Included in working capital adjustments in cashflow statement

10. Related Party Transactions

Directors' loan disclosures are given in the notes to the financial statements within the Company's Annual Report and Accounts. The interest payable to directors in respect of their loans during the year was:

G G Watt - £137,174

The directors are considered the key management personnel of the company. Remuneration to directors is in the notes to the financial statements within the Company's Annual Report and Accounts.

As at 30 June 2018, there was an amount of £3,444 (2017: £4,794) due from Online Engineering Limited, a company that G G Watt is also a Director. The only transaction was that this balance was partly repaid during the year.

Included within the amounts due from and to group undertakings were the following balances:

	2018	2017
	£	£
Balance due from:		
Adien Limited	-	53,770
QM Systems Limited	459,375	291,375
TED Limited	73,643	-
Balance due to:		

Adien Limited	32,141	-
QM Systems Limited	1,405,866	1,582,729

These intergroup balances vary through the flow of working capital requirements throughout the group as opposed to intergroup trading.

There is no ultimate controlling party of PipeHawk plc.

11. Acquisition

On 29 November 2017 the Group acquired 100% of the issued share capital of Thomson Engineering Design Limited ('TED'). The acquisition was made due to synergy of business opportunity with QM Systems including significant fabrication needs which QM currently outsources. The Group obtained control by offer and acceptance of £1 for the entire issued share capital of TED.

The goodwill arising from the acquisition of TED of £129k is attributable to the acquired workforce and the anticipated future profit from international expansion opportunities and synergy of the business opportunities mentioned above.

Following the acquisition, TED made a turnover of £188k with and operating loss of £103k. Details of the future focus of this company is stated in the Chairman's statement

	30 June 2018
	£'000
Consideration	-
Fixed Assets	342
Stock	32
Debtors	234
Cash	11
Finance lease	(76)
Director loans	(238)
Trade and other creditors	(264)
Borrowing	(170)
Net Liabilities	(129)
Consideration	-
Goodwill	(129)

12. Subsequent events

On 13 October 2017 the Company sold its 28.4 per cent. joint venture interest in the ordinary share capital of SUMO Limited ("SUMO") to Gordon Watt, the Executive Chairman of the Company, for a consideration of £197,499, being the original cost of the investment, subject to shareholder approval, which was obtained on 14 December 2017 ("the SUMO Share Sale"). The consideration was satisfied in cash. Gordon Watt agreed to pay the consideration immediately and therefore the payment of £197,499 was treated as a loan, on identical terms to the existing loans due to Gordon Watt, until such amount becomes payable under the agreement for the SUMO Share Sale.

Gordon Watt agreed that in the event that SUMO effects a fundraising at a pre-money valuation in excess of £700,000 (equivalent to £2 per SUMO share, the price being paid by Gordon Watt) before 30 June 2018 or SUMO effects a sale of the company or an IPO at a price greater than £2 per SUMO share before 13 October 2020, then further consideration of 50 per cent. of the value of such excess will be payable in cash to the Company by Gordon Watt.

In September 2018, at the request of the directors of SUMO, Gordon Watt sold 34,214 shares in SUMO at a price of £3 per share to encourage greater employee participation. In accordance with the agreement with Gordon Watt, 50 per cent. of the profit, equating to £17,107, was remitted to the Company.

On 9 November 2018, the Company entered into a letter of amendment with Gordon Watt to extend the repayment date of the CULS to 13 August 2022. All the other terms of the CULS remained the same as before.

13 Copies of Report and Accounts

Copies of the Report and Accounts will be posted to shareholders later today and will be shortly 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.

14. Notice of Annual General Meeting

The annual general meeting of PipeHawk plc will be held at the offices of Allenby Capital Limited, 5 St Helen's Place, London, EC3A 6AB at 11:00 a.m. on Thursday 13 December 2018.