The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the UK Market Abuse Regulation

28 November 2024

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

Final results for the year ended 30 June 2024

Highlights

- Turnover of £9.1 million (2023: £6.5 million). Excluding QM Systems Ltd, the Group's turnover for the financial year was £2.9 million.
- Loss before taxation and exceptional items for the financial year of £821,000 (2023: loss £3,284,000). Excluding QM Systems Ltd, the Group' loss before taxation and exceptional items for the financial year was £0.27 million.
- Cautiously projecting a return to operating profitability in the current financial year ending 30 June 2025.

I can report that the Group's turnover (including QM Systems Ltd) for the financial year ended 30 June 2024 (the "Financial Year" or "2023/24 FY") increased to £9.1 million (2023: £6.5 million). The Group incurred an operating loss (including QM Systems Ltd) in the Financial Year of £1,215,000 (2023: £2,899,000), a loss before taxation and exceptional items (including QM Systems Ltd) for the Financial Year of £1,639,000 (2023: loss £3,284,000) and a loss after taxation and exceptional items (including QM Systems Ltd) of £821,000 (2023: loss £2,484,000). The loss per share for the Financial Year was 2.26p (2023: loss per share 6.84p).

In July 2024, QM Systems Ltd ("QM"), a subsidiary of the Group, entered into administration. Accordingly, the board of directors of the Group (the "Board" or the "Directors") determined to treat impairment losses and gains related to QM as exceptional items in these accounts. Due to the impact of the QM administration the investments were written off in its entirety and suffered the appropriate qualification in the Group's audit report.

Excluding QM Systems Ltd and focusing on the remaining group operations only, the Group's turnover for the Financial Year was £2.9 million with an operating profit of £0.12 million. Loss before taxation and exceptional items (excluding QM Systems Ltd) for the Financial Year was £0.27 million.

Well, that was an extremely challenging year!

There was cause for cautious optimism as we entered the Financial Year with a record orderbook across the Group's subsidiaries and throughout the Financial Year as quotes and interest in the Group's solutions were high. Unfortunately, the challenging political, economic and financial backdrop in the UK contributed to what the Board believes is an environment that is currently not supportive of a manufacturing economy. For example, based on feedback and discussions with prospective customers, the Board believed that QM's technical solutions were viewed as better and more cost effective than solutions that competitors could offer. However, in reality, weak business confidence amongst our target customer base meant that commitment of the necessary capital expenditure continued to be deferred. Similarly, whilst all three of QM's contract manufacturing lines were ready for production, certain of QM's contracted clients continually deferred start of production ("SOP") until they viewed business conditions to be more favourable, which failed to materialise during the Financial Year.

As a result, shortly following the end of the Financial Year, QM went into administration as orders continued to be deferred and two significant orders failed to materialise.

On a positive note, the other businesses in the Group service the utilities, government and rail industries. Our experience in these areas is that they are significantly less reliant on the confidence of private sector businesses to commit funds for major investments. Rather they are more driven by the demands of the public sector, where there has previously been major underinvestment, but which now appears to be progressing albeit it is still early days. Additionally, the Board anticipates that Thomson Engineering Design Ltd and Utsi Electronics Ltd will increasingly be servicing a global marketplace and will therefore be less affected by the UK's uncertain business environment. These businesses, including Adien Ltd, had a combined turnover of £2,934,000 in the Financial Year (2023: £2,284,000) and a pre-tax loss of £278,000 (2023: £1,511,000). I am therefore cautiously projecting a return to operating profitability in the current financial year ending 30 June 2025 ("Current Financial Year").

Notwithstanding the Board's confidence that the infrastructure sectors are the right business areas to be in, the economic and political environment in the UK clearly continues to be inimical to business in general and SMEs in particular, accordingly the directors have taken the decision to write off the entirety of the Group's cost of investment and goodwill in its subsidiaries in these accounts.

QM Systems Ltd (“QM”)
The Board believed that QM was on track to report its best ever year for sales with a turnover of £6,204,000 (2023: £4,185,000) and a pre-tax loss of £1,361,000 (2023: £1,545,000) despite the minimal intake of new orders during the Financial Year.

While not adverse to QM’s financial position in isolation, QM experienced an increase in overheads over the past three years in order to cope with an expected uptick in new projects and the contract manufacturing business. Similarly, because of the reduced order activity and a rise in enquiries which needed to be quoted, utilisation of staff was sub-optimal and delivery of components and fabrications, due to our suppliers struggling with the recession, impacted the ability for QM to absorb losses. The aforementioned factors and the loss of the two anticipated material orders led to QM’s financial position being under severe financial pressure, and ultimately prompted the Group announcing on 16 July 2024 that it had appointed RSM UK Restructuring Advisory LLP as administrators to QM.

Thomson Engineering Design Ltd (“TED”)
As mentioned in my Chairman’s statement last year, Network Rail’s CP6 funding round ended in March 2024 and the new round, CP7, started in April 2024. Network Rail has announced that it has a budget spend of £44 billion over the next five years so there is now a degree of budget certainty amongst suppliers and contractors to Network Rail. As a result, TED’s business was slow at the start of the Financial Year up to the point that CP6 finished, but UK orders picked up significantly in the last quarter of the Financial Year at the start of CP7, and have continued into the first quarter of the Current Financial Year. We expect this growth to continue for the next four years as Network Rail looks for innovative solutions to make the most cost-effective use of its budget in maintaining and upgrading the UK’s rail infrastructure, both for work on Network Rail’s infrastructure and for Eurotunnel.

The TED and Unipart Rail Limited (“Unipart”) partnership continues to strengthen as Unipart gains market presence in the rest of the world selling ‘Yellow Plant’, having exhibited at many shows around the world. The partnership has now received orders from Australia, France, Germany and North America, where large infrastructure projects continue to come to fruition. In addition, the respective regional Unipart sales teams are working hard to ensure that the TED name is embedded in future infrastructure projects enabling the pipeline to continue. Since the memorandum of understanding (the “MoU”) was signed with Unipart in September 2022, the total value of orders received from Unipart Rails now in excess of £1 million.

The above developments in the UK market and the global market are seen as very positive for TED over the next few years.

Adien Ltd (“Adien”)
The previous financial year which ended on 30 June 2023 was difficult for Adien, which provides topographical and GPR services to the utilities sector, with several large projects shelved as business confidence continued to be undermined by the challenging political environment. However, the combination of a new managing director appointment re-invigorating the sales team, the removal of some underperforming staff, and a degree of political stability has turned the company around. Adien is now meeting its strategic targets and reporting profits on a monthly basis. During the Financial Year, Adien secured a fresh framework agreement with SSE and a healthy tranche of ministry of defence (“MoD”) work. These agreements, together with other utility business, have kept the Adien teams very busy and the current order book is looking strong with works programmed going into spring next year with full utilisation of all site teams. Orders continue to remain very strong.

Adien managed to add one further full site team this summer. We are continuing to seek further staff, though it is difficult to secure suitably qualified and capable personnel. The search continues and remains the top priority for operations.

Adien has just moved into new, larger premises; this will allow further expansion of the sales and operation teams to facilitate the anticipated ongoing growth in sales.

Utsi Electronics Ltd (“Utsi”)
Utsi had a very quiet start to the Financial Year, followed by a flat middle and a very busy Financial Year end which saw the number of individual sales overall down over the Financial Year, but the value of completed sales remaining buoyant by comparison.

The biggest restriction on closing sales continues to be the availability of raw materials and essential components, with many potential customers simply not willing or unable to wait the additional time required to complete their orders. With two significant orders being delayed over four months and consequently pushing completion to after the Financial Year end, Utsi’s financial results are not as good as they should have been.

Internal investment into new designs to lessen our reliance on high cost and/or hard to acquire components continues apace.

As market requirement for off the shelf systems has dipped in the UK, overseas orders have remained broadly flat over the Financial Year.

Our previous decision to concentrate on the specialist system market continues to deliver, with bespoke system orders now our strongest growth area for both enquiries and sales.

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 26 November 2023 was renewed on 20 November 2024 to provide the Group with financial support until 31 December 2025. Loans due to me, other than those covered by the CULS (as defined below) agreement, are unsecured and accrue interest at an annual rate of Bank of England base rate plus 2.15%. These include the further loans provided by me to the Group to provide QM Systems with the time needed to land the substantial new orders it was anticipating, which unfortunately failed to materialise.

The Group's £1.0 million convertible unsecured loan stock issued to me (the "CULS") was renewed on 30 June 2022 and extended on identical terms, such that the CULS are now repayable on 13 August 2026. Further details of the CULS were most recently announced by the Group on 26 September 2024.

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 on loans I have provided until the Company is in a suitably strong position to make the full payments. During the Financial Year, the deferred element of fees and interest amounted to £252,000 and the aggregate amount of deferred fees and interest outstanding to me as at the end of the Financial Year amounted to approximately £2.0 million in total, all of which has been recognised as a liability in the Company's accounts.

Disclaimer of audit opinion

The timing of the entry into administration of QM Systems Limited and the subsequent inability to access the accounting records of that entity due to the Group ceasing to exercise control over QM Systems Limited has resulted in the Group's independent auditor being unable to obtain sufficient appropriate audit evidence in respect of the trading performance and assets and liabilities in respect of QM Systems Limited. Consequently, as is customary in this scenario, the Group's independent auditor has not been able to express an opinion on the Group's and PipeHawk's financial statements. Further information on the basis for disclaimer of opinion is set out in the Independent Auditor's Report to the Members of PipeHawk plc on page 13 of the Report and Accounts and is extracted below.

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. Despite wider current market conditions, all divisions of the Group are currently performing well, and I remain optimistic in my outlook for the Group.

Gordon Watt
Executive Chairman
Date: 27 November 2024

Independent Auditor's Report to the Members of PipeHawk Plc for the year ended 30 June 2024

"Disclaimer of Opinion

We were engaged to audit the financial statements of Pipehawk plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 30 June 2024, which comprise:

- *the Consolidated statement of comprehensive income for the year ended 30 June 2024;*
- *the Consolidated and Parent Company statements of financial position as at 30 June 2024;*
- *the Consolidated and Parent Company statements of cash flows for the year then ended;*
- *the Consolidated and Parent Company statements of changes in equity for the year then ended; and*
- *the notes to the financial statements, including material accounting policies.*

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK-adopted international accounting standards.

We do not express an opinion on the accompanying financial statements of the Group and Parent company. Because of the significance of the matters described in the Basis for Disclaimer of Opinion section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

After the reporting date, but before we commenced our audit, a significant component of the group, QM Systems Limited ('QM component') went into administration. Upon entering administration, the Group ceased to exercise control over the QM component. As a consequence of the loss of control management have not been able to provide us with the accounting records required for our audit of this component. We were unable to obtain sufficient appropriate audit evidence in respect of the trading performance and assets and liabilities in respect of QM component making up the Consolidated statement of comprehensive income, Consolidated statements of changes in equity and Consolidated statements of cash flows.

Furthermore, the management has not consolidated the financial position of the QM component in the Consolidated statements of financial position.

The Group and Parent Company are reliant on the continued support of the Executive Chairman to continue their operations. This gives rise to a material uncertainty as to whether the Group and Parent Company are able to continue as a going concern.

As a consequence of these factors, which we consider to be both material and pervasive to the financial statements, we were unable to conclude whether these financial statements present a true and fair view of the Group's financial position.

Opinion on other matter prescribed by the Companies Act 2006

Because of the significance of the matter described in the basis for disclaimer of opinion section of our report, we have been unable to form an opinion, whether based on the work undertaken in the course of our audit:

- *the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and*
- *the directors' report and strategic report have been prepared in accordance with applicable legal requirements.*

Matters on which we are required to report by exception

Notwithstanding our disclaimer of an opinion on the financial statements, in the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit performed subject to the pervasive limitation described above, we have not identified material misstatements in the strategic report or the directors' report.

Arising from the limitation of our work referred to above:

- *we have not obtained all the information and explanation that we considered necessary for the purpose of the audit; and*
- *we were unable to determine whether adequate accounting records have been kept.*

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- *returns adequate for our audit have not been received from branches not visited by us; or*
- *the parent company financial statements are not in agreement with the accounting records and returns; or*
- *certain disclosures of directors' remuneration specified by law are not made.*

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our responsibility is to conduct an audit of the financial statements in accordance with International Standards on Auditing (UK) and to issue an auditor's report.

However, because of the matter described in the basis for disclaimer of opinion section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these consolidated financial statements.

We are independent of the Group and company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the FRCs Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Auditor's responsibility in respect of Irregularities and Fraud
Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

Use of our report
This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Leo Malkin (Senior Statutory Auditor)
for and on behalf of
Crowe U.K. LLP
Statutory Auditor
London"

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For further information on the Company and its subsidiaries, please visit: www.pipehawk.com

Consolidated statement of comprehensive income

For the year ended 30 June 2024

	Note	30 June 2024 QM Systems Ltd £'000	30 June 2024 Group (Excluding QM Systems Ltd) £'000	30 June 2024 Total £'000	30 June 2023 £'000
Revenue	2	6,204	2,934	9,138	6,470
Staff costs	5	(3,291)	(1,663)	(4,954)	(4,176)
Impairment of goodwill	11	-	(163)	(163)	(678)
Operating costs		(4,244)	(992)	(5,236)	(4,515)
Operating profit/ (loss)	4	(1,331)	116	(1,215)	(2,899)
Profit/(Loss) before interest, taxation and exceptional items		(1,331)	116	(1,215)	(2,899)
Finance costs	3	(30)	(394)	(424)	(385)
(Loss) before taxation and exceptional items		(1,361)	(278)	(1,639)	(3,284)
Taxation (charge) / credit	7	(94)	42	(52)	800
(Loss) before exceptional items		(1,455)	(236)	(1,691)	(2,484)
Exceptional gains on de-recognition of QM Systems Ltd				870	-
(Loss) for the year attributable to equity holders of the parent				(821)	(2,484)
Other comprehensive income				-	-
Total comprehensive **(Loss)** for the year attributable to equity holder of the parent				(821)	(2,484)
(Loss) per share (pence) - basic	8			(2.26)	(6.84)
(Loss) per share (pence) - diluted	8			(2.26)	(6.84)

The notes form an integral part of these financial statements.

Consolidated statement of financial position
at 30 June 2024

	Note	30 June 2024 £'000	30 June 2023 £'000
Assets			
Non-current assets			
Property, plant and equipment	9	447	783
Right of use assets	10	189	2,283
Goodwill	11	-	679
		636	3,745
Current assets			
Inventories	13	113	253
Current tax assets		80	826
Trade and other receivables	14	1,007	2,767
Cash and cash equivalents		95	148
		1,295	3,994
Total assets		1,931	7,739
Equity and liabilities			
Equity			
Share capital	18	363	363
Share premium		5,316	5,316
Retained earnings		(11,952)	(11,131)
		(6,273)	(5,452)
Non-current liabilities			
Borrowings	16	3,780	4,913
Trade and other payables	15	121	-
		3,901	4,913
Current liabilities			
Borrowings	16	2,929	2,886
Trade and other payables	15	1,374	5,392
		4,303	8,278
Total equity and liabilities		1,931	7,739

The notes form an integral part of these financial statements.

Consolidated statement of cash flow

For the year ended 30 June 2024

	Note	30 June 2024 £'000	30 June 2023 £'000
Cash flows from operating activities			
Operating (Loss)		(1,215)	(2,899)
Adjustments for:			
Impairment of Goodwill		163	678
Impairment of right of use assets		347	-
Depreciation		619	579
		(86)	(1,642)
Decrease / (increase) in inventories		65	87
Decrease / (increase) in receivables		271	(378)
(Decrease) / increase in liabilities		(1,002)	2,759
Cash (used in) / generated from operations		(752)	826
Interest paid		(173)	(196)
Corporation tax received		695	683
Net cash (used in)/ generated from operating activities		(230)	1,313
Cash flows from investing activities			
Purchase of fixed assets		(50)	(111)
Net cash used in investing activities		(50)	(111)
Cash flows from financing activities			
(Repayments) / proceeds from borrowings		30	(210)
Repayments of loan		(544)	(997)
Proceeds of loan		1,313	604
Repayment of leases		(572)	(455)
Net cash generated from/(used in) financing activities		227	(1,058)
Net (decrease) / increase in cash and cash equivalents		(53)	144
Cash and cash equivalents at the beginning of year		148	4
Cash and cash equivalents at the end of year		95	148

The notes form an integral part of these financial statements.

Statement of changes in equity

For the year ended 30 June 2024

CONSOLIDATED	Share capital £'000	Share premium account £'000	Retained earnings £'000	Total £'000
As at 1 July 2022	363	5,316	(8,647)	(2,968)
Loss for the year	-	-	(2,484)	(2,484)
Total comprehensive income	-	-	(2,484)	(2,484)
As at 30 June 2023	363	5,316	(11,131)	(5,452)
Loss for the year	-	-	(821)	(821)
Total comprehensive income	-	-	(821)	(821)
As at 30 June 2024	363	5,316	(11,952)	(6,273)

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 material accounting policies

1.1. General information

PipeHawk plc (the "Company" or the "Group") is a public 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 section on page 1. The principal activities of the Company and its subsidiaries (the Group) are described on page 7.

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.

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.

Adoption of new and revised standards

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 UK. The directors do not expect that the adoption of these standards will have a material impact on the financial statements of the Company and Group in future periods.

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 preparation of cash flow forecasts for the Group requires estimates to be made of the quantum and timing of cash receipts from future commercial revenues and the timing of future expenditure. The board consider that the challenging political, economic and financial backdrop in the UK presents uncertainties for the group to achieve its revenue growth forecasts. The directors have obtained a renewed pledge from G G Watt to provide ongoing financial support including additional funding if required 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. The financial statement does not include adjustments which would arise in the event of not being a going concern.

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.

On 4 July 2024 the directors of QM, a subsidiary of the Group, held a Board meeting to consider the company's position following news that two anticipated material orders will not be forthcoming. Accordingly, the company took insolvency advice which culminated in the Group announcing on 16 July 2024 that it had appointed RSM UK Restructuring Advisory LLP as administrators to QM. As a result, the books and records were not available to the Group be audited and the auditors have qualified their report and issued a disclaimer audit report..

Furthermore, the directors of PipeHawk plc whilst presenting the profit and loss account including the unaudited management accounts of QM Systems, have taken the view that to include the similarly unaudited balance sheet of QM Systems in the Group's consolidated accounts would be both meaningless and misleading to shareholders. The consolidated balance sheet therefore treats the Administration of QM as an adjusting post balance sheet event such that all of the assets and liabilities of QM have, insofar as the continuing Group is concerned, no relevance nor value at the year end. The directors could, within the law, have achieved the same result by moving the year end for these consolidated accounts to 5 July, but the Board opted to not do this.

As a result of the above, the group has recognised an exceptional gain on de-recognition of QM Systems Ltd in the Consolidated statement of comprehensive income which includes an impairment charge of £516,000 in respect of Goodwill relating to QM Systems Ltd.

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.

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 2024 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. The value of work in progress is reduced where appropriate to provide for irrecoverable costs

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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.

<u>Derecognition of financial assets</u>
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.

<u>Equity instruments</u>
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.

<u>Financial liabilities</u>
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.

<u>Derecognition of financial liabilities</u>
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, and processed through the profit & loss account.

1.17. Taxation

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

Current tax

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.

Deferred tax

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.

Current and deferred tax for the year

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 totalling £18,000 (2023: 0).

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.

Consolidation

The de-consolidation of QM Systems Ltd is a critical judgement applied by the directors, please refer to basis of consolidation note 1.4.

Impairment of goodwill

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 £ nil (2023: £679,000). The investment in subsidiaries at the year-end was £ nil (2023: £988,000).

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.

Impairment investment in subsidiaries and inter-company receivables
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.

Going concern
The preparation of cash flow forecasts for the Group requires estimates to be made of the quantum and timing of cash receipts from future commercial revenues and the timing of future expenditure, all of which are subject to uncertainty, see Basis of preparation – Going concern note 1.3

2 Segmental analysis

	2024 £'000	2023 £'000
Turnover by geographical market		
United Kingdom	8,739	6,076
Europe	82	162
Other	317	232
	9,138	6,470

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"), the current executive chairman, 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
- Utsi Electronics Limited - Development, assembly and sale of GPR equipment – Sale of goods
- QM Systems Ltd - Automation and test system solutions – No longer trading, in administration
- Thomson Engineering Design 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 2024				
Total segmental revenue	1,448	330	7,360	9,138
Operating (loss) / profit	85	154	(1,454)	(1,215)
Finance costs	(35)	(335)	(54)	(424)
(Loss) / Profit before taxation	50	(181)	(1,508)	(1,639)
Segment assets	497	322	1,112	1,931
Segment liabilities	579	6,319	1,220	8,118
Non-current asset additions	48	-	47	95
Depreciation and amortisation	60	18	541	619

	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 2023				
Total segmental revenue	1,125	169	5,176	6,470
Operating (loss) / profit	(214)	(859)	(1,826)	(2,899)
Finance costs	(39)	(236)	(110)	(385)
(Loss) / Profit 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	80	17	482	579

3 Finance costs

	2024 £'000	2023 £'000
Interest payable	424	385
	424	385
Interest payable comprises interest on:		
Leases	23	107
Directors' loans	259	192
Other	142	86
	424	385

4 Operating profit for the year

This is arrived at after charging for the Group:

	2024 £'000	2023 £'000
Research and development costs not capitalised	602	2,644
Depreciation	619	579
Impairment of goodwill	163	678
Auditor's remuneration		
Fees payable to the Company's auditor for the audit of the Group's financial statements	53	53
Fees payable to the Company's auditor and its subsidiaries for the provision of tax services	-	8

The Company's audit fee is £29,000 (2023: £23,000).

5 Staff costs

Group	2024 No.	2023 No.
Average monthly number of employees, including directors:		
Production and research	89	77
Selling and research	9	9
Administration	10	12

	108	98

Group	2024 £'000	2023 £'000
Staff costs, including directors:		
Wages and salaries	4,313	3,602
Social security costs	414	376
Other pension costs	227	198
	4,954	4,176

Company	2024 No.	2023 No.
Average monthly number of employees, including directors:		
Selling and research	-	-
Administration	1	1
	1	1

Company	2024 £'000	2023 £'000
Staff costs, including directors:		
Wages and salaries	82	87
Social security costs	-	-
Other pension costs	-	-
	82	87

6 Directors' remuneration

	Salary and fees £'000	Benefits in kind £'000	2024 Total £'000	2023 Total £'000
G G Watt	71	-	71	71
R MacDonnell	2	-	2	2
T Williams	9	-	9	6
Aggregate emoluments	82	-	82	79

	2024	2023
Directors' pensions	**No.**	No.
The number of directors who are accruing retirement benefits under:		
Defined contributions policies	-	-

The directors represent key management personnel.

Refer to note 18 for details of directors share options.

7 Taxation

	2024 £'000	2023 £'000
United Kingdom Corporation Tax		
Current taxation	(68)	(800)
Adjustments in respect of prior years	120	-
	52	(800)
Deferred taxation	-	-
Tax on loss	52	(800)

Current tax reconciliation		
Taxable loss for the year	(1,639)	(3,284)

Theoretical tax at UK corporation tax rate 19% (2023: 19%)	(383)	(622)
Effects of:		
R&D tax credit adjustments	(38)	(408)
Fixed asset timing differences	4	28
Not deductible for tax purposes	259	3
Impairment of goodwill	(31)	129
Deferred tax not recognised	229	73
Adjustments in respect of prior years	120	-
Utilisation of losses	1	(4)
Short term timing differences	(109)	1
Total income tax credit	52	(800)

The Group has tax losses amounting to approximately £3,807,000 (2023: £3,423,000), 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 £723,000 (2023: £650,000).

8 Loss / profit per share

Group

Basic (pence per share) 2024 – Loss (2.26) per share; 2023 – Loss (6.84) per share

This has been calculated on a loss of £821,000 (2023: Loss £2,484,000) and the number of shares used was 36,312,823 (2023: 36,312,823) being the weighted average number of shares in issue during the year.

Diluted (pence per share) 2024 – (2.26) loss per share; 2023 – (6.84) loss 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.

9 Property, plant and equipment

Group	**Freehold £'000**	**Equipment, fixtures and fittings £'000**	**Leasehold improvements £'000**	**Motor vehicles £'000**	**Total £'000**
Cost					
At 1 July 2023	426	1,376	529	172	2,503
Additions	-	41	9	-	50
Transfer from right of use assets		-		142	142
Disposals	(51)			(22)	(73)
QM Assets Impaired	-	(278)	(517)	-	(795)
At 30 June 2024	375	1,139	21	292	1,827
Depreciation					
At 1 July 2023	50	1,242	256	172	1,720
Charged in year	5	65	98	2	170
Disposals	(51)	-	-	(22)	(73)
Transfer from right of use assets	-	-	-	142	142
QM Assets Impaired	-	(220)	(354)	(5)	(579)
At 30 June 2024	4	1,087	-	289	1,380
Net book value					
At 30 June 2024	**371**	**52**	**21**	**3**	**447**
At 30 June 2023	376	134	273	-	783

10 Right of use

Group	Property	Equipment, fixtures and fittings	Leasehold improvements	Motor vehicles	Total
	£'000	£'000	£'000	£'000	£'000
Cost					
At 1 July 2023	2,580	392	168	147	3,287
Additions	-	57	-	18	75
Transfer to motor vehicles	-	-	-	(142)	(142)
Disposal	(2,388)	-	-	-	(2,388)
At 30 June 2024	192	449	168	23	832
Depreciation					
At 1 July 2023	595	219	54	136	1,004
Charged in year	293	105	39	12	449
Transfer to motor vehicles	-	-	-	(142)	(142)
Disposal	(822)	91	63	-	(668)
At 30 June 2024	66	415	156	6	643
Net book value					
At 30 June 2024	**126**	**34**	**12**	**17**	**189**
At 30 June 2023	1,985	173	114	11	2,283

These assets have been offered as security in respect of these lease agreements. Depreciation charged in the period on those assets amounted to £449,000 (2023: £422,000)

11 Goodwill

Group	Goodwill	Total
	£'000	£'000
Cost		
At 1 July 2023	1,357	1,357
Additions	-	-
At 30 June 2024	1,357	1,357
Impairment		
As at 30 June 2023	(678)	(678)
Additional impairment	(679)	(679)
Net book value		
At 30 June 2024	-	-
At 30 June 2023	679	679

The goodwill brought forward in the statement of financial position at 30 June 2023 was £679,000 this has been impaired to £nil following the failure of QM Systems Ltd, and an extremely cautious approach to both Adien Ltd and Utsi Ltd.

We consider the CGUs to be the entities as acquired under business combinations and managed as separate legal entities, each representing a separately identifiable and independent group of assets contributing to the cash flows of the CGU.

- Adien Limited specialises in leading edge detection systems in the field of utilities detection.

- Thomson Engineering Design produces an unparalleled range of machines, attachments and tools for railway track maintenance.

- Utsi design & manufacturer of innovative Ground Penetrating Radar (GPR) systems which are used for commercial and Industrial applications, all over the world.

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 and calculation of the terminal values. The key assumptions are those regarding the discount rates, growth rates and expected changes to sales and direct costs due to inflationary pressures 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 17.2% per annum based on weighted average cost of capital.

The growth rate assumptions are based on management forecasts as below.

- Adien - These have been assessed as 14% growth for revenue in year 1 with 5% in year 2+3 and 3% for years thereafter.

- UTSI and PipeHawk combined these have been assessed as 9% for growth for revenue in year 1 and 59% for year 2, with the following 2 years at 3%.

- TED - The distribution agreement with Unipart has now commenced, along with CP7 and therefore the forecasts are based on a 129% growth for year 1, 20% in year 2, 15% in year 3 and 7% in years 4 and 3% in year 5.

12 Non-current investments

Company

Investment in subsidiaries	**Investment in subsidiaries £'000**	**Total £'000**
Cost		
At 1 July 2023	1,903	1,903
Additions	-	-
At 30 June 2024	1,903	1,903
Impairment		
Provided at 30 June 2023	(915)	(915)
Additional impairment	(988)	(988)
Net book value		
At 30 June 2024	-	-
At 30 June 2023	988	988

Subsidiary	**Parent and Group interest in ordinary shares and voting rights**	**Country of incorporation**	**Principal activity**
Adien Ltd	100%	England & Wales	Specialist surveying
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	100%	England & Wales	Dormant
CE Marking Services Ltd	100%	England & Wales	Dormant
QM Systems Ltd (in administration)*	100%	England & Wales	Test solutions

An impairment assessment was performed in line with the assessment of goodwill, see note 11 for further details.

The registered office of all of the above named subsidiaries, except Adien Ltd and Utsi Electronics Ltd is Units 2a & 3 Crabtree Road, Forest Vale Industrial Estate, Cinderford, Gloucestershire, United Kingdom, GL14 2YQ.

The registered office of Adien Ltd is Derek Lewis Building, Millfield Ind Estate, Bentley, Doncaster, DN5 0SJ

The registered office of Utsi Electronics Ltd is Unit 26, Glenmore Business Park, Ely Road, Waterbeach, Cambridge, Cambridgeshire, CB25 9PG.

*As noted in the post balance sheet events note, QM Systems Limited has entered into administration, please refer to Chairman's statement for details.

13 Inventories

	Group		Company	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Raw materials	0	106	-	-
Finished goods	113	147	-	-
	113	253	-	-

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 £2,709,000 (2023: £2,294,000). For the Parent company this was £nil (2023: £nil).

14 Trade and other receivables

	Group		Company	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Current				
Trade receivables	504	1,263	-	-
Amounts owed by Group undertakings less provision	-	-	9	9
Other Debtors	125	374	-	2
Accrued income	235	190	-	-
Prepayments	143	940	-	-
	1,007	2,767	9	11

15 Trade and other payables

	Group		Company	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Current				
Trade payables	406	1,197	55	34
Other taxation and social security	370	1,002	13	-
Payments received on account	389	2,164	-	-
Accruals and other creditors	209	1,029	61	103
	1,374	5,392	129	137

	Group		Company	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Non-current				
Amounts owed to Group undertakings	-	-	310	2,002
Other creditors	121	-	-	-
	121	-	310	2,002

The performance obligations of the IFRS 15 contract liabilities (payments received on account) are expected to be met within the next financial year. The brought forward payments received on account figure was £2,164,000, during the financial year 2024 £2,164,000 has been recognised as revenue in the statement of comprehensive income.

16 Borrowing analysis

	Group		Company	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Due within one year				
Bank and other loans	783	677	578	379
Directors' loan	2,035	1,783	2,035	1,783
Obligations under lease agreements	111	426	-	-
	2,929	2,886	2,613	2,162
Due after more than one year				
Bank and other loans	342	350	240	221
Directors' loan	3,342	2,501	3,342	2,501
Obligations under lease agreements	96	2,062	-	-
	3,780	4,913	3,582	2,722
Repayable				
Due within 1 year	2,929	2,886	2,613	2,162
Over 1 year but less than 2 years	3,652	3,040	3,522	2,611
Over 2 years but less than 5 years	128	1,873	60	111
	6,709	7,799	6,195	4,884

Directors' loans

Included with Directors' loans and borrowings due within one year are accrued fees and interest owing to G.G Watt of £2,035,000 (2023: £1,783,000). The accrued fees and interest are repayable on demand and no interest accrues on the balance.

The director's loan due in more than one year is a loan of £3,342,000 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 £2,342,000 (2023: £1,501,000) was outstanding in relation to this loan. During the year to 30 June 2024 £543,000 (2023: £393,000) 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 £1 million and has been recognised in non-current liabilities of £3,342,000.

Pursuant to amendments made on 13 November 2014, 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 5p 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.

Bank and other loans

Included in bank and other loans is an invoice discounting facility of £170,766 (2023: £261,962). The principal terms of which are interest at 2.58% over Bank of England base rate and secured on the company's debtors.

Included in bank and other loans is a secured mortgage of £93,569 which incurs an interest rate of 2.44% over base rate for 10 years and at a rate of 2.64% over base thereafter.

As a result of COVID 19, Coronavirus Business Interruption Loan Scheme (CBILS) became available for the business. This enabled the group to secure two loans. The loan for £400,000 had a remaining balance outstanding of £153,000, and the second loan of £150,000 had a remaining balance outstanding of £68,000, both at a rate of 2.96%. The amount of interest paid during the Financial Year was £18,898.

The business was also able to secure a Bounce Back loan through Wessex Precision Engineering of £24,000 the remaining balance outstanding is £14,000, and Utsi obtained £50,000 bounce back loan the remaining balance outstanding is £29,000 both with an interest rate of 2.5%.

2024	Bought forward £'000	Cash flows £'000	Non-cash: Lease release / disposal £'000	Non-cash: New leases £'000	Non-cash: Accrued fees /interests £'000	Carried forward £'000
Director loan	4,284	769	-	-	323	5,376
Leases	2,487	(572)	(1,873)	75	90	207
Other	1,028	30	-	-	68	1,126
Loans and borrowings	7,799	227	(1,873)	75	481	6,709

2023	Bought forward £'000	Cash flows £'000	Non-cash: Lease release / disposal £'000	Non-cash: New leases £'000	Non-cash: Accrued fees/interests £'000	Carried forward £'000
Director loan	4,446	(393)	-	-	231	4,284
Leases	2,692	(455)	-	156	94	2,487
Other	1,201	(210)	-	-	37	1,028
Loans and borrowings	8,339	(1,058)	-	156	362	7,799

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.

Credit risk
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 2024, the top 3 customers comprised 41% (2023: 30%) 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.

Within revenue there are two customers which individually represent 11.8% and 9.1% of the overall revenue for the financial year, this compared to 13.6% and 11.36% in the previous financial year.

An analysis of trade and other receivables:

2024	Weighted average loss rate £'000	Gross carrying value £'000	Impairment loss allowance £'000
Performing	0.00%	1,007	-

2023	Weighted average loss rate	Gross carrying value £'000	Impairment loss allowance £'000

Performing	0.00%	2,767	-

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 £23,000 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:

2024	Less than 1 year	Due between 1-2 years	Due between 2 – 5+ years	Total
	£'000	£'000	£'000	£'000
Trade and other payables	1,374	121	-	1,495
Borrowings	2,818	3,614	70	6,502
Lease liability	111	96	-	207
	4,303	3,831	70	8,204

2023	Less than 1 year	Due between 1-2 years	Due between 2 – 5+ years	Total
	£'000	£'000	£'000	£'000
Trade and other payables	1,734	-	-	1,734
Borrowings	2,514	2,594	204	5,312
Lease liability	426	393	1,668	2,487
	4,674	2,987	1,872	9,533

Financial liabilities of the Company are all due within less than three months 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

	2024 No.	**2024 £'000**	**2023 No.**	**2023 £'000**
Authorised				
Ordinary shares of 1p each	40,000,000	400	40,000,000	400
Allotted and fully paid				
Brought forward	36,312,823	363	36,312,823	363
Issued during the year	-	-	-	-
Carried forward	36,312,823	363	36,312,823	363

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

12,893,703 (2023: 12,953,703) share options were outstanding at the year end, comprising the 2,040,000 employee options and the 10,853,703 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 (2023 : nil).

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 November 2019 and November 2026	400,000	3.875p
Between November 2020 and November 2027	100,000	3.75p
Between March 2024 and March 2031	1,290,000	8.00p
Between January 2026 and January 2033	1,400,000	14.25p

Directors' share options

	Number of options					
Directors' share 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
R MacDonnell	200,000	-	-	200,000	8.0p	18 Mar 2024
T Williams	200,000	-	-	200,000	14.25p	10 Jan 2026

The Company's share price at 30 June 2024 was 8.50p. The high and low during the period under review were 13.00p and 5.25p 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 6.86 years (2023: 7.72 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 - £251,419

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

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

	2024 £	2023 £
Balance due from:		
Thomson Engineering Design Limited	391,898	679,649
Wessex Precision Engineering Limited	8,520	8,520
Balance due to:		
Adien Limited	16,614	99,278
QM Systems Limited	-	1,702,813
Utsi Electronics Limited	256,897	200,001

These intergroup balances vary through the flow of working capital requirements throughout the Group as opposed to intergroup trading. The balance due from TED £391,898 has been provided for based on a review of recoverability of intercompany balances.

There is no ultimate controlling party of PipeHawk plc.

Other related party transactions

	2024 £	2023 £
Balance due to:		
Online Engineering Systems Ltd	200,216	-

20 Government grants

A government grant was recognised during the period:

	Group		Company	
	2024 £'000	2023 £'000	2024 £'000	2023 £'000
Grant	18	-	-	-
	18	-	-	-

21 Post Balance Sheet Events

On 16th July 2024 QM Systems Ltd, the Group's largest subsidiary, was placed into Administration (for further details see the Chairman's Statement). The events giving rise to this happened immediately after the year end. Because this has such a material effect on the Group's balance sheet, as explained in note 1.4, the directors have reflected the full implications of the Administration in the Group's consolidated balance sheet at 30 June 2024. This, the directors believe, fairly reflects the status of the Group as it moves forward into the current financial year.

22 Copies of Reports 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, 2a & 3 Crabtree Road, Forest Vale Industrial Estate, Cinderford, England, GL14 2YQ and from the Company's website www.pipehawk.com.

23 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 at 5th floor, 5 St Helen's Place, London, EC3A 6AB at 11:30 am on 19 December 2024.