HAWKWING PLC

Annual Report and Financial Statements
For The Year Ended 31 December 2021

Co.Reg.no 07741649 (England and Wales)

Contents

STRATEGIC REPORT

2021 Full Year Results

The Company's headline results are set out as follows:

HEADLINE RESULTS	Year ended 31 December 2021	Year ended 31 December 2020
	£000	£000
Operating loss	**(388)**	**(340)**
Headline EBITDA[1]	(388)	(235)
Loss before tax	**(90)**	**(340)**
Loss per share (£)	(0.0004)	(0.019)

1. Headline EBITDA is operating loss adjusted to remove the impact of exceptional income/costs. 2020 costs relate to the move from AIM to the Standartd List of the Main Market.

BALANCE SHEET	31 December 2021	31 December 2020
	£000	£000
Non-current assets		
Investments in financial assets	14,414	-
Current assets		
Trade and other receivables	1,577	43
Cash and cash equivalents	2,311	1,060
Current liabilities		
Trade and other payables	(90)	(32)
Non-current liabilities		
Convertible loan notes	(15,283)	-
Deferred tax	(417)	-
Net assets	**2,512**	**1,071**

STRATEGIC REPORT (continued)

Principal Activities and Business Review

As a cash shell, the principal activity of the business in the year has been to identify potential acquisition opportunities. On 12 July 2021 we announced the potential reverse takeover of Internet Fusion Group ("IFG"), and on 12 August 2021 the Company issued £16.5 million of Convertible Unsecured Loanstock ("CULS"). £13.7 million of the net proceeds of the CULS were then loaned to IFG on 17 September to acquire Northcore Limited and Shade Limited (t/a Shade Station). The loan to IFG was secured against the assets of the two acquisitions and guaranteed by IFG; it was for a three-year term carrying an 8% per annum interest rate. In addition, there was a redemption premium depending on when the loan is repaid. On 13 December 2021, IFG withdrew from the potential reverse takeover. As set out in the Company's announcement on 24 December, the Company is in discussions with IFG to unwind the loan. The Company's listing is currently suspended as a result of the loan to IFG.

The Company's strategy continues to be to consider opportunities with an initial focus on acquiring one or more companies in industries such as digital marketing, medical applications, business and financial services and the sports sector. The Board will continue to review potential targets and will update shareholders when appropriate, as and when appropriate opportunities arise. Whilst an acquisition is being sought, the Board intends to keep costs to a minimum to preserve cash.

PRINCIPAL RISKS AND UNCERTAINTIES

The management of the Company and the execution of the Company's strategies are subject to certain risks, and the main new areas of risks the Company faces are in connection with the convertible loan notes and secured loan receivable. These and the other key business risks are detailed below.

Identifying suitable acquisition opportunities
The success of the Company's business strategy is dependent on its ability to identify sufficient suitable acquisition opportunities. The Company cannot estimate how long it will take to identify suitable acquisition opportunities or whether it will be able to identify any suitable acquisition opportunities at all within one year after the date of admission. If the Company fails to complete a proposed acquisition (for example, because it has been outbid by a competitor) it may be left with substantial unrecovered transaction costs, potentially including fees, legal costs, accounting costs, due diligence or other expenses to allow it to pursue further opportunities. Furthermore, even if an agreement is reached relating to a proposed acquisition, the Company may fail to complete such acquisition for reasons beyond its control. Any such event will result in a loss to the Company of the related costs incurred, which could materially adversely affect subsequent attempts to identify and acquire another target business. In lieu of the fact that an acquisition has not been announced within the first 12 months of Admission the Board will ask Shareholders to approve to continue pursuing an acquisition for a further 12 months at its AGM.

Risk management
The risks that the Company faces have been considered and policies have been implemented to best deal with each risk. The most significant risks are set out as follows:

Interest rate risk
The Company has both interest-bearing assets and interest-bearing liabilities. Interest bearing assets comprise of cash balances which earn interest at floating rates and a loan on which interest is charged at a fixed rate, plus a redemption premium. Interest bearing liabilities consist of convertible loan notes which attract interest at a fixed rate.

The Company's policy is to minimise interest charges through active cash management. Interest charges on the Company's financial assets and liabilities form part of a pre-planned and structured arrangements, and these arrangements are kept under regular review.

STRATEGIC REPORT (continued)

Credit risk
The Company has no trade receivable balances, and the other receivable balances predominantly relate to the costs of issuing the convertible loan notes and granting the secured loan receivable which are due to be reimbursed to the Company under the terms of the secured loan arrangement. The IFG loan is secured against the assets of the loan counterparty. In view of the security in place there is considered to be no significant risk of non-payment.

Liquidity risk
The Company's approach to managing its liquidity risk is to maintain sufficient cash and other working capital to always meet its liabilities when they fall due. Liquidity risk and cash requirements are regularly reviewed by reference to short term cash flow forecasts and medium-term working capital projections.

Currency risk
The Company's only current exposure to currency risk is with regard to amounts held in foreign currency bank accounts. The non-sterling cash balances at 31 December 2021 were US$60 (2020: US$130).

COVID-19
Trading conditions are likely to remain dynamic amid social and market uncertainty related to the Covid-19 pandemic. The Company continues to monitor the situation however, the full impact of the Covid-19 pandemic on the Company will depend on a variety of factors including the length of time any restrictions on social movement are in place and the extent to which further measures are required. The Company is of the opinion that the operations and business model of the Company should be able to accommodate a relatively high degree of variability.

KEY PERFORMANCE INDICATORS ("KP I's")

Following the divestment of all its investments in group undertakings, the Company no longer has any operational businesses using KPI's. As a result, performance against KPIs is not presented within these financial statements.

The Company's immediate future performance criteria relate to a successful future acquisition/reverse takeover.

Environmental policy
The Company is committed to minimising the environmental impact of the activity of its employees through the application of modern working practices to reduce business miles travelled.

Employees
The Company is an Equal Opportunities Employer and no job applicant or employee receives less favourable treatment on the grounds of age, sex, marital status, sexual orientation, race, colour, religion or belief.

It is the policy of the Company that individuals with disabilities, whether registered or not should receive full and fair consideration for all job vacancies for which they are suitable applicants. Employees who become disabled during their working life will be retained in employment whenever possible and will be given help with any rehabilitation and retraining.

Corporate and social responsibility
The Board recognises the growing awareness of social, environmental and ethical matters and it endeavours to take account of the interest of the Company's stakeholders when operating the business.

Human rights
Whilst the Company does not have a specific human rights policy, it takes seriously the responsibility to respect human rights. Fairness and integrity are an important part of the way the business is run and employees are encouraged to raise any concerns in this area to management at the earliest opportunity.

Anti-corruption and anti-bribery

The Company takes seriously the risks of its operations associated to corruption and fraud. The Company has implemented up to date internal control procedures to mitigate the risks of corruption and fraud and the Board acknowledges its responsibility for maintaining these improved processes.

Engagement with employees

The Company currently does not have any employees (other than directors) or customers but recognises that the long-term success of the business relies on effective engagement with customers and employees.

Engagement with suppliers

The Company's only suppliers currently are those supplying professional services. The Company manages relationships with suppliers as closely as possible to ensure the services provided meet the Company's high standards.

Engagement with shareholders

The Board recognises the importance of effective communication with its shareholders. A range of corporate information is available on the Company's website, and this statement and the information within the Company's Annual Report provide details to stakeholders on how the Company is governed. Company performance is communicated to its shareholders and the market in its results announcements, with further trading updates made where required and appropriate.

Events since the year end

There have been no significant events since the year end.

Section 172 Statement

The Directors set out their statement of compliance with s172 (1) of the Companies Act 2006 which should be read in conjunction with the rest of the annual report.

The Directors of the Company have a duty to promote the success of the Company. A director of the Company must act in a way they consider, in good faith, to promote the success of the Company for the benefit of its members and in doing so have regards (amongst other matters) to:

- The likely consequence of any decision in the long term;
- The interest of the Company's employees;
- The need to foster the Company's business relationships with suppliers, customers and others;
- The impact of the Company's operations on the community and the environment;
- The desirability of the Company to maintain a reputation for highest standards of business conduct; and
- The need to act fairly between members of the Company.

The Directors are committed to developing and maintaining a governance framework that is appropriate to the business and supports effective decision making coupled with robust oversight of risk and internal controls.

STRATEGIC REPORT (continued)

Approved by the Board of Directors and signed on its behalf by:

Dwight Mighty
Director
1 June 2022

Board of Directors

Keith Sadler – Senior Independent Non-Executive Director

Keith is CFO of 4Global plc, a Data and Services business within the sports participation market. He is a non-executive director of Warpaint plc, a colour cosmetics business, for which he chairs the audit committee and non-executive Chairman of HR Dept Group Limited, a professional services business, and Silver Bullet Data Services Group Ltd, a contextual data management marketing organisation. Historically, Keith has been CEO or CFO of a number of quoted companies in the marketing services, telecoms and media industries. Keith is a chartered accountant and holds an honours degree in economics from the University of Kent

Ian Robinson – Non-Executive Director

Ian is currently chairman and a non–executive director of Jaywing Plc, an AIM listed agency and consulting business specialising in data science, and a non-executive director of Gusbourne Plc and an AIM listed English sparkling-wine business. He is also a director of a number of other privately-owned businesses.

He has held other senior financial appointments both in the UK and overseas. He is a Fellow of the Institute of Chartered Accountants in England & Wales. He holds an honours degree in economics from The University of Nottingham.

Ken Wotton – Non-Executive Director

Ken Wotton is currently Managing Director, Public Equity at Gresham House Asset Management Limited where he leads the Public Equity investment team and sits on the Baronsmead VCT Investment Committee, the Gresham House Equity Funds Investment Committee and the Strategic Public Equity Investment Committee. Ken has over 20 years' experience of financial markets and has spent the past 12 years investing in public and private markets specialising in smaller entrepreneurial growth companies.

Ken was previously an investor at private equity firm Livingbridge where he was a Director and Head of Quoted Investments and a member of Livingbridge VC LLP and the Livingbridge VC Investment Committee. Ken started his career at KPMG before becoming an equity research analyst with Commerzbank; then Evolution Securities, building a sector expertise in telecoms and technology and knowledge of large and small listed companies and corporate transactions. Ken holds an MA in Politics, Philosophy and Economics from Brasenose College, Oxford and an ACA from the Institute of Chartered Accountants in England and Wales.

Dwight Mighty – Independent Non-Executive Director

Dwight was COO of Hawkwing (previously TLA Worldwide plc) from December 2011 to September 2019 and was appointed as a director after selling all of its trading activities in the USA, Australia and UK.

Prior to this he was Chief Financial Officer and became Chief Operating Officer of Essentially Group plc, a Sports Marketing and Management business until it was acquired by Chime Communications Plc (Chime). At Essentially, Dwight was responsible for the Group's operational and financial control as well as its M&A and the regulatory and market reporting of the group. On acquisition by Chime Dwight became a member of the operating Board of the Chime Sports Marketing division. Dwight holds an MBA from Henley Management College and is an Associate of the Chartered Institute of Bankers in England.

Directors' report

The Directors present their report together with the financial statements for the year ended 31 December 2021.

Political and charitable donations
The Company made no charitable donations during the year (2020: £nil).

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

Dwight Mighty
Ian Robinson
Keith Sadler
Ken Wotton

Going concern
The Company raised £1.3m, before costs, in September 2020 and issued convertible loan notes for proceeds of £16.5m in August 2021. After an onward secured loan of £13.7m in September 2021 the Company has £2.3m in cash on its balance sheet at the year end. The directors consider that the security arrangements in place on the loan receivable are such that loan and associated interest and redemption premium will be fully recoverable. The Company has minimal ongoing costs which reflect the costs of administrating its listing on the London Stock Exchange.

Based on the current cash availability and predicted expenditure levels, the directors believe the Company's resources are sufficient to allow the Company to meet its obligations as they fall due for the foreseeable future, and as a minimum for a period of at least 12 months from the date of approval of these financial statements. Consequently, the Directors will continue to prepare the financial statements on a going concern basis.

Directors' interests
The present membership of the Board, together with biographies on each, is set out on page 7. Directors' interests in shares in the Company are set in the Directors' remuneration report.

Directors' third-party indemnity provisions
The Company maintains appropriate insurance to cover Directors' and officers' liability. The Company provides an indemnity in respect of all the Company's Directors. Neither the insurance or the indemnity provides cover where the Director has acted fraudulently or dishonestly.

Streamlined Energy and Carbon Reporting
The Company is exempt from streamlined energy and carbon reporting requirements as it has low energy consumption of less than 40,000 kWh during the reporting period.

Health and safety
The Company is committed to maintaining a safe and healthy working environment for all staff. To that end it provides appropriate training and supervision.

Supplier payment policy
It is the Company's policy and practice to settle its suppliers accounts on due dates according to agreed terms of credit. The creditor terms are for payment to be made between 30 and 60 days (2020: 30 to 60 days). The creditor days at the year-end were 15 days (2020: 2 days). The Company has £16k of trade payables as at 31 December 2021 (2020: £2k).

Directors' report (continued)

Share capital structure
Details of the Company's share capital are set out in note 15 of the financial statements.

The Company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company. There are no restrictions on the transfer of ordinary shares in the capital of the Company other than the customary restrictions contained in the Company's Articles of Association and certain restrictions, which may be required from time to time by law, for example, insider trading laws.

The Company is not aware of any agreements between shareholders that may result in restrictions on the transfer of securities and/or voting rights. The Company's Articles of Association contain limited restrictions on the exercise of voting rights.

With regard to the appointment and replacement of Directors, the Company is governed by its Articles of Association, the Companies Act and related legislation. The Articles themselves may be amended by special resolution at a general annual meeting of shareholders. The powers of the Directors are described in the Main Board Terms of Reference, copies of which are available on request.

Financial instruments
Details of the financial risk management objectives and policies of the Company are given in note 19 to the financial statements.

Dividends
The Directors, having consideration to the cash resources of the Group, do not propose to pay a dividend for the financial year (2020: Nil)

Substantial shareholdings
At the date of this report the Company has been notified, in accordance with the Disclosure and Transparency Rules, of the following voting rights as a shareholder of the Company which had disclosable interests of 3% or more of the nominal value of Hawkwing plc's ordinary shares of 2p each.

Shareholder	Shares	Equity %
Gresham House Asset Managem ert Lim ted	14,227,380	28.29
Strand Associates	5,893,586	11.72
Nigel Wray	5,629,000	11.19
David Walker	2,500,000	4.97
Stephen Hemsley	1,950,000	3.88
Mark Glatman	1,666,666	3.31
Steven Metcalfe	1,666,666	3.31
Adam Reynolds	1,666,666	3.31
Jo rathan Satchell	1,666,666	3.31

Annual General Meeting
Attention is drawn to the Notice of Meeting enclosed with this Annual Report, which sets out the resolutions to be proposed at the forthcoming Annual General Meeting.

Corporate Governance
The Governance report forms part of The Directors Report and is disclosed on pages 15 to 20.

Directors' report (continued)

Auditor

Crowe U.K. LLP were appointed as auditor and have expressed their willingness to continue in office and a resolution that they be re-appointed will be proposed at the Annual General Meeting.

Each of the Directors at the date of the approval of this Annual Report confirms that:

- So far as the directors are aware, there is no relevant audit information of which the Company's auditor is unaware; and
- The directors have taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This conformation is given and should be interpreted on accordance with the provision of s418 of the Companies Act 2006.

By order of the Board,

Dwight Mighty
Director
1 June 2022

Directors' remuneration report

Dear Shareholders,

On behalf of the Board, I am pleased to present the remuneration report, in accordance with Schedule 8 of the Companies Act.

Hawkwing was listed on the Standard List and admitted to trading on the London Stock Exchange's Main Market on 30 September 2020. Since the listing, Hawkwing has been a cash shell seeking to make acquisitions industries such as digital marketing, medical applications, business and financial services and the sports sector.

At present the Company has four directors all of whom are non-executive.

The Remuneration Committee
The Remuneration Committee is comprised of:

- Ian Robinson (Chairman)
- Keith Sadler
- Ken Wotton

The Remuneration Committee is comprised of non-executive Directors. Ken Wotton is managing Director, Public Equities of Gresham House Asset Management who hold 28.29% of the Company's equity, and Ian Robinson is closely affiliated to the major shareholder of Strand Associates who hold 11.72% % of the Company's equity. Ken Wotton and Ian Robinson are therefore not considered independent under the UK corporate governance code. The Board does consider the remuneration committee to act independently about remuneration issues.

The committee did not meet during the year. The Company Secretary is the secretary to the committee.

The committee seeks input from the Company Secretary. The committee refers to external evidence of pay and employment conditions in other companies and is free to seek advice from external advisers.

Remuneration policy
The Company's policy on remuneration for the current year and, so far as is practicable for subsequent years, is set out below. However, the Remuneration Committee believes that it should retain the flexibility to adjust the remuneration policy in accordance with the changing needs of the business. Any changes in the policy in subsequent years will be detailed in future reports on remuneration. The Company must ensure that its remuneration arrangements attract and retain people of the right calibre to ensure corporate success and to enhance shareholder value. Its overall approach is to attract, develop, motivate and retain talented people at all levels, by paying competitive salaries and benefits to all staff and encouraging its staff to hold shares in the Company. Pay levels set take account of contribution and individual performance, wage levels elsewhere in the Company and regarding relevant market information. The Company seeks to reward employees fairly and give them the opportunity to increase their earnings by linking pay to achieving business and individual targets.

The Board believes that share ownership is an effective way of strengthening employees' involvement in the development of the business and bringing together their interest and those of shareholders and as such anticipates granting a share option scheme to key employees in the future.

Executive Directors are rewarded based on individual responsibility, competence and contribution and salary increases also consider pay awards elsewhere in the Company as well as external market benchmarking.

There were no Executive Directors during the year ended 31 December 2021.

Directors' remuneration report (continued)

In the ordinary course of business, performance-related elements form a substantial part of the total remuneration packages and are designed to align Directors' interest with those of shareholders. However, remuneration in 2021 included no performance-related elements in view of the cessation of activity.

Given the Company's status as a cash shell it does not have any Executive Directors. The Company will ensure that, in line with best practice, it will align the management team's and shareholders' interests by encouraging the Executive Directors and the management team to maintain a holding of ordinary shares in the Company.

Element	Detail
Basic salary	Basic salary is set by the Remuneration Committee by taking into account the responsibility, individual performance and experience of the Executive Director, as well as market practice for executives in a similar position. Basic salaries are reviewed (but not necessarily increased) annually by the Remuneration Committee.
Benefits	No benefits are provided. At the point of an acquisition benefit provisions will be reviewed and changed in light of scale of the business acquired.
Pensions	No pensions are provided. At the point of an acquisition pension provisions will be reviewed and changed in light of scale of the business acquired.
Bonuses	Executive Directors are eligible to participate in annual bonuses. The performance requirements for the ability to earn a bonus are set by the committee annually and are quantitative related. There were no executive directors in 2021.
Share incentive	The Company's share incentive scheme expired in 2017. No share incentives remained at 31 December 2020 or 31 December 2021.
Non-Executive Directors' fees	The Board determines fees for Non-Executive Directors annually, taking advice as appropriate and reflecting the time commitment and responsibilities on the role. Non-Executive Directors' fees comprise a basic fee of £30,000 per annum. In addition, Non-Executive Directors are paid £5,000 per annum for each committee that they sit on.

Directors' remuneration report (continued)

Audited directors' remuneration

The total amount of the Directors' remuneration of the Company for the year ended 31 December 2021 is shown below.

	2021	2020
	£000	£000
Aggregate emoluments	168	18

The emoluments of the Directors are shown below:

	2021	2021	2021	2020
	Fees and salary	Benefit in kind	Total	Total
	£000	£000	£000	£000
Non-Executive Directors:				
Dwight Mighty	48	-	48	18
Keith Sadler	40	-	40	-
Ian Robinson	40	-	40	-
Ken Wotton	40	-	40	-
Aggregate emoluments	**168**	**-**	**168**	**18**

Directors' service agreements and letters of appointment

Non-executive Directors have letters of appointment, details of which are as follows:

	Date of contract	Notice Period	Company with whom contracted
Keith Sadler	16 August 2011	6 months	Hawkwing plc
Ian Robinson	22 May 2014	6 months	Hawkwing plc
Ken Wotton	1 December 2016	6 months	Hawkwing plc
Dwight Mighty	9 August 2019	1 month	Hawkwing plc

In the event of termination of a contract, each director is entitled to compensation equal to their basic salary and bonus for their notice period. The Non-Executive Directors agreed to waive their fees during 2020.

Directors' remuneration report (continued)

Directors' interests in shares
The interests of the Directors in the share capital of the Company at 31 December 2021 were as follows:

	Number of shares	Equity %
Dwight Mighty	874,753	1.74

Pensions
No pension scheme existed in the Company at 31 December 2021 (2020: nil).

Non-Executive Directorships
The Company allows its Executive Directors to take a limited number of outside Directorships. Individuals retain the payments received from such services since these appointments are not expected to impinge on their principal employment.

Other related party instructions
No Director of the Company has, or had, a disclosable interest in any contracts of significant subsisting during or at the end of the period.

UK 10-year performance graph against CEO remuneration
The Directors have considered the requirement for a UK 10-year performance graph comparing the Company's Total Shareholder Return with that of a comparable indicator. The Directors do not currently consider that including the graph will be meaningful because Company currently has no trading business, it is not paying dividends and its sole purpose at present is to seek an acquisition. In addition, and as mentioned above, the remuneration of Directors is not currently linked to performance at this point. The Directors intend to include such a comparison table in future reports once an acquisition has been completed.

Relative importance of spend on pay
The Directors have considered the requirement to present information on the relative importance of spend on pay compared to other financial metrics. Given that the Company has no trading business, does not currently generate revenues or pay dividends, the Directors do not believe it is necessary to include such information or that it would serve any meaningful purpose at the current time.

UK Remuneration percentage changes
Listed companies are required to make disclosures in respect of percentage year-on-year changes in the lead executive's and employee groups. Hawkwing has no employees other than its Non-Executive Directors and these disclosures are not applicable.

By order of the Board

Ian Robinson
Chairman, Remuneration Committee
1 June 2022

Corporate governance report

Introduction from Chairman

I am pleased to introduce this year's corporate governance statement. In this statement, the Company reports on its compliance with the QCA Code, sets out how the Board and its committees have operated during the past year and describes how the Board exercises effective oversight over the Company's activities in the interests of shareholders.

The Board recognises the importance of a strong corporate governance culture and has established a framework for corporate governance which it considers to be appropriate to the business of the Company as a whole.

The Board believes that good corporate governance reduces risks within the business, promotes confidence and trust amongst its stakeholders and is an important part of the effectiveness and efficiency of the Company's management framework. The Board considers that the Company complies with the QCA Code so far as is practicable having regard to the size, nature and current stage of the Company's development. The Company will provide annual updates on its compliance with the QCA Code.

The business is a Cash Shell and it will therefore not comply with all the rules of the QCA code as indicated below due to its status, for example the Company does not have employees and therefore cannot communicate with them. If an acquisition is completed the Board expects to put processes in place to comply with all the QCA code requirements relevant to the business size and complexity.

The Company's application of the ten principles of the QCA Code are set below:

1. Strategy & business model

The Company's business model and strategy is set out in this document in the Strategic Report on pages 2 to 6 and also includes details of the key risks and challenges facing the Company.

2. Understanding and meeting shareholder needs and expectations

Feedback from investors is obtained through direct interaction between the Company's board following its full year and half year results, and certain other ad hoc meetings that take place throughout the year. The voting record at the Company's general meetings is monitored and we are pleased that all resolutions were passed by shareholders at the 2021 Annual General Meeting.

3. Taking into account wider stakeholder and social responsibilities and their implications for long-term success

Due to the size of the Company, it does not currently have a policy for interaction with its wider stakeholder base. Nor does it have a social responsibility policy. These will both be reviewed on the successful completion of an acquisition.

4. Embedding effective risk management

The Company is a Cash Shell and its risk management controls are focused on cost, cash and regulatory matters. The relevant risk management controls will be re-established once an acquisition has been executed. These controls will reflect the risks, internally and externally, that the acquisition faces and how to mitigate and control these risks to ensure the delivery of the acquisition's strategy.

Corporate governance report (continued)

5. Maintaining a balanced and well-functioning Board

The Board currently comprises four Non-Executive Directors being Keith Sadler, Ken Wotton, Ian Robinson and Dwight Mighty. Keith Sadler is considered to be an independent Non-Executive Directors. The Board believes the current structure is appropriate for the time being given the current status of the Company. The composition and operation of the Board is described on page 7 of this report and biographical details of the Board are also on page 7.

The Board delegates specific responsibilities to the Board committees. The composition of the committees and how they discharge their responsibilities can be found on pages 19 and 20 of the Annual Report and Accounts. Part of the role of the Board's is to ensure that the composition of the Board is kept under review as the Company's business evolves.

6. Having appropriate experience, skills and capabilities on the Board

The experience and skills of each of the Board members is set out on page 7 of this report and is both recent and relevant in all of their cases. The Board has significant and an appropriate level of experience, skill and capabilities given the nature and size of Company, but the Board does intend to appoint further independent Non-executive Directors in the future. A further update will be provided in this regard when appropriate.

The Board's skill set are appropriate to the Company as it seeks to make an acquisition. These skills cover mergers and acquisitions, investment management, finance and operational experience. All of which will be required in finding and structuring an acquisition. Given the Directors' other business interests, these skills are continually kept up to date.

7. Evaluating Board performance

Due to the Company being a Cash Shell the succession plans of both the Board and senior management and the evaluation of Board effectiveness has not occurred. This will be reviewed following the successful completion of an acquisition.

8. Ethical values and behaviours

The Board recognises its responsibility for establishing high ethical standards of behaviour and corporate governance and the Company has policies in place which are appropriate for its current situation. On acquiring a business the Board will review the polices, including, but not limited to: health and safety; anti-bribery; environmental protection; equal opportunities; equality and diversity; training and development; whistleblowing and modern slavery, to support our approach of conducting business in an open and transparent manner that is in line with the core values. The Board will monitor these polices by formal reporting to it by the CEO/COO and CFO when they are appointed.

9. Maintaining governance structures and processes

The role of each member of the Board is clearly defined. The Board has three committees: Audit, Remuneration and Nominations, each with its own terms of reference that are kept under regular review. The Board receives summaries of the matters considered at each meeting and the terms of reference for the Committees require that, for significant issues such as the approval of the Annual Report and Accounts, the role of the relevant Committee is to make a recommendation to the Board for a decision.

Corporate governance report (continued)

10. Communicating with shareholders and other relevant stakeholders

The Board recognises the importance of effective communication with its shareholders. A range of corporate information is available on the Company's website, and this statement and the information within the Company's Annual Report and Accounts provide details to stakeholders on how the Company is governed.

Company performance is communicated to its shareholders and the market in its results announcements, with further trading updates made where required and appropriate.

The Board
The Board of Hawkwing plc is comprised of the four Non-Executive Directors. Short biographical details of each Director are set out in the Board of Directors section. The Board is responsible to the shareholders for the proper management of the Company and meets at least five times a year to set the overall direction and strategy of the Company. All strategic operational and investment decisions are subject to Board approval.

The Board is also responsible for ensuring a healthy corporate culture. Based on the nature of its business and the stage of the Company's development, this is largely implemented informally through interaction with employees and the approach to recruitment, with the Directors promoting a transparent, flexible and open culture in recognition that this will best serve the Company's strategy.

All directors are subject to re-election every three years. The Company has additionally supplemented this with the good practice of one third of the total number of Directors standing for re-election at each Annual General Meeting ("AGM"). Therefore, Ian Robinson will retire at the upcoming AGM and being eligible for re-election, offer himself for re-election.

Board Committees

Remuneration Committee
The composition of the Remuneration Committee is disclosed in the Directors' Remuneration Report. The Remuneration Committee, on behalf of the Board, as and when necessary, review and approve the contract terms, remuneration and other benefits of the Executive Directors, senior management and major remuneration plans for the Company.

The Remuneration Committee approves setting of objectives of the Executive Directors and authorises their annual bonus payments for achievement of objectives.

The Remuneration Committee approves remuneration packages sufficient to attract and motivate Executive Directors required to run the Company successfully but does not pay more than is necessary for this service.

During the year the remuneration committee did not formally meet. Further details of the Company's policies on remuneration and service contracts are given in the Directors' remuneration report.

Corporate governance report (continued)

Audit Committee
The Audit Committee comprises three Non-Executive Directors, Keith Sadler, Ian Robinson and Ken Wotton. By invitation, the meeting of the Audit Committee may be attended by any other Directors and the external auditor. The Committee meets not less than twice annually. The Audit Committee oversees the monitoring of the adequacy and effectiveness of the Company's internal controls, accounting policies and financial reporting and provides a forum for reporting by the Company's external auditor. Its duties include keeping under review the scope and results of the audit and its effectiveness, consideration of management's responses to any major audit recommendations and the independence and objectivity of the external auditors. This will include taking into consideration relevant UK professional and regulatory requirements and to develop and implement policy on the engagement of the external auditor to supply non-audit services, considering relevant ethical guidance.

Nominations Committee
The Nominations Committee comprises four Non-Executive Directors, Keith Sadler, Ian Robinson, Ken Wotton and Dwight Mighty. It is responsible for monitoring the composition and balance of the Board and making recommendations to the Board on potential new Board appointments.

In 2020 and 2021, the Nominations Committee did not meet.

Company Secretary
The Company Secretary is responsible for advising the Board through the Senior Independent Director on all governance issues. All Directors have access to the advice and services of the Company Secretary.

Attendance at Board and Committee meetings

Meeting	Board	Audit	Remuneration	Nominations
Total meetings held	*4*	2	-	-
Keith Sadler	4	2	-	-
Ian Robinson	4	2	-	-
Ken Wotton	3	2	-	-
Dwight Mighty	4	-	-	-

Relationship with shareholders
The Board recognises the importance of effective communication with the Company's shareholders to ensure that its strategy and performance is understood and that it remains accountable to shareholders. The Company communicates to investors through Interim Statements, audited Annual Reports, press releases and the Company's website (www.hawkwing.co). Shareholders are welcome to the Company's AGM (notice of which is provided with this report) where they will have the opportunity to meet the Board. The Company obtains feedback through its brokers on the views of institutional investors on a non-attributed and attributed basis and any concerns of major shareholders would be communicated to the Board.

Internal control
The Board acknowledges its responsibility for establishing and maintaining the Company's internal controls and will continue to ensure that management keeps the internal control processes under regular review and enhance them wherever appropriate.

Corporate governance report (continued)

Management structure
The Company has a clearly defined organisational structure, with established lines of reporting and delegation of authority based on job responsibilities and experience.

Financial reporting
Monthly management accounts are intended to provide relevant, reliable, up-to-date financial and non-financial information to management and the Board. Annual plans, quarterly re-forecasts and performance targets allow management to monitor the key business and financial activities and the progress towards achieving objectives. The Board approves the annual budget.

Monitoring of controls
The Audit Committee receives reports from the auditor and reviews the effectiveness of the internal control environment of the Company. Formal policies and procedures are currently being improved to allow the Committee to monitor the controls in place to ensure the integrity and accuracy of the accounting records and to safeguard the Company's assets. Significant capital projects, acquisitions and disposals require Board approval.

Going concern
The Company raised £1.3m, before costs, in September 2020 and issued convertible loan notes for proceeds of £16.5m in August 2021. After an onward secured loan of £13.7m in September 2021 the Company has £2.3m in cash on its balance sheet at the year end. The directors consider that the security arrangements in place on the loan receivable are such that loan and associated interest and redemption premium will be fully recoverable. The Company has minimal ongoing costs which reflect the costs of administrating its listing on the London Stock Exchange.

Based on the current cash availability and predicted expenditure levels, the directors believe the Company's resources are sufficient to allow the Company to meet its obligations as they fall due for the foreseeable future, and as a minimum for a period of at least 12 months from the date of approval of these financial statements. Consequently, the Directors will continue to prepare the financial statements on a going concern basis.

Corporate social responsibility
The Board recognises the growing awareness of social, environmental and ethical matters and it endeavours to consider the interests of the Company's stakeholders including investors, employees, suppliers and business partners when operating the business.

Employment
The Company has established polices which address key corporate objectives in the management of employee relations, communications and employee involvement, training and personal development and equal opportunity. The Board recognises its legal responsibility to ensure the wellbeing, safety and welfare of its employees and to maintain a safe and healthy working environment for them and for its visitors. Health and Safety will be on the agenda for regular scheduled Board and Operational Board meetings following a successful reverse takeover.

Audit Committee Report
On behalf of the Board, I am pleased to present the Audit Committee report for the year ended 31 December 2021. This report sets out the activities of the Audit Committee during 2021.

The Audit Committee is governed by terms of reference which are agreed by the Board and subject to annual review. The principal objectives of the Committee are to:

Corporate governance report (continued)

Principle responsibilities of the committee:

- Ensuring the financial performance of the Company is properly reviewed, measured and reported;
- Monitoring the quality and adequacy of internal controls and internal control systems implemented across the Company;
- Receive and review reports from the Company's management and auditors relating to the interim and annual accounts;
- Reviewing risk management policies and systems;
- Advising on the appointment, re-appointment and remuneration of independent external auditors, besides scheduling meetings with external auditors independent of management for discussions and reviews; and
- Reviewing and monitoring the extent and independence of non-audit services rendered by external auditors.

Members of the Committee

During the year the Committee comprised of Keith Sadler, Ian Robinson and Ken Wotton.

Internal controls and risk

The Board assigns to the Committee the responsibility of monitoring and improving the Company's internal controls governing the finances of the business. The system of internal controls is vital in managing the risks that the Company faces and safeguarding shareholders' interests.

Audit Process

The Committee reviews the findings of Crowe U.K. LLP and then approves the scope of work to be undertaken for the next financial reporting year, including the associated audit fees. In addition, a review of the effectiveness of the external audit process is undertaken and an annual assessment of the external auditor's independence is made.

By order of the Board

Keith Sadler
Chairman
1 June 2022

Directors' responsibilities statement

The directors are responsible for preparing the Strategic Report and the Directors' Report, the Directors' Remuneration Report , the Separate Corporate Governance Statement and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare Company financial statements for each financial year. The directors have elected under company law and are required under the Listing Rules of the Financial Conduct Authority to prepare financial statements in accordance with U K-adopted International Accounting Standards.

The Company financial statements are required by law and U K-adopted International Accounting Standards to present fairly the financial position and performance of the Company; the Companies Act 2006 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the Company financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and accounting estimates that are reasonable and prudent;

c. state whether they have been prepared in accordance with U K-adopted International Accounting Standards;

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' responsibilities statement (continued)

Directors' statement pursuant to the Disclosure and Transparency Rules

Each of the directors, whose names and functions are listed in the Directors' Report confirm that, to the best of each person's knowledge:

a. the financial statements, prepared in accordance with the applicable set of accounting standards give a true and fair view of the assets, liabilities, financial position and loss of the Company; and

b. the Strategic Report contained in the Annual Report includes a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties that it faces.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Hawkwing plc website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Dwight Mighty
Director
1 June 2022

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAWKWING PLC

Opinion

We have audited the financial statements of Hawkwing plc (the "company") for the year ended 31 December 2021 which comprise the income statement, the balance sheet, the statement of changes in equity, the statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and U Kadopted International Accounting Standards.

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of tits loss for the year then ended;
- have been properly prepared in accordance with U Kadopted International Accounting Standards; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (U K) (ISAs (U K)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the U K, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the entity's ability to continue to adopt the going concern basis of accounting included obtaining cash flow forecasts covering the period of at least 12 months from the date of these financial statements and reviewing these for reasonableness, including the associated assumptions and sensitivities.

In addition, we reviewed the disclosure included in the financial statements in relation to going concern and the appropriateness of the basis of preparation of the financial statements chosen by management. Based on the results of the audit procedures outlined above, we have no observations to report.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality
In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgement, we determined overall materiality for the financial statements as a whole to be £7 5,000,based on 3% of net assets.

We use a different level of materiality ('performance materiality') to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgements made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment. We determined performance materiality to be £52,500.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAWKWING PLC (cont'd)

Where considered appropriate performance materiality may be reduced to a lower level, such as, for related party transactions and directors' remuneration.

We agreed with the Audit Committee to report to it all identified errors in excess of £3,7 50 Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

The company has been subject to a full scope audit.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our scope addressed the key audit matter
Accounting treatment of convertible loan notes *The company issued convertible loan notes totalling £16.5m in the year and there is a risk that the loan is not accounted for in accordance with applicable accounting standards.*	We audited the accounting treatment of the convertible loan notes by carrying out the following procedures: - Assessed key terms of the convertible loan notes against the requirements of applicable accounting standards - Reperformance of the calculation determining the equity component of the convertible loan note - Considered whether the assumptions used in the calculation were reasonable and supportable. - We also reviewed the disclosures as detailed in the accounting policies and note 13 and considered the requirements of accounting standards. We have no adverse findings to report from our testing of convertible loan notes
Accounting treatment of loan receivable During the year, the company issued a loan which included a premium payable on redemption. There is a risk that the loan is not accounted for in accordance with applicable accounting standards and that the loan is not recoverable.	- We audited the accounting treatment of the loan issued by carrying out the following procedures: - Assessed key terms of the loan against the requirements of applicable accounting standards - Reperformance of the calculation of the fair value of the loan by reperformance of the calculation - Considered whether the assumptions used in the calculation were reasonable and supportable. - We also reviewed the disclosures as detailed in the accounting policies and note 10 and considered the requirements of accounting standards - Reviewed the directors' assessment regarding the recoverability of the loan verifying this to underlying documentation and correspondence. We have no adverse findings to report from our testing of loan receivable.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAWKWING PLC (cont'd)

Key audit matter	How our scope addressed the key audit matter
Recoverability of costs incurred in relation to aborted reverse acquisition During the year, the company incurred costs in relation to the proposed reverse acquisition which are seeking to be recovered. There is a risk that these costs are not recoverable.	We gained and understanding of the costs incurred in relation to aborted transaction and the assessment by the board regarding their recoverability. We also carried out the following audit procedures: - Agree the costs incurred to underlying documentation - Reviewed post year end correspondence and activity with the debtor to assess recoverability. We have no adverse findings to report from our testing of the debtor.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion the part of the directors' remuneration report to be audited has been properly prepared in accordance with the Companies Act 2006.

In our opinion 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 strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAWKWING PLC (cont'd)

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

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

- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the company financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit

Responsibilities of the directors for the financial statements

As explained more fully in the directors' responsibilities statement set out on pages 21-22, 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 the 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 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 objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (U K)will always detect a material misstatement when it exists. 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. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- enquiry of management about the Company's policies, procedures and related controls regarding compliance with laws and regulations and if there are any known instances of non-compliance;
- examining supporting documents for all material balances, transactions and disclosures;
- review of board meeting minutes;
- enquiry of management and review and inspection of relevant correspondence;
- evaluation of the selection and application of accounting policies related to subjective measurements and complex transactions;
- analytical procedures to identify any unusual or unexpected relationships;
- testing the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements; and
- review of accounting estimates for biases.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HAWKWING PLC (cont'd)

Owing to the inherent limitations of an audit, there is an unavoidable risk that some material misstatements of the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK). The potential effects of inherent limitations are particularly significant in the case of misstatement resulting from fraud because fraud may involve sophisticated and carefully organized schemes designed to conceal it, including deliberate failure to record transactions, collusion or intentional misrepresentations being made to us.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Other matters which we are required to address

We were appointed by the Audit Committee on 11 February 2022 to audit the financial statements for the period ending 31 December 2021. Our total uninterrupted period of engagement is 1 year, covering the periods ending 1 January 2021 to 31 December 2021.

The non-audit services prohibited by the FRC's Ethical Standard were not provided to the group's or the company and we remain independent of the group's and the company in conducting our audit.

Our audit opinion is consistent with the additional report to the audit committee.

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.

Mark Sisson

Mark Sisson
Senior Statutory Auditor
For and on behalf of
Crowe U.K. LLP
Statutory Auditor
Riverside House
40-46 High Street
Maidstone
Kent
ME14 1 JH

1 June 2022

HAWKWING PLC

Income Statement
For the year ended 31 December 2021

	Note	2021 £000	2020 £000
Administrative expenses		(410)	(340)
Other operating income		22	-
Operating loss	3	(388)	(340)
Headline EBITDA		(388)	(235)
Exceptional costs	3	-	(105)
Operating loss		(388)	(340)
Other gains and losses	7	1,029	-
Finance costs	8	(731)	-
Loss before taxation		(90)	(340)
Income tax	9	70	-
Loss for the year		**(20)**	**(340)**
Loss per share from continuing operations:			
Basic	2	(0.0004)	(0.019)
Diluted	2	(0.0004)	(0.019)

There were no items of other comprehensive income

HAWKWING PLC

Balance Sheet
31 December 2021

	Note	2021 £000	2020 £000
Non-current assets			
Investments in financial assets	10	**14,414**	-
Current assets			
Trade and other receivables	11	1,577	43
Cash and cash equivalents		2,311	1,060
Total current assets		**3,888**	**1,103**
Current liabilities			
Trade and other payables	12	(90)	(32)
Net current assets		**3,798**	**1,071**
Non-current liabilities			
Convertible loan notes	13	(15,283)	-
Deferred tax liabilities	14	(417)	-
		(15,700)	-
Net assets		**2,512**	**1,071**
Equity			
Share capital	15	3,731	3,731
Share premium	16	30,056	30,056
Option premium reserve	16	1,461	-
Merger reserve	16	251	251
Retained loss		(32,987)	(32,967)
Total equity		**2,512**	**1,071**

The financial statements of Hawkwing PLC, registered Company number 07741649 were appro ed by the Board of Directo s and autho ised fo rissue on 1 June 2022 and they are signed on its behalf by:

Dwight Mighty
Director

HAWKWING PLC

Statement of Changes in Equity
For the year ended 31 December 2021 and 2020

	Share capital	Share premium	Option premium reserve	Merger reserve	Retained loss	Total
	£000	£000	-	£000	£000	£000
Balance at 1 January 2020	**2,869**	**29,648**	**-**	**251**	**(32,627)**	**141**
Total comprehensive expense fo rthe year	-	-	-	-	(340)	(340)
Issue of share capital	862	408	-	-	-	1,270
Balance at 31 December 2020	**3,731**	**30,056**	**-**	**251**	**(32,967)**	**1,071**
Total comprehensive expense fo rthe year	-	-	-	-	(20)	(20)
Equity component of convertible loan notes	-	-	1,948	-	-	1,948
Deferred tax on equity component of convertible loan notes	-	-	(487)	-	-	(487)
Balance at 31 December 2021	**3,731**	**30,056**	**1,461**	**251**	**(32,987)**	**2,512**

HAWKWING PLC

Statement of Cash Flows
For the year ended 31 December 2021

	Note	2021 £000	2020 £000
Net cash flows used in operating activities	17	**(1,549)**	**(338)**
Investing activities			
Advance of loan receivable		(13,700)	-
Net cash used in investing activities		**(13,700)**	**-**
Financing activities			
Net proceeds on issue of shares		-	1,227
Proceeds on issue of convertible loan notes		16,500	-
Net cost from financing activities		**16,500**	**1,227**
Net increase in cash and cash equivalents		**1,251**	**889**
Cash and cash equivalents at beginning of the year		**1,060**	**171**
Cash and cash equivalents at end of the year		**2,311**	**1,060**

PRINCIPAL ACCOUNTING POLICIES

General information

Hawkwing PLC (the "Company") is incorporated and domiciled in the England and Wales under the Companies Act. The Company is a public limited company and the registered office address is: The Walbrook Building, 25 Walbrook, London, England, EC4N 8AF. The Company's principal activity is set out as part of the Strategic Report.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in the financial statements. Judgements made by the Directors in the application of these accounting policies that have a significant effect on the financial statements together with estimates with significant risk of material adjustment in the next year are set out within these accounting policies.

Basis of preparation

The financial statements have been prepared in accordance with IFRS, as adopted by the United Kingdom, including interpretations issued by the International Financial Reporting Interpretations Committee, applicable to companies reporting under IFRS and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention, except where fair value accounting is used.

Functional, presentational and foreign currency translation

The functional and presentational currency of the Company is Sterling. Transactions in currencies other than the Company's functional and presentational currency are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate.

Standards and interpretations in issue not yet adopted

There are no new standards or amendments in issue but not yet adopted that are either applicable to the financial statements of the Company or that would have any material impact on the financial statements of the Company.

Application of new standards in issue

For the preparation of these financial statements, the following new or amended standards have been adopted for the financial year beginning 1 January 2021:

- Amendments to IFRS 9, IAS 39, IFRS 4, IFRS 7 and IFRS 16 Interest Rate Benchmark (effective 1 January 2021)
- IFRS 16 Leases Covid-19 Related Rent Concessions beyond 30 June 2021 (effective 1 April 2021)

The adoption and implementation of these new or amended standards has had no impact on the Company's financial statements.

Going concern

The Company raised £1.3m, before costs, in September 2020 and issued convertible loan notes for proceeds of £16.5m in August 2021. After an onward secured loan of £13.7m in September 2021 the Company has £2.3m in cash on its balance sheet at the year end. The directors consider that the security arrangements in place on the loan receivable are such that loan and associated interest and redemption premium will be fully recoverable. The Company has minimal ongoing costs which reflect the costs of administrating its listing on the London Stock Exchange.

PRINCIPAL ACCOUNTING POLICIES (cont'd)

Going concern (continued)

Based on the current cash availability and predicted expenditure levels, the directors believe the Company's resources are sufficient to allow the Company to meet its obligations as they fall due for the foreseeable future, and as a minimum for a period of at least 12 months from the date of approval of these financial statements. Consequently, the Directors will continue to prepare the financial statements on a going concern basis.

Taxation

The tax expense represents the sum of the tax currently payable and deferred tax. The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement 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 Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable 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 balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company 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. The carrying amount of deferred tax assets is reviewed at each balance sheet 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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 Company intends to settle its current tax assets and liabilities on a net basis.

Leases under IFRS 16

On commencement of a contract (or part of a contract) which gives the Company the right to use an asset for a period of time in exchange for consideration, the Company recognises a right-of-use asset and a lease liability unless the lease qualifies as a 'short-term' lease or a 'low-value' lease.

All of the Company's current lease arrangements are for terms of twelve months or less which do not contain an option to purchase the leased asset, and consequently all lease payments are recognised as an expense on a straight-line basis over the lease term.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

PRINCIPAL ACCOUNTING POLICIES (cont'd)

Financial assets

Financial assets are recognised when the Company becomes party to the contractual provisions of the instrument.

Financial Instruments

Financial assets and liabilities are recognised in the balance sheet when the Company has become party to the contractual provisions of the instrument.

Trade and other receivables

Trade receivables are initially measured at their transaction price. Other receivables are initially measured at fair value plus transaction costs. Receivables are held to collect the contractual cash flows which are solely payments of principal and interest. Therefore, these receivables are subsequently measured at amortised cost using the effective interest rate method.

Financial assets at fair value through profit or loss (FVTPL)

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in 'Other gains and losses'. Fair value is determined in the manner described in note 19.

Impairment of financial assets

An impairment loss is recognised for the expected credit losses on financial assets when there is an increased probability that the counterparty will be unable to settle an instrument's contractual cash flows on the contractual due dates, a reduction in the amounts expected to be recovered, or both.

The probability of default and expected amounts recoverable are assessed using reasonable and supportable past and forward-looking information that is available without undue cost or effort. The expected credit loss is a probability-weighted amount determined from a range of outcomes and takes into account the time value of money.

Financial liabilities and equity

Financial liabilities are recognised when the Company becomes party to the contractual provisions of the instrument.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered. 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 Company are recognised at the proceeds received, net of direct issue costs.

Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less.

Trade and other payables are initially measured at fair value, net of direct transaction costs and subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

Derecognition of financial assets (including write-offs) and financial liabilities

A financial asset (or part thereof) is derecognised when the contractual rights to cash flows expire or are settled, or when the contractual rights to receive the cash flows of the financial asset and substantially all the risks and rewards of ownership are transferred to another party.

When there is no reasonable expectation of recovering a financial asset, it is derecognised ('written off'). The gain or loss on derecognition of financial assets measured at amortised cost is recognised in profit or loss.

A financial liability (or part thereof) is derecognised when the obligation specified in the contract is discharged, cancelled or expires. Any difference between the carrying amount of a financial liability (or part thereof) that is derecognised and the consideration paid is recognised in profit or loss.

Compound financial instruments

The component parts of convertible loan notes issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share capital and/or share premium. Where the conversion option remains unexercised at the maturity date of the convertible loan note, the balance recognised in equity will be transferred to retained earnings. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible loan notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible loan notes using the effective interest method.

Non-GAAP measures

In reporting financial information, the Company presents alternative performance measures, "APMs", which are not defined or specified under the requirements of IFRS.

The Company believes that their APM of Headline EBITDA provides shareholders with useful information about the Company's performance. This measure is consistent with how the business is monitored and reported internally to management and the Board.

PRINCIPAL ACCOUNTING POLICIES (cont'd)

Non-GAAP measures (continued)

The Company makes adjustments to the statutory profit measure in order to arrive at Headline EBITDA. The Company's policy is to exclude items that are considered to be significant in both nature and quantum and where treatment as an adjusted item provides stakeholders with additional useful information to assess the trading performance of the Company. On this basis, the following items were included as adjusting items to arrive at Headline EBITDA for the years ended 31 December 2021 and 31 December 2020:

- Professional fees involved in moving from the AIM market to the Standard List

The reconciliation between operating profit from continuing operations and Headline EBITDA is shown on the face of the Income Statement. As this reconciliation is not defined under IFRS this measure may not be comparable with other companies which report under IFRS.

Critical judgements and key sources of estimation uncertainty

The preparation of financial information in conformity with IFRS requires the Company to make certain judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates under different assumptions or conditions.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements
There were no judgements, apart from those involving estimates set out below, which are considered to have had a significant effect on amounts recognised in the financial statements.

Key sources of estimation uncertainty
The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are set out below.

Financial asset measured at fair value through profit or loss
The contractual terms of the loan receivable granted in the year are such that the repayment and redemption premium do not meet the conditions to be measured at amortised cost, and the financial instrument is consequently measured at fair value through profit or loss. The valuation of the fair value of the financial asset is therefore a key source of estimation uncertainty.

In determining their estimation of the fair value of the financial liability, the key inputs and variables which the directors have taken into consideration in their fair value calculations are the estimated repayment date and the discount factor applied to arrive at the present value of the estimated redemption premium. Repayment dates are weighted in terms of the Directors' estimated probability, and range between September 2022 and the final repayment date of August 2024. A discount rate of 13% was applied in the calculations.

The fair value calculations have given rise to the recognition of a fair value gain of £1.03m in the year, which includes interest of £0.3m. Changes to these estimation criteria would result in variations in the amount of fair value gain.

PRINCIPAL ACCOUNTING POLICIES (cont'd)

Critical judgements and key sources of estimation uncertainty (continued)

Recoverability of loan receivable and other receivables
The allowance for expected credit losses assessment requires a degree of estimation and judgement.

The Internet Fusion Group (IFG) loan receivable is secured against the assets of the loan counterparty, and other receivables predominantly relate to the costs of issuing the convertible loan notes and granting the secured loan receivable which are due to be reimbursed to the Company under the terms of the secured loan arrangement.

At the date of signing of these financial statements these amounts remain outstanding. Discussions are ongoing with IFG regarding the repayment of the secured loan and the loan issuance costs, and the Directors are confident that the security arrangements provided for both of these amounts will ensure their full recovery. Consequently, no impairment losses have been recognised.

Compound financial instrument
The convertible unsecured loan notes represent a compound financial instrument, and separation of the equity and liability components of the instrument on initial recognition involves calculating the fair value of the liability component.

In determining the carrying amount of the liability component management have measured the fair value by comparison to the cost of borrowing of a similar liability that does not have an associated equity component. In making this comparison an interest rate of 13% has been applied in the calculations which has given rise to a liability component at the date of issue of £14.6m which is subsequently measured at amortised cost using the effective interest method, and an amount classified as equity of £1.9m which is not subsequently remeasured.

An increase of 3% in the interest rate would have given rise to a decrease in the liability component at the date of issue and an increase in the equity component of £1.0m, and a decrease of 3% in the interest rate would have given rise to an increase in the liability component at the date of issue and a decrease in the equity component of £1.1m.

NOTES TO THE FINANCIAL STATEMENTS

1. Segmental analysis

The Company's single reportable segment is that of its activities as an investment holding company. This activity takes place wholly in the United Kingdom.

2. Loss per share attributable to ordinary shareholders

	2021 per share £	2020 per share £
Basic loss per share	(0.0004)	(0.019)
Diluted loss per share	(0.0004)	(0.019)

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for calculating diluted earnings per ordinary share are identical to those used for basic loss per ordinary share as at 31 December 2020 and 31 December 2021. All share options formerly in issue had expired.

The calculation of loss per share is based on the following data:

	2021 £000	2020 £000
Loss for the purposes of basic earnings per share being net loss attributable to owners of the Company	(20)	(340)
Number of Shares		
Weighted average number of shares in issue:	**50,288,019**	**18,127,232**

There were no instruments with a dilutive, or potentially dilutive, impact (2020: nil).

3. Operating loss

The following are included in operating loss for the year:

	2021 £000	2020 £000
Exceptional costs (see analysis below)	-	105
Staff costs	176	18
Auditor's remuneration (see note 4)	38	33
Lease payments	2	2
Foreign exchange losses	1	-

The exceptional and acquisition related income/(costs) relate to:

	2021 £000	2020 £000
Costs relating to the move to the LSE Standard List	-	105
Exceptional costs	**-**	**105**

The Company's lease payments entirely relate to short term leases which, in accordance with IFRS 16 Leases, are recognised as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

4. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:	2021 £000	2020 £000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	38	33
Total fees	**38**	**33**

5. Transactions with key management personnel

Key management of the Company is considered to be the Board of Directors the remuneration of whom is set out as follows:

	2021 £000	2020 £000
Wages and salaries and/or fees	168	18
Social security costs	8	-
Total Remuneration	**176**	**18**

Further information is given in the Directors' remuneration report.

6. Staff Costs

The average monthly number of employees (including Directors) was:

	2021 Number	2020 Number
Directors	4	4
	4	**4**

Their aggregate remuneration comprised:

	2021 £000	2020 £000
Wages and salaries and/or fees	168	18
Social security costs	8	-
	176	**18**

7. Other gains and losses

	2021 £000	2020 £000
Net gain on financial assets measured at FVTPL	1,029	-
	1,029	**-**

The net gain on financial assets measured at FVTPL comprises an increase in fair value of £714,000 and interest of £315,000.

NOTES TO THE FINANCIAL STATEMENTS

8. Finance costs

	2021 £000	2020 £000
Interest on convertible loan notes	731	-
	731	**-**

9. Tax

	2021 £000	2020 £000
Current taxation		
UK corporation tax	-	-
Deferred tax		
Origination and reversal of timing differences	(70)	-
Total tax credit	**(70)**	**-**

The charge for the year can be reconciled to the income statement as follows:

	2021 £000	2020 £000
Loss before tax	**(90)**	**(340)**
Tax credit at the UK corporation tax rate of 19% (2020: 19%)	(17)	(65)
Effects of:		
Losses (utilised)/not recognised	(36)	65
Adjustment for changes in tax rate	(17)	-
Tax (credit) / charge for the year	**(70)**	**-**

The Company has tax losses carried forward of £982,784 (2020: £1,284,693) in respect of which no deferred tax asset has been recognised due to uncertainty of the Company's expected future profitability.

Changes to UK corporation tax rates were substantively enacted by the Finance Bill 2021 on 24 May 2021. These included an increase of the corporation tax rate to 25% from 1 April 2023. As this change was substantively enacted at the balance sheet date, deferred tax is recognised at a rate of 25% in the current year.

NOTES TO THE FINANCIAL STATEMENTS

10. Investments in financial assets

	2021 £000	2020 £000
Financial assets measured at FVTPL		
Loan receivable	14,414	-
	14,414	**-**

On 16 September 2021 the Company issued a three-year term loan, on which interest is charged at 8%, which may be capitalised in year one (the IFG loan). The loan is secured on the assets of the borrower and its group.

The loan carries a redemption premium upon repayment. The premium is 5% for repayments up to 15 September 2022, 10% for repayments between 16 September 2022 and 15 September 2023 and 15% thereafter.

The contractual terms of this financial instrument are such that the repayment and redemption premium do not meet the conditions to be measured at amortised cost, and the instrument is consequently measured at fair value through profit or loss (FVTPL).

The carrying amount of the financial asset measured at fair value through profit or loss is £14,413,532 which includes a fair value uplift from the loan principle of £713,532.

11. Trade and other receivables

	2021 £000	2020 £000
Other receivables	1,255	2
Prepayments	322	41
	1,577	**43**

The Directors consider that the carrying value of trade and other receivables represents their fair value.

Other receivables comprise expenses incurred in the issuance of the convertible unsecured loan notes (note 13) and the costs of granting the secured loan (note 10). Under an agreement dated 16 September 2021 these costs are due to be reimbursed to the Company by the secured loan counterparty.

Other receivables comprise expenses incurred in the issuance of the convertible unsecured loan note (note 13) and the costs of granting the secured loan (note 10). Under the terms of an agreement dated 16 September 2021 the costs are due to be reimbursed to the Company, within 10 business days of a demand, by the secured loan counterparty. At the date of signing of these financial statements the amounts remain outstanding. As outlined in the Strategic Report discussions are ongoing with the Internet Fusion Group regarding the repayment of these costs and the secured loan. The directors are confident that the security arrangements provided for both of these amounts will ensure their full recovery.

At 31 December 2021 no amounts were past due (2020: £nil). Expected credit losses are considered to be immaterial and consequently no impairment losses have been recognised (2020: £nil).

12. Trade and other payables

	2021 £000	2020 £000
Trade payables	16	2
Other payables	4	-
Accruals	70	30
	90	**32**

Amounts payable to providers of services and accruals principally comprise amounts outstanding for trade purchases and ongoing costs. The creditor terms are for payment to be made between 30 and 60 days (2020: 30 to 60 days). The creditor days at the year-end were 15 days (2020: 2 days). The Company has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

The Directors consider that the carrying amount of trade payables approximates to their fair value.

13. Convertible loan notes

The convertible unsecured loan notes (CULS) were issued on 12 August 2021 at an issue price of £1 per note. The notes are convertible into ordinary shares of the Company at the option of the loan noteholder within 28 days of the publication of either the Company's full or interim results. The Company may redeem the loan notes, in whole or in part, on 31 December in any year by giving not less than 14 days' notice to the loan noteholders. The conversion price of the loan notes is 6p per ordinary share.

If the notes have not been converted, they will be redeemed on 12 August 2024. Interest of 8% will be paid up to the settlement date.

Under an agreement dated 16 September 2021 the costs of issue of the loan notes are due to be reimbursed to the Company.

The net proceeds received from the issue of the loan notes have been split between the financial liability element and an equity component, representing the fair value of the embedded option to convert the financial liability into equity of the Company, as follows:

	£000
Proceeds of issue of convertible loan notes	**16,500**
Amount classified as equity	**1,948**
Liability component at date of issue	14,552
Interest charged	731
Carrying amount of liability component at 31 December 2021	**15,283**

The equity component of £1,947,951 has been credited to the Option Premium Reserve.

The interest expense for the year is calculated by applying the effective interest of 13% per annum to the liability component for the 141 days since the loan notes were issued. The liability component is measured at amortised cost. The difference between the carrying amount of the liability component at the date of issue and the amount reported in the balance sheet at 31 December 2021 represents the effective interest rate less interest paid to that date.

14. Deferred Tax

The following are the major deferred tax liabilities recognised by the Company and movements thereon during the current reporting period.

	Convertible loan note equity component
	£000
At 1 January 2020 and 31 December 2020	-
Charged direct to equity	(487)
Credited to income statement	70
At 31 December 2021	**(417)**

	2021	2020
	£000	£000
Deferred tax asset	-	-
Deferred tax liability	(417)	-
	(417)	-

Other timing differences include a potential deferred tax asset of £0.25 million (2020: £0.24 million) in respect of losses carried forward which has not been recognised on the basis of uncertainty over future profitability.

15. Share capital

The issued share capital of the Company is as follows:

	Share Capital Ordinary Shares £000'	Share Capital Deferred Shares £000'
At 1 January 2020	2,869	-
Sub division and issue of shares on 29 June 2020	(2,725)	2,725
Ordinary shares issued on 30 September 2020	862	-
Share capital as at 31 December 2020 and 31 December 2021	**1,006**	**2,725**

15. Share capital (continued)

The movement in share capital is set out below.

	Number Ordinary Shares	Number Deferred Shares
Ordinary shares of £0.001 each		
At 1 January 2020	143,427,199	-
Issue of shares on 29 June at £0.02	1	-
Sub division of shares on 29 June 2020 into ordinary shares of £0.02	(136,255,840)	-
Issue of deferred shares on 29 June 2020 at £0.019 per share	-	143,427,200
Ordinary shares issued on 30 September 2020	43,116,659	
Share capital as at 31 December 2020 and 31 December 2021	**50,288,019**	**143,427,200**

On the 29 June 2020 the Company completed a 20:1 share consolidation.

On 30 September 2020 the Company moved to the Standard Segment of the Official List and raised £1.293 million by placing 43,116,659 at 3p per share.

The ordinary shares confer the right to receive a dividend, the right to one vote per share and the right to participate in a distribution on a winding up of the Company or a return of capital.

The deferred shares confer no rights to receive a dividend or other distribution, no right to participate in income or profit and no right to receive notice or speak or vote at a general meeting. They solely confer the right on the return of capital after the nominal value together with the £100,000,000 has been paid to the ordinary shareholders.

16. Equity

Share Premium Account

	£000
At 1 January 2020	29,648
On issue of shares on 30 September 2020	431
Expenses of issue of shares	(23)
At 31 December 2020 and 31 December 2021	**30,056**

Merger Reserve

	£000
At 1 January and 31 December 2020 and 31 December 2021	**251**

The Merger Reserve arose from a business combination in a previous period where the nominal value of shares issued differed from the fair value of assets transferred.

Option Premium Reserve

	£000
At 1 January and 31 December 2020	-
Recognition of equity component of convertible loan notes	1,948
Deferred tax on equity component of convertible loan notes	(487)
At 31 December 2021	**1,461**

The Option Premium Reserve represents the equity component of convertible debt instruments (note 13).

NOTES TO THE FINANCIAL STATEMENTS

17. Notes of Cash Flow Statement

	2021 £000	2020 £000
Loss before taxation	(90)	(340)
Adjustments for:		
Other gains and losses	(1,029)	-
Finance costs	731	-
Foreign exchange	1	-
Expenses paid with issue of shares	-	43
Operating cash flows before movements in working capital	**(387)**	**(297)**
(Increase)/decrease in receivables	(1,188)	20
Increase/(decrease) in payables	26	(61)
Net cash flows used in operating activities	**(1,549)**	**(338)**

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets is approximately equal to their fair value.

The Company's net cash has moved as follows during the year:

	1 January 2021 £000	Cash flow £000	Non-cash Movements £000	31 December 2021 £000
Cash and bank balances	1,060	1,251	-	2,311
Net cash	**1,060**	**1,251**	**-**	**2,311**

18. Capital commitments

The Company had no commitments to purchase property, plant and equipment (2020: none).

NOTES TO THE FINANCIAL STATEMENTS

19. Financial risk management objectives

Capital risk management
The Company manages its capital to ensure that it will be able to continue as going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Company's overall strategy remains unchanged from 2020.

The capital structure of the Company consists of net debt (borrowings disclosed in note 13 after deducting cash and bank balances) and equity (comprising issued capital, other reserves and retained earnings) as disclosed in the statement of changes in equity.

The Company is not subject to any externally imposed capital requirements.

The directors review the capital structure on a regular basis. As part of that review the directors consider the cost of capital and the risks associated with each class of capital. The Company has no target gearing ratio and the directors are working to eliminate net debt by offsetting amounts due under secured loans granted with the loan note debt.

The gearing ratio at the year-end is as follows:

	2021 £000	2020 £000
Debt	15,283	-
Cash and cash equivalents	(2,311)	(1,060)
Net debt	**12,972**	**(1,060)**
Equity	**2,512**	**1,071**
Net debt to equity ratio	**516%**	**(99%)**

Debt is defined as long and short term borrowings, as detailed in note 13.

Equity includes all capital and reserves of the Company that are managed as capital.

Categories of financial instruments
Financial liabilities and assets included in the balance sheet are as follows:

	2021 £000	2020 £000
Financial assets measured at amortised cost		
Other receivables	1,221	2
Cash and bank balances	2,311	1,060
	3,532	**1,062**
Financial assets measured at fair value through profit or loss		
Loan receivable	**14,414**	-
Financial liabilities measured at amortised cost		
Trade payables	16	2
Accruals	70	30
Other payables	4	-
Convertible loan notes	15,283	-
	15,373	**32**

19. Financial risk management objectives (continued)

In relation to the nature of the financial instruments that are measured in the Statement of Financial Position at fair value, IFRS 7 requires them to be put into a fair value measurement hierarchy, based on the lowest level of input significant to the overall fair value, as follows:

Level 1
Fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2
Fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3
Fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The inputs used in determining the fair value of the loan receivable measured at fair value through profit or loss fall within Level 3 of the fair value hierarchy.

The Directors consider the book value of all financial instruments to equate to their fair value.

The exposure of risk to the Company's objectives, policies and processes for managing the risk and the methods used to measure the risk are set out below.

Interest rate risk
The Company has both interest-bearing assets and interest-bearing liabilities. Interest bearing assets comprise of cash balances which earn interest at floating rates and a loan on which interest is charged at a fixed rate, plus a redemption premium. Interest bearing liabilities consist of convertible loan notes which attract interest at a fixed rate.

The Company's policy is to minimise interest charges through active cash management. Interest charges on the Company's financial assets and liabilities are part of structured/planned arrangements, and these arrangements are kept under regular review.

Credit risk
The Company has no trade receivable balances, and the other receivable balances predominantly relate to the costs of issuing the convertible loan notes and granting the secured loan receivable which are due to be reimbursed to the Company under the terms of the secured loan arrangement. The receivable loan is secured against the assets of the loan counterparty. In view of the security in place there is considered to be no significant risk of non-payment.

Liquidity risk
The Company's approach to managing its liquidity risk is to maintain sufficient cash and other working capital to always meet its liabilities when they fall due. Liquidity risk and cash requirements are regularly reviewed by reference to short term cash flow forecasts and medium-term working capital projections.

The remaining contractual maturity for Company's financial liabilities falls within one year for all items, except for the convertible loan notes which, if not converted, are due to be redeemed on 12 August 2024.

NOTES TO THE FINA NCIAL STATEMENTS

19. Financial risk management objectives (continued)

Currency risk

The Company's only current exposure to currency risk is with regard to amounts held in foreign currency bank accounts. The non-sterling cash balances at 31 December 2021 were US$60 (2020: US$130).

20. Dividends

During the year the Company did not pay or approve a dividend (2020: no dividend). The Company has no distributable reserves to allow declaration of a dividend.

21. Related Parties

During the year Modwenna Limited a company closely associated with one of the Company's directors, Mr Dwight Mighty, was paid fees of £140,000 relating to work performed in connection with the Secured Loan, the Convertible Unsecured Loan Securities (CULS) issuance and work in connection with the failed merger with Internet Fusion Group Limited (IFG). This amount has not been charged to the Company's Income Statement as the arrangements in place are such that they will be recovered from IFG .Modwenna Limited also received fees in relation to Company Secretarial work in the amount of £18,360 (2020: £18,360).

During the year Gresham House Asset Management Limited, a substantial shareholder in the Company and associated with one of the Company's directors, Mr Ken Wotton, were paid fees of £140,000 relating to work undertaken on the CULS issuance This amount has not been charged to the Company's Income Statement as it will also be recovered from IFG .In addition, the Company paid fees of £40,000 (2020: £nil) to Gresham House Asset Management Limited in respect of the services of Mr Wotton as a director, as disclosed in the Directors Remuneration Report.

Gresham House invested £7m out of a total of £16.5m in the CULS issuance in August 2021. They did so upon the same terms as the other investors involved.

22. Post Balance Sheet Events

There were no significant post balance sheet events.

Shareholder information

Annual General Meeting: 24 June 2022

Website: www.hawkwing.co

Advisers

Auditor
Crowe U.K. LLP, Chartered Accountants,
Riverside House, 40-46 High Street,
Maidstone, Kent, ME14 1JH

Broker
Dowgate Capital Limited
15 Fetter Lane, London, EC4A 1BW

Registrars
Neville Registrars Limited
Neville House
Steelpark Road
Halesowen
West Midlands
B62 8HD

Lawyers – UK
DAC Beachcroft
The Walbrook Building, 25 Walbrook, London,
EC4N 8AF

Banker – UK
HSBC BANK PLC
North London Corporate Banking Centre
2nd Floor, 1 Old Street, London, EC1V 9HL

PR
Luther Pendragon, 48 Gracechurch Street,
London, EC3V 0EJ

Registered office
The Walbrook Building, 25 Walbrook, London,
EC4N 8AF

Registered number: 07741649
Country of incorporation: England