

SKY HIGH PLC

INTERIM REPORT

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

COMPANY NUMBER: 3896384

Sky High Plc

Interim Report for the Six Months to 30 September 2011

Sky High Plc ('Sky High' or the 'Group'), the data collection and analysis group, today announces its results for the six months ended 30 September 2011.

Highlights

The results show turnover and profit growth compared to the equivalent period last year despite the challenging economic conditions.

- Results show profit before tax for the period of £153k (2010: £299k: loss).
- UK Traffic turnover up by 28% to £1,656k (2010: £1,291k).
- Australia Traffic turnover was up 51% on prior year at £1,115k (2010: £735k).
- The Board is confident that the Group is well positioned to take advantage of opportunities as the market improves further.

For further information, please contact:

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Chairman's Statement

I am pleased to present the Interim Report for Sky High Plc for the six month period to 30 September 2011.

Results

I am delighted to report that the Group achieved a significantly improved performance for the first six months of this year compared to the same period last year despite continued economic uncertainty, especially in the UK. The Group profit before tax for the first six months of the year is £153k compared to a loss of £299k for the equivalent period last year.

Turnover for the half year increased by 31% to £2,989k (2010: £2,278k) with revenue growth in both the UK and Australia which is encouraging. Gross margins in the period also increased to 37% (2010: 33%). Gross margins in the UK trading businesses were 1% down on the prior year due to the combined effect of a lower gross margin on the contract with the Department for Transport ('DfT') compared to standard non contracted work and price pressure caused by the competitive market. This reduction in the UK margin was offset by an increase in the gross margin in Australia primarily due to the implementation of a lower cost base through the use of the Korean subcontractor for a number of processes.

Cash and cash equivalents showed a net increase of £92k in the period primarily due to the flexibility of the invoice discounting facility. This flexibility has enabled us to invest £107k in new operational equipment in both the UK and Australia to enable specific projects to be delivered.

UK Traffic

Turnover in the UK traffic business for the period increased by 28% to £1,656k (2010: £1,291k) primarily due to the revenue from the contract with the DfT which was announced on 17 February 2011.

Profit before tax for the period was £60k compared to a loss of £192k in the equivalent period last year. The competitive nature of the market has resulted in price and margin pressure but the impact of the cost reductions implemented in 2010 and the contribution from the DfT contract resulted in a return to profit for this period.

These results were achieved against the backdrop of what is still a challenging UK market due to the continued impact of the Government's spending review and the general economic conditions.

Sky High Australia

Sky High Australia has had a very strong six months generating a profit before tax of £143k compared to a loss of £19k for the equivalent period last year. Of the increase, £6k relates to the fluctuation in the exchange rate between the UK pound and the Australian dollar. Turnover in the period was up 51% on prior year at £1,115k (2010: £735k), of which £91k relates to currency fluctuation. The Australian business has been developing over a number of years to position itself as a leading provider of traffic data collection in this market. The results for this period are the culmination of this effort as they have been successful in winning a number of larger projects which have underpinned the improvements compared with prior year. The Directors also believe that the Australian market and economy appears more stable and buoyant than the UK market and that this has benefited the business.

Sky High Data Capture

Sky High Data Capture results show a profit for the period of £1k (2009: £8k). Turnover in the period was down slightly at £218k (2009: £252k). The reduced profit in this period is largely due to an investment in sales and marketing resource with the aim of growing this business. The Directors believe that this business has good long term growth potential and have been prepared to make these investments for the longer term benefit. The general economic environment has meant that winning new business has been more difficult than the directors had hoped, however the business has recently secured a number of new customers that will generate revenue going forward.

Head Office

The head office costs which include the costs of maintaining the Company's quotation decreased in the period to £48k (2010: £96k). The reduction is due to both costs being reduced in 2011 as the Non Executive Directors have agreed to waive their fees until the economy improves and the fact that 2010 included a number of non recurring costs including the recruitment fee for a full time Finance Director.

Prospects

The general market in the UK remains challenging as budgets for public sector spending have been cut and there is general economic uncertainty. However the Directors are confident that the market is slowly improving evidenced by a rise in the volumes of enquiries and a gradual improvement in the quality of the enquiries. In addition the Government has announced plans for infrastructure spending which includes transportation. In the Director's opinion these plans will generate a need for traffic data which will help support the market in which Sky High operates. Due to the combination of the DfT contract, a reduced operating cost base and a slowly improving market the Directors remain confident for the prospects of the UK Traffic business.

The Directors remain committed to continued investment in business development and are continually looking to improve market share through tendering for new major contracts and looking to develop strategic relationships with other market participants. In addition we are continually looking to develop innovative solutions to our client's needs through the use of alternative methods and new technology. This investment has resulted in the development of methodology for collection of traffic data using Bluetooth technology which the Directors consider will help the business maintain and grow its market position as well as potentially opening up other opportunities.

The Directors remain confident about the prospects for Australia Traffic. The Directors continue to believe the market in Australia is more buoyant than the UK and that Sky High Australia has developed into one of the leading players in this market. The Directors expect this business to build on the performance over the last six months and we believe that this business will deliver good growth over the next few years. In addition, the relationship with South Korea opens up interesting opportunities to potentially begin surveys in this market.

The Directors remain confident that the investment in business development in Sky High Data Capture will start to generate positive results and expect this business to show some growth in the future.

Sky High's strategy remains unchanged and has three main objectives:-

- to further grow market share in the UK traffic market through both organic growth and acquisitions leveraging off our strong market position and ability to provide innovative solutions to meet client needs;
- to expand the Group through acquisition in areas complementary to Sky High's core skills of data collection; and
- achieve low risk international expansion.

Acquisitions remain an important part of our strategy going forward and the Directors continue to support the strategy of pursuing acquisitions that expand the service offerings and have good synergy benefits.

The Board remains cautious in its outlook and sensitive to the conditions in the general economy but the Board is confident that the Group is well positioned to take advantage of opportunities as the market improves further.

Dividends

The Directors maintain the view that despite the improvement in trading, at present the business needs to retain cash to provide a suitable level of working capital. Accordingly, the Directors do not recommend the payment of an interim dividend.

The Directors remain hopeful that in the future if the market continues to stabilise, they will be able to return to the historic dividend policy but this will be reviewed against the Company's working capital needs and against the plans for future growth.

Directors and Employees

I would also like to acknowledge the continued support and flexibility of all the directors and the employees in our UK Traffic business whose attitude and commitment have been instrumental in the improved performance despite the challenging UK market conditions.

Richard Jackson
Chairman
15 December 2011

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six month period to 30 September 2011

		6 months ended 30 September 2011	6 months ended 30 September 2010	12 months ended 31 March 2011
	Note	Unaudited £'000	Unaudited £'000	Audited £'000
Continuing operations				
Revenue	8	2,989	2,278	4,757
Cost of sales		(1,893)	(1,527)	(2,992)
Gross profit		1,096	751	1,765
Other administrative expenses		(932)	(1,034)	(1,977)
Profit/(loss) from operating activities	8	164	(283)	(212)
Finance income		-	-	1
Finance expenses		(11)	(16)	(39)
Profit/(loss) before taxation		153	(299)	(250)
Taxation		(61)	-	52
Profit/(loss) from continuing operations	8	92	(299)	(198)
Other comprehensive (loss)/income				
(Loss)/gain on translation of foreign operations		(16)	11	32
Total comprehensive income/(loss)		76	(288)	(166)
Basic profit per ordinary share	5	0.7p	(2.3)p	(1.6)p
Diluted profit per ordinary share	5	0.7p	(2.3)p	(1.6)p

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2011

		At 30 September 2011	At 30 September 2010	At 31 March 2011
	Note	Unaudited £'000	Unaudited £'000	Audited £'000
Non-current assets				
Property, plant and equipment		705	788	693
Goodwill		730	730	730
Other intangible assets		27	41	34
Total non-current assets		<u>1,462</u>	<u>1,559</u>	<u>1,457</u>
Current assets				
Trade and other receivables		1,414	1,066	1,281
Cash and cash equivalents		100	6	22
Total current assets		<u>1,514</u>	<u>1,072</u>	<u>1,303</u>
Total assets	8	<u>2,976</u>	<u>2,631</u>	<u>2,760</u>
Current liabilities				
Bank borrowings		(322)	(61)	(68)
Hire purchase contracts		(97)	(99)	(100)
Trade and other payables		(796)	(703)	(894)
Current tax payable		(41)	(79)	-
Total current liabilities		<u>(1,256)</u>	<u>(942)</u>	<u>(1,062)</u>
Non-current liabilities				
Hire purchase contracts		(91)	(197)	(145)
Deferred tax provision		-	(61)	-
Total non-current liabilities		<u>(91)</u>	<u>(258)</u>	<u>(145)</u>
Total liabilities	8	<u>(1,347)</u>	<u>(1,200)</u>	<u>(1,207)</u>
Net assets		<u>1,629</u>	<u>1,431</u>	<u>1,553</u>
Capital and reserves				
Called up share capital		1,275	1,275	1,275
Share premium account		1,655	1,655	1,655
Profit and loss account		391	198	299
Foreign Exchange reserve		82	77	98
Reverse acquisition reserve		(1,774)	(1,774)	(1,774)
Shareholders' funds		<u>1,629</u>	<u>1,431</u>	<u>1,553</u>

The financial statements were approved by the Board of Directors and authorised for issue on 15 December 2011. They were signed on its behalf by:

Mark Mattison
Director

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six month period to 30 September 2011

	Called up share capital £'000	Share premium account £'000	Retained earnings £'000	Exchange gain reserve £'000	Reverse acquisition reserve £'000	Total equity £'000
For the 6 months ended 30 September 2011						
Unaudited						
At start of period	1,275	1,655	299	98	(1,774)	1,553
Total comprehensive income for the period	-	-	92	(16)	-	76
At end of period	1,275	1,655	391	82	(1,774)	1,629
For the 6 months ended 30 September 2010						
Unaudited						
At start of period	1,275	1,655	497	66	(1,774)	1,719
Total comprehensive income for the period	-	-	(299)	11	-	(288)
At end of period	1,275	1,655	198	77	(1,774)	1,431
For the 12 months ended 31 March 2011						
Audited						
At start of period	1,275	1,655	497	66	(1,774)	1,719
Total comprehensive income for the year	-	-	(198)	32	-	(166)
At end of period	1,275	1,655	299	98	(1,774)	1,553

UNAUDITED CONSOLIDATED STATEMENT OF CASHFLOW

For the six month period to 30 September 2011

		6 months ended 30 September 2011	6 months ended 30 September 2010	12 months ended 31 March 2011
	Note	Unaudited £'000	Unaudited £'000	Audited £'000
Cash generated from operations	7	60	16	190
Taxation				
Income taxes paid		(49)	-	(86)
Cashflow from investing activities				
Purchase of property, plant and equipment		(107)	(51)	(82)
Proceeds from disposal of property, plant and equipment		-	4	20
Interest paid		(11)	(16)	(39)
Interest received		-	-	1
Net cash outflow from investing activities		(118)	(63)	(100)
Cashflow from financing activities				
Net proceeds from invoice discounting		252	-	-
Repayment of bank loans		-	(26)	(27)
Hire purchase repayments		(53)	(54)	(116)
Net cash inflow/(outflow) from financing		199	(80)	(143)
Net increase/(decrease) in cash and cash equivalents		92	(127)	(139)
Effect of exchange fluctuations		(16)	11	32
Cash and cash equivalents at beginning of period		(46)	61	61
Cash and cash equivalents at end of period		30	(55)	(46)

NOTES TO THE ACCOUNTS

For the six month period to 30 September 2011

1 BASIS OF PREPARATION

The interim financial report comprises the results and balances of the Company and its subsidiaries (the Group) for the six month period ended 30 September 2011. They are unaudited and do not comprise statutory accounts in accordance with Section 434 of the Companies Act 2006.

The comparative period for the six months ended 30 September 2010 are also unaudited but the comparative information for the year ended 31 March 2011 is audited and taken from the unqualified statutory accounts.

This set of interim financial statements has been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union. As required, the condensed set of financial statements has been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 March 2011 and should be read in conjunction with those annual financial statements, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

2 ACCOUNTING POLICIES

Basis of Accounting

The interim financial statements have been prepared applying the accounting policies and presentation that were applied in the preparation of the Group's published consolidated financial statements for the year ended 31 March 2011.

These accounting policies reflect IFRS and interpretations that are expected to be applicable to the group for its 2011/12 financial statements. It is possible that there will be changes to these standards and interpretations before the end of the group's 2011/12 financial year, which might require adjustments to this information before it is included in the financial statements for the year ended 31 March 2012.

3 CRITICAL ACCOUNTING JUDGEMENTS

Going concern

On the basis of current financial projections and facilities expected to be available, the directors have a reasonable expectation that the group will have adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the interim financial statements, which do not include any adjustments that would result from this basis of preparation being inappropriate.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

4 DIVIDENDS

The directors do not recommend the payment of an interim dividend.

5 EARNINGS PER SHARE

The calculation is based on the earnings attributable to ordinary shareholders divided by the weighted average number of Ordinary Shares in issue during the period as follows:

	6 months ended 30 September 2011	6 months ended 30 September 2010	12 months ended 31 March 2011
	Unaudited £'000	Unaudited £'000	Audited £'000
Profit/(Loss) for the period	<u>92</u>	<u>(299)</u>	<u>(198)</u>
	No. '000	No. '000	No. '000
Weighted average number of equity shares: Basic	<u>12,745</u>	<u>12,745</u>	<u>12,745</u>
Weighted average number of equity shares: Diluted	<u>13,053</u>	<u>13,127</u>	<u>12,745</u>

6 PROPERTY, PLANT AND EQUIPMENT

During the period the Group made acquisitions amounting to £107k (2010: £51k).

7 CASH USED IN OPERATIONS

	6 months ended 30 September 2011	6 months ended 30 September 2010	12 months ended 31 March 2011
	Unaudited £'000	Unaudited £'000	Audited £'000
Results from operating activities	164	(283)	(212)
Depreciation of property, plant and equipment	87	99	210
Amortisation of intangible fixed assets	7	7	14
Loss/(Profit) on disposal of property, plant and equipment	-	1	1
Decrease/(Increase) in receivables	(134)	422	190
Decrease in payables	(64)	(230)	(13)
Cash generated from operations	<u>60</u>	<u>16</u>	<u>190</u>

8 SEGMENT ANALYSIS

The primary reporting format is by business operations and then split by geographical area on the same basis that management reports are prepared for the chief operating decision maker. All operations are UK based with the exception of Australia Traffic. The relevant segments are presented below. There were no discontinued operations in the period.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

	UK Traffic	Australia Traffic	Data Capture	Head Office	Total for group
	£'000	£'000	£'000	£'000	£'000
For the 6 months ended 30 September 2011					
Unaudited					
Revenue	1,656	1,115	218	-	2,989
Operating profit/(loss)	63	148	1	(48)	164
Finance income	-	-	-	-	-
Finance expenses	(3)	(5)	-	(3)	(11)
Profit/(loss) before taxation	60	143	1	(51)	153
Income tax expense	-	(61)	-	-	(61)
Profit/(loss) from continuing operations	60	82	1	(51)	92
Balance sheet					
Total assets	1,220	874	114	768	2,976
Total liabilities	(733)	(513)	(75)	(26)	(1,347)

	UK Traffic	Australia Traffic	Data Capture	Head Office	Total for group
For the 6 months ended 30 September 2010					
Unaudited	£'000	£'000	£'000	£'000	£'000
Revenue	1,291	735	252	-	2,278
Operating profit/(loss)	(186)	(9)	8	(96)	(283)
Finance income	-	-	-	-	-
Finance expenses	(6)	(10)	-	-	(16)
Profit/(loss) before taxation	(192)	(19)	8	(96)	(299)
Income tax expense	-	-	-	-	-
Profit/(loss) from continuing operations	(192)	(19)	8	(96)	(299)
Balance sheet					
Total assets	1,037	660	160	774	2,631
Total liabilities	(676)	(364)	(99)	(61)	(1,200)

	UK Traffic	Australia Traffic	Data Capture	Head Office	Total for group
For the 12 months ended 31 March 2011					
Audited	£'000	£'000	£'000	£'000	£'000
Revenue	2,751	1,605	401	-	4,757
Operating profit/(loss)	(26)	73	(52)	(207)	(212)
Finance income	1	-	-	-	1
Finance expenses	(12)	(27)	-	-	(39)
Profit/(loss) before taxation	(37)	46	(52)	(207)	(250)
Income tax expense	61	(9)	-	-	52
Profit/(loss) from continuing operations	24	37	(52)	(207)	(198)
Balance sheet					
Total assets	1,155	724	117	764	2,760
Total liabilities	(657)	(409)	(62)	(79)	(1,207)

Copies of this report will be available from the Company's website at www.skyhighplc.co.uk and the Company's registered office at 12-14 Westgate, Tadcaster, Leeds, LS24 9AB.