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# **PIPEHAWK PLC**

## **PRELIMINARY STATEMENT**

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*“ Year ended 30 June 2002 ”*

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**CHAIRMAN'S STATEMENT**

The year to 30<sup>th</sup> June 2002 was in line with our expectations with the second half pre-tax losses reducing to £366,098 compared to £646,698 at the interim stage. The year benefited both from the NYGAS and EU land mine development contracts which provided revenues of £734,151 and sales of PipeHawk being stronger in the second half.

As has previously been announced the company is moving towards the provision of high technology services utilising core ground probing radar technology. The first stage of this programme was implemented by the acquisition of Adien Limited in July 2002. Adien provides a high-quality, unique service based upon the PipeHawk radar system and Antony Norton, Managing Director of Adien and previously its controlling shareholder, joined the PipeHawk board at the date of the acquisition of Adien. The demand for radar assisted surveying services continues to increase and we believe that Adien is uniquely positioned to take advantage of this opportunity.

SUMO Limited, our joint venture with two other partners, successfully launched its franchise programme at the NEC Franchise Exhibition held in October. A high level of interest was shown by potential franchisees and we expect to convert a sufficient number of these during the current financial year to ensure that the growth plans of SUMO are achieved. Each franchise outlet will purchase a PipeHawk machine and it is expected that this will be the single most significant outlet for the sale of PipeHawk units in the future.

The Company has continued its efforts to exploit the US market and a number of favourable evaluations have been reported by US gas companies leading to a rise in the number of prospective new customers. This positive news however coincided with the issuing of a draft document earlier this year by the FCC, the US regulator, regarding the licensing of ultra-wideband devices (UWB), which included GPR. The uncertainty that the document created in the US market affected the GPR industry generally as customers deferred orders until such time as the draft regulations were settled. Recently the regulations were finalised (subject to measurement details) and have now become mandatory; this requires that the PipeHawk product be tested in accordance with the new regulations and then approved by the FCC. We are taking the necessary measures to comply and we currently anticipate that deferred potential orders will be reinstated given our compliance with the regulations now in place.

Concurrent with the finalisation of the FCC regulations the European Telecommunications Standards Institute, ETSI, is drafting UWB regulations for Europe. The company has been involved, with others, in negotiations with the Radiocommunications Agency of the UK and ETSI; we do not anticipate that the new standards, when introduced, will cause difficulties for future sales of PipeHawk either in the UK or Europe.

The advantage of these regulations being finalised is that uncertainty as to product compliance has now been clarified. This is particularly important in relation to the recently agreed extension to the NYGAS contract relating to the development of a Hand Held Radar. This contract totalling US\$275,000, which will fully commence in January 2003 and run for approximately seven months, is aimed at producing a concept demonstrator. The Company is in discussion with potential commercial partners who have an interest in the manufacture and marketing of the proposed product.

**CHAIRMAN'S STATEMENT (CONTINUED)**

The LOTUS project, part of the EU land mine programme has now ended. The company recently received a highly complimentary technical review of its work but the EU has now advised us, and others working in this field, that they will not be inviting new proposals for their consideration until June 2003 with any new contracts that may be awarded not commencing until January 2004. As a consequence of the EU decision we have reduced the Technical Division of the company and will be closing the Church Crookham facility with staff being re-located to our Alton premises.

A number of the factors mentioned above will adversely impact the first half of the current year. However, the removal of the uncertainties relating to licensing regulations and the substantially reduced cost base of the company are expected to benefit the second half as will the NYGAS contract and the anticipated growth in the Adien and SUMO operations. It remains the intention of the company to seek to acquire other high technology service based companies when this is appropriate.

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*Chairman*

**SUMMARISED CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
for the year ending 30 June 2002

	Note	Year ended 30 June 2002 £'000	Year ended 30 June 2001 £'000
<b>Group turnover</b> – continuing operations		1,146	652
– less share of joint venture turnover		(17)	-
		<u>1,129</u>	<u>652</u>
<b>Total operating loss</b> – continuing operations		(935)	(955)
– share of operating loss in joint venture		(41)	-
		<u>(976)</u>	<u>(955)</u>
Interest payable less interest receivable		(37)	(17)
<b>Loss on ordinary activities before taxation</b>		<u>(1,013)</u>	<u>(972)</u>
Tax on profit on ordinary activities	2	-	-
<b>Loss on ordinary activities after taxation</b>		(1,013)	(972)
<b>Loss for financial year</b>		(1,013)	(972)
Dividends		-	-
<b>Retained loss for the year</b>		<u>(1,013)</u>	<u>(972)</u>
<b>Loss per share</b>	3	<b>p</b>	<b>p</b>
Basic and diluted		(7.0)	(8.2)

**SUMMARISED CONSOLIDATED CASH FLOW STATEMENT**  
for the year ended 30 June 2002

	Year ended 30 June 2002 £'000	Year ended 30 June 2001 £'000
Net cash outflow from operating activities	(785)	(1,281)
Returns on investment and servicing of finance	(37)	(17)
Taxation paid	-	-
Capital expenditure and financial investment	(128)	(324)
Acquisitions and disposals	(33)	-
Management of liquid resources	750	(750)
Financing	21	2,487
<b>Increase/(decrease) in cash</b>	<u>(212)</u>	<u>115</u>

**SUMMARISED CONSOLIDATED BALANCE SHEET  
at 30 June 2002**

	<b>2002</b>	<b>2001</b>
	<b>£'000</b>	<b>£'000</b>
<b>Fixed assets</b>		
Intangible assets	194	277
Tangible assets	251	234
Joint Venture	12	-
	<u>457</u>	<u>511</u>
<b>Current assets</b>		
Stocks	406	265
Debtors due within one year	553	558
Cash at bank and in hand	2	915
	<u>961</u>	<u>1,738</u>
<b>Creditors:</b> Amounts falling due within one year	<u>(1,121)</u>	<u>(596)</u>
<b>Net current assets/(liabilities)</b>	<u>(160)</u>	<u>1,142</u>
<b>Total assets less current liabilities</b>	297	1,653
<b>Creditors:</b> Amounts falling due after more than one year	<u>(45)</u>	<u>(393)</u>
<b>Net assets/(liabilities)</b>	<u>252</u>	<u>1,260</u>
<b>Capital and reserves</b>	<u>252</u>	<u>1,260</u>

**NOTES TO THE PRELIMINARY STATEMENT**

**30 June 2002**

**1. BASIS OF ACCOUNTING**

The financial statements are prepared in accordance with applicable accounting standards under the historical cost convention. The financial statements consolidate those of PipeHawk plc and of its subsidiary undertaking, which are made up to the year end. Investments in joint ventures are dealt with by the gross equity method of accounting.

**2. TAXATION**

There is no corporation tax charge as a result of losses arising in the year.

**3. LOSS PER SHARE**

These have been calculated on a loss of £1,013,000 (2000: loss £972,000).

The weighted average number of shares used was:

	<b>2002</b>	<b>2001</b>
Basic	14,471,470	11,868,407

Options in issue do not dilute earnings per share for the years ended 30 June 2002 and 30 June 2001 because there were losses in both periods.

**4. PRELIMINARY STATEMENT**

This preliminary statement, which has been agreed with the auditors, was approved by the Board on 15th November 2002. It is not the company's statutory accounts. The statutory accounts for the period ended 30 June 2001 have been delivered to the Registrar of Companies and received an audit report which was unqualified and did not contain statements under s237(2) or (3) of the Companies Act 1985. The statutory accounts for the year ended 30 June 2002 have not yet been approved, audited or filed.